Annual Securities Report

From January 1, 2022 to December 31, 2022

(71st Term)

THE PACK CORPORATION

Annual Securities Report

1. This Report was prepared from data submitted via EDINET (Electronic Disclosure for Investors' NETwork) for the Annual Securities Report as required by Article 24, Paragraph 1, of the Financial Instruments and Exchange Act of Japan, pursuant to Article 27-30-2 of that Act. This Report adds pagination and a table of contents.
2. The audit report attached to the Annual Securities Report submitted by the above method and the Internal Controls Report and Confirmation Letter submitted together with the above Annual Securities Report are attached at the end of this Report.

Contents

Cover sheet

Document submitted:	Annual Securities Report
Underlying legal provisions:	Article 24, Paragraph 1, of the Financial Instruments and Exchange Act of Japan
Submitted to:	Director, Kinki Local Finance Branch Bureau
Date submitted:	March 28, 2023
Business year:	71st Term (January 1 – December 31, 2022)
Company name:	ザ・パック株式会社
Company name in English:	The Pack Corporation
Name and title of representative:	Hideaki Yamashita, President & CEO
Head office:	9-9 Higashiobase, Higashinari-ku, Osaka, Japan
Tel.:	+81-6-4967-1221
Administrative contact:	Michihisa Fujii, Managing Director, Corporate Division
Nearest contact address:	20F, OAP Tower, 1-8-30 Temmabashi, Kita-ku, Osaka, Japan
Tel.:	+81-6-4967-1221
Administrative contact:	Michihisa Fujii, Managing Director, Corporate Division
Viewing locations:	The Pack Corporation 20F, OAP Tower, 1-8-30 Temmabashi, Kita-ku, Osaka, Japan Tokyo Stock Exchange, Inc. 2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo, Japan

Part 1. Company information

I. Company overview

1. Trends in KPIs, etc.

(1) Indicators of consolidated business performance

Fiscal year		No. 67	No. 68	No. 69	No. 70	No. 71
Fiscal year ended		December 2018	December 2019	December 2020	December 2021	December 2022
Net sales	(¥ million)	93,126	95,502	78,445	79,690	89,060
Ordinary income	(¥ million)	7,212	7,199	3,606	4,422	6,353
Profit attributable to owners of parent	(¥ million)	4,968	4,700	2,392	2,824	4,058
Comprehensive income	(¥ million)	4,208	4,763	2,368	3,325	4,362
Net assets	(¥ million)	56,775	58,495	59,739	62,032	65,371
Total assets	(¥ million)	86,495	88,446	83,556	87,422	94,365
Net assets per share	(¥)	2,885.27	3,076.27	3,141.09	3,261.64	3,436.46
Net income per share	(¥)	253.25	243.89	126.01	148.71	213.55
Diluted net income per share	(¥)	252.91	243.50	125.85	148.53	213.38
Capital adequacy ratio	(%)	65.5	66.0	71.4	70.9	69.2
Return on equity	(%)	9.0	8.2	4.1	4.6	6.4
Price-to-earnings ratio	(times)	12.0	16.2	22.4	18.1	11.3
Cash flows from operating activities	(¥ million)	6,742	6,599	3,155	7,217	5,380
Cash flows from investing activities	(¥ million)	(4,705)	(4,136)	(5,013)	(3,460)	(3,762)
Cash flows from financing activities	(¥ million)	(2,059)	(3,319)	(1,214)	(1,029)	(1,124)
Ending balance of cash and cash equivalents	(¥ million)	19,181	18,307	15,224	18,067	18,653
Employees [average number of temporary employees, not included above]	(persons)	1,228 [518]	1,252 [505]	1,240 [480]	1,198 [468]	1,183 [472]

Note: The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and related guidance have been applied since the 71st term. KPIs and other data for the 70th term reflect retroactive application of these accounting standards.

(2) Indicators for the Company

Fiscal year		No. 67	No. 68	No. 69	No. 70	No. 71
Fiscal year ended		December 2018	December 2019	December 2020	December 2021	December 2022
Net sales	(¥ million)	82,573	84,599	69,055	69,557	77,117
Ordinary income	(¥ million)	6,724	6,549	3,305	3,748	5,214
Net income	(¥ million)	4,607	4,306	2,232	2,175	3,268
Capital	(¥ million)	2,553	2,553	2,553	2,553	2,553
Total shares issued and outstanding	(thousand shares)	19,900	19,900	19,900	19,900	19,900
Net assets	(¥ million)	53,482	54,989	55,670	57,053	59,426
Total assets	(¥ million)	79,432	81,195	76,327	79,172	85,299
Net assets per share	(¥)	2,721.60	2,893.13	2,928.01	3,000.23	3,123.70
Dividends per share [interim dividend per share, included above]	(¥)	50.00 [25.00]	55.00 [25.00]	60.00 [30.00]	50.00 [25.00]	65.00 [30.00]
Net income per share	(¥)	234.82	223.44	117.61	114.51	171.97
Diluted net income per share	(¥)	234.50	223.08	117.45	114.38	171.83
Capital adequacy ratio	(%)	67.2	67.6	72.9	72.0	69.6
Return on equity	(%)	8.9	8.0	4.0	3.9	5.6
Price-to-earnings ratio	(times)	13.0	17.7	24.0	23.6	14.0
Dividend payout ratio	(%)	21.3	24.6	51.0	43.7	37.8
Employees [average number of temporary employees, not included above]	(persons)	865 [431]	893 [416]	881 [402]	841 [390]	835 [393]
Total returns to shareholders [Indicator for comparison: TOPIX including dividends]	(%)	85 [84]	111 [99]	82 [107]	80 [120]	74 [117]
Highest share price	(¥)	4,230	4,320	4,245	3,270	2,817
Lowest share price	(¥)	2,764	2,827	2,557	2,537	2,107

Note: Highest and lowest share prices are prices on the Prime Market of the Tokyo Stock Exchange since April 4, 2022, and on the First Section of the Tokyo Stock Exchange for earlier periods.

2. History

May 1952	Nippon Case Corporation established and launches sales of paper cartons and apparel boxes.
July 1955	Hanazono Plant opens in Higashiosaka. Integrated in-house production begins for products ranging from corrugated boxes to apparel boxes.
May 1957	Production of paper shopping bags begins.
December 1957	Kobe Office (now Kobe Branch) opens.
June 1958	Nagoya Office (now Nagoya Branch) opens.
September 1959	Konoike Plant (now Osaka Plant) opens in Higashiosaka; production facilities expanded.
August 1960	Fukuoka Branch and Kyoto Office (now the Kyoto Branch) open.
March 1961	Tokyo Branch opens (now the Tokyo Head Office).
September 1964	Expansion work completed at Konoike Plant. Hanazono Plant relocated. Full-scale multifaceted production and management structures established.
July 1965	Sapporo Office (now the Hokkaido Branch) opens.
May 1966	Hiroshima Office (now the Hiroshima Branch) opens.
May 1967	Okayama Office (now the Okayama Branch) opens.
April 1968	Sendai Office (now the Tohoku Branch) opens.
September 1969	Nara Plant opens in Yamatokoriyama as a plant specializing in corrugated boxes. Urawa Plant opens in Urawa.
August 1974	Production of plastic bags begins.
September 1979	Saitama Plant opens in Sakado; Urawa Plant relocated.
July 1983	Company is renamed The Pack Corporation.
January 1987	Yokohama Office (now the Yokohama Branch) opens.
November 1987	The Pack America Corp. (now a consolidated subsidiary) established in the United States
August 1991	Ibaraki Plant opens in Hitachi.
September 1991	Stock listed on second section of Osaka Securities Exchange
January 1996	The Nicols established
January 1998	Kanto Branch opens.
January 1999	Ibaraki Plant earns ISO 14001 (environmental management systems) certification.
December 1999	Headquarters earns ISO 14001 (environmental management systems) certification.
April 2000	Nara Plant earns ISO 9001 (quality management) certification.
September 2001	Stock listed on second section of Tokyo Stock Exchange
October 2001	Osaka, Saitama, and Ibaraki plants earn ISO 9001 (quality management) certification.
April 2002	Nara Plant earns ISO 14001 (environmental management systems) certification.
October 2002	Osaka and Saitama plants earn ISO 14001 (environmental management systems) certification.
June 2003	Stock listed on first sections of Tokyo Stock Exchange and Osaka Securities Exchange
October 2003	Keihin Tokushu Printing Corp. (now a consolidated subsidiary) established
December 2003	Shanghai Office opens in China.
March 2006	The Pack (Shanghai) Corporation (now a consolidated subsidiary) established in China
November 2006	All sites earn ISO 14001 (environmental management systems) certification.
April 2007	Additional shares acquired in Nikko Print Corporation (now a consolidated subsidiary)
August 2007	The Pack (Changshu) Co., Ltd. (now a consolidated subsidiary) established in China
	Headquarters, Tokyo and Osaka plants, and sales offices earn FSC® CoC certification (FSC® C020517).
February 2009	Pack Takeyama Co., Ltd. (now a consolidated subsidiary) established
April 2009	All sites earn ISO 9001 (quality management) certification.
July 2011	Tokyo Plant opens in Hidaka, Saitama Prefecture; Saitama Plant relocated.
January 2014	The Nicols merged through absorption-type merger
June 2014	Acquired all shares of stock in Nishinihon Printing Co., Ltd. (now a consolidated subsidiary), making it a wholly owned subsidiary
December 2016	All paper products production and sales sites in Japan earn FSC® CoC certification (FSC® C020517).
April 2018	Acquired stock in Kannaru Printing Co., Ltd. (now a consolidated subsidiary), making it a subsidiary.
December 2018	Tokyo and Osaka plants earn FSSC 22000 (food safety) certification.
April 2022	Listing transferred to the Prime Market of the Tokyo Stock Exchange

3. Lines of business

The Pack Group consists of nine companies, the Pack Corporation and eight consolidated subsidiaries.

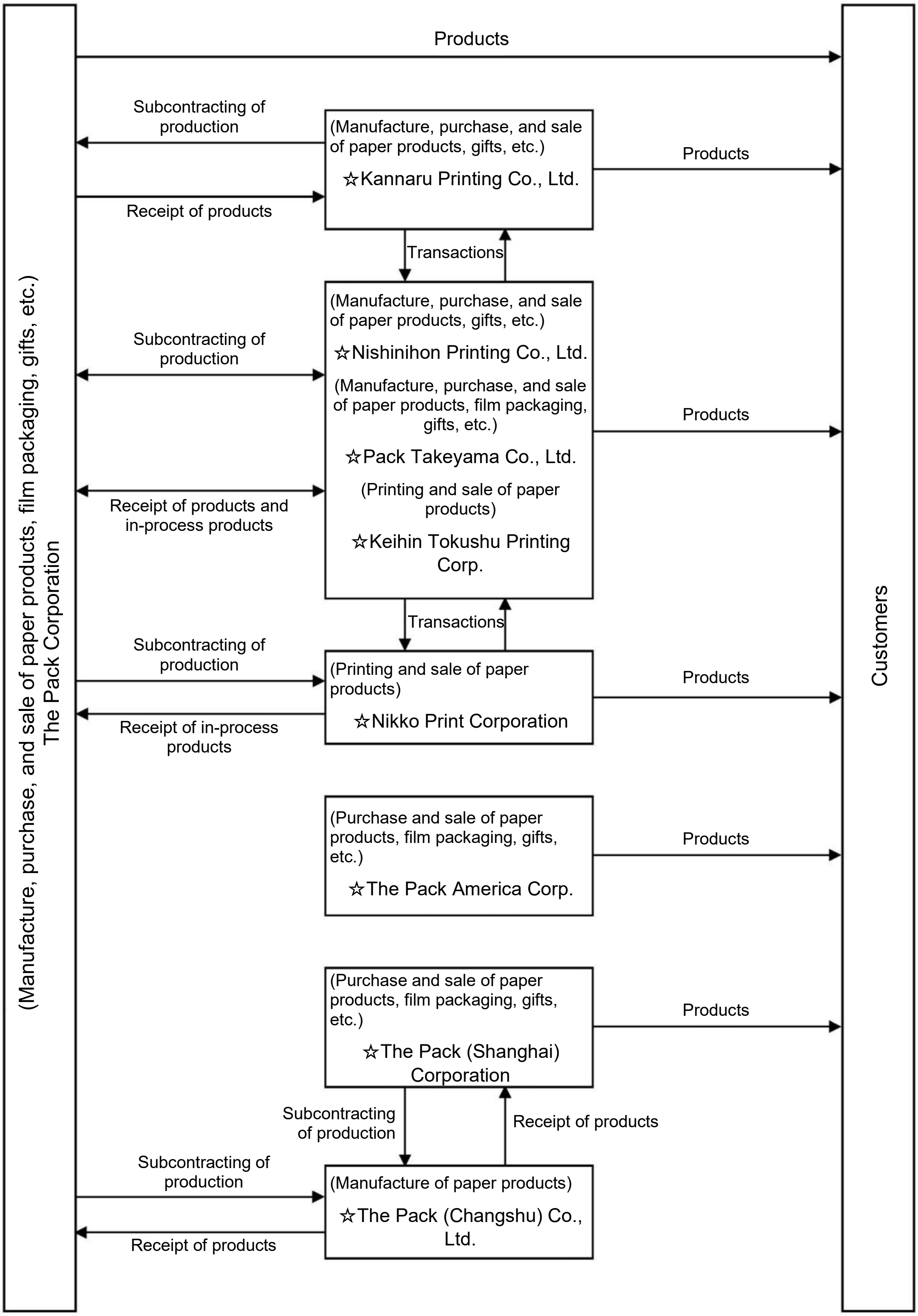
The Group's business activities include the manufacture and sale of paper products, film packaging, and other products, as well as related research, logistics, services, and other activities.

The Group's businesses are positioned as outlined below.

Segment	Lines of business	Companies
Paper Products	Manufacture, purchase, and sale of paper bags, printed folding paper cartons, corrugated boxes, etc.	The Pack Corporation Keihin Tokushu Printing Corp. Nikko Print Corporation Pack Takeyama Co., Ltd. Nishinihon Printing Co., Ltd. Kannaru Printing Co., Ltd. The Pack America Corp. The Pack (Shanghai) Corporation The Pack (Changshu) Co., Ltd.
Film Packaging	Manufacture, purchase, and sale of plastic bags, garment bags, etc.	The Pack Corporation Pack Takeyama Co., Ltd. The Pack America Corp. The Pack (Shanghai) Corporation
Other Businesses	Purchase and sale of gifts, supplies, price tags, design production, advertising and promotional materials, etc.	The Pack Corporation Pack Takeyama Co., Ltd. Nishinihon Printing Co., Ltd. Kannaru Printing Co., Ltd. The Pack America Corp. The Pack (Shanghai) Corporation

The Pack America Corp. is a U.S. subsidiary selling products primarily in the U.S. and Canada.

The Pack (Shanghai) Corporation and The Pack (Changshu) Co., Ltd. are Chinese subsidiaries. The Pack (Shanghai) Corporation sells products primarily in China, while The Pack (Changshu) Co., Ltd. produces paper bags for sale in China and to the Company in Japan.



Key: ☆ Consolidated subsidiary

4. Affiliate companies

Name	Address	Capital or investment (¥ million)	Main lines of business	Ownership ratio of voting rights (%)	Relationship
(Consolidated subsidiary)					
Keihin Tokushu Printing Corp.	Higashinari Ward, Osaka	10	Paper Products business	100.0	Sale of our products; purchase of paper products; concurrent posting of officers; secondment of employees; lending of funds; lending of equipment
Nikko Print Corporation	Higashinari Ward, Osaka	20	Paper Products business	100.0	Purchase of paper products; concurrent posting of officers; secondment of employees; lending of funds; lending of equipment
Pack Takeyama Co., Ltd.	Higashinari Ward, Osaka	90	Paper Products business Film Packaging business Other Businesses	100.0	Sale of our products; purchase of paper products; concurrent posting of officers; secondment of employees; payment agency services
Nishinihon Printing Co., Ltd.	Higashinari Ward, Osaka	45	Paper Products business Other Businesses	100.0	Sale of our products; purchase of paper products; concurrent posting of officers; secondment of employees
Kannaru Printing Co., Ltd.	Yodogawa Ward, Osaka	12	Paper Products business Other Businesses	100.0	Sale of our products; concurrent posting of officers; secondment of employees; lending of funds
The Pack America Corp.	New York, N.Y., U.S.A.	US$1,000,000	Paper Products business Film Packaging business Other Businesses	100.0	Concurrent posting of officers; secondment of employees; lending of funds
The Pack (Shanghai) Corporation	Shanghai, China	US$500,000	Paper Products business Film Packaging business Other Businesses	100.0	Concurrent posting of officers; secondment of employees
The Pack (Changshu) Co., Ltd. (See Note 2)	Changshu, Jiangsu Province, China	US$3,900,000	Paper Products business	93.6	Purchase of paper products; concurrent posting of officers; secondment of employees; lending of funds

Notes:

1. Details under Important Lines of Business indicate business segment names as used under Segment Information.
2. Qualifies as designated subsidiary.
3. None of the above companies submits securities notices or annual securities reports.

5. Employees

(1) Employees of consolidated companies

As of December 31, 2022

Segment	Employees
Paper Products business	897 (380)
Film Packaging business	119 (59)
Other Businesses	45 (7)
Companywide	122 (26)
Total	1,183 (472)

Notes:

1. Numbers of employees indicate numbers employed; annual average numbers of temporary employees are shown in parentheses.
2. In addition to the above, the Group employs 11 executive officers.

(2) Employees of the Company

As of December 31, 2022

Employees	Average age (years)	Average years of continuous service (years)	Average annual salary (¥)
835 (393)	41.5	18.1	6,758,967

Segment	Employees
Paper Products business	549 (301)
Film Packaging business	119 (59)
Other Businesses	45 (7)
Companywide	122 (26)
Total	835 (393)

Notes:

1. Numbers of employees indicate numbers employed; annual average numbers of temporary employees are shown in parentheses.
2. In addition to the above, the Company employs 10 executive officers and 14 employees seconded to subsidiaries and other companies.
3. Average annual salary includes bonuses and nonstandard wages.

(3) Labor unions

The Company’s employees are not unionized.

The name, number of members, and superior organization of the labor union of consolidated subsidiaries are shown below.

As of December 31, 2022

Name	Union members	Superior organization
Kannaru Printing Labor Union	49	UA ZENSEN

There are no matters requiring reporting regarding labor-management relations.

II. Business conditions

1. Management policies, business environment, topics, etc.

Forward-looking statements in the text express the Group's judgments as of the end of the consolidated fiscal year under review.

(1) Corporate Philosophy

The Pack Group strives to meet shareholder expectations while aiming to achieve sustained growth in business performance and corporate value, based on the following Corporate Philosophy:

・ We value and nurture people.
・ We seek to accommodate society's every change.
・ We fulfill our social responsibilities by promoting initiatives related to the global environment and other issues.
・ As a company offering total solutions related to packaging, we seek to contribute to societal development and to thriving societies.

In line with the Group vision—*Passionate and Dedicated to Our Partnerships*—we practice sustainable management to achieve our corporate mission: *bolstering social prosperity and creating satisfaction through packaging*. As a provider of comprehensive packaging solutions, we help realize a sustainable, positive society by producing new value in packaging and providing solutions to the various challenges our stakeholders face. To this end, we deliver environmental, social, and economic value only the Pack Group can provide through continuing growth under a structure capable of adapting to any changes in society.

(2) Targets and KPIs

The Pack Group must maintain a solid financial standing not only to improve earnings in each of our businesses, but to remain a stable, reliable partner to all our stakeholders, from shareholders to suppliers, employees, and many others. We strive to strengthen both our capital adequacy ratio and returns on invested capital while also accounting for our obligation to provide stable dividends.

(3) Priority business and financial topics

We operate in a mature industry in which marked growth is considered difficult to achieve based on existing customers and products alone. For this reason, we have developed sales markets and products such as rice bags, disposable diaper products, and packages for food products, in addition to our main product lines. We will continue to grow our businesses by focusing on developing new markets and products for which demand can be expected and undertaking aggressive capital investment where appropriate.

In recent years, in addition to rising costs of raw materials and imports we also face rising costs in areas such as logistics and energy. We plan to achieve further improvements in business results through sales at appropriate prices by increasing customer satisfaction through enhanced proposal-based sales and quality control, achieving a more robust profit structure through further streamlining based on business reforms, and making steady progress on medium- and long-term business strategies.

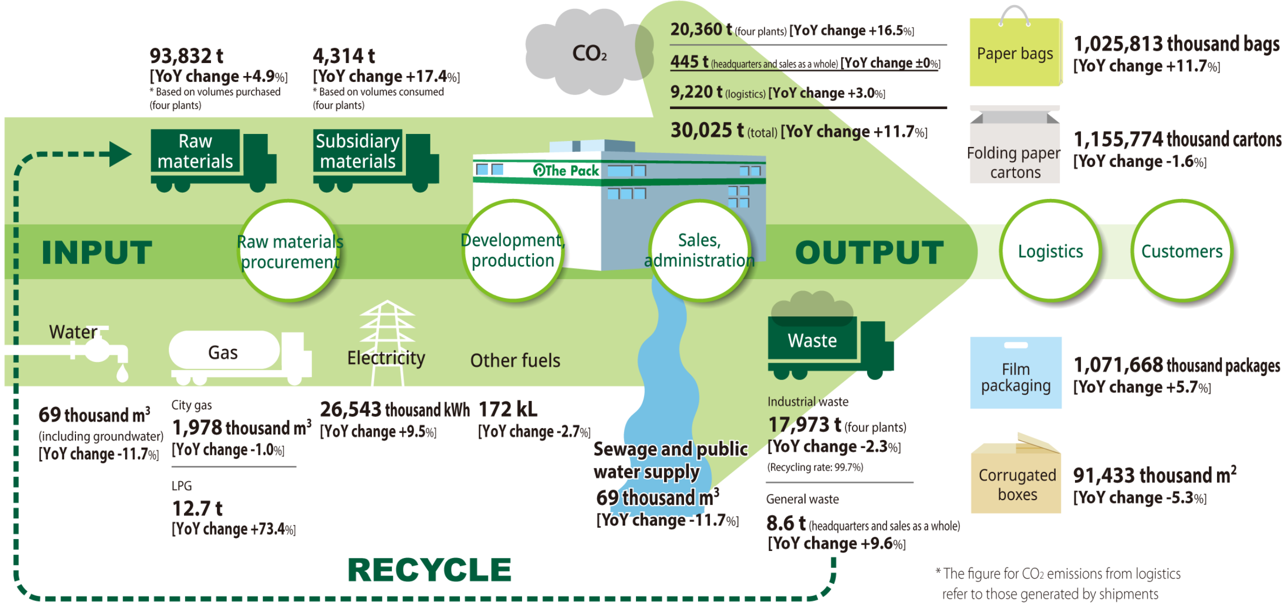
The recent COVID-19 pandemic had a major impact on The Pack Group's business performance. The Group expects Japan's economy to recover to prepandemic levels as COVID-19 is brought under control and economic activities resume, and we also plan to enhance efforts targeting markets in which further demand growth can be expected as part of the New Normal.

While striving in these ways to improve business results, based on management philosophies that call for fulfilling our social responsibilities by addressing global environmental issues and contributing to social progress and prosperity as a comprehensive packaging solutions provider, we established the Package Laboratory in 1981 as a domestic and international center for research and communication concerning packages. In 1993, we began contributing to forest conservation activities. In 2000, while actively developing new eco-friendly products and technologies in our core businesses in these ways, we established The Pack Forest® Environment Fund, through which we promote forestation and forest conservation activities in cooperation with nonprofits. Furthermore, in 1999 the Ibaraki Plant was our first facility to earn ISO 14001 environmental management systems certification, and today our four plants and all business sites in Japan have earned ISO 14001 and ISO 9001 quality management systems certification. In addition, all plants producing package products using paper materials and all sales sections have earned FSC® CoC certification (FSC® C020517), and the manufacturing lines for folding paper containers for food products at the Tokyo and Osaka plants have earned FSSC22000 certification. In 2023, we established the Sustainability Committee to promote sustainable management in the Group, and we plan to continue contributing to social progress and prosperity by actively addressing environmental issues in the future as well.

Overview of environmental impact

We’re striving to ascertain and lessen the environmental impact of production activities as a whole.

* The data shown below are for the four plants (the Osaka Plant, Nara Plant, Tokyo Plant, and Ibaraki Plant) and the headquarters and sales groups.



* The figure for CO_2 emissions from logistics refer to those generated by shipments from The Pack to customers.

(4) Medium- to long-term business strategies

The slogan of the Group’s medium-term management plan is “Evolution: Launching purpose-driven, sustainable management.” Under this plan, we are targeting consolidated net sales of ¥107 billion and operating profit of ¥7 billion (in the period ending December 2025).

(i) Growth strategies

a. Focusing on the food products market (including convenience stores and fast food)

We will enhance efforts in the areas of capital investments and new-product development to grow sales of primary paper containers for food product use, while also strengthening our design proposals through use of technologies such as 3D printers and 3D computer graphics and proposing forms for molded products.

b. Focusing on the e-commerce and mail-order markets and the logistics industry

While continuing actively to make proposals in the areas of switching to paper packaging and environmental solutions, we also will propose improvements to the forms and specifications of packaging materials and labor-saving and mechanization solutions to automate our work lines.

c. Strengthening our efforts in the general retail market and elsewhere

We will grow our share of paper bags and carry out further proposal-based sales for switching to paper packaging while promoting sales of products suited to recycling, reuse, and reduction (the Three Rs). In addition, we will promote contributions to society together with customers by contributing a portion of revenue earned from eco-friendly products toward forest conservation activities through The Pack Forest Environment Fund, operated by an NPO.

(ii) Human capital strategies

a. Securing diverse human resources

・Enhancing midcareer hiring

・Promoting women in the workplace (increasing the proportion of regular employees and managerial posts accounted for by women)

・Expanding employment of people with disabilities

b. Human resource development

・Enhancing training structures

・Supporting autonomous skills improvements and reskilling

c. Normalizing human resource assignments

・Making effective use of the talent management system

・Expanding employment opportunities (referrals and welcoming back former employees)

d. Improving work environments
- Enhancing diverse workstyles and systems
- Well-being (promoting health management)

e. Maximizing employee engagement
- Enhancing appropriate wage structures and benefits
- Increasing sense of business participation via the employee stock ownership program
- Stimulating employee exchange and communication
- Engagement surveys

(iii) Financial strategies

We seek to support efficient and sustained growth through optimal plans for use of funds through investments in growth (i.e., capital investment, investment in new businesses, human investment, investment in computer system upgrades, and R&D) and returns to shareholders (i.e., maintaining a dividend payout ratio of 30% or above and dynamic purchase of treasury stock).

(5) Other important management topics

Considerable time has passed since the construction of both the Osaka and Nara plants. We plan to rebuild both of these plants for purposes of future improvements to work environments as well as increasing productivity through labor saving by automating work in the plants. We aim to develop production structures to produce high-value-added products for the future.

2. Business and other risks

Among the information contained in this Annual Securities Report concerning matters such as business conditions and accounting, the items described below are ones that could have major impacts on investor decision-making. This section includes forward-looking statements, which reflect the Group's judgments as of the end of the consolidated fiscal year under review. Recognizing the possibility of these risks, the Group will endeavor to prevent their occurrence and respond appropriately if they do arise.

(1) Decreased domestic demand and lower market prices

The Group operates in an industry that is largely driven by domestic demand, and its net sales are impacted strongly by domestic economic trends. The Group's financial standing and business results may be impacted negatively by decreased domestic demand and falling market prices in the event of a large-scale downturn in Japan's economy.

(2) Legal, regulatory, and litigation risks

The Group's businesses are subject to various laws and regulations concerning the environment, intellectual property, and other subjects. As a result, it faces the risk of litigation or other legal issues.

The Group's financial standing and business results may be impacted negatively as a result of litigation.

(3) Product liability

The Group's products may be subject to demands for compensation for damages based on product liability.

While it has not received any major demands for compensation for damages at present, it could face such demands in the future.

While the Group is insured against product liability, there is a risk that this insurance might be insufficient to cover its potential product liability.

(4) Raw materials procurement and purchase of products

The Group strives to maintain stable supplies and prices by purchasing raw materials and products from multiple domestic and international suppliers. However, there is a risk that the Group's financial standing and business results may be impacted negatively as a result of stalls in procurement and purchases from overseas due to COVID-19 or a breakdown in the balance between supply and demand caused by factors such as rising oil prices.

(5) Asset-impairment accounting

There is a risk of losses resulting from factors such as usage of fixed assets or other assets held.

(6) Customer credit risk

While the Group pays close attention to customer credit risk, its financial standing and business results may be impacted negatively in the event of manifestation of customer credit risk due to worsening of the credit standing of a major customer as a result of poor business performance or other causes.

(7) Hostile-takeover risk

There is a risk of third-party purchases of a large number of shares of Company stock, which could impair corporate value or joint returns to shareholders. The Group's financial standing and business results could be impacted negatively as a result.

(8) Impact of disasters

While the Group makes every effort to minimize the possible impact of disasters, there is no guarantee that it will be able to prevent or minimize every possible effect of disasters. There is a risk that the Group's financial standing and business results could be impacted negatively by causes such as reduced production capacity or higher manufacturing costs if it is unable to prevent or minimize the effects of a disaster.

(9) Impact of COVID-19

The Group suffered effects such as lower sales due to the COVID-19 pandemic. While recent numbers show a decreasing trend and COVID-19 restrictions are being eased further, it is difficult at this time to predict any new outbreaks or whether the pandemic might be brought fully under control. As such, there is a risk that the Group's financial standing and business results could be impacted negatively in the future as well.

To address this risk, the Group has set up a COVID-19 Task Force consisting of the Divisional General Manager and Deputy Divisional General Manager of the Corporate Division, and the the Department Manager and Manager of the General Affairs Department. It also is taking actions to prevent the spread of the virus through measures such as requiring employees to report to their section heads and follow their instructions if they have COVID-19 symptoms (i.e., a fever of 37.5° C or higher accompanied by respiratory symptoms) or have been diagnosed with COVID-19 by a doctor. In addition, all employees have been informed of related response policies, including wearing masks, frequently washing and sanitizing their hands, working from home and working staggered hours, and holding remote meetings.

3. Management's analysis of financial standing, business results, and cash flows

(1) Overview of business results, etc.

The financial standing, business results, and cash flows ("business results, etc." hereinafter) of The Pack Group (The Pack Corporation and its consolidated subsidiaries) in the consolidated fiscal year under review are reviewed below.

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; "Revenue Recognition Accounting Standard" hereinafter) and related guidance have been applied since the beginning of the consolidated fiscal year under review. Comparative analysis vs. the previous consolidated fiscal year reflects retroactive application of the Revenue Recognition Accounting Standard and related guidance. For more information, see "V. Accounts: Consolidated financial statements, etc.: (1) Consolidated financial statements (Changes in accounting policies)."

(i) During the consolidated fiscal year under review, Japan's economy showed signs of recovery, particularly in personal consumption. The quasi-states of emergency imposed in response to COVID-19 were lifted in March 2022, despite the spate of new cases attributable to the omicron variant. Nevertheless, the outlook remains uncertain due to various factors including soaring costs of raw materials due to the crisis in Ukraine as well as rapid yen devaluation on international currency markets.

