



## **THE PACK CORPORATION**

Briefing on Business Results for the Second Quarter of Year Ending December 31,  
2023

September 05, 2023

## Event Summary

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[Company Name] THE PACK CORPORATION

[Company ID]3950

[Event Language] JPN

[Event Type] Briefing on business results

[Event Name] Briefing on Business Results for the Second Quarter of the Year Ending  
December 31, 2022

[Fiscal Period]FY2023 2Q

[Date] September 5, 2023

[Pages] 34

[Time] 10:00 – 10:42  
(Total: 42 minutes: Presentation: 28 min.; Q&A: 14 min.)

[Location] The Pack Corporation Tokyo Head Office and online streaming

[Venue Area]

[Number in Attendance]

[Speakers] 2  
President & CEO Hideaki Yamashita (“Yamashita” hereinafter)  
Managing Director, Corporate Division  
Michihisa Fujii (“Fujii” hereinafter)

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## Presentation

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**Moderator:** The scheduled hour has arrived. We will now commence The Pack Corporation's briefing on business results for the year ending December 31, 2023. Thank you very much for attending our briefing on business results today despite your busy schedules.

I would like to start by introducing two attendees. On your right is Hideaki Yamashita, our Company's President and CEO. On the left is Michihisa Fujii, Managing Director of the Corporate Division. We appreciate your kind attention.

Today's briefing is being held at our Tokyo Head Office. It is