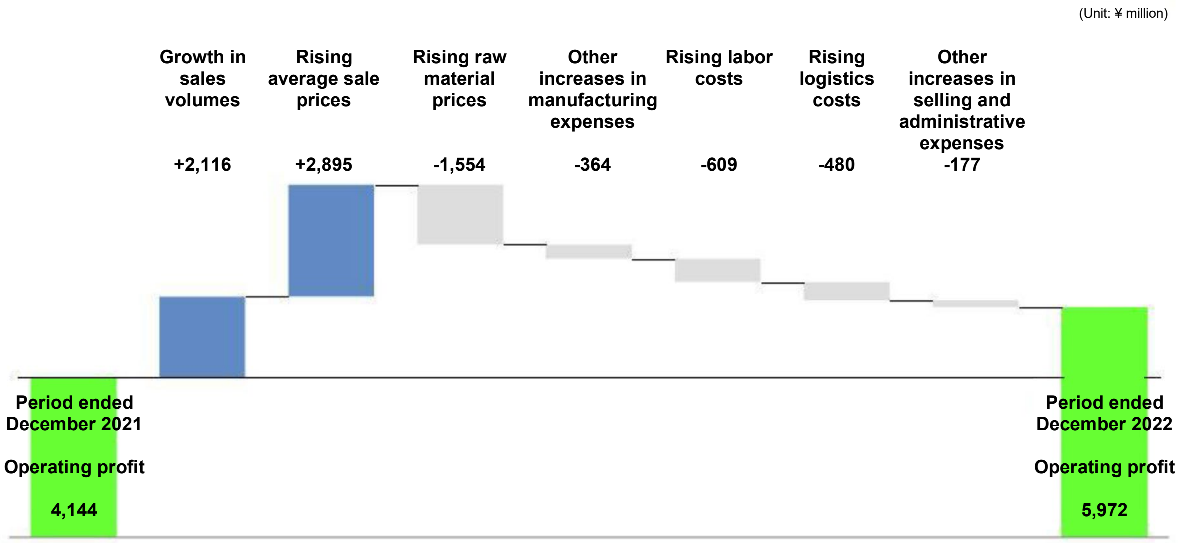
Consumer spending in the United States recovered, primarily in service industries. However, continued monetary tightening by the Fed through interest-rate hikes amid inflationary pressures have raised concerns of a potential recession. In China, despite the easing of the nation's zero-COVID policy, economic prospects remain uncertain, with worsening employment and a slowing economy.

The COVID-19 pandemic has affected Group business performance. Nevertheless, based on the "Marking Our 70th Anniversary with Rapid Progress" slogan, Group companies have cooperated to strengthen earnings by venturing into new markets, making aggressive capital investments, and improving quality management.

As a result, in the consolidated fiscal year under review net sales grew by 11.8% year on year to ¥89,060 million, operating profit grew by 44.1% to ¥5,972 million; ordinary profit grew 43.6% to ¥6,353 million, and profit attributable to owners of parent grew by 43.7% to ¥4,058 million.

Factors affecting operating profit

Growth in sales volumes and rising average sale prices strengthened operating profit



- ◆ Sales volumes grew due to the recovery in consumer spending, centering on paper bags (up 10.5%).
- ◆ Average sale prices rose due to changes in product structures, efforts to optimize prices, and proposal-based sales for high value added products (paper bags up 7.8%, paper cartons up 15.8%, corrugated boxes up 8.8%, plastic bags up 2.1%)
- ◆ Manufacturing costs rose due mainly to higher utilities and power costs (¥352 million) accompanying rising electricity charges and heavy oil prices.
- ◆ Logistics costs increased due mainly to rising warehouse storage costs (¥211 million) and transportation charges (¥265 million) driven by growth in manufacturing and shipping volumes.

Business results by segment are reviewed below.

Paper Products Segment

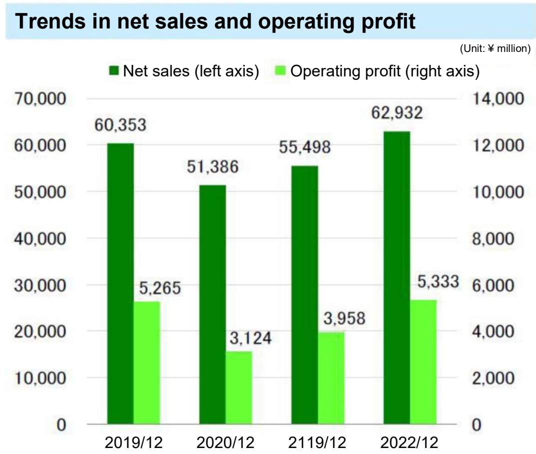
The paper products segment in 2022 accounted for 70.7% of Group consolidated sales. Sales of paper bags, which accounted for 29.5% of consolidated sales, were buoyed by recovering domestic consumer spending and tourism demand. The Pack America Corp., an overseas subsidiary, recorded strong performance. The Pack (Shanghai) Corporation recorded sales growth spurred by the devalued yen. Net sales in this segment rose by 19.2% to ¥26,252 million.

Sales of folding paper cartons, which accounted for 25.0% of consolidated sales, grew by 14.3% to ¥22,283 million. Sales of cartons for takeout/delivery food products and to the e-commerce sector remained strong. Demand for souvenirs and other items recovered.

Sales of corrugated boxes, which accounted for 13.7% of consolidated sales, grew by 3.0% to ¥12,210 million due to continuing robust sales to the e-commerce and manufacturing sectors.

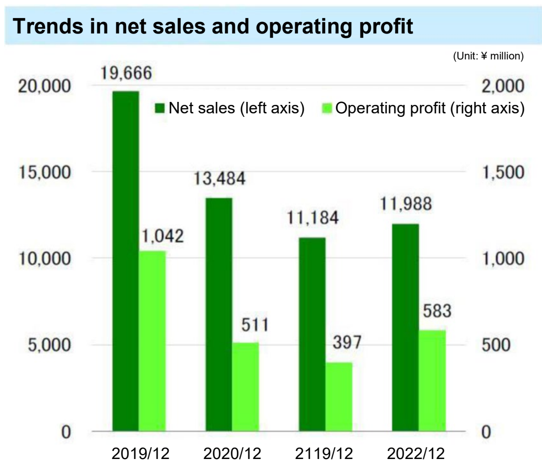
Printing sales, which accounted for 2.5% of consolidated sales, grew 3.2% to ¥2,186 million, driven by strong sales at Keihin Tokushu Printing Corp. and Nikko Print Corporation.

Overall, sales in this segment rose 13.4% to ¥62,932 million. Segment operating profit rose by 34.7% to ¥5,333 million.



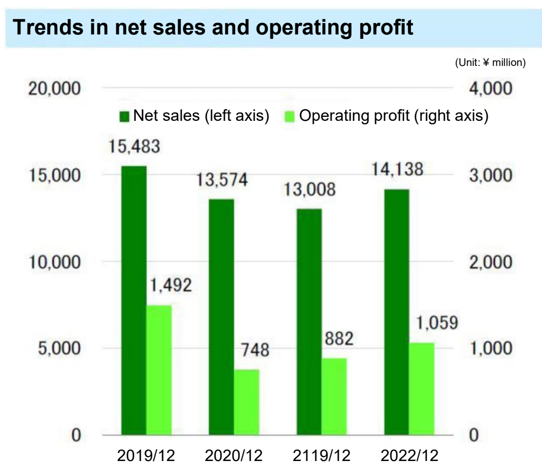
Film Packaging Segment

The film packaging segment accounted for 13.4% of Group consolidated sales in the fiscal year under review. Segment sales were up 7.2% to ¥11,988 million, as the decline in sales of disposable diaper products leveled off and sales of flexible film packaging for food products remained strong. Segment operating profit increased by 47.0% to ¥583 million.



Other Businesses Segment

Other businesses accounted for 15.9% of Group consolidated sales in the fiscal year under review. Sales of sewn bags to specialty retail stores were strong. This, combined with strong performance by The Pack America Corp., led to sales growth of 8.7% to ¥14,138 million and 20.0% growth in operating profits to ¥1,059 million.



Turning to financial position, assets totaled ¥94,365 million at the end of 2022, up ¥6,942 million from ¥87,422 million at the end of 2021. Liabilities rose by ¥3,603 million to ¥28,994 million, from ¥25,390 million at the end of 2021. Net assets grew by ¥3,338 million to ¥65,371 million from ¥62,032 at the end of 2021.

(ii) Cash Flows

The balance of cash and cash equivalents at the end of 2022 was up ¥585 million (3.2%) from the end of 2021, to ¥18,653 million.

Cash flows from operating activities

Operating activities provided net cash of ¥5,380 million in the consolidated fiscal year under review (down 25.5% from ¥7,217 million in 2021). The principal factors were profit before income taxes of ¥5,925 million, depreciation of ¥1,992 million, and an increase in notes and accounts receivable-trade of ¥2,825 million.

Cash flows from investing activities

Investing activities during the consolidated fiscal year under review accounted for net cash of ¥3,762 million (vs. ¥3,460 million in 2021). The principal factors were outlays of ¥10,000 million for the purchase of securities, ¥3,109 million for the purchase of property, plant, and equipment, and ¥2,357 million for the purchase of investment securities, while proceeds from sales of securities were ¥12,000 million.

Cash flows from financing activities

Due mainly to ¥1,043 million in cash dividends paid, financing activities used net cash of ¥1,124 million (vs. ¥1,029 million in 2021).

(iii) Production, orders received, and sales

a. Production

Shown below is production by segment in the consolidated fiscal year under review.

Segment	Production (¥ million)	YoY change (%)
Paper Products business	25,758	112.4
Film Packaging business	2,730	96.4
Other Businesses	-	-
Total	28,488	110.7

Note: Amounts shown are calculated based on cost of manufacturing.

b. Orders received

Shown below are orders received in the consolidated fiscal year under review by segment.

Segment	Orders received (¥ million)	YoY change (%)	Balance of orders (¥ million)	YoY change (%)
Paper Products business	62,380	104.7	8,186	93.7
Film Packaging business	12,292	109.7	1,127	136.9
Other Businesses	14,043	106.9	126	57.1
Total	88,717	105.7	9,440	96.5

Note: Production to order is not conducted in part of the Other Businesses segment.

c. Sales results

Shown below are sales results in the consolidated fiscal year under review by segment.

Segment	Sales (¥ million)	YoY change (%)
Paper Products business	62,932	113.4
Film Packaging business	11,988	107.2
Other Businesses	14,138	108.7
Total	89,060	111.8

(2) Analysis and study of business results, etc. from management's perspective

Management’s understanding of Group business results, etc. and details of their analysis and study are reviewed below. Forward-looking statements in the text represent management’s judgments as of the end of the consolidated fiscal year under review.

(i) Key accounting estimates and assumptions used in such estimates

The Company’s consolidated financial statements are prepared based on generally accepted principles of corporate accounting in Japan. Major accounting principles employed in preparation of the consolidated financial statements are described under ““V. Accounts: Consolidated financial statements, etc.: (1) Consolidated financial statements (Important matters serving as bases for the preparation of the consolidated financial statements).”

In preparation of the Company’s consolidated financial statements, various assumptions considered reasonable in light of past results and information currently available are taken into consideration in making estimates and judgments that could impact the states of profits, losses, or assets. However, actual results may differ from such estimates due to the inherent uncertainty of estimates.

Regarding the effects of the COVID-19 pandemic, it is difficult at this time to predict whether the pandemic might expand or be brought fully under control in the future. While COVID-19 may affect future business results, we have estimated matters such as impairment of fixed assets and recoverability of deferred tax assets based on the assumption of a gentle recovery from the pandemic. We do not consider it likely to have a significant impact on financial estimates or on such estimates in the future. The effects of the COVID-19 pandemic involve numerous uncertainties, and future financial standing and business results could be impacted by future changes in the business environment.

(ii) Analysis of business results in the consolidated fiscal year under review

a. Net sales

Net sales in the consolidated fiscal year under review rose by 11.8% year on year to ¥89,060 million, spurred by growth in sales as personal consumption recovered thanks to extensive lifting of COVID-19 restrictions.

b. Gross profit

Cost of sales in the consolidated fiscal year under review was up 11.0% year on year to ¥67,382 million thanks to increased sales.

Despite the effects of rising energy prices, gross profit rose by ¥2,669 million (14.0%) over the same period to ¥21,677 million as a result of efforts to improve costs through increased productivity.

c. Operating profit

Selling, general, and administrative expenses rose by 5.7% year on year to ¥15,705 million in the consolidated fiscal year under review, as increased personnel and logistics costs exceeded the results of continuing efforts to cut Group costs through control of expenses.

Even so, operating profit in the consolidated fiscal year under review grew by ¥1,827 million (44.1%) from the previous year to ¥5,972 million.

d. Ordinary profit

Under non-operating income, interest income and foreign exchange gains both increased.

As a result, ordinary profit was up ¥1,930 million (43.7%) year on year to ¥6,353 million.

e. Profit attributable to owners of parent

Profit attributable to owners of parent was up ¥1,234 million (43.7%) year on year to ¥4,058 million.

(iii) Analysis of financial standing in the consolidated fiscal year under review

a. Assets

Total assets at the end of the consolidated fiscal year under review stood at ¥94,365 million, up ¥6,942 million from the end of the previous consolidated fiscal year. This was due mainly to increases of ¥1,085 million in cash and deposits, ¥2,315 million in accounts receivable-trade, and ¥1,247 million in merchandise and finished goods.

b. Liabilities

Liabilities at the end of the consolidated fiscal year under review stood at ¥28,994 million, up ¥3,603 million from the end of the previous consolidated fiscal year. This was due mainly to increases of ¥2,134 million in notes and accounts payable-trade and ¥1,168 million in electronically recorded obligations-operating.

c. Net assets

Net assets at the end of the consolidated fiscal year under review stood at ¥65,371 million, up ¥3,338 million from the end of the previous consolidated fiscal year. This was due mainly to an increase of ¥3,013 million in retained earnings.

(iv) Strategic conditions and outlook

The Company's strategic conditions and outlook are described under "II. Business conditions: 1. Management policies, business environment, topics, etc."

(v) Analysis of sources of capital and liquidity of funds

The state of cash flows during the consolidated fiscal year under review is described under "II. Business conditions: 3. Management's Analysis of Financial Standing, Business Results, and Cash Flows: (1) Overview of Business Results, etc.: (ii) Cash Flows."

Trends in cash flow indicators are shown below.

	Period ended December 2018	Period ended December 2019	Period ended December 2020	Period ended December 2021	Period ended December 2022
Capital adequacy ratio (%)	65.5	66.0	71.4	70.9	69.2
Capital adequacy ratio based on market prices (%)	69.1	84.7	64.3	58.6	48.6
Interest-bearing debt to cash flow ratio (year)	0.1	0.0	0.1	0.0	0.0
Interest coverage ratio (times)	833.2	2,257.9	2,570.0	5,405.8	2,935.1

Notes:

1. Cash flow indicators are calculated as follows using consolidated figures:
   Capital adequacy ratio: Owner's equity/Total assets
   Capital adequacy ratio based on market prices: Market capitalization/Total assets
   Interest-bearing debt to cash flow ratio: Interest-bearing debt/Operating cash flows
   Interest coverage ratio: Operating cash flows/Interest payments
2. Market capitalization is calculated by multiplying the closing share price at the end of the period by the number of issued and outstanding shares at the end of the fiscal year, net of treasury shares.
3. Interest-bearing debt includes all liabilities on the consolidated balance sheet incurring interest.
4. Operating cash flows and interest payments, respectively, are taken from "Net cash provided by (used in) operating activities" and "Interest expenses paid" on the consolidated statement of cash flows.

Regarding sources of capital and liquidity of funds, the Company's main operating expenses include product purchasing, manufacturing expenses, and selling, general, and administrative expenses. Demand for funds for investment purposes comes mainly from capital investment.

The Group's basic policy is to secure stable liquidity of funds and sources of funds needed in business operations.

Short-term operating capital is provided mainly by funds on hand and short-term loans from financial institutions, while funds for capital investment and long-term operating capital are raised primarily through long-term loans from financial institutions.
The balance of debts at the end of the consolidated fiscal year under review stood at ¥60 million, while the balance of cash and cash equivalents was ¥18,653 million.

4. Important business contracts, etc.

Not applicable.

5. Research and development activities

The Pack Group (The Pack Corporation and its consolidated subsidiaries) is moving forward with development of new products and processing technologies, and is also pursuing research on technologies and materials for the future under the concepts of safety and environmental protection. Based on joint efforts involving the manufacturing, engineering, and product development sections, these efforts address the entire scope of packaging materials, including corrugated boxes, folding paper cartons, paper bags, and plastic film bags.

Since research themes are shared across business segments, we do not separate R&D activities by segment. In the consolidated fiscal year under review, R&D expenses totaled ¥386 million Groupwide and primarily targeted the following themes:

(1) Printing technologies

(i) We are pursuing research on functional and high-value-added printing technologies in gravure and offset rotary printing, including flexography.

(ii) We are working to develop eco-friendly products by adopting water-based flexography in the packages field, while also promoting adoption of high-resolution water-based flexographic printing to improve flexography technology and environmental performance. We are making progress in efforts to reduce our environmental impact still further by switching from traditional solvent developers to water-based photographic developers.

(2) Eco-friendly materials

(i) To contribute to the achievement of the United Nations Sustainable Development Goals (SDGs), we are proposing most suitable packages from paper, plastic, eco-friendly materials, recycled materials, or other materials to meet packaging needs and circumstances.

(ii) In response to the growing practice of charging fees for shopping bags, we are developing eco-friendly bags such as convenient reusable bags that shoppers can easily carry with them; bags consisting of materials with thicknesses of 50 microns or more for repeated use; bags consisting of materials made entirely of marine biodegradable plastics and bags consisting of at least 25% biomass materials.

(iii) We are continuing to develop new base papers through joint efforts with paper producers, including the development of eco-friendly base paper products with high recycled paper content. We contribute a portion of sales of these products to The Pack Forest® Environment Fund, which funds forest conservation activities.

(iv) We develop and propose flexible corrugated cushioning sheets via the efficient lamination of thin paper not previously used for cardboard as a paper cushioning material to replace plastic materials.

(v) We propose printing solutions that suppress the generation of volatile organic compounds (VOCs) and CO2 emissions, by using eco-friendly plant-based inks and water flexography in printing of all packages.

(vi) We are developing the Craft series of paper film packaging as functional materials for food product packages. We have developed CRAFTCLEAR® paper film, which uses highly translucent paper with barrier properties, as a new series in this category. We are currently promoting use of this film, which allows contents to be visible while being authorized to use the “paper” recycling label.

(3) Other fields

(i) Seeking to achieve universal package design, we are developing product packages and production machinery to meet emerging demand in the areas of design, function, convenience, and the environment.

(ii) We are advancing R&D efforts to improve high speed production equipment suitable for systems for producing small lots with short lead times and for reducing and recycling ink sludge, a waste produced during printing.

(iii) We are developing systems capable of producing products, including material paper for corrugated boxes, folding paper cartons, and paper bags, certified by the Forest Stewardship Council® reflecting high levels of environmental awareness, through verification of processing and logistics processes from forest management through delivery to consumers.

(iv) We propose efficient environmental equipment and package materials for distribution and logistics solutions tailored to specific user needs.

(v) We propose box coordination services to cut shipping costs by adjusting the layouts of boxes used for packing products.

(vi) We design packages that incorporate thin paper, cardboard, and other easily recyclable paper materials as cushioning materials to reduce use of plastics and CO2 emissions.

(vii) We are developing and proposing CC-PACK® delivery solutions based on eco-friendly materials, including flexible cardboard cushioning sheets. The flexibility of these products improves efficiency during packing and makes it possible to deliver products in packages sized to match their contents. They also help reduce environmental impact by minimizing plastic use and reducing materials to a single material (paper) as alternatives to plastic foam cushioning materials.

(viii) We are proposing solutions to streamline materials management by designing packages that can be used to hold multiple products.

(ix) We have secured design rights for containers for delivery and other uses that can be easily carried home using grip holes designed to be opened after pickup at convenience stores or other facilities.

(x) The *Tsutsumo wo shiru* ("*Learn about packaging*") blog on our website provides information useful to prospective customers considering package production, including answers to inquiries about packages, packaging, and related trends available nowhere else.

III. Facilities

1. Overview of capital investment

During the consolidated fiscal year under review, the Group continued to make capital investments for various purposes, including enhancing production facilities.

Capital investments during the consolidated fiscal year under review totaled ¥3,605 million. Major capital investments in each business segment are reviewed below.

Paper Products

Corrugated boxes

We invested ¥321 million in corrugated box production equipment at our Nara Plant. This investment is intended to enhance production capacity and improve production efficiency.

Film Packaging

We invested ¥418 million in plastic bag production equipment at our Ibaraki Plant. This investment is intended to enhance production capacity and improve production efficiency.

Common to all businesses

We invested ¥420 million to change our backbone computer system. This investment is intended to improve business efficiency.

We invested ¥1,491 million in constructing the new headquarters building.

Funding for these capital investments was allocated from funds on hand.

2. Status of major equipment

(1) The Company

As of December 31, 2022

Site name (location)	Segment	Details of equipment	Book value (¥ million)					Number of employees
			Buildings and structures	Machinery, equipment, and vehicles	Land (thousand square meters of surface area)	Other	Total	
Headquarters (Kita-ku, Osaka)	Paper Products Business Film Packaging Business Other Businesses Companywide	Other equipment	55	64	- (-)	1,803	1,923	32(3)
Former Headquarters (Higashinari-ku, Osaka)	Paper Products Business Film Packaging Business Other Businesses Companywide	Other equipment	-	-	1,179 (16) [0]	-	1,179	-(-)
Tokyo Head Office building and 23 other sites (Shibuya-ku, Tokyo and elsewhere)	Paper Products Business Film Packaging Business Other Businesses	Sales equipment	1,019	0	2,578 (3)	22	3,620	366(52)
Osaka Plant (Higashiosaka, Osaka Prefecture)	Paper Products Business	Production equipment for paper bags, paper cartons, and other paper products	509	917	116 (24)	365	1,908	158(130)
	Film Packaging Business	Production equipment for plastic bags	57	558	25 (9)	15	657	41(24)
Nara Plant (Yamatokoriyama, Nara Prefecture)	Paper Products Business	Production equipment for corrugated boxes	137	178	394 (38)	367	1,077	71(32)
Tokyo Plant (Hidaka, Saitama Prefecture)	Paper Products Business	Production equipment for paper bags, paper cartons, and other paper products	3,159	1,649	1,939 (41)	771	7,519	136(122)
Ibaraki Plant (Hitachi, Ibaraki Prefecture)	Film Packaging Business	Production equipment for plastic bags	283	910	210 (10)	16	1,420	31(30)
Keihin Tokushu Printing Corp. (Seya-ku, Yokohama)	Paper Products Business	Printing equipment	15	48	663 (6)	5	733	-(-)

(2) Domestic subsidiaries

As of December 31, 2022

Company name	Segment	Details of equipment	Book value (¥ million)					Number of employees
			Buildings and structures	Machinery, equipment, and vehicles	Land (thousand square meters of surface area)	Other	Total	
Keihin Tokushu Printing Corp. (Seya-ku, Yokohama)	Paper Products Business	Printing equipment	282	496	- (-)	1	780	41(3)
Nikko Print Corporation (Higashiosaka, Osaka Prefecture)	Paper Products Business	Printing equipment	7	306	- (-)	2	317	35(6)
Pack Takeyama Co., Ltd. (Tsushima, Aichi Prefecture)	Paper Products Business	Production equipment for paper bags, etc.	81	345	75 (5)	16	517	89(26)
Nishinihon Printing Co., Ltd. (Hakata-ku, Fukuoka)	Paper Products Business	Production equipment for paper bags, etc.	102	91	1,080 (15)	2	1,277	49(17)
Kannaru Printing Co., Ltd. (Yodogawa-ku, Osaka)	Paper Products Business	Production equipment for paper bags, etc.	409	75	275 (0) [1]	11	771	69(25)

Notes:

1. "Other" under book value represents the total for tools, furniture and fixtures and construction in progress accounts.
2. The Company and its domestic subsidiaries rent some land properties. Annual rent paid on land was ¥7 million for the Company and ¥19 million for domestic subsidiaries. The surface area of land rented is indicated separately, in brackets ([ ]).
3. The Company owns some of the fixed assets of Keihin Tokushu Printing Corp., which are indicated above.
4. The Company and its domestic subsidiaries rent some building properties. Annual rent paid on buildings was ¥476 million for the Company and ¥32 million for domestic subsidiaries.
5. Numbers of employees indicated above are permanent employees. Average numbers of temporary employees are indicated separately in parentheses (( )).
6. The Company Headquarters was relocated in February 2019. Plans call for building a new Headquarters building on the site of the former Headquarters.
7. Book values indicated above reflect impairment accounting. For more information on impairment losses, see "V. Accounts: 1. Consolidated financial statements, etc.: (1) Consolidated financial statements (Consolidated Statement of Income): *8 Impairment loss."

3. Plans for new facilities, removal of facilities, etc.

(1) Important new facilities, etc.

Company/site name (location)	Segment	Details of equipment	Planned investment amount (¥ million)		Fundraising method	Start of construction	Planed completion of construction	Capacity added after completion
			Total	Already paid				
The Pack Corporation Headquarters (Higashinari-ku, Osaka)	Paper Products Business Film Packaging Business Other Businesses	Rebuilding of Headquarters Building	2,321	1,537	Funds on hand	December 2021	April 2023	-
The Pack Corporation Osaka Plant (Higashiosaka, Osaka Prefecture)	Paper Products Business	Expansion of production equipment for paper bags	141	-	Funds on hand	October 2023	December 2023	See Note.
			161	-	Funds on hand	February 2024	February 2024	See Note.
			157	-	Funds on hand	April 2024	April 2024	See Note.
The Pack Corporation Tokyo Plant (Hidaka, Saitama Prefecture)	Paper Products Business	Expansion of production equipment for paper bags	423	-	Funds on hand	June 2023	August 2023	See Note.
		Expansion of production equipment for paper bags	190	-	Funds on hand	June 2024	August 2024	See Note.
			561	519	Funds on hand	September 2021	March 2023	See Note.

Note: Capacity added after completion is not shown because the new facilities are intended to improve quality and streamline operations.

(2) Significant removal of facilities, etc.

No significant removal of facilities, etc. took place aside from removal, etc. for ordinary equipment renovation.

IV. Status of the Company

1. Stock, etc.

(1) Total numbers of shares, etc.

(i) Total numbers of shares

Class	Authorized total number of shares
Common stock	77,000,000
Total	77,000,000

(ii) Shares issued and outstanding

Class	Shares issued and outstanding at end of business year (December 31, 2022)	Shares issued and outstanding at date of submission (March 28, 2023)	Name of listed financial instruments exchange or association of financial instruments business operators at which registration is authorized	Details
Common stock	19,900,000	19,900,000	Prime Market, Tokyo Stock Exchange	The authorized trading unit is 100 shares.
Total	19,900,000	19,900,000	-	-

(2) Status of share acquisition rights

(i) Details of stock option program

Date of resolution	March 27, 2015	March 30, 2016	March 30, 2017	March 29, 2018	March 28, 2019
Category and number of persons awarded options	Company Directors 5 Corporate Auditors 1 Corporate Officers 1	Company Directors 5 Corporate Auditors 1 Corporate Officers 2	Company Directors 5 Corporate Auditors 1 Corporate Officers 3	Company Directors 5 Corporate Auditors 1 Corporate Officers 4 (3)	Company Directors 5 Corporate Auditors 1 Corporate Officers 6 (5)
Number of share acquisition rights*	19 See Note 1.	26 See Note 1.	31 See Note 1.	35(33) See Note 1.	37(35) See Note 1.
Class, details, and number of shares subject to share acquisition rights (shares)*	Common stock 2,100 See Note 2.	Common stock 2,900 See Note 2.	Common stock 3,400 See Note 2.	Common stock 3,800(3,600) See Note 2.	Common stock 4,000(3,800) See Note 2.
Pay-in amount on exercise of share acquisition rights (yen)*	1				
Exercise period of share acquisition rights*	May 11, 2015 – May 10, 2040	May 10, 2016 – May 9, 2041	May 10, 2017 – May 9, 2042	May 10, 2018 – May 9, 2043	May 9, 2019 – May 8, 2044
Issue price of shares and amount allocated to capital when issuing shares on exercise of share acquisition rights (yen)*	Issue price: 2,251 Amount allocated to capital: 1,126 See Note 3.	Issue price: 2,338 Amount allocated to capital: 1,169 See Note 3.	Issue price: 2,970 Amount allocated to capital: 1,485 See Note 3.	Issue price: 3,497 Amount allocated to capital: 1,749 See Note 3.	Issue price: 2,911 Amount allocated to capital: 1,455 See Note 3.
Conditions of exercise of share acquisition rights*	See Note 4.				
Provisions concerning transfer of share acquisition rights*	Prior approval by resolution of the Board of Directors is required to obtain share acquisition rights through transfer.				
Provisions concerning exchange of share acquisition rights accompanying acts of reorganization*	See Note 5.				

* The details shown are as of the end of the business year under review (December 31, 2022). Items revised from the end of the business year under review to the end of the month before the date of submission are represented by indicating in parentheses (( )) details as of the end of the month before the date of submission. No other items have changed since the end of the business year under review,

Notes:

1. The class of stock subject to share acquisition rights is Company common stock. The number of shares subject to each share acquisition right ("shares allotted" hereinafter) is 100 shares.
   In the event of a stock split (hereinafter, this includes *gratis* allocation of shares of Company common stock) or reverse stock split on Company common stock after the date of allocation of share acquisition rights ("allocation date" hereinafter), the number of shares allotted will be adjusted based on the formula given below. This adjustment will be made for the number of shares of stock subject to share acquisition rights yet to be exercised as of the time of adjustment. Any remainders of less than one share resulting from the adjustment will be rounded down.
   Adjusted number of shares = Number of shares prior to adjustment x Ratio of stock split/reverse stock split
   The adjusted number of shares shall apply from the day after the basis date of the stock split (or the effective date if no basis date is specified) in the case of a stock split or on the effective date in the case of a reverse stock split. However, in the event of a stock split conditional on the approval by the Company General Meeting of Shareholders of a resolution on increase of capital or reserves drawing on the surplus, in which the basis date of the stock split precedes the ending date of the relevant General Meeting of Shareholders, the adjusted number of shares shall apply from the day after the ending date of the relevant General Meeting of Shareholders.
   In addition to the above cases, if the Company must adjust the number of shares allotted due to a merger, corporate spin-off, stock swap, or similar reason after the allocation date, the Company may adjust the number of subject shares allotted as judged necessary by the Company Board of Directors.
2. The trading unit of shares shall be 100 shares.
3. The amount of the increase in capital when issuing shares through exercise of share acquisition rights shall be the amount derived by multiplying by one-half the limit on increased capital, etc., calculated in accordance with the provisions of Article 17, Paragraph 1 of the Regulation on Corporate Accounting, with any remainder of less than one yen resulting from such calculation to be rounded up to the nearest whole yen. The amount of the increase in capital reserves when issuing shares through exercise of share acquisition rights shall be the above limit on increased capital, etc., minus the amount of the increase in capital above.
4. Conditions of exercise of share acquisition rights
   (i) A holder of share acquisition rights may exercise them only during the period of 10 days (or until the next business day if the 10th day is a holiday) from the day after his or her loss of the status of a Company (a) Director or (b) Corporate Officer (or the status after change in the event of a change during this period to the status of Company Corporate Auditor or Corporate Officer in case (a) or to the status of a Company Director, Corporate Auditor, or employee in case (b)).
   (ii) Only when the rate of growth in consolidated financial results (net sales and operating income) in the fiscal year in which the share acquisition rights were allotted was at least 100% vs. the previous fiscal year may an eligible person exercise all share acquisition rights allotted in that fiscal year. If the rate of growth was less than 100%, only a portion of the share acquisition rights allotted in that fiscal year, based on the rate of growth, may be exercised.
   (iii) Notwithstanding (i) above, if a resolution is passed by the Company General Meeting of Shareholders (or by the Board of Directors or Corporate Officer to whom such authority is delegated under Article 416, Paragraph 4 of the Companies Act if a General Meeting of Shareholders is unnecessary) approving a merger agreement whereby the Company would be the extinguished company, a corporate spin-off agreement or plan whereby the Company would be the spun-off company, or a stock swap agreement or stock transfer plan whereby the Company would become a wholly-owned subsidiary, the share acquisition rights may be exercised no later than 30 days from the day after the date of such approval. However, this does not include cases in which share acquisition rights in the reorganized company are allotted to holders of share acquisition rights in accordance with the provisions on exchange of share acquisition rights accompanying an act of reorganization, as described below.
   (iv) Other conditions shall be as stipulated in the Share Acquisition Right Allotment Agreement concluded between the Company and holders of share acquisition rights.
5. Provisions concerning exchange of share acquisition rights accompanying acts of reorganization

In the event of the merger of the Company (only those in which the Company would be extinguished by the merger), an absorption-type corporate split or corporate split involving the establishment of a new company (only those in which the Company would be the spun-off company), or a stock swap or stock transfer (only those in which the Company would become a wholly-owned subsidiary) (referred to collectively as “acts of reorganization” hereinafter), holders of the balance of share acquisition rights remaining (“remaining balance of share acquisition rights” hereinafter) immediately before the effective date of the act of reorganization (hereinafter, this shall refer to the effective date of the absorption-type merger in the case of an absorption-type merger, the date of establishment of the new merged company in the case of a merger involving the establishment of a new company, the effective date of the absorption-type corporate split in the case of an absorption-type corporate split, the date of establishment of the new split company in the case of a corporate split involving the establishment of a new company, the effective date of the stock swap in the case of a stock swap, or the date of establishment of the wholly owning parent company to which stock was transferred in the case of a stock transfer) shall be issued share acquisition rights in the corporation indicated in Article 236, Paragraph 1, Subparagraph 8, A-E of the Companies Act (“reorganized company” hereinafter). However, this shall be conditional on the absorption-type merger agreement, agreement on merger involving the establishment of a new company, absorption-type corporate split agreement, plan for corporate split involving the establishment of a new company, stock swap agreement, or stock transfer plan providing for issue of share acquisition rights in the reorganized company.

(ii) Details of rights plan

Not applicable

(iii) Information on other share acquisition rights, etc.

Not applicable

(3) Status of exercise of bonds with share acquisition rights subject to revision of exercise price, etc.

Not applicable

(4) Trends in total shares issued and outstanding, capital stock, etc.

Date	Change in total shares issued and outstanding (thousand shares)	Balance of total shares issued and outstanding (thousand shares)	Change in capital stock (¥ million)	Balance of capital stock (¥ million)	Change in capital reserve (¥ million)	Balance of capital reserve (¥ million)
September 29, 2009 See Note.	190	19,900	124	2,553	124	2,643

Note: Third-party allotment of shares at a premium (third party capital increase related to sale through overallotment)

Issue price: ¥1,309.28

Amount transferred to capital: ¥654.64

Recipient of allotment: Nomura Securities Co., Ltd.

(5) Shareholders

As of December 31, 2022

Category	Status of shares (trading unit: 100 shares)								Shares in less than trading unit (shares)
	National and local government agencies	Financial institutions	Financial instrument brokers	Other corporations	Foreign corporations, etc.		Individuals, etc.	Total	
					Non-individual	Individuals			
Shareholders	-	21	16	323	95	25	14,522	15,002	-
Shares held (trading units)	-	51,874	752	59,439	25,653	31	61,173	198,922	7,800
Percentage of shares held (%)	-	26.1	0.4	29.9	12.9	0.0	30.7	100	-

Note: Treasury stock of 890,611 shares is included under "Individuals, etc." (8,906 trading units) and "Shares in less than trading unit" (61 trading units).

(6) Major shareholders

As of December 31, 2022

Name	Address	Shares owned (thousand)	Percentage of total shares issued and outstanding (not including treasury stock) (%)
Morita Kinen Fukushizaidan	1984-40 Nakatomigaoka 2-chome, Nara, Nara Prefecture	2,081	10.95
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3 Hamamatsucho 2-chome, Minato-ku, Tokyo, Japan	1,491	7.85
BBH for Fidelity Low-Priced Stock Fund (Principal All Sector Subportfolio) (Standing proxy: MUFG Bank, Ltd.)	245 Summer Street, Boston, Massachusetts 02210, USA (7-1 Marunouchi 2-chome, Chiyoda-ku, Tokyo, Japan)	1,253	6.60
The Pack Trading Partners Stock Ownership Plan	9-9 Higashiobase 2-chome, Higashinari-ku, Osaka, Japan	1,247	6.56
Custody Bank of Japan, Ltd. (Trust Account 4)	1-8-12 Harumi, Chuo-ku, Tokyo, Japan	875	4.61
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo, Japan	875	4.61
Custody Bank of Japan, Ltd. (re-entrusted by Resona Bank; Hokuetsu Corporation retirement benefits trust account)	1-8-12 Harumi, Chuo-ku, Tokyo, Japan	622	3.27
Daio Paper Corporation	2-60 Mishimakamiyacho, Shikokuchuo, Ehime Prefecture, Japan	573	3.02
MUFG Bank, Ltd.	7-1 Marunouchi 2-chome, Chiyoda-ku, Tokyo, Japan	494	2.60
Shichijo Paper Trading Co., Ltd.	20-10 Nihonbashi 2-chome, Chuo-ku, Tokyo, Japan	474	2.50
Total	-	9,990	52.56

(7) Voting rights

(i) Shares issued and outstanding

As of December 31, 2022

Category	Number of shares	Number of voting rights	Details
Non-voting shares	-	-	-
Shares with restricted voting rights (e.g., treasury shares)	-	-	-
Shares with restricted voting rights (other)	-	-	-
Shares with full voting rights (e.g., treasury shares)	(Treasury shares) Common stock 890,600	-	-
Shares with full voting rights (other)	Common stock 19,001,600	190,016	-
Shares in less than one trading unit	Common stock 7,800	-	This shall refer to shares in lots numbering fewer than 100 shares (one trading unit).
Total shares issued and outstanding	19,900,000	-	-
Total shareholder voting rights	-	190,016	-

Note: The shares of common stock under “Shares in less than one trading unit” include 61 shares of treasury stock owned by the Company.

(ii) Treasury shares, etc.

As of December 31, 2022

Name or title of owner	Address of owner	Number of shares held in own name	Number of shares held in other names	Total number of shares held	Shares held as a percentage of total shares issued and outstanding (%)
(Treasury shares owned by the Company) The Pack Corporation	9-9 Higashiobase 2-chome, Higashinari-ku, Osaka, Japan	890,600	-	890,600	4.47
Total	-	890,600	-	890,600	4.47

2. A cquisition of treasury stock, etc.

Stock class, etc.: Acquisition of common stock under Article 155, Paragraph 7 of the Companies Act

(1) Acquisition by resolution of the General Meeting of Shareholders

Not applicable

(2) Acquisition by resolution of the Board of Directors

Not applicable

(3) Details of treasury stock not acquired by resolution of the General Meeting of Shareholders or Board of Directors

Category	Shares	Total price (¥)
Treasury stock acquired during the business year under review	44	108,240
Treasury stock acquired during the current period	-	-

Note: Treasury stock acquired during the current period does not include shares acquired through purchase of remainders of stock in less than the trading unit from March 1, 2023, to the date of submission of this Annual Securities Report.

(4) Status of disposal and holding of treasury stock acquired

Category	Business year under review		Current period	
	Shares	Total disposal price (¥)	Shares	Total disposal price (¥)
Treasury stock acquired subject to seeking underwriters	-	-	-	-
Treasury stock acquired subject to disposal of cancellation	-	-	-	-
Treasury stock acquired subject to transfer related to merger, stock swap, issuance of shares, or corporate split	-	-	-	-
Other (exercise of stock options)	5,800	17,331,212	200	597,624
Other (disposal of treasury stock through transfer-restricted share-based remuneration)	8,500	25,399,190	-	-
Shares of treasury stock held	890,661	-	890,461	-

Notes:

1. Treasury stock disposed of and held during the current period does not include shares disposed of from March 1, 2023, to the date of submission of this Annual Securities Report.
2. Treasury stock disposed of and held during the current period does not include shares for which stock options were exercised from March 1, 2023, to the date of submission of this Annual Securities Report.

3. Dividend policy

The Company determines dividends while striving both to maintain stable dividends and to enhance internal reserves. Its basic policy calls for paying dividends twice per business year as year-end dividends based on a resolution of the Regular General Meeting of Shareholders and as interim dividends based on a resolution of the Board of Directors. Based on this policy, during the business year under review, the Company paid interim dividends of ¥30 per share and year-end dividends of ¥35 per share, reflecting consideration of financial results during the business year. As a result, the Company paid annual dividends of ¥65 per share.

Internal reserves are intended to enhance the Company's financial structure and to meet demand for funds for R&D, acquisition of production equipment, and other purposes. This is intended to contribute to stable and growing dividends to shareholders through contributing to future growth in profits.

The Company Articles of Association state as follows: "Surplus may be distributed as interim dividends by a resolution of the Board of Directors, with a basis date of June 30 each year."

Dividends of surplus in the business year under review are shown below.

Date of resolution	Total amount of dividends (¥ million)	Dividends per share (¥)
August 5, 2022, Board of Directors resolution	570	30
March 28, 2023, Regular General Meeting of Shareholders resolution	665	35

4. Corporate governance

(1) Overview of corporate governance

(i) Basic policy on corporate governance

Based on strong recognition of the importance of corporate governance, The Pack Corporation has established basic policies for maintaining improving management efficiency, ensuring compliance with corporate ethics, and maintaining a structure capable of monitoring that management activities are carried out properly while disclosing in a timely manner important information concerning shareholder interests.

(ii) Overview of the corporate governance system and reasons for its adoption

The Pack Corporation is a company with corporate auditors. It has established an Audit and Supervisory Board and adopted the structure of a company with an Audit and Supervisory Board, reflecting its judgment that an auditing structure consisting of corporate auditors including external auditors is an effective way to undertake management oversight functions. This is intended to enhance corporate governance.

In addition to the board of directors required by law, the Company employs business division conferences in which executives of the level of business division general manager and above participate to allow rapid decision-making and promulgate such decisions throughout the Company, reflecting current conditions through monthly meetings. In April 2005, the Company adopted a Corporate Officer system to enable dynamic business execution.

The Articles of Association call for up to nine directors. They also provide for the appointment of directors by a resolution passed with the support of a majority of voting rights present in a meeting attended by shareholders representing at least one-third of voting rights, without use of cumulative voting.

Three of the nine Directors are External Directors. The External Directors have no transactional relationships with or other interests in the Company.

In addition to enhanced management oversight functions achieved by appointing External Directors, the Company secures the neutrality and objectivity of management policies and strategies involving the establishment of a Nomination Committee, Remuneration Committee, Compliance Committee, and Sustainability Committee.

Members of the Board of Directors

Chairperson: Director Hideaki Yamashita

Members: Director Teruo Takinoue, Director Susumu Okada, Director Michihisa Fujii, Director Norio Ashida, Director Haruyasu Ito, External Director Hirofumi Hayashi, External Director Uichiro Nishio, External Director Kaoru Kasahara

Members of the Nomination Committee

Chairperson: External Director Uichiro Nishio

Members: Director Hideaki Yamashita, Director Teruo Takinoue, External Director Hirofumi Hayashi, External Director Kaoru Kasahara

Members of the Remuneration Committee

Chairperson: External Director Hirofumi Hayashi

Members: Director Hideaki Yamashita, Director Michihisa Fujii, External Director Uichiro Nishio, External Director Kaoru Kasahara

Members of the Sustainability Committee

Chairperson: Director Hideaki Yamashita

Members: Director Norio Ashida, Director Haruyasu Ito

The Company has four Corporate Auditors, two of whom are External Corporate Auditors. The External Corporate Auditors have no transactional relationships with or other interests in the Company.

Members of the Audit and Supervisory Board

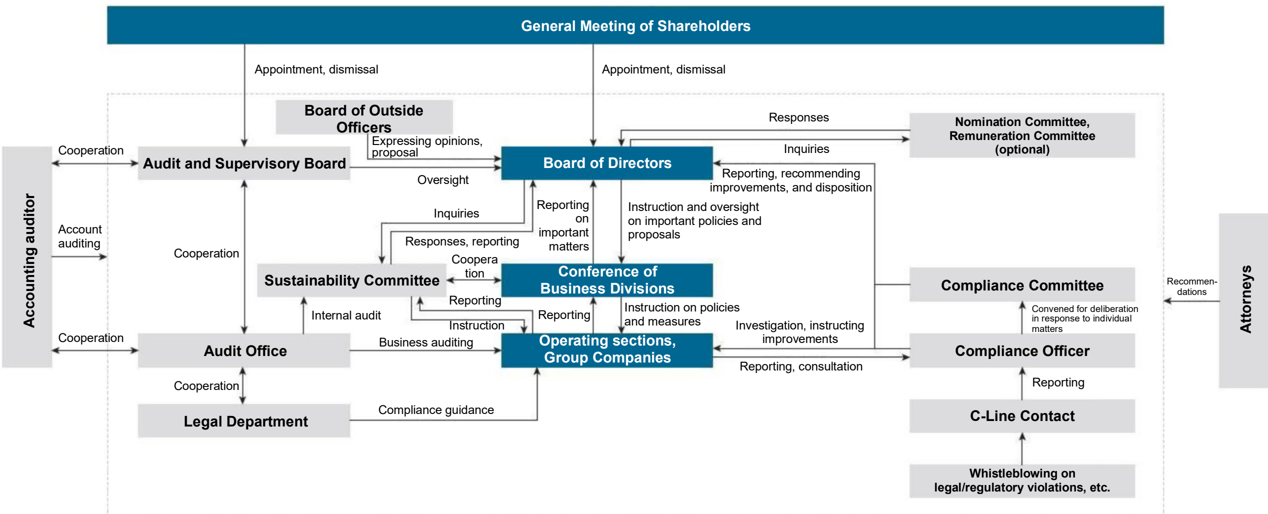
Chairperson: Standing Corporate Auditor Shinji Noda

Members: Standing Corporate Auditor Shuichi Nakamura, External Corporate Auditor Hisayoshi Tamakoshi, External Corporate Auditor Norimasa Iwase

Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company has concluded with its External Directors and External Corporate Auditors contracts limiting their liability for compensation for damages under Article 423, Paragraph 1 of the Companies Act to the minimum limit amount under Article 425, Paragraph 1 of the Companies Act, as long as the duties that led to such liability were carried out in good faith and free of gross negligence.
In addition, the Company has concluded with an insurer an executive liability insurance policy as stipulated in Article 430-3, Paragraph 1 of the Companies Act, naming Directors and Corporate Auditors of the Company and the Group as the insured. The insured are not charged premiums under this insurance policy. This policy covers losses related to liability and claims for liability borne by the insured in connection with the performance of their duties. However, to ensure that it would not have a detrimental impact on the proper execution of duties of the insured persons, the policy does not cover losses such as those attributable to criminal actions by the insured.

The Company's corporate governance structure is illustrated below.

Corporate governance structural diagram



(iii) Other matters concerning corporate governance

(a) Structure for ensuring that the performance of duties of Group directors and employees conforms to laws, regulations, and the Articles of Association

・Corporate Auditors conduct Group Corporate Auditor Audits based on the Rules of the Audit and Supervisory Board and the Corporate Auditor Audit Standards. The Audit Office conducts internal audits of the Group based on the Internal Audit Rules.

・The General Manager of the Corporate Division oversees Group compliance management and maintains related structures.

・The Company conducts awareness promotion and training for Group Directors, Corporate Officers (Group Directors and Corporate Officers are referred to collectively hereinafter as "Directors and others"), and Corporate Auditors regarding compliance with The Pack Group Code of Conduct and compliance.

・The C Line internal whistleblowing program is maintained to provide Group employees with access to consultations related to compliance and a point to which to submit reports of violations of laws, regulations, or the Articles of Association. Efforts are made to discover, prevent, and rectify any real or potential improprieties.

・The Company appoints External Directors to maintain and enhance its oversight functions regarding business execution.

(b) Systems related to the retention and management of information concerning the performance of duties of Group Directors

・Minutes of meetings of the Group's Board of Directors and other important meetings, in-house applications for approval, and other important documents related to the performance of duties of Directors are retained. Their preparation, retention, management, etc. are conducted based on the Document Rules, Approval Application Procedure Rules, Confidential Information Management Rules, and other in-house rules, etc.

・ Company Directors and Corporate Auditors may view the minutes of important meetings, in-house applications for approval, and other documents referred to in the preceding subparagraph.

(c) Rules and other systems regarding management of risks of losses to the Group

・ Risk management related to everyday business operations, including credit management, quality control, and health and safety management, is undertaken based on the in-house rules established by the Company and Group companies, manuals, procedures, and other documents, and the Company guides individual Group companies regarding their maintenance and operation.
・ The managerial structure for risk management related to information security will be reviewed in response to the increasing importance of information management due to broadening use of IT in business and other factors.
・ We respond swiftly to disasters, major accidents, and other business-related emergencies under the guidance of the president of the Company or the individual Group company involved, based on the Emergency Response Rules and other in-house rules, thereby stemming progress of any subsequent damage.
・ If the Audit Office in an internal audit discovers a risk of losses to the Group, it reports the matter to the head of the relevant section and promptly reports the matter to the President in accordance with the Internal Auditing Rules.

(d) Systems for ensuring the efficient performance of the duties of Group Directors

・ To enable efficient management, in addition to the Board of Directors, the Company holds monthly Business Division Conference meetings attended by the Directors and other members of management of the rank of business division heads or above, as well as Group company presidents. Business Division Conference meetings consider the state of business execution as reported by each section in charge and Group company and allow deliberations on policies for executing the decisions of the Board of Directors.
・ Organizations, posts, division of responsibilities, and job authority related to business execution are based on the in-house rules of each Group company.
・ The Company has adopted a Corporate Officer system to enable prompt and efficient business administration, by dividing responsibilities between Directors, who are responsible for decision-making and oversight functions, and Corporate Officers responsible for business execution.
・ The nomination and remuneration committees have been established as advisory bodies under the Board of Directors to enhance corporate governance by strengthening fairness, transparency, objectivity, and accountability in procedures related to matters such as compensation of Directors and Corporate Officers.

(e) Systems to ensure the propriety of Group company operations

・ Management of Group companies is undertaken based on the Affiliate Company Management Rules. Systems are maintained for periodic reports to the Company on matters such as the state of business execution and finances of individual Group companies and reports to the Company on the business results of Group companies, both periodically and if any material fact emerges.
・ The Company instructs each Group company to carry out awareness promotion and training regarding compliance with The Pack Group Code of Conduct and with in-house rules and other internal control systems to address various risks related to the Group’s business activities. If a Group company requests assistance, guidance, or other support regarding such efforts, the General Manager of the Company’s Corporate Division will instruct the Legal Department or other related section to respond appropriately. The purpose here is to manage risks Groupwide through mutual cooperation among Group companies.
・ The Company appoints sections responsible for the management of individual Group companies to carry out Group management appropriately and efficiently and provides guidance on maintaining and operating IT and other infrastructures within an extent required to ensure effective communication between the Company and Group companies and for business operations.

(f) Systems concerning employees appointed to assist in the duties of Corporate Auditors if requested to do so by Corporate Auditors

・ For now, no employees are appointed to assist in the duties of Corporate Auditors. However, the Audit Office performs such roles concurrently with its other duties, providing the assistance needed in the performance of the duties of Corporate Auditors under their command and control.

(g) Matters concerning the independence from Directors of employees assisting in the duties of Corporate Auditors

- The Audit Office is under no command and control other than that of Corporate Auditors with regard to assisting in the performance of the duties of Corporate Auditors under their command and control.
- The consent of The Audit and Supervisory Board is required for personnel transfers, personnel evaluations, treatment, and disciplinary action regarding staff members of the Audit Office.

(h) Systems for reporting to Corporate Auditors by Group directors, employees, and others, other systems related to reporting to Corporate Auditors, and systems for ensuring that those who have submitted reports will not suffer disadvantageous treatment as a result

- In addition to attending meetings of the Board of Directors and business division conferences, Corporate Auditors may attend any other meetings as they deem necessary, including those of Group companies.
- The Company and Group companies provide Corporate Auditors with requested documents, including minutes and materials from important meetings, materials concerning important litigation and disputes, materials concerning the results of inspections by regulators and other outside parties, materials concerning improprieties such as matters reported through the internal whistleblowing program, and other necessary materials.
- Company executives and employees are requested to report immediately to Corporate Auditors any information discovered and posing the risk of significant harm to the Company. Company executives and employees are protected from dismissal or other disadvantageous treatment as the result of submitting such reports.
- Group employees are protected from dismissal from the Company or a Group company or other disadvantageous treatment as the result of having consulted regarding compliance or reported violations of laws, regulations, or the Articles of Association via the C Line internal whistleblowing program.
- The Compliance Committee is led by the General Manager of the Administrative Division and with membership appointed by that General Manager to promote compliance within the Company and its subsidiaries.

(i) Procedures for prepayment or reimbursement of the costs of performance of the duties of Corporate Auditors and other matters concerning policies related to the processing of costs or obligations arising in connection with the performance of such duties

- Demands received from Corporate Auditors for the payment of expenses necessary for the performance of their duties shall be paid promptly.
- As judged necessary by Corporate Auditors, necessary audit costs, such as those involving the employment of attorneys, certified public accountants, consultants, and other external advisors, are authorized to support audits by Corporate Auditors.

(j) Other systems intended to ensure the efficacy of audits by Corporate Auditors

- Group executives, etc. and employees cooperate actively in audits by Corporate Auditors.
- Based on their own independent plans and schedules and in close cooperation with the Audit Office, Corporate Auditors may interview the heads and employees of the sections audited.
- Corporate Auditors exchange opinions with the President and the accounting auditor through meetings held periodically and at other times as needed.

(k) Sustainability Committee

- The Sustainability Committee established under the Board of Directors and the Sustainability Committee Secretariat, its business execution organization, cooperate with Business Division Conference meetings, business sections, and Group companies to consider and respond to climate change.
- The Board of Directors consults with the Sustainability Committee regarding decisions on and oversight of related policies. The Audit and Supervisory Board and the Audit Office audit these initiatives in an auxiliary manner.

(l) Maintenance of in-house rules, etc.

- In-house rules, programs, systems, manuals, procedures, and other matters related to this basic policy shall be reviewed continuously by the Group and amended, abolished, formulated, improved, established, etc. as needed.

(m) Maintaining the risk management structure

- We strive to maintain a systematic risk management structure to respond to risks in various areas, such as business, management, markets, and credit (including risk prevention), and to accurately ascertain, analyze, and address risks such as human risks, natural disasters, and both internal and external risks.
- In the sphere of legal and regulatory compliance, we have established The Pack Group Code of Conduct to set forth principles to serve as standards for actions and judgments with which executives and employees of Group companies must comply.

(n) Matters subject to resolution by the General Meeting of Shareholders that may be determined by the Board of Directors

- With regard to the purchase of treasury stock, the Company, pursuant to the provisions of Article 165, Paragraph 2 of the Companies Act, may acquire treasury stock through market transactions and other methods by a resolution of the Board of Directors. This is intended to enable dynamic execution of management policies, including those concerning financial measures, in response to changes in economic conditions.
- Based on the rules established in Article 454, Paragraph 5 of the Companies Act, the Articles of Association stipulate that interim dividends may be paid by a resolution of the Board of Directors. This is intended to make it possible to provide returns dynamically to shareholders by delegating authority for interim dividends of surplus to the Board of Directors.

(o) Requirements of special resolutions by the General Meeting of Shareholders

- The Articles of Association stipulate that special resolutions by the General Meeting of Shareholders under Article 309, Paragraph 2 of the Companies Act require the support of two-thirds of voting rights present in a meeting attended by shareholders representing at least one-third of voting rights that can be exercised on the resolution. This is intended to enable the smooth operation of General Meetings of Shareholders by easing quorum requirements for special resolutions by the General Meeting of Shareholders.

(iv) Basic policy concerning control of the Company

(a) Details of the basic policy

The Company believes that it has been built up and supported by tangible and intangible assets that are both important and essential to Company management, including the human resources, organization, equipment, product capabilities, technological capabilities, relationships of trust between management and employees, relationships of trust between the Company and its customers, suppliers, and other stakeholders, and management measures drafted and implemented to date.

To increase the Company's corporate value and contribute to the common interests of shareholders, it is vital that those who control decision-making on Company financial and business policies maintain and improve these elements of management.

Quite clearly, shareholders are determined based on the principle of a free market and free trade. We ultimately believe that those parties who control decisions on Company financial and business policies should make their decisions based on the views of shareholders as a whole.

For this reason, we will not necessarily reject any or all efforts by individual parties or groups to acquire control of or influence decision-making on Company financial and business policies via the acquisition of large volumes of Company stock, even if such actions involve the unilateral acquisition of large volumes of Company stock without the consent of Company management, if they would contribute to the Company's corporate value or the common interests of shareholders.

However, if such efforts may be detrimental to the Company's corporate value or to the common interests of shareholders—for example, by damaging the above elements of management—we would consider the party to be inappropriate to control decision-making on Company financial and business policies and take appropriate measures to the extent permitted by laws, regulations, and the Articles of Association.

This is our basic policy on parties controlling decision-making on Company financial and business policies.

(b) Efforts to prevent control of decision-making on Company financial and business policies by inappropriate parties under the basic policy

In the event that a party attempts to acquire large volumes of Company stock and the Company determines that such acquisition would be made by the inappropriate party, we will establish a task force that includes a certain number of outside experts; make a careful judgment regarding the intent of the party, the details of its proposals, and other matters in light of the above basic policy and the common interests of shareholders; and promptly decide on and implement practical defensive measures, where deemed appropriate and necessary.

(c) Judgment by the Board of Directors concerning the initiatives under (b) above
The Company Board of Directors believes that the initiatives under (b) above are not contrary to the common interests of shareholders, since they have been formulated in accordance with the basic policy on control of the Company under (a) above and are intended to secure the Company's corporate value and the common interests of shareholders.

(2) Executives

(i) List of executives

Male: 12 members; female: one member (women account for 7.7% of executives)

Title	Name	Date of birth	Career history		Term of office	Shares held (thousand)
President and CEO	Hideaki Yamashita	June 7, 1957	April 1982 January 2008 January 2011 March 2013 January 2016 March 2017 January 2019 January 2019 March 2022	Joined the Company General Manager, Tokyo Sales Division No. 2 Corporate Officer Director Divisional General Manager, Eastern Japan Sales Division Managing Director Senior Managing Director Divisional General Manager, Sales Division President and CEO (to present)	See Note 4.	17
Vice President Divisional General Manager, Production Division	Teruo Takinoue	April 30, 1961	April 1984 January 2008 March 2011 January 2012 April 2014 March 2015 January 2017 March 2018 March 2022	Joined the Company General Manager, Osaka Production Division Director Deputy Divisional General Manager, Production Division Divisional General Manager, Packaging Products Division Managing Director Divisional General Manager, Production Division (to present) Senior Managing Director Vice President (to present)	See Note 4.	16
Managing Director Divisional General Manager, Sales Division	Susumu Okada	November 11, 1958	April 1982 January 2008 January 2010 January 2011 January 2012 March 2016 January 2017 March 2017 January 2019 January 2019 March 2022	Joined the Company General Manager, Tokyo Business Division General Manager, Purchasing Division Corporate Officer General Manager, Kyushu Business Division Director Divisional General Manager, Western Japan Sales Division Managing Director (to present) Deputy Divisional General Manager, Sales Division Divisional General Manager, Packaging Products Market Division Divisional General Manager, Sales Division (to present)	See Note 4.	13
Managing Director Divisional General Manager, Corporate Division	Michihisa Fujii	August 21, 1958	April 1981 April 2005 January 2008 January 2012 January 2012 March 2014 March 2015 March 2017 March 2018 January 2019	Joined Japan Cotton Trading Co., Ltd. Joined the Company Department Manager, Corporate Planning Dept. Corporate Officer Deputy Divisional General Manager, Administration Division Director Divisional General Manager, Legal Department Divisional General Manager, Administration Division Managing Director (to present) Divisional General Manager, Corporate Division (to present)	See Note 4.	11
Managing Director Deputy Divisional General Manager, Sales Division Divisional General Manager, Packaging Products Market Division	Norio Ashida	November 20, 1963	April 1986 January 2011 January 2015 January 2019 January 2019 January 2019 March 2020 March 2022	Joined the Company General Manager, Tokyo Sales Division No. 4 Corporate Officer Managing Corporate Officer Divisional General Manager, Eastern Japan Sales Division Managing Director (to present) Deputy Divisional General Manager, Sales Division (to present) Divisional General Manager, Packaging Products Market Division (to present)	See Note 4.	6
Director Deputy Divisional General Manager, Production Division	Haruyasu Ito	November 30, 1961	April 1984 January 2016 January 2019 March 2020 February 2022 March 2022 January 2023	Joined the Company General Manager, Section 2 of Tokyo Sales Division No. 2 Managing Director, Kannaru Printing Co., Ltd. President and CEO, Kannaru Printing Co., Ltd Director, the Company (to present) Deputy Divisional General Manager, Production Division (to present) In charge of Quality Management Control Dept. (to present)	See Note 4.	1

Title	Name	Date of birth	Career history		Term of office	Shares held (thousand)
Director	Hirofumi Hayashi	August 17, 1965	October 1991 August 1995 January 2001 March 2001 February 2010 March 2014 March 2015	Joined Century Audit Corporation Registered as certified public accountant Established Hayashi CPA and Tax Accountant Office (to present) Registered as a certified tax accountant External Auditor, Kawakami Paint Manufacturing Co., Ltd. Corporate Auditor, the Company Director (to present)	See Note 4.	3
Director	Uichiro Nishio	March 7, 1955	March 1982 December 1983 July 1999 July 2002 April 2005 March 2015 June 2015 June 2016 March 2018	Registered as certified public accountant Registered as certified tax accountant Representative Partner, Seiwa Audit & Accounting Firm Representative Partner, Deloitte Touche Tohmatsu LLC Professor, Institute of Business and Accounting, Professional Graduate School, Kwansei Gakuin University (to present) Corporate Auditor, the Company External Auditor, Araya Industrial Co., Ltd. (to present) External Auditor, KMEW Co., Ltd. (to present) Director (to present)	See Note 4.	2
Director	Kaoru Kasahara	December 14, 1961	March 1989 February 2010 February 2014 February 2015 February 2019 March 2022	Joined Pigeon Corporation President and COO, Pigeonwill Corporation Corporate officer and Deputy Division Manager, Domestic Baby & Mother Care Business Division, Pigeon Corporation Corporate officer and Division Manager, Research and Development Division, Pigeon Corporation Director, Pigeon Manufacturing Ibaraki Corporation Director, the Company (to present)	See Note 4.	0
Standing Corporate Auditor	Shinji Noda	April 28, 1959	April 1983 January 2017 March 2018	Joined the Company Department Manager, Legal Dept. Standing Corporate Auditor (to present)	See Note 6.	7
Standing Corporate Auditor	Shuichi Nakamura	May 29, 1958	April 1983 October 2002 January 2011 January 2015 March 2017 March 2017 January 2018 January 2019 March 2022	Joined the Company Head, Audit Dept. Department Manager, Finance Dept. Corporate Officer Director Deputy Divisional General Manager, Administration Division Department Manager, Corporate Planning Dept. Deputy Divisional General Manager, Corporate Division Standing Corporate Auditor (to present)	See Note 5.	7
Corporate Auditor	Hisayoshi Tamakoshi	August 25, 1964	April 1992 August 1998 June 2013 March 2015	Registered as attorney-at-law Established Tamakoshi Law Firm (to present) External Auditor, Tomoshia Holdings Co., Ltd. (to present) Corporate Auditor, the Company (to present)	See Note 6.	2
Corporate Auditor	Norimasa Iwase	November 20, 1958	April 1983 March 1986 November 1989 May 1992 March 2018	Joined Nisshin Audit Corporation Registered as certified public accountant Registered as certified tax accountant Established Iwase CPA Office (to present) Corporate Auditor, the Company (to present)	See Note 5.	1
						90

Notes:

1. Directors Hirofumi Hayashi, Uichiro Nishio, and Kaoru Kasahara are External Directors.
2. Corporate Auditors Hisayoshi Tamakoshi and Norimasa Iwase are External Corporate Auditors.
3. The Company has adopted a Corporate Officer system to invigorate the activities of the Board of Directors and to improve management efficiency by clearly differentiating between the Board's functions of decision-making and oversight of business execution and the business execution functions of individual business divisions.
   The Company has ten Corporate Officers: Naoki Nakamura, Divisional General Manager, Western Japan Sales Division; Ryuichi Watanabe, Divisional General Manager, Eastern Japan Sales Division; Hisakazu Tanaka, General Manager, Kyushu Sales Division; Yuji Yonekawa, General Manager, Plastics Packaging Sales Division; Haruyuki Kochi, General Manager, Tokyo Production Division; Satoshi Nishiura, General Manager, Tokyo Sales Division No. 2; Yoshihisa Tanaka, in charge of the Logistics Management Division; Ikuo Shimomura, Deputy Divisional General

Manager, Corporate Division; Mitsusada Maeda, General Manager, Kansai Sales Division No. 1; and Yoshio Iwahashi, General Manager, Tokyo Sales Division No. 3.

4. The terms of office of Directors run from the end of the Regular General Meeting of Shareholders held March 28, 2023, to the end of the Regular General Meeting of Shareholders for the period ending December 2023.
5. The terms of office of Corporate Auditors run from the end of the Regular General Meeting of Shareholders held March 28, 2023, to the end of the Regular General Meeting of Shareholders for the period ending December 2026.
6. The terms of office of Corporate Auditors run from the end of the Regular General Meeting of Shareholders held March 30, 2022, to the end of the Regular General Meeting of Shareholders for the period ending December 2025.

(ii) External Directors

A. Numbers of External Directors and External Corporate Auditors

The Company has three External Directors and two External Corporate Auditors.

B. Personal, capital, and transactional relations with the Company and other interests in the Company

While External Directors Hirofumi Hayashi, Uichiro Nishio, and Kaoru Kasahara own shares of Company stock (in the quantities indicated in the column for shares of stock held in (i) List of Executives above), they have no other personal, capital, or transactional relations with the Company or other interests in the Company and maintain full independence.

While Hirofumi Hayashi was affiliated with the Company's accounting auditor Ernst & Young ShinNihon LLC from October 1991 to January 2001 (as Century Audit Corporation at the time he joined the organization and Century Ota Showa & Co. when he left), we have designated him as an Independent Director under the provisions established by the Tokyo Stock Exchange based on the determination that there is no risk of a conflict of interest between him and ordinary shareholders. This determination is based on the considerable time since he last served as accounting auditor. Additionally, since that time, he has operated an independent certified public accountant and certified tax accountant office. There are no transactional relations between the Company and him or his office.

While External Corporate Auditors Hisayoshi Tamakoshi and Norimasa Iwase own shares of Company stock (in the quantities shown in the column for shares of stock held in (i) List of Executives above), they have no other personal, capital, or transactional relations with the Company or other interests in the Company and maintain their full independence from the Company. Accordingly, we have designated both of them as Independent Director under the provisions established by the Tokyo Stock Exchange.

C. Functions and roles to be fulfilled by External Directors and two External Corporate Auditors in corporate governance and perspectives on their appointment

External Directors are responsible for making Company corporate governance more effective through oversight from an objective and neutral standpoint, drawing on their specialized knowledge and experience. Accordingly, we have appointed as External Directors Hirofumi Hayashi and Uichiro Nishio, who are qualified as certified public accountants and certified tax accountants and possess special expertise concerning tax, finances, and accounting, and Kaoru Kasahara, who brings a wealth of business knowledge and expertise on marketing, development, and manufacturing sections with a company listed on the Prime Market of the Tokyo Stock Exchange in an industry that differs from ours.

External Corporate Auditors are responsible for making Company corporate governance more effective through audits undertaken from an objective and neutral standpoint, drawing on their specialized knowledge and experience. Accordingly, we have appointed as External Corporate Auditors Norimasa Iwase, who is qualified as a certified public accountant and certified tax accountant and offers special expertise regarding tax, finances, and accounting, and Hisayoshi Tamakoshi, who is qualified as an attorney at law and offers special expertise concerning legal affairs.

D. Standards and policies concerning independence from the Company

Our basic perspective on appointments of External Directors calls for the appointment of those with the knowledge and experience needed to audit the legal and regulatory compliance and business administration of Directors in accordance with the requirements for External Directors under the Companies Act and standards for independence established by financial instruments exchanges. These individuals must be capable of serving as External Directors from perspectives independent of the Company management team.

(iii) Cooperation between oversight or audits by External Directors or External Corporate Auditors and internal audits, audits by Corporate Auditors, and account audits and relationship to internal control sections

External Directors attend meetings of the Board of Directors and implement oversight functions through appropriate contributions based on their individual expertise, experience, and knowledge of internal controls and other key topics.

External Corporate Auditors attend meetings of the Board of Directors and the Audit and Supervisory Board and implement audit functions by reviewing reports on the results of internal audits, audits by Corporate Auditors, account audits, etc.

External Directors and External Corporate Auditors enhance mutual cooperation through the exchange of information and opinions, mainly at meetings of the Board of Directors and of the Audit and Supervisory Board.

(3) Audits

(i) Audits by Corporate Auditors

The Company's Audit and Supervisory Board has four members, including two External Corporate Auditors. The status of each Corporate Auditor and their attendance at meetings of the Audit and Supervisory Board held during the business year under review are reviewed below.

Title	Name	Career history, etc.	Attendance at meetings of the Audit and Supervisory Board
Standing Corporate Auditor	Shinji Noda	After joining the Company, Mr. Noda worked in the sales and legal departments, rising to the post of Department Manager of the Legal Department before his appointment as Corporate Auditor in 2018. He currently chairs the Audit and Supervisory Board. He brings to his assigned position a wealth of business experience and commensurate acuity of judgment.	13/13 meetings
Standing Corporate Auditor	Shuichi Nakamura	After joining the Company, Mr. Nakamura worked in sales, audit, and financial departments, rising to the post of Deputy Divisional General Manager in the Corporate Division before his appointment as Corporate Auditor in 2022. He brings to his assigned position a wealth of business experience and commensurate acuity of judgment.	9/9 meetings
External Corporate Auditor	Hisayoshi Tamakoshi	After registering as an attorney-at-law in 1992, Mr. Tamakoshi was appointed Company Corporate Auditor in 2015. In addition to years of experience in corporate law and high-level insight as an attorney, he also brings to his assigned position a wealth of experience as an External Corporate Auditor with other firms.	13/13 meetings
External Corporate Auditor	Norimasa Iwase	After registering as a certified public accountant in 1986, Mr. Iwase was appointed Company Corporate Auditor in 2018. He brings to his assigned duties years of experience in corporate accounting, strong insight, and a wealth of experience in finance and accounting.	13/13 meetings

In implementing on-site audits, the Standing Corporate Auditors continue to draw on their wide-ranging business experience with the Company to gather important information from wide-ranging perspectives concerning the Company's business operations as a whole. Utilizing their discernment and experience in their areas of expertise, External Corporate Auditors provide important information and participate from a neutral perspective in the exchange of opinions among Corporate Auditors.

(ii) Activities of the Audit and Supervisory Board

In principle, the Audit and Supervisory Board meets monthly, and meets at other times as needed. It met 13 times during the business year under review, with each meeting lasting approximately 90 minutes.

a. Main reports and information sharing

・Reports on audit activities: Presentations by each Corporate Auditor on the details of investigations and other audit activities

・Reports on business results: Reports by Standing Corporate Auditors to External Corporate Auditors on the most recent monthly business results (sales, profits)

・Review of Board of Directors activities: Reviews of related matters based on the minutes and other documents from recent Board of Directors meetings and reports by Standing Corporate Auditors to External Corporate Auditors on progress with regard to each matter after the Board of Directors meeting

・Reports on internal audits: Information sharing on the results of business audits by the Audit Office, which oversees internal audits, based on internal audit reports

・Other: Reports by Standing Corporate Auditors to External Corporate Auditors on the particulars of matters submitted to C Line (the internal whistleblowing program), major complaints, and related matters, and on measures to prevent their recurrence

b. Key topics of study and resolutions

・Formulation of audit policies, division of responsibilities, and audit plans

Priority policies: Implementing audits with a focus on the efficacy of corporate governance and internal controls; audits of validity and compliance in light of the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors, the Labor Standards Act, in-house rules on asset management, internal regulations, and other Company rules, in particular concerning the prevention and control of major potential risks to the Group

Division of responsibilities in audits: Only Standing Corporate Auditors are involved in everyday audits.
External Corporate Auditors undertake audits based on information obtained by attending meetings, information from reports by Standing Corporate Auditors, and information gleaned from on-site audits.

・ Review of Audit and Supervisory Board Rules and audit standards
・ Approval of annual consolidated financial statements, nonconsolidated financial statements, and their annexed details; of business reports and their annexed details
・ Preparing audit reports
・ Evaluating the account auditor and determining whether to submit resolutions to the General Meeting of Shareholders calling for the reappointment or dismissal of the auditor
・ Schedules and topics of interviews with the President and Division heads in audit plans
・ Reviewing the internal whistleblowing program and advising Board of Directors on its appropriate operation
・ Consenting to decisions on audit remuneration paid to the account auditor
・ Deliberations and decisions among Corporate Auditors concerning Corporate Auditor remuneration
・ Consenting to resolutions on the appointment of Corporate Auditors

(iii) Corporate Auditors obligations

a. Attendance at important meetings (numbers of meetings held and numbers of meetings attended indicated for Board of Directors meetings only)

Name	Meeting			
	Board of Directors	Business Division Conferences	Joint Production-Sales Conferences	Other
Shinji Noda	○ 18/18 meetings	○	○	Nomination Committee Remuneration Committee
Shuichi Nakamura	○ 18/18 meetings	○	○	
Hisayoshi Tamakoshi	○ 17/18 meetings	○		External Directors' Conference, etc.
Norimasa Iwase	○ 17/18 meetings	○		

Notes:

1. Business Division Conferences: Meetings at which the heads of individual business divisions or other persons responsible report on various matters, including monthly accounts settlements, activity status, and future forecasts for each section and Group subsidiary
2. Joint Production-Sales Conferences: Liaison meetings between core management personnel, such as business division heads, from production departments and sales departments

Corporate Auditors attend meetings of the Board of Directors and other important meetings, audit meeting management and decision-making processes, and offer opinions, as necessary.

b. Interviews with Directors

・ The President & CEO is interviewed on a quarterly basis.
・ The three General Managers of the Production, Sales, and Corporate divisions were interviewed once each.

c. Checking on important decision-making documents, etc.

・ Viewing and checking on applications for approval and minutes of important meetings, such as those of the Board of Directors

d. Interviews and exchange of opinions with account auditor

・ Exchange of opinions on audit policies, priority items, and candidates as KAMs
・ Quarterly reports on the state of audits and reviews of audit results
・ Other exchange of information as necessary; six interviews took place during the business year under review.

e. Exchange of information with internal audit section

・ Exchange of opinions on audit policies and audit plans
・ Checking on the details of audit reports for business site audits undertaken by the Audit Office

f. On-site audits

・ Important matters checked in on-site audits
  * Workstyle reforms, including compliance with Article 36 agreements
  * Asset management, in particular compliance with rules on physical inventory check

* Compliance with the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors—in particular, provisions related to the issue of documents under Article 3 and strict compliance with collection deadlines
* Status of receipt of contracts and order forms

・ Given the need to halt the spread of COVID-19, audits have focused on documentary reviews, with all due care taken in on-site audits of business sites. Any matters that could involve improprieties or errors were checked with the relevant business sites, etc., as they arose.

g. Ascertaining the state of business activities at and supporting the governance of consolidated subsidiaries

・ Standing Corporate Auditors also serve as part-time Corporate Auditors for domestic subsidiaries. They attend meetings of their boards of directors and other core management meetings and implement business audits.

・ Audit accounting documents from accounts settlements each quarter

(iv) Status of internal audits

Our internal audits are periodic internal audits carried out by the Audit Office, which has a staff of three members. The purpose of these audits is to investigate and assess whether the Group's maintenance and improvement of internal controls systems under the Companies Act and the Financial Instruments and Exchange Act, as well as its business execution, are implemented effectively, efficiently, and in compliance with applicable laws and regulations, various rules, and management plans. Audit results are reported to the Directors and Corporate Auditors.

(v) Account auditing

a. Name of audit firm

Ernst & Young ShinNihon LLC

b. Period of continual auditing

Since 1990

Due to the extreme difficulty of investigating this information, the period of continual auditing may exceed the timeframe indicated above.

c. Certified public accountants responsible for operations

Masahiko Naka

Ryoichi Hayama

d. Assistants involved in audit operations

Six certified public accountants and eight other individuals serve as assistants involved in Company account audit operations

e. Policy on and reasons for selecting the account auditor

The Audit and Supervisory Board formulates its own independent audit firm evaluation standards, referring to various guidelines from the Japan Audit & Supervisory Board Members Association, and prepares, on that basis, evaluation documents addressing various matters, including the audit firm's audit structure, independence, audit quality, and status of the execution of audit duties. If this evaluation indicates the need to switch to another audit firm, a decision on the selection thereof is made based on these evaluation standards and a comprehensive assessment of its audit structure, independence, audit quality, and other key aspects.

f. Evaluation of the account auditor by the Corporate Auditors and Audit and Supervisory Board

Based on the above evaluation standards during the period under review, the Audit and Supervisory Board verified the status of the execution of audits by Ernst & Young ShinNihon LLC. The Audit and Supervisory Board interviewed Ernst & Young ShinNihon regarding the establishment of and compliance with policies and procedures for ensuring independence and those concerning the appointment and rotation of its employees in charge of audits and training plans for audit staff and the state of their implementation, based on interviews with the account auditor. The goal was to confirm that the audit firm is indeed independent and competent. On this basis, the Audit and Supervisory Board concluded that it would be appropriate to reappoint Ernst & Young ShinNihon LLC.

(vi) Details of audit remuneration, etc.

a. Remuneration of certified public accountants and others involved in audits

Category	Previous consolidated fiscal year		Current consolidated fiscal year	
	Remuneration based on audit certification operations (¥ million)	Remuneration based on non-audit operations (¥ million)	Remuneration based on audit certification operations (¥ million)	Remuneration based on non-audit operations (¥ million)
The Company	38	-	39	-
Consolidated subsidiaries	-	-	-	-
Total	38	-	39	-

b. Remuneration of certified public accountants and others involved in audits and their network (Ernst & Young) (excluding those under a.)

Category	Previous consolidated fiscal year		Current consolidated fiscal year	
	Remuneration based on audit certification operations (¥ million)	Remuneration based on non-audit operations (¥ million)	Remuneration based on audit certification operations (¥ million)	Remuneration based on non-audit operations (¥ million)
The Company	-	1	-	-
Consolidated subsidiaries	-	-	-	-
Total	-	1	-	-

Non-audit operations at the Company refer to financial due diligence.

c. Details of remuneration based on other important audit certification operations

Not applicable

d. Policies concerning decisions on audit remuneration

The Company makes appropriate decisions on audit remuneration for certified public accountants and others involved in audits with the consent of the Audit and Supervisory Board, taking into account various factors, including the time required for each audit phase, remuneration amounts per unit, the nature of the activities carried out, and policies at other companies.

e. Reasons for Audit and Supervisory Board consent for account auditor remuneration

The Company's Audit and Supervisory Board granted consent for remuneration for the account auditor under Article 399, Paragraph 1, of the Companies Act based on an analysis and evaluation of audit results in the previous consolidated fiscal year and study and after confirming the propriety of the audit plans, audit timetable, staffing plans, and estimated remuneration amounts for the consolidated fiscal year under review.

(4) Executive remuneration, etc.

(i) Matters concerning amounts of executive remuneration, etc. or policies on decisions related to their calculation methods

a. Basic policy on executive remuneration

The Company's executive remuneration system is intended to maintain a competitive position within the industry while improving business results, continually strengthening corporate value, sharing profits with shareholders, and reflecting job responsibilities and results.

b. Remuneration structure

・ Based on the resolution passed in the 58th Regular General Meeting of Shareholders held March 30, 2010, total executive remuneration may not exceed the annual figures of ¥470 million for Directors (the total number of Directors at the time of that General Meeting of Shareholders was 11) and ¥70 million for Corporate Auditors (the total number of Corporate Auditors at the time of the General Meeting of Shareholders in question was four). The 63rd Regular General Meeting of Shareholders held March 27, 2015, approved the payment of annual amounts of up to ¥30 million in compensation related to share acquisition rights in the form of stock options as share-based compensation for Directors, within these maximum remuneration limits. The 68th Regular General Meeting of Shareholders held March 26, 2020, approved the payment of a total annual amount of up to ¥30 million of monetary remuneration claims as part of a transfer-restricted share-based compensation program.

・ Remuneration for Directors (excluding External Directors) consists of base remuneration at fixed levels reflecting the scope of their duties, bonuses determined based on evaluations of their individual performance in business execution in the preceding period, and their contributions to the businesses they oversee; and transfer-restricted share-based remuneration (through the 68th fiscal period, stock options).

・ External Directors and External Corporate Auditors are paid base remuneration only.

c. Remuneration calculation methods and decision-making processes

(A) Procedure for calculating remuneration

・ Base remuneration

Base remuneration is determined by considering the base remuneration determined in advance in accordance with the Director's position, responsibilities, and years in office, as remuneration for job execution, as well as evaluations of job performance in the preceding period. It is paid as a fixed monthly amount.

・ Bonuses (performance-linked remuneration)

Bonuses serve as an incentive to improve business results and increase corporate value over the short term. They are paid based on a fixed percentage of the indicator of annual consolidated operating income. The Remuneration Committee determines bonuses with consideration for the contribution of each Director to the businesses of which he or she is in charge, and they are paid at fixed times each year. This indicator was chosen because it makes it possible to verify objectively the results and responsibilities of the management team.

・ Share-based remuneration stock options (performance-linked remuneration)

The share-based remuneration stock options program awards share acquisition rights on Company stock to Directors as an incentive to improve business results and increase corporate value over the medium to long term based on shared awareness with shareholders of the risks and rewards of stock-price fluctuations. Only when the rate of growth in consolidated financial results (net sales and operating income) in the fiscal year in which the share acquisition rights were allotted was at least 100% vs. the previous fiscal year may a holder of share acquisition rights exercise all share acquisition rights allotted in that fiscal year. If the rate of growth was less than 100%, then only a portion of the share acquisition rights allotted in that fiscal year, based on the rate of growth, may be exercised.

With the adoption of a share-based remuneration program based on transfer-restricted shares, stock options other than those already allotted have been discontinued. New options will not be issued.

・ Share-based remuneration program through transfer-restricted shares (performance-linked compensation; "program" hereinafter)
The share-based remuneration program based on transfer-restricted shares is a remuneration program adopted to replace the share-based remuneration program of stock options. The goal is to enhance value-sharing with shareholders and contribute to mid- to long-term growth in corporate value.
Based on a resolution of the Company Board of Directors, monetary remuneration claims are paid each business year as remuneration related to transfer-restricted shares. Each Director is allotted shares of Company common stock through the payment of all monetary remuneration claims as investments in kind. Later, restrictions on the transfer of allotted shares are waived after the Director resigns.

(B) Decision-making process
A policy on determining the specifics of remuneration for individual Directors was approved by a resolution of the Board of Directors in its March 29, 2022, meeting. In deliberating on this resolution, the Board solicited the opinions of the Remuneration Committee regarding the details of the resolution decided on in advance by Executive Directors. The Board also checks to make sure that the method of deciding the details of individual remuneration, etc., and the details of such remuneration, etc., for Directors in the business year under review are consistent with Board resolutions on decision policies and that the views of the Remuneration Committee are given sufficient weight. The Board has determined that this remuneration does comply with such policies.
Remuneration of Corporate Auditors is determined through discussions among the Corporate Auditors, based on monthly base amounts reflecting various considerations, including their standing or non-standing status and years of experience as Corporate Auditors.

(ii) Total remuneration, total amounts by type per executive, numbers of eligible executives

Executive category	Total remuneration, etc. (¥ million)	Total remuneration, etc. by type (¥ million)			Number of subject executives
		Base remuneration	Bonus	Transfer-restricted share-based remuneration	
Directors (excluding External Directors)	235	203	16	15	8
Corporate Auditors (excluding External Corporate Auditors)	33	33	-	-	3
External Executives	36	36	-	-	5

(iii) Total consolidated remuneration, etc. by executive
Not indicated since no executive received total consolidated remuneration, etc. exceeding ¥100 million

(iv) Material employee salaries earned by executives serving concurrently in employee positions
Not applicable

(5) Status of ownership of stock

(i) Standards and rationale underlying equity investment categories

The Company categorizes equity investments into those held purely for investment purposes, held to gain from fluctuations in stock prices or dividends, and those held for other than purely investment purposes (cross-shareholding). Currently, we hold no shares of stock purely for investment purposes.

(ii) Equity investments held for other than purely investment purposes

a. Holding policies, method of verifying feasibility of holdings, and details of verification by the Board of Directors whether to hold individual issues

1) Policy on cross-shareholdings

The Company's basic policy is not to hold cross-shareholdings except when their holding is recognized to be important. The importance of such holdings is judged based on whether they would contribute to sustained business growth and the strengthening of transaction relationships through joint efforts with the issuer company.

2) Verification of the feasibility of cross-shareholdings

Together with quantitative verification of the propriety of the economic value and capital cost of each issue, we also take into comprehensive consideration qualitative perspectives such as strategic relations and importance in verifying the feasibility of holdings. The Board of Directors reviews them in detail on a quarterly basis and reduces shareholdings if they are judged not to comply with this policy.

3) Standards on exercise of voting rights related to cross-shareholdings

Voting rights are exercised appropriately through close examination of the details of resolutions to determine whether they would contribute to increased shareholder value. We do not support any resolutions that could markedly harm shareholder interests. When voting against a resolution, we report such fact to the Board of Directors. In principle, we exercise voting rights on all resolutions.

b. Number of issues and amount on balance sheet

	Number of issues	Total amount on balance sheet (¥ million)
Unlisted shares	10	181
Shares other than unlisted shares	57	3,988

Note: In addition to the above, the investment securities account includes one issue of investment in an investment limited liability partnership. This does not constitute a shareholding.

(Issues for which the number of shares increased in the business year under review)

	Number of issues	Total purchase price related to increase in shares, etc. (¥ million)	Reason for increase in shares
Unlisted shares	-	-	-
Shares other than unlisted shares	16	213	Acquisition of shares via the Trading Partners Stock Ownership Plan or other means to create business opportunities

(Issues for which numbers of shares decreased in the business year under review)

	Number of issues	Total sale price related to decrease in shares, etc. (¥ million)
Unlisted shares	-	-
Shares other than unlisted shares	3	204

c. Information on numbers of shares per issue and amount on balance sheet of specified investment shares and imputed share holdings

Specified investment shares

Issue	Business year under review Shares Amount on balance sheet (¥ million)	Previous business year Shares Amount on balance sheet (¥ million)	Purpose of holding, quantitative effects of holding, and reason for increase in shares	Holds shares of Company stock?
Daiwa House Industry Co., Ltd.	209,000 635	209,000 691	To maintain and enhance transaction relationships involving Company products, etc. (sales). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	Y
Takara Standard Co., Ltd.	319,346 441	316,091 446	(Shares acquired through Trading Partners Stock Ownership Plan) These shares are held to maintain transaction relationships in line with sales and other policies, and the number of shares was increased to strengthen these relationships. Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N
Marubeni Corporation	253,000 383	253,000 283	To maintain and enhance transaction relationships involving Company products, etc. (purchasing). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	Y
Kosaido Holdings Co., Ltd.	166,000 351	166,000 132	To maintain and enhance transaction relationships involving Company products, etc. (sales). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	Y
Hokuetsu Corporation	370,000 281	370,000 266	To maintain and enhance transaction relationships involving Company products, etc. (purchasing). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	Y
Look Holdings Incorporated	110,300 265	68,500 83	Additional shares acquired to maintain and enhance transaction relationships involving Company products, etc. (sales). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	Y
Marui Group Co., Ltd.	110,561 241	144,961 313	Additional shares acquired to maintain and enhance transaction relationships involving Company products, etc. (sales). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N
Daio Paper Corporation	222,000 224	222,000 424	To maintain and enhance transaction relationships involving Company products, etc. (purchasing). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	Y

Issue	Business year under review Shares Amount on balance sheet (¥ million)	Previous business year Shares Amount on balance sheet (¥ million)	Purpose of holding, quantitative effects of holding, and reason for increase in shares	Holds shares of Company stock?
Mitsubishi UFJ Financial Group, Inc.	200,000 177	200,000 124	To maintain and enhance financial transaction relationships. Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N (See Note 1.)
Sumitomo Realty & Development Co., Ltd.	52,500 163	27,200 92	To maintain and enhance transaction relationships involving Company products, etc. (sales). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	Y
Fuji Maxvalu Nishinihon Co., Ltd.	40,257 73	39,575 77	(Shares acquired through Trading Partners Stock Ownership Plan) These shares are held to maintain transaction relationships in line with sales and other policies. The number of shares was increased to strengthen these relationships. Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	Y
Mac House Co., Ltd.	182,828 69	173,697 66	(Shares acquired through Trading Partners Stock Ownership Plan) These shares are held to maintain transaction relationships in line with sales and other policies. The number of shares was increased to strengthen these relationships. Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N
Aeon Co., Ltd.	21,963 61	21,963 59	To maintain and enhance transaction relationships involving Company products, etc. (sales). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N
Superbag Co., Ltd.	50,600 38	50,600 100	To maintain and enhance transaction relationships involving Company products, etc. (sales). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	Y
Eat&Holdings Co., Ltd.	16,098 37	14,992 33	(Shares acquired through Trading Partners Stock Ownership Plan) These shares are held to maintain transaction relationships in line with sales and other policies. The number of shares was increased to strengthen these relationships. Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N

Issue	Business year under review Shares Amount on balance sheet (¥ million)	Previous business year Shares Amount on balance sheet (¥ million)	Purpose of holding, quantitative effects of holding, and reason for increase in shares	Holds shares of Company stock?
Rock Field Co., Ltd.	23,566 35	22,281 33	(Shares acquired through Trading Partners Stock Ownership Plan) These shares are held to maintain transaction relationships in line with sales and other policies. The number of shares was increased to strengthen these relationships. Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N
Heiwado Co., Ltd.	16,148 34	15,262 29	(Shares acquired through Trading Partners Stock Ownership Plan) These shares are held to maintain transaction relationships in line with sales and other policies. The number of shares was increased to strengthen these relationships. Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N
Aeon Delight Co., Ltd.	9,750 29	9,750 32	To maintain and enhance transaction relationships involving Company products, etc. (sales). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N
Japan Pulp And Paper Company Limited	5,689 29	5,689 23	To maintain and enhance transaction relationships involving Company products, etc. (purchasing). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	Y
Daicel Corporation	29,000 27	29,000 23	To maintain and enhance transaction relationships involving Company products, etc. (sales). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N
Okura Industrial Co., Ltd.	15,000 27	15,000 32	Shares purchased to maintain smooth transaction relationships involving Company products, etc. (purchasing) in the Film Packaging business and enhance efforts such as joint development of eco-friendly products. Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	Y
Chiyoda Co., Ltd.	33,420 26	180,242 140	(Shares acquired through Trading Partners Stock Ownership Plan) These shares are held to maintain transaction relationships in line with sales and other policies. The number of shares was increased to strengthen these relationships. Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N

Issue	Business year under review	Previous business year	Purpose of holding, quantitative effects of holding, and reason for increase in shares	Holds shares of Company stock?
	Shares	Shares		
	Amount on balance sheet (¥ million)	Amount on balance sheet (¥ million)		
Fukuyama Transporting Co., Ltd.	8,000	8,000	To maintain and enhance transaction relationships involving Company products, etc. (sales). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N
	24	31		
Sumitomo Mitsui Financial Group, Inc.	4,230	4,230	To maintain and enhance financial transaction relationships. Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N (See Note 1.)
	22	16		
Izumi Co., Ltd.	6,662	6,662	To maintain and enhance transaction relationships involving Company products, etc. (sales). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N
	19	21		
Sumitomo Mitsui Trust Holdings, Inc.	4,147	4,147	To maintain and enhance financial transaction relationships. Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N (See Note 1.)
	19	15		
Aoki Holdings Inc.	27,788	25,564	(Shares acquired through Trading Partners Stock Ownership Plan) These shares are held to maintain transaction relationships in line with sales and other policies. The number of shares was increased to strengthen these relationships. Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N
	19	15		
Isetan Mitsukoshi Holdings Ltd.	11,500	11,500	To maintain and streamline transaction relationships involving Company products, etc. (sales). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N
	16	9		
Kintetsu Department Store Co., Ltd.	6,200	6,200	To maintain and enhance transaction relationships involving Company products, etc. (sales). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N
	16	16		
Seven & I Holdings Co., Ltd.	2,827	2,827	To maintain and enhance transaction relationships involving Company products, etc. (sales). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N
	16	14		

Issue	Business year under review	Previous business year	Purpose of holding, quantitative effects of holding, and reason for increase in shares	Holds shares of Company stock?
	Shares	Shares		
	Amount on balance sheet (¥ million)	Amount on balance sheet (¥ million)		
Marudai Food Co., Ltd.	10,978	10,978	To maintain and enhance transaction relationships involving Company products, etc. (sales). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N
	15	16		
FP Corporation	4,000	4,000	To maintain and enhance transaction relationships involving Company products, etc. (purchasing). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N
	15	15		
Tenmaya Store Co., Ltd.	13,913	13,292	(Shares acquired through Trading Partners Stock Ownership Plan) These shares are held to maintain transaction relationships in line with sales and other policies. The number of shares was increased to strengthen these relationships. Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N
	14	13		
Lixil Group	6,518	6,518	To maintain and enhance transaction relationships involving Company products, etc. (sales). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N
	13	19		
Morito Co., Ltd.	16,000	16,000	To maintain and enhance transaction relationships involving Company products, etc. (purchasing). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	Y
	11	11		
Royal Holdings Co., Ltd.	4,356	4,356	To maintain and enhance transaction relationships involving Company products, etc. (sales). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N
	10	8		
Ito En, Ltd.	2,600	2,600	To maintain and enhance transaction relationships involving Company products, etc. (sales). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N
	10	13		
Haruyama Holdings Inc.	20,450	20,450	To maintain and enhance transaction relationships involving Company products, etc. (sales). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	Y
	8	10		

Issue	Business year under review Shares Amount on balance sheet (¥ million)	Previous business year Shares Amount on balance sheet (¥ million)	Purpose of holding, quantitative effects of holding, and reason for increase in shares	Holds shares of Company stock?
Konaka Co., Ltd.	25,434 8	25,434 8	To maintain and enhance transaction relationships involving Company products, etc. (sales). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	Y
Chofu Seisakusho Co., Ltd.	4,400 8	4,400 8	To maintain and enhance transaction relationships involving Company products, etc. (sales). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N
Okuwa Co., Ltd.	8,989 7	8,182 7	(Shares acquired through Trading Partners Stock Ownership Plan) These shares are held to maintain transaction relationships in line with sales and other policies. The number of shares was increased to strengthen these relationships. Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N
Izutsuya Co., Ltd.	19,167 7	17,505 7	(Shares acquired through Trading Partners Stock Ownership Plan) These shares are held to maintain transaction relationships in line with sales and other policies. The number of shares was increased to strengthen these relationships. Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N
4°C Holdings Co., Ltd.	4,304 7	3,506 6	(Shares acquired through Trading Partners Stock Ownership Plan) These shares are held to maintain transaction relationships in line with sales and other policies. The number of shares was increased to strengthen these relationships. Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N
Oji Holdings Corporation	12,304 6	12,304 6	To maintain and enhance transaction relationships involving Company products, etc. (purchasing).。 Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	Y
Edion Corporation	5,050 6	5,050 5	To maintain and enhance transaction relationships involving Company products, etc. (sales). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N

Issue	Business year under review	Previous business year	Purpose of holding, quantitative effects of holding, and reason for increase in shares	Holds shares of Company stock?
	Shares	Shares		
	Amount on balance sheet (¥ million)	Amount on balance sheet (¥ million)		
Jins Holdings Inc.	1,368	1,109	(Shares acquired through Trading Partners Stock Ownership Plan) These shares are held to maintain transaction relationships in line with sales and other policies. The number of shares was increased to strengthen these relationships. Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N
	6	7		
Xebio Group	4,680	4,680	To maintain and enhance transaction relationships involving Company products, etc. (sales). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N
	4	4		
G-Foot	12,000	12,000	To maintain and enhance transaction relationships involving Company products, etc. (sales). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N
	3	4		
H2O Retailing Corp.	2,079	2,079	To maintain and enhance transaction relationships involving Company products, etc. (sales). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N
	2	1		
Right-On Co., Ltd.	4,218	4,218	To maintain and enhance transaction relationships involving Company products, etc. (sales). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N
	2	3		
Japan Craft Holdings Co., Ltd.	2,600	2,600	To maintain and enhance transaction relationships involving Company products, etc. (sales). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N (See Note 2.)
	1	2		
Heiwa Paper Co., Ltd.	3,000	3,000	To maintain and enhance transaction relationships involving Company products, etc. (purchasing). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	Y
	1	1		
Shimojima Co., Ltd.	1,200	1,200	To maintain and enhance transaction relationships involving Company products, etc. (purchasing). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	Y
	1	1		

Issue	Business year under review Shares Amount on balance sheet (¥ million)	Previous business year Shares Amount on balance sheet (¥ million)	Purpose of holding, quantitative effects of holding, and reason for increase in shares	Holds shares of Company stock?
Scroll Corporation	1,249	1,034	(Shares acquired through Trading Partners Stock Ownership Plan) These shares are held to maintain transaction relationships in line with sales and other policies. The number of shares was increased to strengthen these relationships. Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N
	0	0		
Taka-Q Co., Ltd.	11,000	11,000	To maintain and enhance transaction relationships involving Company products, etc. (sales). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N
	0	1		
Nozaki Insatsu Shigyo Co., Ltd.	1,000	1,000	To maintain and enhance transaction relationships involving Company products, etc. (purchasing). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N
	0	0		
Palemo Holdings Co., Ltd.	205	205	To maintain and enhance transaction relationships involving Company products, etc. (sales). Numerical figures on results of holding are not disclosed because they include confidential sales information. However, the fact that the benefits and risks of holding shares are commensurate with capital costs is verified both quantitatively and qualitatively.	N
	0	0		
C.I. Takiron Corporation	-	24,000	All shares sold during the business year under review based on results of verification of propriety of holding shares.	N
	-	13		

Notes:

1. While the company in which we hold shares does not own Company stock, a subsidiary of the company does own Company stock.
2. Effective January 4, 2022, Fujikyu Corporation migrated to a holding-company organization and become a wholly owned subsidiary of Fujikyu Holdings Corporation. As a result, we were allotted one share of common stock in Fujikyu Holdings Corporation in exchange for our one share common stock in Fujikyu Corporation. In addition, Fujikyu Holdings Corporation was renamed Japan Craft Holdings Co., Ltd. effective October 1, 2022.
3. "-" indicates no holdings of the relevant issue.

(iii) Equity investments held purely for investment purposes

Not applicable

V. Accounts

1. Method for preparing consolidated and non-consolidated financial statements
    (1) The Company's consolidated financial statements are prepared based on the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976).

    (2) The Company's nonconsolidated financial statements are prepared based on the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59 of 1963).
    Since it qualifies as a company submitting exceptional financial statements, the Company prepares financial statements pursuant to the provisions of Article 127 of the Regulation on Financial Statements, etc.

2. Audit certification
    Pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the Company's consolidated financial statements for the consolidated fiscal year under review (from April 1, 2021, to March 31, 2022) and nonconsolidated financial statements for the fiscal year under review (from April 1, 2021, to March 31, 2022) have been audited by Ernst & Young ShinNihon LLC.

3. Special efforts to ensure the accuracy of consolidated financial statements, etc.
    The Company makes special efforts to ensure the accuracy of its consolidated financial statements, etc. Specifically, to maintain a structure that enables it to ascertain appropriately the content of accounting standards, etc., it is a member of the Financial Accounting Standards Foundation and takes part in activities, including training provided by the bodies establishing accounting standards and other organizations.

1. Consolidated financial statements, etc.

(1) Consolidated financial statements

(i) Consolidated Balance Sheet

(¥ million)

	Previous fiscal year (December 31, 2021)	Current fiscal year (December 31, 2022)
Assets		
Current assets		
Cash and deposits	15,077	16,163
Notes receivable-trade	*1 3,962	*1 4,530
Accounts receivable-trade	17,040	19,355
Securities	12,006	12,500
Merchandise and finished goods	4,768	6,015
Work in process	867	1,032
Raw materials and supplies	794	1,108
Other	934	792
Allowance for doubtful accounts	(13)	(14)
Total current assets	55,438	61,484
Non-current assets		
Property, plant, and equipment		
Buildings and structures, net	6,169	6,132
Machinery, equipment, and vehicles, net	6,159	5,641
Tools, furniture and fixtures, net	348	348
Land	8,539	8,539
Construction in progress	1,441	3,068
Total property, plant and equipment	*2 22,658	*2 23,729
Intangible assets	643	1,044
Investments and other assets		
Investment securities	7,405	6,746
Deferred tax assets	416	421
Other	907	992
Allowance for doubtful accounts	(48)	(53)
Total investments and other assets	8,682	8,106
Total non-current assets	31,984	32,881
Total assets	87,422	94,365

(¥ million)

	Previous fiscal year (December 31, 2021)	Current fiscal year (December 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	*1 12,235	*1 14,370
Electronically recorded obligations-operating	*1 5,521	*1 6,689
Current portion of long-term loans payable	25	25
Income taxes payable	991	1,349
Provision for bonuses	267	291
Provision for bonuses for directors (and other officers)	32	45
Other	*3 3,206	*3 3,283
Total current liabilities	22,279	26,054
Non-current liabilities		
Long-term loans payable	60	34
Deferred tax liabilities	440	431
Retirement benefit liability	2,434	2,294
Other	176	178
Total non-current liabilities	3,110	2,939
Total liabilities	25,390	28,994
Net assets		
Shareholders’ equity		
Capital stock	2,553	2,553
Capital surplus	3,164	3,166
Retained earnings	57,640	60,654
Treasury shares	(2,704)	(2,661)
Total shareholders’ equity	60,654	63,713
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,212	1,391
Deferred gains or losses on hedges	0	(3)
Foreign currency translation adjustment	(98)	89
Remeasurements of defined benefit plans	185	134
Total accumulated other comprehensive income	1,300	1,611
Share acquisition rights	63	46
Non-controlling interests	13	-
Total net assets	62,032	65,371
Total liabilities and net assets	87,422	94,365

(ii) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

(¥ million)

	Previous fiscal year (from January 1, 2021, to December 31, 2021)	Current fiscal year (from January 1, 2022, to December 31, 2022)
Net sales	*1 79,690	*1 89,060
Cost of sales	*2, *4 60,683	*2, *4 67,382
Gross profit	19,007	21,677
Selling, general and administrative expenses	*3, *4 14,862	*3, *4 15,705
Operating profit	4,144	5,972
Non-operating income		
Interest income	108	128
Dividend income	114	136
Rent income Compensation income	53	46
Compensation receipts	-	65
Foreign exchange gains	0	-
Other	42	51
Total non-operating income	320	428
Non-operating expenses		
Interest expenses	1	1
Cost of lease revenue	9	20
Compensation for damages	17	9
Foreign exchange losses	-	8
Other	14	6
Total non-operating expenses	42	47
Ordinary profit	4,422	6,353
Extraordinary income		
Gain on sales of investment securities	18	66
Gain on sales of non-current assets	*5 5	*5 1
Total extraordinary income	24	67
Extraordinary losses		
Loss on sales on non-current assets	-	*6 0
Loss on retirement of non-current assets	*7 92	*7 40
Loss on valuation of investments securities	-	65
Loss on sales of investment securities	31	65
Impairment loss	*8 108	*8 323
Total extraordinary losses	232	495
Profit before income taxes	4,214	5,925
Income taxes-current	1,408	1,947
Income taxes-deferred	(7)	(72)
Total income taxes	1,401	1,875
Profit	2,813	4,050
Loss attributable to non-controlling interests	(11)	(8)
Profit attributable to owners of parent	2,824	4,058

Consolidated Statement of Comprehensive Income

(¥ million)

	Previous fiscal year (from January 1, 2021, to December 31, 2021)	Current fiscal year (from January 1, 2022, to December 31, 2022)
Profit	2,813	4,050
Other comprehensive income		
Valuation difference on available-for-sale securities	224	179
Deferred gains or losses on hedges	0	(4)
Foreign currency translation adjustment	213	189
Remeasurements of defined benefit plans	72	(51)
Total other comprehensive income	*1 511	*1 312
Comprehensive income	3,325	4,362
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,334	4,370
Comprehensive income attributable to non-controlling interests	(9)	(7)

(iii) Consolidated Statement of Changes in Equity

Previous fiscal year (from January 1, 2021, to December 31, 2021)

(¥ million)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,553	3,164	55,860	(2,717)	58,861
Changes in items during period					
Dividends of surplus			(1,044)		(1,044)
Profit attributable to owners of parent			2,824		2,824
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		0		13	13
Net changes in items other than shareholders' equity					-
Total changes in items during period	-	0	1,780	13	1,793
Balance at end of current period	2,553	3,164	57,640	(2,704)	60,654

	Accumulated other comprehensive income				
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income
Balance at beginning of current period	987	0	(310)	112	790
Changes in items during period					
Dividends of surplus					-
Profit attributable to owners of parent					-
Purchase of treasury shares					-
Disposal of treasury shares					-
Net changes in items other than shareholders' equity	224	0	212	72	510
Total changes in items during period	224	0	212	72	510
Balance at end of current period	1,212	0	(98)	185	1,300

	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of current period	65	22	59,739
Changes in items during period			
Dividends of surplus			(1,044)
Profit attributable to owners of parent			2,824
Purchase of treasury shares			(0)
Disposal of treasury shares			13
Net changes in items other than shareholders' equity	(1)	(9)	499
Total changes in items during period	(1)	(9)	2,292
Balance at end of current period	63	13	62,032

Current fiscal year (from January 1, 2022, to December 31, 2022)

(¥ million)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,553	3,164	57,640	(2,704)	60,654
Changes in items during period					
Dividends of surplus			(1,045)		(1,045)
Profit attributable to owners of parent			4,058		4,058
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(3)		42	39
Increase (decrease) in equity resulting form acquisition of shares in consolidated subsidiaries		5			5
Net changes in items other than shareholders' equity		-			-
Total changes in items during period	-	2	3,013	42	3,058
Balance at end of current period	2,553	3,166	60,654	(2,661)	63,713

	Accumulated other comprehensive income				
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income
Balance at beginning of current period	1,212	0	(98)	185	1,300
Changes in items during period					
Dividends of surplus					-
Profit attributable to owners of parent					-
Purchase of treasury shares					-
Disposal of treasury shares					-
Increase (decrease) in equity resulting form acquisition of shares in consolidated subsidiaries					-
Net changes in items other than shareholders' equity	178	(4)	188	(51)	311
Total changes in items during period	178	(4)	188	(51)	311
Balance at end of current period	1,391	(3)	89	134	1,611

	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of current period	63	13	62,032
Changes in items during period			
Dividends of surplus			(1,045)
Profit attributable to owners of parent			4,058
Purchase of treasury shares			(0)
Increase (decrease) in equity resulting form acquisition of shares in consolidated subsidiaries			39
Disposal of treasury shares			5
Net changes in items other than shareholders' equity	(17)	(13)	280
Total changes in items during period	(17)	(13)	3,338
Balance at end of current period	46	-	65,371

(iv) Consolidated Statement of Cash Flows

(¥ million)

	Previous fiscal year (from January 1, 2021, to December 31, 2021)	Current fiscal year (from January 1, 2022, to December 31, 2022)
Cash flows from operating activities		
Profit before income taxes	4,214	5,925
Depreciation	2,029	1,992
Impairment loss	108	323
Increase (decrease) in allowance for doubtful accounts	(5)	5
Increase (decrease) in provision for bonuses	36	23
Increase (decrease) in provision for bonuses for directors and other officers	13	13
Increase (decrease) in retirement benefit liability	(220)	(213)
Interest and dividend income	(223)	(264)
Interest expenses	1	1
Loss (gain) on sales of non-current assets	(5)	(0)
Loss on retirement of non-current assets	92	40
Loss (gain) on sales of investment securities	12	(0)
Loss (gain) on valuation of investment securities	-	65
Decrease (increase) in notes and accounts receivable-trade	(178)	(2,825)
Decrease (increase) in inventories	152	(1,704)
Increase (decrease) in notes and accounts payable-trade	1,173	3,264
Other, net	301	68
Subtotal	7,503	6,715
Interest and dividend income received	217	275
Interest expenses paid	(1)	(1)
Income taxes paid	(502)	(1,608)
Net cash provided by (used in) operating activities	7,217	5,380
Cash flows from investing activities		
Purchase of securities	(9,505)	(10,000)
Proceeds from sales of securities	9,607	12,000
Purchase of property, plant, and equipment	(3,219)	(3,109)
Proceeds from sales of property, plant, and equipment	8	3
Purchase of intangible assets	(514)	(433)
Purchase of investment securities	(136)	(2,357)
Proceeds from sales of investment securities	135	204
Payments for leasehold and guarantee deposits	(21)	(39)
Other, net	186	(29)
Net cash provided by (used in) investment activities	(3,460)	(3,762)
Cash flows from financing activities		
Proceeds from long-term loans payable	100	-
Repayments of long-term loans payable	(45)	(25)
Cash dividends paid	(1,045)	(1,043)
Other, net	(38)	(55)
Net cash provided by (used in) financing activities	(1,029)	(1,124)
Effect of exchange rate change on cash and cash equivalents	115	91
Net increase (decrease) in cash and cash equivalents	2,843	585
Cash and cash equivalents at beginning of period	15,224	18,067
Cash and cash equivalents at end of period	*1 18,067	*1 18,653

[Notes]

Important matters serving as bases for the preparation of the consolidated financial statements

1. Scope of consolidation

   Number of consolidated subsidiaries: 8 companies

   Names of consolidated subsidiaries shown are shown under "I. Company overview: 4. Affiliate companies" and are therefore omitted.

2. Application of equity method accounting

   The Company has no nonconsolidated subsidiaries or affiliates.

3. Business years of consolidated subsidiaries and other matters

   The businesses years of consolidated subsidiaries end on the same date as for consolidated accounts settlements.

4. Accounting policies

   (1) Valuation standards and valuation methods for important assets

   (i) Investment securities

   Bonds held to maturity

   Amortized cost method (straight line method)

   Available-for-sale securities

   Those other than stocks, etc. with no market value

   …… Mark-to-market (Valuation differences are charged or credited directly to owners' equity. The cost of securities sold is computed by the moving average method.)

   Stocks, etc. with no market value

   …… Stated at cost by the moving average method

   Investments in investment limited liability partnerships and similar partnerships (those deemed securities under Article 2, Paragraph 2, of the Financial Instruments and Exchange Act) are valued based on the net amount equivalent to equity based on the most recent financial statements available, in accordance with the reporting date of accounts settlements stipulated in the partnership agreement.

   (ii) Derivatives

   …… Mark-to-market

   (iii) Inventories

   Merchandise and finished goods, work in process, raw materials

   …… Stated at cost based on the weighted average method (Amounts shown on the Balance Sheet reflect marked down book values based on decreases in profitability.)

   Supplies

   …… Stated at cost based on the last purchase price method (Amounts shown on the Balance Sheet reflect marked down book values based on decreases in profitability.)

   (2) Depreciation methods for important depreciable assets

   (i) Property, plant, and equipment (excluding leased assets)

   The Company and domestic consolidated subsidiaries apply the declining balance method. Overseas consolidated subsidiaries apply the straight line method.

   However, for properties (excluding facilities attached to buildings) acquired on or after April 1, 1998, and for facilities attached to buildings and structures acquired on or after April 1, 2016, the Company and domestic consolidated subsidiaries apply the straight line method.

   Useful life is given below.

Buildings and structures:	10-50 years
Machinery, equipment, and vehicles:	5-12 years

(ii) Intangible fixed assets (excluding leased assets)

The straight line method applies.

For software, the straight line method applies, based on the estimated usable period (five years).

(iii) Lease assets

Lease assets related to finance lease transactions not involving transfer of ownership

The straight line method applies, with the lease period serving as the useful life and zero as the residual value.

(3) Accounting standards for important reserves

(i) Allowance for doubtful accounts

In preparation for losses from default on claims, the amount anticipated of unrecoverable claims is booked based on the actual rate of recoverability for ordinary claims. The possibility of recovery is considered for each claim for specific claims, such as those considered unlikely to be recoverable.

(ii) Provision for bonuses

Set aside for employee bonuses, this amount is booked based on the estimated bonuses to be paid during the consolidated fiscal year.

(iii) Provision for executive bonuses

Set aside for executive and executive officer bonuses, this amount is booked based on the estimated amounts of bonuses to be paid at the end of the consolidated fiscal year.

(4) Accounting methods for retirement benefits

To prepare for payments for employee retirement benefits, this amount is booked based on estimated retirement benefit obligations and pension assets at the end of the fiscal year.

(i) Method for allocating estimated retirement benefits to fiscal periods

For calculations of retirement benefits, the standards that apply to benefits calculation formulas are used to allocate estimated retirement benefits through the period extending to the end of the consolidated fiscal year.

(ii) Method for processing actuarial differences and past employment costs as expenses

Actuarial differences are expensed from the following consolidated fiscal year by the straight line method based on a fixed number of years (10 years) within the average remaining number of service years of employees at the time the actuarial differences are incurred.

Past employment costs are expensed in the consolidated fiscal year in which they were incurred by the straight line method based on a fixed number of years (10 years) within the average remaining number of service years of employees at the time they are incurred.

(iii) Application of the simplified method for small companies, etc.

For calculations of retirement benefit obligations and retirement benefit costs, some consolidated subsidiaries apply the simplified method of recognizing amounts of retirement benefits that need to be paid for voluntary retirement at the end of the period as retirement benefit obligations.

(5) Accounting standards for significant revenues and expenses

Sale of finished goods and merchandise

The Group primarily manufactures and sells paper products and similar products. In sales of such finished goods and merchandise, performance obligations are judged complete when the customer secures control of the finished goods and merchandise at the point in time at which they are delivered to the customer. As such, revenues are recognized at the time of delivery of the finished goods and merchandise. However, if the time from shipment to delivery to the customer in domestic sales in Japan is of ordinary duration, revenues are recognized at the time of shipment. In addition, if the Group is involved in sales of merchandise as an agent, revenues are recognized in net amounts. Whether the Company is engaged in a transaction as a direct party or an agent is determined based on whether it has control of the specified merchandise before its transfer to the customer.

In addition, revenues are measured at the prices pledged in the contract with the customer, minus returns, discounts, rebates, and other such sums. The prices of transactions are received within one year after the fulfillment of performance obligations and do not involve material financial elements.

(6) Standards for conversion of assets or liabilities denominated in foreign currency to Japanese currency
Monetary assets and liabilities denominated in foreign currency are converted to Japanese yen using the spot exchange rate on the date of accounts settlements. Any resulting valuation differences are recorded as gains or losses.
Assets and liabilities of overseas subsidiaries are converted to Japanese yen using the spot exchange rate on the date of accounts settlements of the overseas subsidiary, and gains and losses are converted to yen using the average exchange rate during the period. Any resulting valuation differences are included in Foreign currency translation adjustments and Non-controlling interests under net assets.

(7) Important hedge accounting methods
(i) Hedge accounting methods
Deferred hedge accounting is employed.
Designated hedge accounting is employed for foreign currency monetary obligations to which forward foreign exchange contracts are attached.

(ii) Hedging methods and targets
Hedging methods: forward foreign exchange contracts
Hedging targets: foreign currency monetary obligations, planned transactions in foreign currency

(iii) Hedging policy
Forward foreign exchange contracts are formed within the range of actual demand to reduce the risk of exchange rate fluctuations.

(iv) Assessing hedging efficacy
Assessments of hedging efficacy on the date of accounts settlements is omitted for forward foreign exchange contracts because the method of allocation in the same foreign currency and with the same maturity dates, which ensures correlation under later exchange rate fluctuations, is employed instead.

(8) Scope of funds contributing to Consolidated Statement of Cash Flows
The scope of funds (cash and cash equivalents) included on the Consolidated Statement of Cash Flows consist of cash on hand, demand deposits, and short-term investments that are easily convertible to cash, involve minor risks of fluctuating values, and mature or become redeemable within three months.

Changes in accounting policies

Application of the Accounting Standard for Revenue Recognition and related standards

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; "Revenue Recognition Standard" hereinafter) and the Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021) ("Accounting Standard for Revenue Recognition and related standards" hereinafter) since the start of the consolidated fiscal year under review. Accordingly, the Company recognizes revenue when control of a promised good or service is transferred to the customer in the amount expected to be received in exchange for such good or service.
As a result, in a transaction in which the Group serves as agent in providing a product to a customer, instead of the previous practice of recognizing revenues in the total amount received from the customer, revenues are recognized in the amount received from the customer, net of the amount paid to suppliers.
In principle, this change in accounting policies is applied retroactively. Consolidated financial statements for the previous consolidated fiscal year reflect its retroactive application.
This change reduces net sales and cost of sales in the previous consolidated fiscal year by ¥486 million.

Application of the Accounting Standard for Fair Value Measurement and related standards

Since the start of the consolidated fiscal year under review, the Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; "Fair Value Measurement Standard" hereinafter) and related standards. The new accounting policy set forth in the Fair Value Measurement Standard and related standards will be applied to future accounts in accordance with the transitional treatment stipulated in Paragraph 19 of the Fair Value Measurement Standard and in Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). This does not affect the consolidated financial statements.

In addition, notes concerning various matters, such as breakdowns of financial instruments by fair value, have been added to the notes concerning financial instruments. These notes are not provided for the previous consolidated fiscal year, in accordance with the transitional treatment stipulated in Paragraph 7-4 of the Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, July 4, 2019).

Accounting standards, etc., not applied

・ Implementation Guidance on Accounting Standard for Fair Value Measurement (Guidance No. 31, June 17, 2021, Accounting Standards Board of Japan)

(1) Overview

As of July 4, 2019, roughly a year's study was deemed necessary to assess the fair value of investment trusts, for negotiations with related parties, and for investigation of the fair value of investment in partnerships for which the amount corresponding to equity is recorded as a net amount on the balance sheet. This is the reason for the June 17, 2021 revision of the Implementation Guidance on Accounting Standard for Fair Value Measurement (Accounting Standards Board of Japan Guidance No. 31, June 17, 2021).

(2) Scheduled application date

To apply from the start of the period ending December 2023

(3) Effect of application of this accounting standard, etc.

The extent of the effect on the consolidated financial statements of application of the Implementation Guidance on Accounting Standard for Fair Value Measurement is currently under evaluation.

Additional information

Accounting estimates related to the impact of the COVID-19 pandemic

While it remains difficult to predict whether the COVID-19 pandemic will spread or come under control and difficult to predict the effects on Group business results, accounting estimates for matters such as impairment of non-current assets and recoverability of deferred tax assets are based on the assumption of a gentle recovery. At this time, the pandemic is believed to have no major effect on accounting estimates; nor do we expect it to have a major effect in the future. However, the COVID-19 pandemic does pose numerous uncertainties, thus there is a possibility of it affecting our financial standing and business results in the future due to changes in the business environment.

Consolidated Balance Sheet

*1 In account processing of notes and other transaction documents maturing on the ending date of the period, we process settlement of accounts based on the dates of exchange or other transactions of the notes.

Since the ending date of the consolidated fiscal year was a holiday for financial institutions, notes and other transaction documents maturing on the ending date of the next period include ending balances.

(¥ million)

	Previous consolidated fiscal year (December 31, 2021)	Current consolidated fiscal year (December 31, 2022)
Notes receivable	253	246
Notes payable	122	165
Electronically recorded obligations-operating	168	187

*2 Cumulative depreciation of property, plant, and equipment

(¥ million)

	Previous consolidated fiscal year (December 31, 2021)	Current consolidated fiscal year (December 31, 2022)
	37,490	38,528

*3 The amount of contract liabilities included under "Other" is shown in the consolidated financial statements under "Notes: Revenue recognition: 3. (1) Balance of contract liabilities, etc."

Consolidated Statement of Income

*1 Revenue from contracts with customers

Net sales are not differentiated into revenue from contracts with customers and other revenue. The revenue arising from contracts with customers is shown in the consolidated financial statements under “Notes: Revenue recognition: 1. Analysis of revenues from contracts with customers.”

*2 Ending inventories are shown in amounts that reflect marking down book value based on decreases in profitability. The following losses on valuation of inventories are included in cost of sales.

(¥ million)

	Previous consolidated fiscal year (from January 1, 2021, to December 31, 2021)	Current consolidated fiscal year (from January 1, 2022, to December 31, 2022)
	56	45

*3 The main costs included in selling, general, and administrative expenses, and their amounts, are presented below.

(¥ million)

	Previous consolidated fiscal year (from January 1, 2021, to December 31, 2021)	Current consolidated fiscal year (from January 1, 2022, to December 31, 2022)
Freightage and packing expenses	3,853	4,122
Salaries and allowances	4,082	4,246
Director compensation	423	415
Provision of allowance for doubtful accounts	8	14
Provision for bonuses	139	156
Provision for director bonuses	29	41
Retirement benefit expenses	275	244
Depreciation	380	433
Rent expenses	2,687	2,892

*4 Total R&D expenses included in general and administrative expenses and manufacturing costs during the period are presented below.

(¥ million)

	Previous consolidated fiscal year (from January 1, 2021, to December 31, 2021)	Current consolidated fiscal year (from January 1, 2022, to December 31, 2022)
	391	386

*5 Details of gain on sales of non-current assets are presented below.

(¥ million)

	Previous consolidated fiscal year (from January 1, 2021, to December 31, 2021)	Current consolidated fiscal year (from January 1, 2022, to December 31, 2022)
Machinery, equipment, and vehicles	5	1
Total	5	1

*6 Details of loss on sales on non-current assets are presented below.

(¥ million)

	Previous consolidated fiscal year (from January 1, 2021, to December 31, 2021)	Current consolidated fiscal year (from January 1, 2022, to December 31, 2022)
Machinery, equipment, and vehicles	-	0
Total	-	0

*7 Details of loss on retirement of non-current assets are presented below.

(¥ million)

	Previous consolidated fiscal year (from January 1, 2021, to December 31, 2021)	Current consolidated fiscal year (from January 1, 2022, to December 31, 2022)
Buildings and structures	1	11
Machinery, equipment, and vehicles	91	28
Tools, furniture and fixtures	0	0
Total	92	40

*8 Impairment loss

The Group recorded impairment loss on the following asset groups:

Previous consolidated fiscal year (from January 1, 2021, to December 31, 2021)

The Company recorded impairment loss on the following assets during this consolidated fiscal year:

Location	Use	Type	Impairment loss (¥ million)
The Pack (Changshu) Co., Ltd. (Changshu, Jiangsu Province, China)	Assets for business use	Machinery and equipment	108

The Group groups assets into the smallest units for which cash flow is generated individually and revenues and expenditures can be ascertained continually, based on business categories.

Due to their declining recoverability—anticipated revenues are not expected to be secured as a result of continued losses from business activities—the Company's consolidated subsidiary The Pack (Changshu) Co., Ltd. has marked down the book value of non-current assets (machinery and equipment) to their recoverable values and recorded the amount of this decline under extraordinary losses as impairment loss.

Recoverable values are measured based on value in use, which is calculated at a rate of 7.4% of future cash flow.

Current consolidated fiscal year (from January 1, 2022, to December 31, 2022)

The Company recorded impairment loss on the following assets during this consolidated fiscal year:

Location	Use	Type	Impairment loss (¥ million)
The Pack Corporation (Hidaka, Saitama Prefecture)	Assets planned for sale	Machinery and equipment	188
The Pack (Changshu) Co., Ltd. (Changshu, Jiangsu Province, China)	Assets for business use	Machinery, equipment, etc.	134

The Group groups assets into the smallest units for which cash flow is generated individually and revenues and expenditures can be ascertained continually, based on business categories.

In accordance with a decision on sale, the book value of assets planned for sale has been marked down to their recoverable value and the amount of the decrease (¥188 million) recorded under extraordinary losses as impairment loss.

Recoverable values are measured based on net sale price, which is calculated based on the planned price of sale.

Due to their declining recoverability— anticipated revenues are not expected to be secured as a result of continued losses from business activities—the Company's consolidated subsidiary The Pack (Changshu) Co., Ltd. has marked down the book value of assets for business use to their recoverable values and recorded the amount of this decline (¥134 million) under extraordinary losses as impairment loss.

Recoverable values are measured based on value in use. Since undiscounted future cash flow is negative, no description of the discount rate is provided.

Consolidated Statement of Comprehensive Income

*1 Adjustment amounts and tax effects related to other comprehensive income

(¥ million)

	Previous consolidated fiscal year (from January 1, 2021, to December 31, 2021)	Current consolidated fiscal year (from January 1, 2022, to December 31, 2022)
Valuation difference on available-for-sale securities		
Amount arising during the period	307	262
Adjustment amounts	12	(0)
Before tax effect adjustments	320	262
Tax effects	(95)	(82)
Valuation difference on available-for-sale securities	224	179
Deferred gains or losses on hedges		
Amount arising during the period	1	(6)
Adjustment amounts	-	-
Before tax effect adjustments	1	(6)
Tax effects	(0)	2
Deferred gains or losses on hedges	0	(4)
Foreign currency translation adjustment		
Amount arising during the period	213	189
Remeasurements of defined benefit plans		
Amount arising during the period	81	(51)
Adjustment amounts	23	(22)
Before tax effect adjustments	104	(73)
Tax effects	(31)	22
Remeasurements of defined benefit plans	72	(51)
Total other comprehensive income	511	312

Consolidated Statement of Changes in Equity

Previous consolidated fiscal year (from January 1, 2021, to December 31, 2021)

1. Total shares issued and outstanding

Class of stock	Start of the consolidated fiscal year	Increase	Decrease	End of the consolidated fiscal year
Common stock (shares)	19,900,000	-	-	19,900,000

2. Treasury stock

Class of stock	Start of the consolidated fiscal year	Increase	Decrease	End of the consolidated fiscal year
Common stock (shares) (See Note.)	909,347	70	4,500	904,917

Note: A breakdown of increases and decreases in treasury stock is given below.

・Increase due to purchase of shares in less than the trading unit 20 shares

・Increase due to gratis acquisition of transfer-restricted shares 50 shares

・Decrease due to exercise of stock options 200 shares

・Decrease due to transfer-restricted share-based remuneration 4,300 shares

3. Share acquisition rights

Company	Breakdown	Class of subject shares	Number of subject shares				Balance at end of the consolidated fiscal year (¥ million)
			Start of the consolidated fiscal year	Increase	Decrease	End of the consolidated fiscal year	
The Company	Share acquisition rights as 2015 stock options	-	-	-	-	-	6
	Share acquisition rights as 2016 stock options	-	-	-	-	-	8
	Share acquisition rights as 2017 stock options	-	-	-	-	-	13
	Share acquisition rights as 2018 stock options	-	-	-	-	-	18
	Share acquisition rights as 2019 stock options	-	-	-	-	-	16
Total			-	-	-	-	63

4. Dividends

(1) Dividends paid

Resolution	Class of stock	Total dividends (¥ million)	Dividends per share (¥)	Basis date	Effective date
Regular General Meeting of Shareholders held March 25, 2021	Common stock	569	30.00	December 31, 2020	March 26, 2021
Board of Directors meeting held August 5, 2021	Common stock	474	25.00	June 30, 2021	September 2, 2021

(2) Dividends with basis dates during the consolidated fiscal year but effective dates in the next consolidated fiscal year

Resolution	Class of stock	Source of dividend funds	Total dividends (¥ million)	Dividends per share (¥)	Basis date	Effective date
Regular General Meeting of Shareholders held March 30, 2022	Common stock	Retained earnings	474	25.00	December 31, 2021	March 31, 2022

Current consolidated fiscal year (from January 1, 2022, to December 31, 2022)

1. Total shares issued and outstanding

Class of stock	Start of the consolidated fiscal year	Increase	Decrease	End of the consolidated fiscal year
Common stock (shares)	19,900,000	-	-	19,900,000

2. Treasury stock

Class of stock	Start of the consolidated fiscal year	Increase	Decrease	End of the consolidated fiscal year
Common stock (shares) (See Note.)	904,917	44	14,300	890,661

Note: A breakdown of increases and decreases in treasury stock is given below.

・Increase due to purchase of shares in less than the trading unit 44 shares

・Decrease due to exercise of stock options 5,800 shares

・Decrease due to transfer-restricted share-based remuneration 8,500 shares

3. Share acquisition rights

Company	Breakdown	Class of subject shares	Number of subject shares				Balance at end of the consolidated fiscal year (¥ million)
			Start of the consolidated fiscal year	Increase	Decrease	End of the consolidated fiscal year	
The Company	Share acquisition rights as 2015 stock options	-	-	-	-	-	4
	Share acquisition rights as 2016 stock options	-	-	-	-	-	6
	Share acquisition rights as 2017 stock options	-	-	-	-	-	10
	Share acquisition rights as 2018 stock options	-	-	-	-	-	13
	Share acquisition rights as 2019 stock options	-	-	-	-	-	11
Total			-	-	-	-	46

4. Dividends

(1) Dividends paid

Resolution	Class of stock	Total dividends (¥ million)	Dividends per share (¥)	Basis date	Effective date
Regular General Meeting of Shareholders held March 30, 2022	Common stock	474	25.00	December 31, 2021	March 31, 2022
Board of Directors meeting held August 5, 2022	Common stock	570	30.00	June 30, 2022	September 2, 2022

(2) Dividends with basis dates during the consolidated fiscal year but effective dates in the next consolidated fiscal year

Resolution	Class of stock	Source of dividend funds	Total dividends (¥ million)	Dividends per share (¥)	Basis date	Effective date
Regular General Meeting of Shareholders held March 28, 2023	Common stock	Retained earnings	665	35.00	December 31, 2022	March 29, 2023

Consolidated Statement of Cash Flows

*1 Relationship between ending balance of cash and cash equivalents and amounts of accounts shown on Consolidated Balance Sheet

(¥ million)

	Previous consolidated fiscal year (from January 1, 2021, to December 31, 2021)	Current consolidated fiscal year (from January 1, 2022, to December 31, 2022)
Cash and deposits	15,077	16,163
Time deposits with deposit terms of more than three months	(10)	(10)
Securities redeemable within three months from the date of purchase	3,000	2,500
Cash and cash equivalents	18,067	18,653

Lease transactions

Finance lease transactions

Lessee

Finance lease transactions without transfer of ownership

(1) Lease asset details

Property, plant, and equipment

Machinery, equipment, and vehicles used in the Paper Products business

(2) Depreciation method for lease assets

The straight line method is applied, using the lease period as the useful life and zero as the residual value.

Financial instruments

1. Status of financial instruments

(1) Policy on financial instruments

The Group raises necessary funds through bank borrowings in line with capital investment plans. It invests temporary surplus funds in highly stable financial assets and raises short-term working funds through bank borrowings. Derivatives are used to mitigate the risks described below and are not traded on speculation.

(2) Details and risks related to financial instruments and risk management structures

Notes and accounts receivable - trade, which represent operating receivables, are exposed to the credit risk of customers. The group manages such risks in accordance with its credit control rules, managing payment due dates and balances by entity and periodically reviewing the credit status of major transaction partners.

Since our investment of temporary surplus funds in securities is restricted to bonds with high credit ratings, reflecting our emphases on securing liquidity and stability of principal, it is exposed only to minor credit risk.

Stocks categorized as investment securities are exposed to the risk of fluctuating market prices. However, since these consist mainly of shares in companies with which we have business relations, they are checked periodically and their current market values are reported to the Board of Directors.

Most notes and accounts payable-trade and electronically recorded obligations-operating, which represent operating payables, become payable within one year. Some of these are denominated in foreign currency in connection with import of products, etc., and these are exposed to the risk of exchange-rate fluctuations.

While operating payables and borrowings are exposed to liquidity risk, the Group companies manage this risk through preparation of monthly cash-flow plans.

As derivative transactions, we use forward foreign exchange contracts to hedge against the risk of exchange-rate fluctuations on operating payables denominated in foreign currency. For those subject to real demand, we employ forward foreign exchange contracts on foreign-currency operating payables for which planned import-related transactions can be reliably expected to occur, subject to a limit of two years. In addition, to mitigate credit risk we use derivatives only with highly rated financial institutions. See “Important matters serving as bases for the preparation of the consolidated financial statements: 4. Accounting policies: (7) Important hedge accounting methods” regarding matters such as the means and subjects of hedging, hedging policy, and methods of assessing efficacy of hedging.

(3) Supplementary information on the fair value of financial instruments

Calculations of the fair value of financial instruments involve variables. As such, values may fluctuate if different assumptions are used.

2. Fair value of financial instruments

The following table shows the carrying value on the consolidated balance sheet, fair value, and gains or losses related to financial instruments.

Note that this table does not include items such as shares of stock with no market prices. (See *2 below.)

Previous consolidated fiscal year (December 31, 2021)

	Carrying value on the consolidated balance sheet (¥ million)	Fair value (¥ million)	Gains/losses (¥ million)
(1) Securities and investment securities *2			
(i) Bonds held to maturity	15,015	14,993	(22)
(ii) Other securities	4,210	4,210	-
Total assets	19,226	19,204	(22)
Derivative transactions *3	1	1	-

*1 Deposits, notes receivable, accounts receivable – trade, notes payable, accounts payable-trade, and electronically recorded obligations-operating are omitted because their fair values approximate book values since they are settled in short periods of time.

*2 Items such as shares of stock with no market prices are not included under (1) Securities and investment securities. The carrying value on the consolidated balance sheet of such financial instruments is given below.

Category	Previous consolidated fiscal year (¥ million)
Unlisted shares	185

*3 Net receivables and payables arising from derivative transactions are stated as net amounts. Amounts in parentheses indicate those for which the total amount is a net obligation.

Current consolidated fiscal year (December 31, 2022)

	Carrying value on the consolidated balance sheet (¥ million)	Fair value (¥ million)	Gains/losses (¥ million)
(1) Securities and investment securities *2, *3			
(i) Bonds held to maturity	14,600	14,517	(83)
(ii) Other securities	4,416	4,416	-
Total assets	19,017	18,934	(83)
Derivative transactions *4	(5)	(5)	-

*1 Deposits, notes receivable, accounts receivable – trade, notes payable, accounts payable-trade, and electronically recorded obligations-operating are omitted because their fair values approximate book values since they are settled in short periods of time.

*2 Items such as shares of stock with no market prices are not included under (1) Securities and investment securities. The carrying value on the consolidated balance sheet of such financial instruments is given below.

Category	Previous consolidated fiscal year (¥ million)
Unlisted shares	185

*3 Investments in investment limited liability partnerships and similar partnerships are omitted. The carrying value on the consolidated balance sheet of such investments is ¥43 million.

*4 Net receivables and payables arising from derivative transactions are stated in net amounts. Amounts in parentheses indicate those for which the total amount is a net obligation.

Note: Planned redemption amounts of monetary payables and maturing securities after the date of consolidated settlement of accounts

Previous consolidated fiscal year (December 31, 2021)

	Within one year (¥ million)	Within more than one but no more than five years (¥ million)	Within more than five but no more than 10 years (¥ million)	Within more than 10 years (¥ million)
Deposits	15,051	-	-	-
Notes receivable	3,962	-	-	-
Accounts receivable – trade	17,040	-	-	-
Securities and investment securities				
Bonds held to maturity (e.g., commercial paper)	12,006	3,000	-	-
Total	48,061	3,000	-	-

Current consolidated fiscal year (December 31, 2022)

	Within one year (¥ million)	Within more than one but no more than five years (¥ million)	Within more than five but no more than 10 years (¥ million)	Within more than 10 years (¥ million)
Deposits	16,131	-	-	-
Notes receivable	4,530	-	-	-
Accounts receivable – trade	19,355	-	-	-
Securities and investment securities				
Bonds held to maturity (e.g., commercial paper)	12,500	2,100	-	-
Total	52,519	2,100	-	-

3. Breakdown of fair value of financial instruments by level, etc.

Fair values of financial instruments are divided into the following three levels in accordance with the observability and importance of inputs related to calculation thereof:

Level One fair value: Fair values calculated using current market values of assets or liabilities subject to fair value calculation on active markets, included among observable fair value calculation inputs

Level Two fair value: Fair values calculated using inputs for calculations other than Level One inputs, included among observable fair value calculation inputs

Level Three fair value: Fair value calculated using inputs for calculations of unobservable prices

When using multiple inputs that could have major impacts on calculations of fair value, fair value is assigned to the level having the lowest priority in calculations of fair value among the levels to which those inputs belong.

(1) Financial instruments recorded to the Consolidated Balance Sheet at fair value

Current consolidated fiscal year (December 31, 2022)

Category	Fair value (¥ million)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Stocks	4,416	-	-	4,416
Total assets	4,416	-	-	4,416
Derivative transactions	-	(5)	-	(5)

(2) Financial instruments other than those recorded to the Consolidated Balance Sheet at fair value

Current consolidated fiscal year (December 31, 2022)

Category	Fair value (¥ million)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Bonds held to maturity				
Bonds	-	13,021	-	13,021
Corporate debentures	-	1,496	-	1,496
Total assets	-	14,517	-	14,517

Note: Explanation of evaluation techniques used in calculations of fair value and inputs related to calculations of fair value

Securities and investment securities

Since listed shares are valued at their prices on securities exchanges and traded in active markets, their fair value is assigned to Level One. However, since the bonds and corporate debentures held by the Company are traded infrequently on the markets and no market prices on active markets are recognized for them, their fair value is assigned to Level Two.

Derivatives

Since fair values of forward foreign exchange contracts are calculated based on prices provided by the counterparty financial institutions, their fair value is assigned to Level Two.

Securities

1. Bonds held to maturity

Previous consolidated fiscal year (December 31, 2021)

Category	Carrying value on the consolidated balance sheet (¥ million)	Fair value (¥ million)	Gains/losses (¥ million)
Those for which fair value exceeds the carrying value on the consolidated balance sheet	-	-	-
Those for which fair value does not exceed the carrying value on the consolidated balance sheet	15,015	14,993	(22)
Total	15,015	14,993	(22)

Current consolidated fiscal year (December 31, 2022)

Category	Carrying value on the consolidated balance sheet (¥ million)	Fair value (¥ million)	Gains/losses (¥ million)
Those for which fair value exceeds the carrying value on the consolidated balance sheet	-	-	-
Those for which fair value does not exceed the carrying value on the consolidated balance sheet	14,600	14,517	(83)
Total	14,600	14,517	(83)

2. Available-for-sale securities

Previous consolidated fiscal year (December 31, 2021)

Category	Carrying value on the consolidated balance sheet (¥ million)	Acquisition cost (¥ million)	Gains/losses (¥ million)
Those for which the carrying value on the consolidated balance sheet exceeds the acquisition cost			
Stocks	3,854	1,731	2,123
Other	-	-	-
Subtotal	3,854	1,731	2,123
Those for which the carrying value on the consolidated balance sheet does not exceed the acquisition cost			
Stocks	355	483	(127)
Other	-	-	-
Subtotal	355	483	(127)
Total	4,210	2,214	1,995

Note: Acquisition cost in the table above refers to the book value after asset impairment.

Current consolidated fiscal year (December 31, 2022)

Category	Carrying value on the consolidated balance sheet (¥ million)	Acquisition cost (¥ million)	Gains/losses (¥ million)
Those for which the carrying value on the consolidated balance sheet exceeds the acquisition cost			
Stocks	4,035	1,727	2,308
Other	-	-	-
Subtotal	4,035	1,727	2,308
Those for which the carrying value on the consolidated balance sheet does not exceed the acquisition cost			
Stocks	381	498	(116)
Other	-	-	-
Subtotal	4,416	498	(116)
Total	4,416	2,225	2,191

Note: Acquisition cost in the table above refers to the book value after asset impairment.

3. Available-for-sale securities sold during the consolidated fiscal year

Previous consolidated fiscal year (December 31, 2021)

Category	Sale price (¥ million)	Total gains on sale (¥ million)	Total losses on sale (¥ million)
Stocks	121	18	31
Total	121	18	31

Current consolidated fiscal year (December 31, 2022)

Category	Sale price (¥ million)	Total gains on sale (¥ million)	Total losses on sale (¥ million)
Stocks	204	66	65
Total	204	66	65

4. Securities subjected to asset impairment
   During the consolidated fiscal year under review, three issues of stock included in available-for-sale securities were subjected to asset impairment in the amount of ¥65 million.
   For asset impairment, if the fair value at the end of the period is down by 50% or more from the acquisition cost, the entire amount is subjected to asset impairment. If the fair value at the end of the period is down by roughly 30-50% from the acquisition cost, asset impairment is undertaken for the amount for which it is deemed necessary based on consideration of recoverability and other factors.

Derivative transactions

Derivative transactions subject to hedge accounting

Currency-related

Previous consolidated fiscal year (December 31, 2021)

(¥ million)

Hedge accounting method	Type of derivative transactions, etc.	Main subject of hedging	Contracted amount, etc.	Contracted amount, etc., with term of more than one year	Fair value
Principle processing	Forward foreign exchange contracts Buy USD	Accounts receivable-trade	102	—	1
Allotment	Forward foreign exchange contracts Buy USD	Accounts receivable-trade	85	—	0
Total			187	—	2

Current consolidated fiscal year (December 31, 2022)

(¥ million)

Hedge accounting method	Type of derivative transactions, etc.	Main subject of hedging	Contracted amount, etc.	Contracted amount, etc., with term of more than one year	Fair value
Principle processing	Forward foreign exchange contracts Buy USD	Accounts receivable-trade	126	-	(5)
Allotment	Forward foreign exchange contracts Buy USD	Accounts receivable-trade	125	-	(4)
Total			251	-	(9)

Retirement benefits

1. Overview of retirement benefits program employed

   The Company and its consolidated subsidiaries employ savings-based and non-savings-based defined benefit programs to fund retirement benefits for employees.

   The defined benefit program includes programs for lump sum retirement benefits, a defined benefit corporate pension plan, and an integrated corporate pension plan for multiple businesses. Some consolidated subsidiaries employ an SME retirement benefits mutual aid program and a defined contribution program. The retirement benefit program was revised effective January 1, 2020, since which time a points-based program has been employed.

   When an employee retires, increased retirement benefits not subject to retirement benefit obligations may be paid through numerical calculations meeting the requirements of retirement benefit accounting.

   Some consolidated subsidiaries employ the simplified method in calculations of retirement benefit obligations and costs.

2. Defined benefit program

(1) Adjustments of starting and ending balances of retirement benefit obligations (excluding those under (3))

(¥ million)

	Previous consolidated fiscal year (from January 1, 2021, to December 31, 2021)	Current consolidated fiscal year (from January 1, 2022, to December 31, 2022)
Starting balance of retirement benefit obligations	5,419	5,333
Employment expenses	318	296
Interest expenses	1	3
Difference from numerical calculation	18	(148)
Amount of retirement benefits paid	(424)	(439)
Ending balance of retirement benefit obligations	5,333	5,044

(2) Adjustments of starting and ending balances of pension assets (excluding those under (3))

(¥ million)

	Previous consolidated fiscal year (from January 1, 2021, to December 31, 2021)	Current consolidated fiscal year (from January 1, 2022, to December 31, 2022)
Starting balance of pension assets	2,961	3,209
Returns on investment during period	44	48
Difference from numerical calculation	99	(199)
Employer contribution	368	290
Amount of retirement benefits paid	(264)	(262)
Ending balance of pension assets	3,209	3,086

(3) Adjustments of starting and ending balances of obligations related to retirement benefits under programs subject to the simplified calculation method

(¥ million)

	Previous consolidated fiscal year (from January 1, 2021, to December 31, 2021)	Current consolidated fiscal year (from January 1, 2022, to December 31, 2022)
Starting balance of obligations related to retirement benefits	301	310
Retirement benefit expenses	62	62
Amount of retirement benefits paid	(33)	(17)
Contributions to programs	(19)	(18)
Ending balance of obligations related to retirement benefits	310	336

(4) Adjustments of ending balances of retirement benefit obligations and pension assets and assets and liabilities related to retirement benefits shown on Consolidated Balance Sheet

(¥ million)

	Previous consolidated fiscal year (December 31, 2021)	Current consolidated fiscal year (December 31, 2022)
Retirement benefit obligations under savings-based plans	3,457	3,286
Pension assets	(3,460)	(3,343)
	(3)	(57)
Retirement benefit obligations under non-savings-based plans	2,437	2,352
Net amount of assets and liabilities shown on Consolidated Balance Sheet	2,434	2,294
Retirement benefit liabilities	2,434	2,294
Net amount of assets and liabilities shown on Consolidated Balance Sheet	2,434	2,294

(5) Amounts of retirement benefit expenses and components thereof

(¥ million)

	Previous consolidated fiscal year (from January 1, 2021, to December 31, 2021)	Current consolidated fiscal year (from January 1, 2022, to December 31, 2022)
Employment expenses	318	296
Interest expenses	1	3
Expected return on investment	(44)	(48)
Amount of difference from numerical calculation recorded as expenses	43	20
Amount of past employment expenses recorded as expenses	(19)	(43)
Costs of retirement benefits calculated using the simplified method	62	62
Other	4	37
Retirement benefit expenses related to defined benefit programs	365	328

(6) Adjustment amounts related to retirement benefits

A breakdown of items recorded as adjustment amounts related to retirement benefits (before deduction of tax effects) is given below.

(¥ million)

	Previous consolidated fiscal year (from January 1, 2021, to December 31, 2021)	Current consolidated fiscal year (from January 1, 2022, to December 31, 2022)
Past employment expenses	(19)	(43)
Difference from numerical calculation	124	(30)
Total	104	(73)

(7) Cumulative adjustment amounts related to retirement benefits

A breakdown of items recorded as cumulative adjustment amounts related to retirement benefits (before deduction of tax effects) is given below.

(¥ million)

	Previous consolidated fiscal year (December 31, 2021)	Current consolidated fiscal year (December 31, 2022)
Unrecognized past employment expenses	(398)	(355)
Unrecognized difference from numerical calculation	131	162
Total	(267)	(193)

(8) Pension assets

(i) Breakdown of main types of pension assets

Percentages of main types of assets included in total pension assets are presented below.

	Previous consolidated fiscal year (December 31, 2021)	Current consolidated fiscal year (December 31, 2022)
Bonds	43%	43%
General account	24%	26%
Stocks	18%	15%
Other	15%	16%
Total	100%	100%

(ii) Method used to identify long-term expected rate of return on investment

The current and projected allocation of pension assets and current and expected future long-term rates of return on the diverse assets included in pension assets are taken into consideration to determine the long-term expected rate of return on investment for pension assets.

(9) Bases of numerical calculations

Bases of main numerical calculations (stated as weighted averages)

	Previous consolidated fiscal year (from January 1, 2021, to December 31, 2021)	Current consolidated fiscal year (from January 1, 2022, to December 31, 2022)
Discount rate	0.2%	0.2%
Long-term expected rate of return on investment	1.5%	1.5%

3. Multiple employer program

This program is accounted for by processing similar to that of the defined contribution program. The amount of contributions to the corporate pension fund required under the multiple employer program was ¥148 million in the previous consolidated fiscal year and ¥152 million in the current consolidated fiscal year.

(1) Most recent state of savings under the multiple employer program

(¥ million)

	Previous consolidated fiscal year (December 31, 2021)	Current consolidated fiscal year (December 31, 2022)
Amount of pension assets	5,412	5,470
Total of numerical obligations under pension finance calculations and minimum amount of liability reserves	3,977	3,891
Difference	1,435	1,579

(2) The Group’s share of contributions to the multiple employer program

Previous consolidated fiscal year: 42.8% (from April 1, 2020, to March 31, 2021)

Current consolidated fiscal year: 43.7% (from April 1, 2021, to March 31, 2022)

(3) Supplementary explanation

Previous consolidated fiscal year (as of March 31, 2021)

The difference in amounts under (1) above was due to a ¥1,435 million surplus in the fiscal year.

The percentage under (2) above does not match the actual share of Group costs.

Current consolidated fiscal year (as of March 31, 2022)

The difference in amounts under (1) above was due to a ¥1,579 million surplus in the fiscal year.

The percentage under (2) above does not match the actual share of Group costs.

4. Defined-contribution program

   The contributions required to the defined contribution program for consolidated subsidiaries was ¥9 million in the previous consolidated fiscal year and ¥9 million in the current consolidated fiscal year.

Stock options

1. Expenses recorded and accounts related to stock options

(¥ million)

	Previous consolidated fiscal year	Current consolidated fiscal year
Share-based compensation expenses under selling, general, and administrative expenses	-	-

2. Amounts recorded as gains from expiration due to failure to exercise stock options

(¥ million)

	Previous consolidated fiscal year	Current consolidated fiscal year
Gain on reversal of share acquisition rights	0	0

3. Stock options details, scale, and fluctuations

   (1) Details of stock options

	First share acquisition rights	Second share acquisition rights	Third share acquisition rights	Fourth share acquisition rights	Fifth share acquisition rights
Company name	The Company				
Date of resolution	March 27, 2015	March 30, 2016	March 30, 2017	March 29, 2018	March 28, 2019
Category and number of person eligible for allotment	9 Company Directors 7 Company Executive Officers	10 Company Directors 7 Company Executive Officers	10 Company Directors 5 Company Executive Officers	9 Company Directors 7 Company Executive Officers	7 Company Directors 9 Company Executive Officers
Class and number of shares awarded	8,900 shares of common stock	9,900 shares of common stock	8,100 shares of common stock	8,200 shares of common stock	7,700 shares of common stock
Date of allotment	May 11, 2015	May 10, 2016	May 10, 2017	May 10, 2018	May 9, 2019
Conditions of finalization of rights	None established	Same as at left	Same as at left	Same as at left	Same as at left
Eligible period of employment	None established	Same as at left	Same as at left	Same as at left	Same as at left
Period for exercise of rights	May 11, 2015 – May 10, 2040	May 10, 2016 – May 9, 2041	May 10, 2017 – May 9, 2042	May 10, 2018 – May 9, 2043	May 9, 2019 – May 8, 2044

(2) Scale of and fluctuations in stock options

The numbers of stock options in effect in the consolidated fiscal year under review (ended December 2022) are shown converted to numbers of shares.

(i) Numbers of stock options

	First share acquisition rights	Second share acquisition rights	Third share acquisition rights	Fourth share acquisition rights	Fifth share acquisition rights
Company name	The Company				
Date of resolution	March 27, 2015	March 30, 2016	March 30, 2017	March 29, 2018	March 28, 2019
Rights not yet finalized (shares)					
End of previous consolidated fiscal year	-	-	-	-	-
Awarded	-	-	-	-	-
Expired	-	-	-	-	-
Rights finalized	-	-	-	-	-
Balance not yet finalized	-	-	-	-	-
Rights finalized (shares)					
End of previous consolidated fiscal year	2,900	3,700	4,400	5,400	5,800
Rights finalized	-	-	-	-	-
Rights exercised	800	800	1,000	1,500	1,700
Expired	-	-	-	100	100
Balance not yet exercised	2,100	2,900	3,400	3,800	4,000

(ii) Unit prices

	First share acquisition rights	Second share acquisition rights	Third share acquisition rights	Fourth share acquisition rights	Fifth share acquisition rights
Company name	The Company				
Date of resolution	May 8, 2015	May 9, 2016	May 9, 2017	May 9, 2018	May 8, 2019
Exercise price (¥)	1	1	1	1	1
Average share price at time of exercise (¥)	2,573	2,573	2,573	2,573	2,573
Official assessed unit price on date of allotment (¥)	2,250	2,337	2,969	3,496	2,910

4. Estimating the number of stock options for which rights are finalized

Not applicable because rights are finalized at time of allotment.

Tax effect accounting

1. Details of deferred tax assets and deferred tax liabilities by major source

(¥ million)

	Previous Consolidated Fiscal Year (December 31, 2021)	Current Consolidated Fiscal Year (December 31, 2022)
Deferred tax assets		
Allowance for doubtful accounts	17	40
Provision for bonuses	84	89
Accrued enterprise tax	63	79
Retirement benefit liability	752	713
Impairment loss	105	169
Tax loss carryforward (See Note 2.)	398	321
Other	245	305
Deferred tax assets (subtotal)	1,667	1,719
Valuation reserves related to tax loss carryforward (See Note 2.)	(360)	(313)
Valuation reserves related to totals of temporary differences in future deductions, etc.	(266)	(325)
Valuation reserves (subtotal) (See Note 1.)	(627)	(639)
Total deferred tax assets	1,040	1,080
Deferred tax liabilities		
Reserve for advanced depreciation of non-current assets	(39)	(36)
Valuation difference on available-for-sale securities	(557)	(640)
Difference on fair-market valuation of consolidated subsidiaries	(399)	(398)
Other	(68)	(14)
Total deferred tax liabilities	(1,064)	(1,089)
Deferred tax assets (liabilities), net	(24)	(9)

Notes:

1. There has been a major change in an amount deducted from deferred tax assets (valuation reserves). This change consisted mainly of an increase in valuation reserves related to impairment loss on noncurrent assets and a decrease in valuation reserves related to tax loss carryforward.
2. Amounts of tax loss carryforward and deferred tax assets by deadline for deferral

Previous Consolidated Fiscal Year (December 31, 2021)

	Within one year (¥ million)	Within more than one but no more than two years (¥ million)	Within more than two but no more than three years (¥ million)	Within more than three but no more than four years (¥ million)	Within more than four but no more than five years (¥ million)	Within more than five years (¥ million)	Total (¥ million)
Tax loss carryforward *1	112	6	108	71	-	99	398
Valuation reserves	(108)	(6)	(83)	(63)	-	(99)	(360)
Deferred tax assets	4	-	25	7	-	-	*2 37

*1 Tax loss carryforward was multiplied by the statutory effective tax rate.

*2 Deferred tax assets of ¥37 million have been recorded on tax loss carryforward of ¥398 million. These deferred tax assets on tax loss carryforward are considered to be recoverable under expected future income tax.

Current Consolidated Fiscal Year (December 31, 2022)

	Within one year (¥ million)	Within more than one but no more than two years (¥ million)	Within more than two but no more than three years (¥ million)	Within more than three but no more than four years (¥ million)	Within more than four but no more than five years (¥ million)	Within more than five years (¥ million)	Total (¥ million)
Tax loss carryforward *1	6	85	71	-	-	159	321
Valuation reserves	(4)	(82)	(67)	-	-	(159)	(313)
Deferred tax assets	2	2	3	-	-	-	*2 8

*1 Tax loss carryforward was multiplied by the statutory effective tax rate.

*2 Deferred tax assets of ¥8 million have been recorded on tax loss carryforward of ¥321 million. These deferred tax assets on tax loss carryforward are considered to be recoverable under expected future income tax.

2. Factors resulting in major differences between statutory effective tax rate and rate of income and other taxes paid after tax effect accounting, if any

	Previous Consolidated Fiscal Year (December 31, 2021)	Current Consolidated Fiscal Year (December 31, 2022)
Statutory effective tax rate	30.4%	Notes are omitted because the difference between the statutory effective tax rate and the rate of income and other taxes paid after tax effect accounting is less than 5% of the statutory effective tax rate.
Adjustments:		
Items not included in losses permanently, such as entertainment expenses	0.4%	
Items not included in profits permanently, such as dividend income	(0.2%)	
Residents' tax per-capita rate, etc.	1.3%	
Valuation reserves	1.5%	
Other	(0.1%)	
Rate of income and other taxes paid after tax effect accounting	33.2%	

Revenue recognition

1. Analysis of revenues from contracts with customers
   Information on analysis of revenues from contracts with customers is described under "Notes: Segment and other information."

2. Basic information for grasping revenue from contracts with customers
   Basic information for grasping revenue from contracts with customers is described under "Important matters serving as bases for the preparation of the consolidated financial statements: 4. Accounting policies: (5) Accounting standards for significant revenues and expenses."

3. Relationship between fulfillment of performance obligations based on contracts with customers and cash flows and amounts and periods of revenues from contracts with customers in effect at the end of the consolidated fiscal year expected to be recognized in the following consolidated fiscal year or beyond

(1) Balance of contractual obligations, etc.

	Current Consolidated Fiscal Year (¥ million)	
	Starting balance	Ending balance
Contractual obligations	210	207

Contractual obligations consist mainly of advances received from customers before delivery of products. These are transferred upon recognition of revenues. They are included under "Other" current liabilities on Consolidated Balance Sheet.
The revenues recognized in the current consolidated fiscal year included in the balance of contract labilities as of the start of the period was ¥210 million.

(2) Transaction prices allocated to remaining balance of performance obligations
The Group applies the practical method of omitting statements of transaction prices allocated to the remaining balance of performance obligations because it has no important contracts for which contracted amounts initially are expected to extend beyond one year. Additionally, the transaction prices include all important amounts arising from contracts with customers.

Segment and other information

Segment information

1. Segment overview
   The reportable segments of The Pack Group are the smallest units for which separate financial information can be obtained and for which regular examinations are performed by the Board of Directors to determine resource allocation and evaluate operational results.
   The Group is engaged primarily in the manufacture and sale of paper bags, folding paper cartons, corrugated boxes, and plastic bags.
   Based on the nature of the products, there are two reportable segments: Paper Products and Film Packaging.
   The Group's major products are paper bags, folding paper cartons, corrugated boxes, and printing in the Paper Products segment and plastic bags and garment bags in the Film Packaging segment.

2. Determining net sales, profit or loss, assets, liabilities, and other items by reportable segment
   Accounting methods used for the reportable segments are generally the same as those described under "Important matters serving as bases for the preparation of the consolidated financial statements."
   Profit for reportable segments is stated on an operating profit basis.
   As noted under "Changes to accounting policies," the Company has applied the Accounting Standard for Revenue Recognition and related standards since the start of the consolidated fiscal year under review. The method of calculating profit or loss by reporting segment has been modified in accordance with this change in accounting related to revenue recognition.
   As a result of this change, in the previous consolidated fiscal year, net sales and cost of sales in the Paper Products business segment fell by ¥13 million; net sales and cost of sales in other business segments fell by ¥472 million compared to the previous accounting method.

3. Net sales and profit or loss and breakdown of profit by reportable segment

Previous consolidated fiscal year (from January 1, 2021, to December 31, 2021)

(¥ million)

	Reportable segment			Other businesses (See Note 1.)	Total	Adjustment (See Note 2.)	Amount posted in Consolidated Statement of Income (See Note 3.)
	Paper Products	Film Packaging	Subtotal				
Net sales							
Paper bags	22,032	-	22,032	-	22,032	-	22,032
Folding paper cartons	19,497	-	19,497	-	19,497	-	19,497
Corrugated boxes	11,850	-	11,850	-	11,850	-	11,850
Printing	2,117	-	2,117	-	2,117	-	2,117
Film Packaging	-	11,184	11,184	-	11,184	-	11,184
Other	-	-	-	13,008	13,008	-	13,008
Revenue from contracts with customers	55,498	11,184	66,682	13,008	79,690	-	79,690
Other revenue	-	-	-	-	-	-	-
Sales to external customers	55,498	11,184	66,682	13,008	79,690	-	79,690
Intersegment sales and transfers	-	-	-	-	-	-	-
Subtotal	55,498	11,184	66,682	13,008	79,690	-	79,690
Segment profit	3,958	397	4,355	882	5,238	(1,093)	4,144
Segment assets	42,674	6,964	49,638	7,088	56,727	30,695	87,422
Other items							
Depreciation expense	1,657	305	1,963	59	2,022	7	2,029
Increase in tangible and intangible noncurrent assets	2,058	370	2,428	167	2,596	45	2,641

Notes:

1. "Other" includes supplies and other sundry items.
2. Adjustment amounts are reviewed below.
   (1) The adjustment amount of ¥-1,093 million to segment profit includes ¥12 million in elimination of intersegment transactions and ¥-1,105 million in Companywide costs, which are not allocated to individual reporting segments. Companywide costs consist mainly of costs related to parent company administrative sections.
   (2) The adjustment amount of ¥30,695 million to segment assets consists of Companywide assets, which are not allocated to individual reporting segments. Companywide assets consist mainly of surplus operating assets of the parent company (¥11,040 million in cash and deposits, ¥12,006 million in securities), long-term investment funds (¥7,045 million in investment securities), and ¥603 million in land and property belonging to the parent company.
   (3) The adjustment amount to depreciation expenses and the increase in property, plant, and equipment and intangible noncurrent assets concern headquarters assets of the parent company.
3. Segment profit is adjusted against operating profit on the Consolidated Statement of Income.

Current consolidated fiscal year (from January 1, 2022, to December 31, 2022)

(¥ million)

	Reportable segment			Other businesses (See Note 1.)	Total	Adjustment (See Note 2.)	Amount posted in Consolidated Statement of Income (See Note 3.)
	Paper Products	Film Packaging	Subtotal				
Net sales							
Paper bags	26,252	-	26,252	-	26,252	-	26,252
Folding paper cartons	22,283	-	22,283	-	22,283	-	22,283
Corrugated boxes	12,210	-	12,210	-	12,210	-	12,210
Printing	2,186	-	2,186	-	2,186	-	2,186
Film Packaging	-	11,988	11,988	-	11,988	-	11,988
Other	-	-	-	14,138	14,138	-	14,138
Revenue from contracts with customers	62,932	11,988	74,921	14,138	89,060	-	89,060
Other revenue	-	-	-	-	-	-	-
Sales to external customers	62,932	11,988	74,921	14,138	89,060	-	89,060
Intersegment sales and transfers	-	-	-	-	-	-	-
Subtotal	62,932	11,988	74,921	14,138	89,060	-	89,060
Segment profit	5,333	583	5,917	1,059	6,976	(1,004)	5,972
Segment assets	46,706	7,590	54,297	7,632	61,929	32,436	94,365
Other items							
Depreciation expense	1,573	292	1,866	78	1,944	48	1,992
Increase in tangible and intangible noncurrent assets	1,592	480	2,073	122	2,196	1,409	3,605

Notes:

1. “Other” includes supplies and other sundry items.
2. Adjustment amounts are reviewed below.
   (1) The adjustment amount of ¥-1,004 million to segment profit includes ¥12 million in elimination of intersegment transactions and ¥-1,016 million in Companywide costs, which are not allocated to individual reporting segments. Companywide costs consist mainly of costs related to parent company administrative sections.
   (2) The adjustment amount of ¥32,436 million to segment assets consists of Companywide assets, which are not allocated to individual reporting segments. Companywide assets consist mainly of surplus operating assets of the parent company (¥11,565 million in cash and deposits, ¥12,500 million in securities), long-term investment funds (¥6,270 million in investment securities), and ¥2,100 million in land and property belonging to the parent company.
   (3) The adjustment amount to depreciation expenses and the increase in property, plant, and equipment and intangible noncurrent assets concern headquarters assets of the parent company.
3. Segment profit is adjusted against operating profit on the Consolidated Statement of Income.

Related information

Previous consolidated fiscal year (from January 1, 2021, to December 31, 2021)

1. Information on individual products and services

   This is omitted because the same information is provided under segment information.

2. Information on individual regions

   (1) Net sales

   This is omitted because sales to external customers in Japan account for more than 90% of net sales on the Consolidated Statement of Income.

   (2) Property, plant, and equipment

   This is omitted because amounts of property, plant, and equipment located in Japan account for more than 90% of the amount of property, plant, and equipment on the Consolidated Balance Sheet.

3. Information on individual major customers

   This is omitted because no counterparty in sales to external customers accounts for 10% or more of net sales on the Consolidated Statement of Income.

Current consolidated fiscal year (from January 1, 2022, to December 31, 2022)

1. Information on individual products and services

   This is omitted because the same information is provided under segment information.

2. Information on individual regions

   (1) Net sales

   This is omitted because sales to external customers in Japan account for more than 90% of net sales on the Consolidated Statement of Income.

   (2) Property, plant, and equipment

   This is omitted because amounts of property, plant, and equipment located in Japan account for more than 90% of the amount of property, plant, and equipment on the Consolidated Balance Sheet.

3. Information on individual major customers

   This is omitted because no counterparty in sales to external customers accounts for 10% or more of net sales on the Consolidated Statement of Income.

Impairment loss on non-current assets by reporting segment

Previous consolidated fiscal year (from January 1, 2021, to December 31, 2021)

(¥ million)

	Reporting segment			Other	Companywide/ elimination	Total
	Paper Products	Film Packaging	Subtotal			
Impairment loss	108	-	108	-	-	108

Current consolidated fiscal year (from January 1, 2022, to December 31, 2022)

(¥ million)

	Reporting segment			Other	Companywide/ elimination	Total
	Paper Products	Film Packaging	Subtotal			
Impairment loss	323	-	323	-	-	323

Amortization of goodwill and unamortized balance by reporting segment

Not applicable

Negative goodwill by reporting segment

Not applicable

Related parties

Not applicable

Per-share information

	Previous consolidated fiscal year (from January 1, 2021, to December 31, 2021)	Current consolidated fiscal year (from January 1, 2022, to December 31, 2022)
Net assets per share	¥3,261.64	¥3,436.46
Basic earnings per share	¥148.71	¥213.55
Diluted earnings per share	¥148.53	¥213.38

1. Presented below are basic earnings per share, diluted earnings per share, and the basic assumptions underlying the calculations thereof.

	Previous consolidated fiscal year (from January 1, 2021, to December 31, 2021)	Current consolidated fiscal year (from January 1, 2022, to December 31, 2022)
Basic earnings per share		
Profit attributable to owners of parent (¥ million)	2,824	4,058
Amounts not available to common shareholders (¥ million)	-	-
Profit attributable to owners of parent related to common shares (¥ million)	2,824	4,058
Average number of common shares outstanding during the period (thousand shares)	18,993	19,005
Diluted earnings per share		
Adjustment to profit attributable to owners of parent (¥ million)	-	-
Increase in number of common shares (thousand shares)	22	15
(Share acquisition rights included above [thousand shares])	(22)	(15)
Antidilutive securities excluded from diluted earnings per share calculations	-	

2. Presented below are the basic assumptions underlying calculations of net assets per share.

	Previous consolidated fiscal year (from January 1, 2021, to December 31, 2021)	Current consolidated fiscal year (from January 1, 2022, to December 31, 2022)
Total net assets (¥ million)	62,032	65,371
Amounts deducted from total net assets (¥ million)	77	46
(Share acquisition rights included above [¥ million])	(63)	(46)
(Noncontrolling interests included above [¥ million])	(13)	(-)
Ending net assets related to common shares (¥ million)	61,955	65,324
Ending number of common shares used to calculate net assets per share (thousand shares)	18,995	19,009

Material subsequent events

Not applicable

(v) Details annexed to consolidated financial statements

Detailed statement of bonds

Not applicable

Detailed statement of loans payable, etc.

Category	Starting balance (¥ million)	Ending balance (¥ million)	Average interest rate (%)	Repayment deadline
Short-term loans payable	-	-	-	-
Current portion of long-term loans payable	25	25	-	-
Lease obligations planned for repayment within one year	55	47	-	-
Long-term loans payable (excluding current portion)	60	34	1.1	May 2025
Lease obligations (excluding current portion)	125	77	-	June 2024 – October 2026
Other interest-bearing debts	-	-	-	-
Total	266	185	-	-

Notes:

1. Average interest rate indicates the weighted average of interest rates on balances of loans payable at the end of the period.
   No average interest rate is shown for lease obligations because they are recorded on the Consolidated Balance Sheet in amounts before deducting the amount corresponding to the interest included in total lease charges.
2. The table below gives the planned repayment amounts of long-term loans payable and lease obligations (excluding current portions) within five years after the date of the consolidated settlement of accounts.

Category	Within more than one but no more than two years (¥ million)	Within more than two but no more than three years (¥ million)	Within more than three but no more than four years (¥ million)	Within more than four but no more than five years (¥ million)
Long-term loans payable	25	9	-	-
Lease obligations	43	30	4	-

Detailed statement of asset retirement obligations

This is omitted because the amounts of asset retirement obligations at the start and end of the consolidated fiscal year accounted for less than 1% of total liabilities and net assets at the start and end of the consolidated fiscal year.

(2) Other information

Quarterly information during the consolidated fiscal year under review, etc.

Cumulative period	Q1	Q2	Q3	Current consolidated fiscal year
Net sales (¥ million)	19,098	39,617	60,481	89,060
Profit before income taxes (¥ million)	1,013	2,060	3,296	5,925
Profit attributable to owners of parent (¥ million)	717	1,422	2,250	4,058
Basic earnings per share (¥)	37.78	74.85	118.43	213.55

Fiscal period	Q1	Q2	Q3	Q4
Basic earnings per share (¥)	37.78	37.06	43.58	95.10

2. Financial statements, etc.

(1) Financial statements

(i) Balance Sheet

(¥ million)

	Previous fiscal year (December 31, 2021)	Current fiscal year (December 31, 2022)
Assets		
Current assets		
Cash and deposits	11,040	11,565
Notes receivable-trade	*2 3,226	*2 3,797
Accounts receivable-trade	*1 15,213	*1 16,873
Securities	12,006	12,500
Merchandise and finished goods	4,215	5,529
Work in process	657	782
Raw materials and supplies	614	898
Advances paid	*1 644	*1 759
Other	*1 744	*1 737
Allowance for doubtful accounts	(5)	(6)
Total current assets	48,356	53,438
Non-current assets		
Property, plant, and equipment		
Buildings	5,153	5,200
Structures	44	38
Machinery and equipment	4,473	4,313
Vehicles	21	13
Tools, furniture and fixtures	311	313
Land	7,108	7,108
Construction in progress	1,441	3,054
Total property, plant, and equipment	18,554	20,042
Intangible assets		
Leasehold rights	30	30
Software	158	119
Other	447	880
Total intangible assets	635	1,030
Investments and other assets		
Investment securities	7,045	6,313
Shares of subsidiaries and associates	2,116	2,116
Investments in capital of subsidiaries and associates	155	58
Long-term loans receivable	*1 1,514	*1 1,542
Claims provable in bankruptcy, claims provable in rehabilitation and other	4	10
Deferred tax assets	419	389
Other	419	474
Allowance for doubtful accounts	(48)	(116)
Total investments and other assets	11,626	10,788
Total non-current assets	30,816	31,861
Total assets	79,172	85,299

(¥ million)

	Previous fiscal year (December 31, 2021)	Current fiscal year (December 31, 2022)
Liabilities		
Current liabilities		
Notes payable	*2 1,536	*2 2,040
Electronically recorded obligations-operating	4,696	5,735
Accounts payable-trade	*1 9,941	*1 11,691
Accounts payable-other	887	1,160
Income taxes payable	799	1,123
Consumption taxes payable	363	122
Provision for bonuses	237	259
Provision for bonuses for directors (and other officers)	25	37
Notes payable - facilities	208	273
Other	*1 890	*1 1,130
Total current liabilities	19,588	23,573
Non-current liabilities		
Provision for retirement benefits	2,390	2,151
Long-term accounts payable - other	18	7
Other	120	140
Total non-current liabilities	2,530	2,299
Total liabilities	22,119	25,873
Net assets		
Shareholders' equity		
Capital stock	2,553	2,553
Capital surplus		
Legal capital surplus	2,643	2,643
Other capital surplus	513	510
Total capital surplus	3,157	3,153
Retained earnings		
Legal retained earnings	449	449
Other retained earnings		
Reserve for reduction entry of replaced property	89	84
General reserve	47,201	47,201
Retained earnings brought forward	4,933	7,162
Total retained earnings	52,673	54,897
Treasury shares	(2,704)	(2,661)
Total shareholders' equity	55,680	57,942
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,308	1,440
Deferred gains or losses on hedges	0	(3)
Total valuation and translation adjustments	1,309	1,436
Share acquisition rights	63	46
Total net assets	57,053	59,426
Total liabilities and net assets	79,172	85,299

(ii) Statement of Income

(¥ million)

	Previous fiscal year (from January 1, 2021, to December 31, 2021)	Current fiscal year (from January 1, 2022, to December 31, 2022)
Net sales	69,557	77,117
Cost of sales	*1 52,857	*1 58,292
Gross profit	16,699	18,825
Selling, general, and administrative expenses	*1, *2 13,226	*1, *2 13,890
Operating profit	3,473	4,934
Non-operating income		
Interest income	*1 107	*1 127
Dividend income	*1 97	*1 118
Other	*1 105	*1 159
Total non-operating income	310	405
Non-operating expenses		
Interest expenses	0	0
Provision of allowance for doubtful accounts	-	63
Compensation for damage	6	9
Other	27	52
Total non-operating expenses	35	126
Ordinary profit	3,748	5,214
Extraordinary income		
Gain on sales of investment securities	18	66
Gain on sales of non-current assets	0	1
Total extraordinary income	18	67
Extraordinary losses		
Loss on sales of non-current assets	-	0
Loss on retirement of non-current assets	92	39
Loss on sales of investment securities	31	65
Loss on valuation of investment securities	-	65
Loss on valuation of investments in capital of subsidiaries and associates	*3 279	*3 96
Impairment loss	-	188
Total extraordinary losses	402	456
Profit before income taxes	3,364	4,824
Income taxes-current	1,144	1,582
Income taxes-deferred	44	(26)
Total income taxes	1,189	1,556
Profit	2,175	3,268

(iii) Statement of Changes in Equity

Previous fiscal year (from January 1, 2021, to December 31, 2021)

(¥ million)

	Shareholders' equity			
	Capital stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at beginning of current period	2,553	2,643	513	3,156
Changes during period				
Dividends of surplus				-
Net profit				-
Transfers from reserve for reduction entry of replaced property				-
Transfers from general reserve				-
Purchase of treasury shares				-
Disposal of treasury shares			0	0
Changes during period in accounts other than shareholders' equity (net)				-
Total changes during period	-	-	0	0
Balance at end of current period	2,553	2,643	513	3,157

	Shareholders' equity						
	Retained earnings					Treasury shares	Total shareholders' equity
	Legal retained earnings	Other retained earnings			Total retained earnings		
		Reserve for reduction entry of replaced property	General reserve	Retained earnings brought forward			
Balance at beginning of current period	449	94	47,201	3,797	51,543	(2,717)	54,536
Changes during period							
Dividends of surplus				(1,044)	(1,044)		(1,044)
Net profit				2,175	2,175		2,175
Transfers from reserve for reduction entry of replaced property		(4)		4	-		-
Transfers from general reserve					-		-
Purchase of treasury shares					-	(0)	(0)
Disposal of treasury shares					-	13	13
Changes during period in accounts other than shareholders' equity (net)					-		-
Total changes during period	-	(4)	-	1,135	1,130	13	1,143
Balance at end of current period	449	89	47,201	4,933	52,673	(2,704)	55,680

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of current period	1,068	0	1,068	65	55,670
Changes during period					
Dividends of surplus			-		(1,044)
Net profit			-		2,175
Transfers from reserve for reduction entry of replaced property			-		-
Transfers from general reserve			-		-
Purchase of treasury shares			-		(0)
Disposal of treasury shares			-		13
Changes during period in accounts other than shareholders' equity (net)	240	0	240	(1)	239
Total changes during period	240	0	240	(1)	1,383
Balance at end of current period	1,308	0	1,309	63	57,053

Current fiscal year (from January 1, 2022, to December 31, 2022)

(¥ million)

	Shareholders' equity			
	Capital stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at beginning of current period	2,553	2,643	513	3,157
Changes during period				
Dividends of surplus				-
Net profit				-
Transfers from reserve for reduction entry of replaced property				-
Transfers from general reserve				-
Purchase of treasury shares				-
Disposal of treasury shares			(3)	(3)
Changes during period in accounts other than shareholders' equity (net)				-
Total changes during period	-	-	(3)	(3)
Balance at end of current period	2,553	2,643	510	3,153

	Shareholders' equity						
	Retained earnings					Treasury shares	Total shareholders' equity
	Legal retained earnings	Other retained earnings			Total retained earnings		
		Reserve for reduction entry of replaced property	General reserve	Retained earnings brought forward			
Balance at beginning of current period	449	89	47,201	4,933	52,673	(2,704)	55,680
Changes during period							
Dividends of surplus				(1,045)	(1,045)		(1,045)
Net profit				3,268	3,268		3,268
Transfers from reserve for reduction entry of replaced property		(5)		5	-		-
Transfers from general reserve					-		-
Purchase of treasury shares					-	(0)	(0)
Disposal of treasury shares					-	42	39
Changes during period in accounts other than shareholders' equity (net)					-		-
Total changes during period	-	(5)	-	2,229	2,223	42	2,262
Balance at end of current period	449	84	47,201	7,162	54,897	(2,661)	57,942

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of current period	1,308	0	1,309	63	57,053
Changes during period					
Dividends of surplus			-		(1,045)
Net profit			-		3,268
Transfers from reserve for reduction entry of replaced property			-		-
Transfers from general reserve			-		-
Purchase of treasury shares			-		(0)
Disposal of treasury shares			-		39
Changes during period in accounts other than shareholders’ equity (net)	131	(4)	127	(17)	109
Total changes during period	131	(4)	127	(17)	2,372
Balance at end of current period	1,440	(3)	1,436	46	59,426

[Notes]

Important accounting policies

1. Valuation standards and methods for assets

(1) Valuation standards and method for securities

Bonds held to maturity

Amortized cost method (straight line method)

Shares of stock in subsidiaries

…… Stated at cost by the moving average method

Available-for-sale securities

Those other than stocks, etc., with no market value

…… Mark-to-market (Valuation differences are charged or credited directly to owners' equity. The cost of securities sold is computed by the moving average method.)

Stocks, etc., with no market value

…… Stated at cost by the moving average method

Investments in investment limited liability partnerships and similar partnerships (those deemed securities under Article 2, Paragraph 2, of the Financial Instruments and Exchange Act) are valued based on the net amount equivalent to equity based on the most recent financial statements available in accordance with the reporting date of settlement of accounts stipulated in the partnership agreement.

(2) Valuation standards and methods for derivatives

Mark-to-market

(3) Valuation standards and methods for inventories

Merchandise and finished goods, work in process, raw materials

…… Stated at cost using the periodic average method (Amounts shown on the Balance Sheet reflect marking down book value based on decreases in profitability.)

Supplies

…… Stated at cost using the last purchase price method (Amounts shown on the Balance Sheet reflect marking down book value based on decreases in profitability.)

2. Depreciation methods for important noncurrent assets

(1) Property, plant, and equipment (excluding leased assets)

The declining-balance method is applied. However, for properties (excluding facilities attached to buildings) acquired on or after April 1, 1998, and for facilities attached to buildings and structures acquired on or after April 1, 2016, the straight line method is applied.

Indicated below are the main useful lives.

Buildings and structures:	10-50 years
Machinery, equipment, and vehicles:	5-12 years

(2) Intangible noncurrent assets (excluding leased assets)

The straight line method is applied.

For software used by the Company, the straight line method is applied based on the estimated usable period at the Company (five years).

(3) Lease assets

Lease assets related to finance lease transactions not involving transfer of ownership

The straight line method is applied using the lease period as the useful life and zero as the residual value.

3. Accounting standards for reserves

(1) Allowance for doubtful accounts

In preparation for losses from default on claims, the anticipated amount of unrecoverable claims is booked based on the actual rate of unrecoverability for ordinary claims. The likelihood of recovery is determined on a claim by claim basis for claims deemed unlikely to be recovered.

(2) Provision for bonuses

Set aside for employee bonuses, this is booked based on estimates of bonuses to be paid during the fiscal year.

(3) Provision for executive bonuses

Set aside for executive and executive officer bonuses, this is booked based on estimates of bonuses to be paid at the end of the fiscal year.

(4) Provision for retirement benefits

Set aside for employee retirement benefits, this is booked based on estimates of retirement benefit obligations and pension assets at the end of the fiscal year.

(i) Method for allocating estimated retirement benefits to fiscal periods

For calculations of retirement benefit obligations, benefit calculation formulas are applied to allocate estimated retirement benefits to the period extending to the end of the fiscal year.

(ii) Method for processing actuarial differences and past employment costs as expenses

Actuarial differences are expensed from the following fiscal year by the straight line method based on a fixed number of years (10 years) within the average remaining number of employee service years at the time the actuarial differences are incurred.

Past employment costs are expensed in the fiscal year in which they were incurred by the straight line method based on a fixed number of years (10 years) within the average remaining number of employee service years at the time they are incurred.

4. Accounting standards for revenues and expenses

Sale of finished goods and merchandise

The Pack Corporation primarily manufactures and sells paper products and similar products. In sales of such finished goods and merchandise, performance obligations are deemed fulfilled when the customer secures control of the finished goods and merchandise at the point in time at which they are delivered to the customer. As such, revenues are recognized at the time of delivery of the finished goods and merchandise.

However, for cases involving typical times from shipment to delivery to the customer in domestic sales in Japan, revenues are recognized at the time of shipment.

In addition, revenues are measured as the price promised under the contract with the customer minus returns, discounts, rebates, and other such costs. In such cases, the transaction amounts are assumed to be received within one year after the fulfillment of performance obligations and pose no other material financial concerns.

5 Other important bases for preparing financial statements

(1) Hedge accounting methods

(i) Hedge accounting methods

Deferred hedge accounting is applied.

Designated hedge accounting is applied for foreign currency monetary obligations to which forward foreign exchange contracts are attached.

(ii) Hedging means and targets

Means of hedging: forward foreign exchange contracts

Hedging targets: foreign currency monetary obligations and anticipated foreign currency transactions

(iii) Hedging policy

Forward foreign exchange contracts are established within the scope of actual demand to reduce the risk of exchange rate fluctuations.

(iv) Methods for assessing hedging efficacy

Assessments of hedging efficacy on the date of settlement of accounts is omitted for forward foreign exchange contracts because we deem it more effective to employ the method of allocation in the same foreign currency and with the same maturity dates; this also ensures correlation under any future exchange rate fluctuation conditions.

(2) Accounting methods for retirement benefits

Accounting methods for unrecognized actuarial differences and unrecognized past employment costs related to retirement benefits differ from those for the consolidated financial statements.

Changes in accounting policies

Application of the Accounting Standard for Revenue Recognition and related standards

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and the Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021) ("Accounting Standard for Revenue Recognition and related standards" hereinafter) since the start of the fiscal year under review. Accordingly, the Company recognizes revenue when control of a promised good or service transfers to the customer in the amount anticipated in exchange for such good or service.

This change in accounting policies has had no impact on the financial statements.

Application of the Accounting Standard for Fair Value Measurement and related standards

Since the start of the fiscal year under review, the Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; "Fair Value Measurement Standard" hereinafter) and related standards. The new accounting policy prescribed in the Fair Value Measurement Standard and related standards will be applied to future accounts in accordance with the transitional treatment stipulated in Paragraph 19 of the Fair Value Measurement Standard and in Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). This has had no impact on the financial statements.

Additional information

Accounting estimates related to the impact of the COVID-19 pandemic

Future consequences of the COVID-19 pandemic remain difficult to predict. Despite the potential unknowns of the impact on Company business results, accounting estimates for matters such as impairment of non-current assets and recoverability of deferred tax assets assume a trend of gentle recovery. At this time, the pandemic is considered to have no major effect on accounting estimates; nor do we expect it to have major effects in the future. However, given numerous uncertainties, it remains possible that the future course of the COVID-19 pandemic may affect our financial standing and business results.

Balance Sheet

*1 Assets and liabilities of affiliate companies

Amounts of monetary claims or obligations on affiliate companies other than those stated separately are presented below.

(¥ million)

	Previous fiscal year (December 31, 2021)	Current fiscal year (December 31, 2022)
Short-term monetary claims	872	966
Long-term monetary claims	1,240	1,265
Short-term monetary obligations	253	297

*2 In account processing of notes maturing on the ending date of the period, we process settlements of accounts based on the dates of exchange of the notes in question.

Since the ending date of the fiscal year was a holiday for financial institutions, notes maturing on the ending date of the next period include ending balances.

(¥ million)

	Previous fiscal year (December 31, 2021)	Current fiscal year (December 31, 2022)
Notes receivable	153	158
Notes payable	106	152

Statement of Income

*1 Amounts included in each account that correspond to affiliate companies are presented below.

(¥ million)

	Previous fiscal year (from January 1, 2021, to December 31, 2021)	Current fiscal year (from January 1, 2022, to December 31, 2022)
Operating transactions	2,012	2,228
Transactions other than operating transactions	326	377

*2 The main costs included in selling, general, and administrative expenses, and their amounts, are presented below.

(¥ million)

	Previous fiscal year (from January 1, 2021, to December 31, 2021)	Current fiscal year (from January 1, 2022, to December 31, 2022)
Freightage and packing expenses	3,593	3,843
Salaries and allowances	3,402	3,477
Provision for bonuses	131	143
Provision for director bonuses	25	36
Retirement benefit expenses	252	224
Depreciation	359	410
Rent expenses	2,562	2,749
Provision of allowance for doubtful accounts	(1)	6
Rough percentages		
Selling expenses	78.8%	79.8%
General and administrative expenses	21.2%	20.2%

*3 Loss on valuation of investments in capital of subsidiaries and associates

Previous fiscal year (from January 1, 2021, to December 31, 2021)

Loss on valuation of investments in capital of subsidiaries and associates represented loss on valuation on investments in The Pack (Changshu) Co., Ltd., a consolidated Company subsidiary.

Current fiscal year (from January 1, 2022, to December 31, 2022)

Loss on valuation of investments in capital of subsidiaries and associates represented loss on valuation on investments in The Pack (Changshu) Co., Ltd., a consolidated Company subsidiary.

Securities

Previous fiscal year (December 31, 2021)

The amount recorded on the Balance Sheet of shares of stock in subsidiaries for which it is recognized to be extremely difficult to ascertain fair value is given below.

Category	Previous fiscal year (¥ million)
Shares of subsidiaries	2,116

Current fiscal year (December 31, 2022)

The amount recorded on the Balance Sheet of shares of stock, etc., with no market prices is given below.

Category	Previous fiscal year (¥ million)
Shares of subsidiaries	2,116

Tax effect accounting

1. Details of deferred tax assets and deferred tax liabilities by major source

(¥ million)

	Previous Fiscal Year (December 31, 2021)	Current Fiscal Year (December 31, 2022)
Deferred tax assets		
Allowance for doubtful accounts	16	37
Provision for bonuses	74	79
Accrued enterprise tax	48	67
Provision for retirement benefits	726	656
Impairment loss	72	100
Other	438	516
Deferred tax assets (subtotal)	1,377	1,457
Valuation reserves	(429)	(484)
Total deferred tax assets	948	973
Deferred tax liabilities		
Reserve for advanced depreciation of non-current assets	(39)	(36)
Valuation difference on available-for-sale securities	(489)	(547)
Other	(0)	-
Total deferred tax liabilities	(528)	(583)
Deferred tax assets, net	419	389

2. Factors leading to major differences between the statutory effective tax rate and rate of income and other taxes paid after tax-effect accounting, if any

(¥ million)

	Previous Fiscal Year (December 31, 2021)	Current Fiscal Year (December 31, 2022)
Statutory effective tax rate	30.4%	30.4%
Adjustments:		
Items not included in losses permanently, such as entertainment expenses	0.5%	0.5%
Items not included in profits permanently, such as dividend income	(0.2%)	(0.1%)
Residents’ tax per capita rate etc.	1.5%	1.1%
Valuation reserves	2.5%	1.1%
Other	0.6%	(0.7%)
Rate of income and other taxes paid after tax-effect accounting	35.4%	32.3%

Revenue recognition

Basic information for grasping revenue from contracts with customers is omitted here because it is identical to the information presented under “Notes: Revenue recognition” for the Consolidated Financial Statements.

Material subsequent events

Not applicable

(iv) Details annexed to the financial statements

Detailed statement of property, plant, and equipment

Asset type	Starting book value (¥ million)	Increase during period (¥ million)	Decrease during period (¥ million)	Redemption amount during period (¥ million)	Ending balance (¥ million)	Accumulated depreciation (¥ million)
Property, plant, and equipment						
Buildings	5,153	391	3	341	5,200	11,314
Structures	44	-	-	6	38	600
Machinery and equipment	4,473	1,005	229 (188)	934	4,313	17,515
Vehicles	21	5	0	13	13	73
Tools, furniture and fixtures	311	130	0	127	313	1,793
Land	7,108	-	-	-	7,108	-
Construction in progress	1,441	2,759	1,147	-	3,054	-
Total property, plant and equipment	18,554	4,292	1,381 (188)	1,423	20,042	31,298
Intangible assets						
Leasehold rights	30	-	-	-	30	-
Software	158	19	-	57	119	226
Other	447	435	1	0	880	1
Total intangible assets	635	454	1	57	1,030	227

Notes:

1. Major changes during the period are presented below.

Construction in progress	Rebuilding of head office building	¥1,491 million
	Printers at Nara Plant	¥227 million
Machinery and equipment	Printers at Ibaraki Plant	¥380 million
Other (software in progress)	Development of backbone system	¥420 million

2. Amounts of impairment losses recorded appear in parentheses under “Decrease during period.”

Detailed statement of reserves

Category	Starting balance (¥ million)	Increase during period (¥ million)	Decrease during period (¥ million)	Ending balance (¥ million)
Allowance for doubtful accounts	53	69	0	122
Provision for bonuses	237	259	237	259
Provision for executive bonuses	25	37	25	37

(2) Main details of assets and liabilities

Omitted because consolidated financial statements are prepared.

(3) Other

Not applicable

VI. Overview of stock administration by the Company

Business year	January 1, 2021, through December 31
Regular Meeting of Shareholders	Held in March
Basis date	December 31
Basis dates for dividends of surplus	June 30, December 31
Stock minimum trading unit	100 shares
Repurchase and increased purchase of shares in amounts of less than the minimum trading unit	
Location of handling	(Special account) Mitsubishi UFJ Trust and Banking Corporation Osaka Securities Agency Div. 6-3 Fushimicho 3-chome, Chuo-ku, Osaka
Administrator of shareholder list	(Special account) Mitsubishi UFJ Trust and Banking Corporation 4-5 Marunouchi 1-chome, Chiyoda-ku, Tokyo
Brokerage	-
Fee for repurchase and increased purchase	None
Method of public announcement	The Company's public announcements are announced electronically. However, they are published in the *Nihon Keizai Shimbun* if public announcements issued electronically are not possible. URL of public announcements: https://www.thepack.co.jp/
Special benefits for shareholders	Each year, the Company presents Quo Cards worth ¥1,000 each to shareholders as of December 31 and book cards worth ¥500 each to shareholders as of June 30.

Notes:

Restrictions on rights regarding shares in amounts of less than the minimum trading unit are described below.

Company shareholders cannot exercise rights other than the following for shares they own in amounts of less than the minimum trading unit:

(i) The rights enumerated in Article 189, Paragraph 2 of the Companies Act

(ii) The right to exercise put options for shares with put options

(iii) The right to receive allotment of shares offered and share acquisition rights offered in accordance with numbers of shares held by shareholders

(iv) The right to demand additional purchase for shares in amounts of less than the minimum trading unit

VII. Reference information on the Company

1. Information on the parent company of the Company

The Company has no parent company.

2. Other reference information

The Company has submitted the following documents from the first day of the consolidated fiscal year through the date submitted for the Annual Securities Report.

(1) Annual Securities Report, attachments thereto, and confirmation letter
For Business Year 70 (from January 1, 2021, to December 31, 2021): Submitted to the Director of the Kinki Local Finance Bureau on March 30, 2022

(2) Internal Controls Report and its attachments
Submitted to the Director of the Kinki Local Finance Bureau on March 30, 2022

(3) Quarterly reports and confirmation letters

For the first quarter of Fiscal Year 71 (from January 1, 2022, to March 31, 2022):	Submitted to the Director of the Kinki Local Finance Bureau on May 11, 2022
For the second quarter of Fiscal Year 71 (from April 1, 2022, to June 30, 2022):	Submitted to the Director of the Kinki Local Finance Bureau on August 9, 2022
For the third quarter of Fiscal Year 71 (from July 1, 2022, to September 30, 2022):	Submitted to the Director of the Kinki Local Finance Bureau on November 9, 2022

(4) Extraordinary Report
Extraordinary Report under the provisions of Article 19, Paragraph 2, Subparagraph 9, 2 of the Cabinet Directive on Disclosure of Corporate Details etc.
Submitted to the Director of the Kinki Local Finance Bureau on March 31, 2022

Part 2. Information on the Company's guarantors

Not applicable

Reports on Audit by Independent Auditor and Internal Controls Audit

March 28, 2023

To: The Board of Directors,

The Pack Corporation

Ernst & Young ShinNihon LLC
Osaka Office

Designated Limited Partner Engagement Partner	Masahiko Naka, Certified Public Accountant
Designated Limited Partner Engagement Partner	Ryoichi Hayama, Certified Public Accountant

<Audit of financial statements>

Auditor’s opinion

We have audited the consolidated financial statements of The Pack Corporation for the consolidated fiscal year from January 1, 2022, through December 31, 2022, for the purposes of auditing and verification pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act. In so doing, we audited the Consolidated Balance Sheet, the Consolidated Statement of Income, the Consolidated Statement of Changes in Shareholders’ Equity, the Consolidated Statement of Comprehensive Income, Consolidated Statement of Cash Flows, Important Matters Serving as Bases for Preparation of the Consolidated Financial Statements, and other notes to the financial statements and attendant details.

In our opinion, the consolidated financial statements referred to above fairly and accurately present all material points on the financial state as of December 31, 2022, as well as business performance and cash flow in the fiscal year ending on that date of The Pack Corporation and its consolidated subsidiaries, in compliance with the principles of corporate accounting generally accepted in Japan.

Evidence for the auditor’s opinion

We implemented our audit in accordance with audit principles generally accepted in Japan. Our responsibilities under these audit principles are described under “Auditor’s responsibilities in auditing consolidated financial statements.” In accordance with professional ethical standards in Japan, we are independent of the Company and its consolidated subsidiaries and fulfill all other ethical obligations that apply to auditors. We believe that we have obtained sufficient and appropriate grounds for the basis for the statement of our opinion on the audit.

Important matters considered in the audit

Important matters considered in the audit are those deemed as particularly important by the auditors, as professionals, in auditing the consolidated financial statements for this consolidated fiscal year. Important matters considered in the audit correspond to the process of auditing the consolidated financial statements as a whole and to the formation of the auditor's opinion. They are not intended to express our individual opinion on the matters in question.

<table>
<tr><td colspan="2">The Pack Corporation's recognition of revenue in the ending month of the fiscal period and application of the Accounting Standard for Revenue Recognition and related standards</td></tr>
<tr><th>Details of important matters to be considered in the audit and reasons underlying our decision</th><th>Handling in the audit</th></tr>
<tr><td>The Pack Corporation ("Company" hereinafter) and its consolidated subsidiaries primarily manufacture and sell paper products, film packaging, and other finished goods and merchandise. While their primary customers belong to the distribution industry in Japan, they sell to numerous diverse counterparties from various industries.
For the consolidated fiscal year under review, the Consolidated Statement of Income shows ¥89,060 million in net sales, while the Company's nonconsolidated Statement of Income shows ¥77,117 million in net sales. As such, net sales of the Company account for 87% of Group consolidated net sales.
Viewed by quarter, consolidated net sales in the fourth quarter, at ¥28,578 million, account for 32% of annual consolidated net sales, as net sales tend to increase in the fourth quarter, particularly during December, due to demand growth driven by year-end sales and other factors.
Net sales are one indicator emphasized by management and users of the financial statements. As such, net sales of the Company, which account for a large share of consolidated net sales, are especially important. Of these, there is relatively high risk of the incorrect attribution of net sales in December, when transaction volumes are high. As such, these sales figures need to be considered carefully during audits.
In addition, as noted in the notes (changes in accounting policies), the Company and its consolidated subsidiaries have applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; "Revenue Recognition Standard" hereinafter) and related standards since the start of the consolidated fiscal year under review. Accordingly, they recognize revenue when control of a promised good or service transfers to the customer in the amount anticipated in exchange for such good or service. As a result, in transactions in which the Company and its consolidated subsidiaries serve as agents in providing products to customers, instead of the previous practice of recognizing revenues in the total amount received from the customer, revenues are recognized as the amount received from the customer net of amounts paid to suppliers. Consolidated subsidiaries were engaged in transactions that meet this description in both the previous consolidated fiscal year and the consolidated fiscal year under review. As a result, net sales and cost of sales in the previous consolidated fiscal year each declined by ¥486 million compared to the previous accounting treatment.
The application of the Revenue Recognition Standard and related accounting standards requires the consideration of various matters at each of the steps of the recognition of contracts, recognition of performance obligations, calculations of transaction prices, allocation of transaction prices to performance obligations, and recognition of revenues based on the fulfillment of performance obligations. Comprehensive consideration of these matters is especially important in the first fiscal year of application of the standards.
We have determined that the Company's revenue recognition and application of the Revenue Recognition Standard and related accounting standards in the final month of the period qualify as important matters to be considered in the audit.</td>
<td>In considering the Company's revenue recognition in the final month of the period, we primarily employed the following audit procedures:
・ We audited the status of the maintenance and operation of internal controls based on an understanding of the process of ensuring the propriety of allocation of net sales by period.
・ We considered whether any sales transactions at or above a certain amount or otherwise qualitatively important were recorded in December 2022 and checked such transactions against the documented evidence.
・ We compared sales transactions in December 2022 and January 2023 to those in the same months of the previous years on a daily basis.
・ We considered whether any discount or return transactions at or above a certain amount or otherwise qualitatively important were recorded in January 2023 and checked such transactions against documented evidence.
・ We compared discount and return transactions in January 2023 to those in the same month of the previous year on a daily basis.
・ We looked for important adjustments between sales systems and accounting systems.

In considering the application by the Company and its consolidated subsidiaries of the Revenue Recognition Standard and related accounting standards, we primarily employed the following audit procedures:
・ We audited the status of the maintenance and operation of internal controls concerning the application of the Revenue Recognition Standard and related accounting standards.
・ We inspected documents concerning investigation by the Company of the impact of application of the Revenue Recognition Standard and related accounting standards and judged it to have investigated comprehensively matters that should be considered.
・ By questioning those responsible for accounting, reviewing the contracts and other materials serving as evidence for their judgments, and in other ways, we sought to determine whether the accounting policies employed by the Company met the requirements of the Revenue Recognition Standard and related accounting standards.
・ We obtained documentation of calculations of the impact of application of the Revenue Recognition Standard and related accounting standards and checked them against related materials and repeated their calculations.
・ We considered the validity of disclosures and statements in the consolidated financial statements concerning the application of the Revenue Recognition Standard and related accounting standards.</td></tr>
</table>

Other descriptions

Other descriptions refer to information included in the securities report other than that on the consolidated and nonconsolidated financial statements and the audit reports thereon. The responsibility of management is to prepare and disclose such other descriptions. The Corporate Auditors and the Board of Corporate Auditors are responsible for monitoring the performance of the duties of the directors in maintaining and operating the reporting process for other descriptions.

Other descriptions are excluded from the scope of our audit opinions on the consolidated financial statements; we give no opinion on such other descriptions.

Our responsibilities in auditing the consolidated financial statements are to read through the other descriptions and, in so doing, to seek out any material discrepancies between the other descriptions and the consolidated financial statements or knowledge gained in the process of our audit and any signs of material errors in the other descriptions aside from such material discrepancies.

We are required to report on any material errors identified in the other descriptions through our work.

We found no matters worthy of report concerning the other descriptions.

Responsibilities of management, Corporate Auditors, and Board of Corporate Auditors regarding the consolidated financial statements

Management is responsible for the proper preparation of consolidated financial statements in accordance with the principles of corporate accounting generally accepted in Japan. This includes the development and operation of internal controls as deemed necessary by management for the purpose of preparing consolidated financial statements that present information accurately and are free of material misrepresentations due to malfeasance or error.

In preparing the consolidated financial statements, management is responsible for assessing the propriety of the consolidated financial statements prepared based on the going concern assumption and disclosing, as necessary, matters related to the going concern assumption in accordance with the principles of corporate accounting generally accepted in Japan.

The Corporate Auditors and the Board of Corporate Auditors are responsible for monitoring the performance of the duties of the directors in maintaining and operating the financial reporting process.

Auditor’s responsibilities in auditing consolidated financial statements

Our responsibilities are to secure, based on our audit, reasonable assurance as to whether the consolidated financial statements as a whole are free of material misrepresentations due to malfeasance or error and to state, in the audit report, an independent opinion on the consolidated financial statements. Misstatements may arise due to malfeasance or error and are deemed to constitute material misstatements if it can reasonably be expected to impact decision-making by users of the consolidated financial statements, either individually or in sum.

Based on the audit process in accordance with audit principles generally accepted in Japan, we implemented the following measures based on our judgment as specialists and in the spirit of professional and skeptical inquiry:

- Identification and assessment of the risks of material misrepresentation due to malfeasance or error; drafting and implementation of audit procedures appropriate given the risks of material misrepresentation; making judgments on selecting and applying audit procedures; and securing sufficient and appropriate audit evidence to serve as the basis for the statement of our opinion.
- While the purpose of a consolidated financial statements audit is not to offer an opinion on the efficacy of internal controls, in assessing risks, we do consider internal controls related to the audit for the purpose of proposing audit procedures appropriate to the circumstances.
- We assess the propriety of the accounting policies adopted by management and their methods for application, as well as the reasonableness of accounting estimates made by management and the propriety of related notes.
- We reach a conclusion on whether management’s preparation of consolidated financial statements based on the going concern assumption is appropriate and whether, based on the audit evidence obtained, any material uncertainties can be identified with regard to phenomena or circumstances that could lead to material doubts regarding the going concern assumption. If any material uncertainties are recognized regarding the going concern assumption, attention must be drawn to the notes to the consolidated financial statements in the audit report. If the notes to the consolidated financial statements concerning material uncertainties are inappropriate, then an opinion must be expressed that mentions such exceptions to the consolidated financial statements. The auditor’s conclusions are based on the audit evidence obtained through the date of the audit report, and there is a possibility that future events or conditions could make it impossible for the Company to continue as a going concern.
- We assess whether the presentation and notes in the consolidated financial statements conform to the principles of corporate accounting generally accepted in Japan; and the presentation, structures, contents of the consolidated financial statements, including related notes, and the consolidated financial statements accurately present the transactions and accounting facts on which they are based.
- We obtain sufficient and appropriate audit evidence concerning the financial information of the Company and its consolidated subsidiaries to serve as the basis for the statement of our opinion on the consolidated financial statements. We are responsible for

instructions, oversight, and implementation related to the audits of the consolidated financial statements. We are responsible for expression of an independent audit opinion.

We report to the Corporate Auditors and to the Board of Corporate Auditors on the scope and timing of the planned audit; any material discoveries of the audit, including material deficiencies in internal controls systems identified in the process of auditing; and other matters required under auditing standards.

We report to the Corporate Auditors and to the Board of Corporate Auditors on the fact that we maintain independence in accordance with professional ethical standards in Japan and on any matters that could reasonably be considered to impact the independence of auditors and the contents of any safeguards taken to eliminate or mitigate any such impediments.

We identify as important matters to be considered in the audit matters deemed especially important in auditing the consolidated financial statements for this consolidated fiscal year from among those items we discussed with the Corporate Auditors and the Board of Corporate Auditors and describe these in the audit report. However, such items are not described in cases such as when their disclosure is prohibited under laws, regulations, etc. or the extremely rare cases in which we have determined that they should not be reported because the disadvantages of reporting them in the audit report would be reasonably considered to exceed any public benefit from their disclosure.

<Audit of internal controls>

Auditor's opinion

We have audited the Internal Controls Report of The Pack Corporation as of December 31, 2022, for the purposes of auditing and verification pursuant to the provisions of Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act.

In our opinion, the above Internal Controls Report indicating that the internal controls of The Pack Corporation are valid with regard to financial reporting as of December 31, 2022, conforms to the standards on assessments of internal controls related to financial reporting generally accepted in Japan and accurately presents the results of assessment of internal controls related to financial reporting on all material points.

Evidence for the auditor's opinion

We implemented our audit of internal controls in accordance with audit principles generally accepted for internal controls related to financial reporting in Japan. Our responsibilities under these audit principles of internal controls related to financial reporting are described under "Auditor's responsibilities in auditing internal controls." In accordance with professional ethical standards in Japan, we are independent of the Company and its consolidated subsidiaries and fulfill all other ethical obligations that apply to auditors. We believe that we have obtained sufficient and appropriate grounds for the basis for the statement of our opinion on the audit.

Responsibilities of management, Corporate Auditors, and Board of Corporate Auditors regarding the Internal Controls Report

Management is responsible for developing and operating internal controls on financial reporting and for proper preparation and disclosure of the Internal Controls Report conforming to the standards on assessments of internal controls related to financial reporting generally accepted in Japan.

The Corporate Auditors and the Board of Corporate Auditors are responsible for monitoring and verifying the status of the maintenance and operation of internal controls related to financial reporting.

Note that it is next to impossible to entirely prevent or detect misrepresentation in financial reports through internal controls on financial reporting.

Auditor's responsibilities in auditing internal controls

Our responsibilities are to secure, based on our audit, reasonable assurance as to whether the Internal Controls Report is free of material misrepresentations and to state, in the internal controls audit report, an independent opinion on the Internal Controls Report.

Based on the audit process in accordance with audit principles generally accepted for internal controls related to financial reporting in Japan, we implemented the following measures based on our judgment as specialists and in the spirit of professional and skeptical inquiry:

・ Audit procedures to obtain grounds for the audit regarding the results of assessment of internal controls related to financial reporting in the Internal Controls Report. The auditor has the option of choosing to apply and implement audit procedures for internal controls based on an assessment of the importance of their impact on the reliability of financial reporting.
・ Consideration of the overall presentation of the Internal Controls Report, including the scope of assessment of internal controls related to financial reporting, assessment procedures, and management's description of the results of assessment

・ Securing sufficient and appropriate audit evidence regarding the results of assessment of internal controls related to financial reporting in the Internal Controls Report. We are responsible for instructions, oversight, and implementation related to the audits of the Internal Controls Report. We are responsible for expression of an independent audit opinion.

We report to the Corporate Auditors and to the Board of Corporate Auditors on the scope and timing of the planned internal controls audit; any material discoveries of the audit, including material deficiencies in internal controls systems identified in the process of auditing and results of correction measures for them; and other matters specified by internal controls auditing standards.

We report to the Corporate Auditors and to the Board of Corporate Auditors on the fact that we maintain independence in accordance with professional ethical standards in Japan and on any matters that could reasonably be considered to impact the independence of auditors and the contents of any safeguards taken to eliminate or mitigate any such impediments.

Conflicts of interest

There are no conflicts of interest between the Company and consolidated subsidiaries and our firm or the Engagement Partners whose disclosure is required by the provisions of the Certified Public Accountants Act.

Notes:

1. The original of the above Auditor’s Report is retained by the Company (Company submitting the Securities Report).
2. XBRL data are excluded from the scope of the audit.

Independent Auditor’s Report

March 28, 2023

To: The Board of Directors,

The Pack Corporation

Ernst & Young ShinNihon LLC

Osaka Office

Designated Limited Partner Engagement Partner	Masahiko Naka, Certified Public Accountant
Designated Limited Partner Engagement Partner	Ryoichi Hayama, Certified Public Accountant

Auditor’s opinion

We have audited the financial statements of The Pack Corporation for the 71st fiscal year from January 1, 2022, through December 31, 2022, for the purposes of auditing and verification pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act. In so doing, we audited the Balance Sheet, the Statement of Income, the Statement of Changes in Shareholders’ Equity, the Important Accounting Policies, and other notes to the financial statements and attendant details.

In our opinion, the financial statements referred to above fairly and accurately present all material points on the financial state as of December 31, 2022, and the business performance in the fiscal year ending on that date of The Pack Corporation, in compliance with the principles of corporate accounting generally accepted in Japan.

Evidence for the auditor’s opinion

We implemented our audit in accordance with audit principles generally accepted in Japan. Our responsibilities under these audit principles are described under “Auditor’s responsibilities in auditing financial statements.” In accordance with professional ethical standards in Japan, we are independent of the Company and fulfill all other ethical obligations that apply to auditors. We believe that we have obtained sufficient and appropriate grounds for the basis for the statement of our opinion on the audit.

Important matters considered in the audit

Important matters considered in the audit are ones deemed of particular importance by the auditors, as professionals, in auditing the financial statements for this fiscal year. Important matters considered in the audit correspond to the process of auditing the financial statements as a whole and to the formation of the auditor’s opinion. They are not intended to express our individual opinion on the matters in question.

Application of the Accounting Standard for Revenue Recognition and related standards

This is omitted here because it is unchanged from the description of important matters considered in the audit (The Pack Corporation’s recognition of revenue in the ending month of the fiscal period and application of the Accounting Standard for Revenue Recognition and related standards) in the audit report on the consolidated financial statements.

Other descriptions

Other descriptions refer to information included in the securities report other than that on the consolidated and nonconsolidated financial statements and the audit reports thereon. The responsibility of management is to prepare and disclose such other descriptions. The Corporate Auditors and the Board of Corporate Auditors are responsible for monitoring the performance of the duties of the directors in maintaining and operating the reporting process for other descriptions.

Other descriptions are excluded from the scope of our audit opinions on the financial statements; we give no opinion on the other descriptions.

Our responsibilities in auditing the financial statements are to read through the other descriptions and, in so doing, to look for any material discrepancies between the other descriptions and the financial statements or information learned in the process of our audit and any signs of material errors in the other descriptions aside from such material discrepancies.
We are required to report on any material errors identified in the other descriptions through our work.
We found no matters worthy of report concerning the other descriptions.

Responsibilities of management, Corporate Auditors, and Board of Corporate Auditors regarding the financial statements
Management is responsible for the proper preparation and disclosure of financial statements in accordance with the principles of corporate accounting generally accepted in Japan. This includes the development and operation of internal controls as deemed necessary by management for the purpose of preparing financial statements that present information accurately and are free of material misrepresentations due to malfeasance or error.
In preparing the financial statements, management is responsible for assessing the propriety of preparing financial statements based on the going concern assumption and disclosing, as necessary, matters related to the going concern assumption in accordance with the principles of corporate accounting generally accepted in Japan.
The Corporate Auditors and the Board of Corporate Auditors are responsible for monitoring the performance of the duties of the directors in maintaining and operating the financial reporting process.

Auditor's responsibilities in auditing financial statements
Our responsibilities are to secure, based on our audit, reasonable assurance as to whether the financial statements as a whole are free of material misrepresentations due to malfeasance or error and to state, in the audit report, an independent opinion on the financial statements. Misstatements may arise due to malfeasance or error and are deemed to constitute material misstatements if they can reasonably be expected to impact decision-making by users of the financial statements, either individually or in sum.
By following the audit process in accordance with audit principles generally accepted in Japan, we implemented the following measures based on our judgment as specialists and in the spirit of professional and skeptical inquiry:

- Identification and assessment of the risks of material misrepresentation due to malfeasance or error; drafting and implementation of audit procedures appropriate given the risks of material misrepresentation; making judgments on selecting and applying audit procedures; and securing sufficient and appropriate audit evidence to serve as the basis for the statement of our opinion.
- While the purpose of a financial statements audit is not to offer an opinion on the efficacy of internal controls, in assessing risks, we do consider internal controls related to the audit for the purpose of proposing audit procedures appropriate to the circumstances.
- We assess the propriety of the accounting policies adopted by management and their methods for application, as well as the reasonableness of accounting estimates made by management and the propriety of related notes.
- We reach a conclusion on whether management's preparation of financial statements based on the going concern assumption is appropriate and whether, based on the audit evidence obtained, any material uncertainties can be identified with regard to phenomena or circumstances that could lead to material doubts regarding the going concern assumption. If any material uncertainties are recognized regarding the going concern assumption, attention must be drawn to the notes to the financial statements in the audit report. If the notes to the financial statements concerning material uncertainties are inappropriate, then an opinion must be expressed that mentions such exceptions to the financial statements. The auditor's conclusions are based on the audit evidence obtained through the date of the audit report, and there is a possibility that future events or conditions could make it impossible for the Company to continue as a going concern.
- We assess whether the presentation and notes in the financial statements conform to the principles of corporate accounting generally accepted in Japan; and the presentation, structures, contents of the financial statements, including related notes, and the financial statements accurately present the transactions and accounting facts on which they are based.

We report to the Corporate Auditors and to the Board of Corporate Auditors on the scope and timing of the planned audit; any material discoveries of the audit, including material deficiencies in internal controls systems identified in the process of auditing; and other matters required under auditing standards.
We report to the Corporate Auditors and to the Board of Corporate Auditors on the fact that we maintain independence in accordance with professional ethical standards in Japan and on any matters that could reasonably be considered to impact the independence of auditors and the contents of any safeguards taken to eliminate or mitigate any such impediments.
We identify as important matters to be considered in the audit matters deemed especially important in auditing the financial statements for this fiscal year from among those items we discussed with the Corporate Auditors and the Board of Corporate Auditors and describe these in the audit report. However, such items are not described in cases such as when their disclosure is prohibited under laws, regulations, etc. or the extremely rare cases in which we have determined that they should not be reported because the disadvantages of reporting them in the audit report would be reasonably considered to exceed any public benefit from their disclosure.

Conflicts of interest

There are no conflicts of interest between the Company and our firm or the Engagement Partners whose disclosure is required by the provisions of the Certified Public Accountants Act.

Notes:

1. The original of the above Auditor’s Report is retained by the Company (Company submitting the Annual Securities Report).
2. XBRL data are excluded from the scope of the audit.

Cover sheet

Document submitted:	Internal Controls Report
Applicable provisions:	Article 24-4, Paragraph 1 of the Financial Instruments and Exchange Act
Submitted to:	Director, Kinki Local Finance Bureau
Date submitted:	March 28, 2023
Company name:	ザ・パック株式会社
Company name in English	The Pack Corporation
Name and title of representative:	Hideaki Yamashita, President & CEO
Name and title of Chief Financial Officer:	Not applicable
Location of head office:	9-9 Higashiobase 2-chome, Higashinari-ku, Osaka, Japan
Location where available for public inspection:	The Pack Corporation 20F, OAP Tower, 8-30 Temmabashi 1-chome, Kita-ku, Osaka Tokyo Stock Exchange Co., Ltd. 2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo

1. Matters related to the basic framework of internal controls related to financial reporting

President & CEO Hideaki Yamashita is responsible for maintaining and operating the Company's internal controls related to financial reporting. The Company maintains and operates internal controls related to financial reporting in conformity with the basic framework for internal controls described in "Establishment of Standards for Evaluation and Auditing of Internal Controls related to Financial Reporting and Implementation Standards for Evaluation and Auditing of Internal Controls related to Financial Reporting (Opinion)," published by the Business Accounting Council.

Internal controls represent an attempt to achieve their objectives to a reasonable extent through functioning as an integrated system in which the basic elements thereof are linked organically to one another. As such, there is a risk that internal controls related to financial reporting are not fully able to prevent or detect misstatements in financial reporting.

2. Matters related to the scope of evaluation, basis date, and evaluation procedures

Evaluation of internal controls related to financial reporting is conducted using the last day of the fiscal year under review (December 31, 2022) as the basis date. The evaluation conforms with generally accepted standards for evaluation of internal controls related to financial reporting.

After assessing internal controls having a material impact on financial reporting as a whole on a consolidated basis (Companywide internal controls), business processes subject to evaluation are selected based on the results of such assessment. In evaluation of these business processes, after first analyzing the selected business processes the efficacy of internal controls is evaluated by identifying important control points that have material impacts on the reliability of financial reporting and assessing the status of the maintenance and operation regarding these important control points.

The scope of evaluation of internal controls related to financial reporting is determined as the scope necessary from the perspective of importance of impact on reliability of financial reporting, for the Company and consolidated subsidiaries. The importance of the impact on the reliability of financial reporting is determined with consideration for the importance of monetary and qualitative impacts, and the scope of evaluation of internal controls related to business processes is determined based on the results of assessment of companywide internal controls for the Company and four consolidated subsidiaries. Four consolidated subsidiaries are not included in the scope of evaluation of internal controls on a companywide basis because they have been judged to be of minor importance from monetary and qualitative perspectives.

The scope of evaluation of internal controls related to business processes is determined through totalization starting with the facilities with the highest amounts of planned net sales for the fiscal year under review (after eliminating transactions among consolidated companies), selecting as important business facilities those accounting for roughly two-thirds of planned consolidated net sales for the fiscal year under review. Business facilities selected as important are subjected to evaluation of business processes employed in deriving net sales, accounts receivable-trade, and inventories, as accounts strongly related to corporate business objectives. Furthermore, business processes related to important accounts involving estimates and forecasts, in which there is a high risk of material misstatement, and business processes related to businesses or operations engaging in high-risk transactions, have been added to the scope of evaluation as business processes especially important in consideration of their impact on financial reporting, including those at business sites other than those selected as important business sites.

3. Matters related to results of evaluation

As a result of the above evaluation, we have judged internal controls related to the Company's financial reporting to be valid as of the ending date of the fiscal year under review.

4. Addendum

Not applicable

5. Special notes

Not applicable

Cover sheet

Document submitted:	Confirmation letter
Applicable provisions:	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act
Submitted to:	Director, Kinki Local Finance Bureau
Date submitted:	March 28, 2023
Company name:	ザ・パック株式会社
Company name in English:	The Pack Corporation
Name and title of representative:	Hideaki Yamashita, President & CEO
Name and title of Chief Financial Officer:	Not applicable
Location of head office:	9-9 Higashiobase 2-chome, Higashinari-ku, Osaka, Japan
Location where available for public inspection:	The Pack Corporation 20F, OAP Tower, 8-30 Temmabashi 1-chome, Kita-ku, Osaka Tokyo Stock Exchange Co., Ltd. 2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo

1. Matters concerning the accuracy of descriptions in the Annual Securities Report

Hideaki Yamashita, the Company's President & CEO, has confirmed that the descriptions in the Company's Annual Securities Report for the 71st term (January 1, 2022, – December 31, 2022) are presented accurately and in accordance with laws and regulations concerning the handling of financial instruments.

2. Special notes

No notable matters were identified in the confirmation process.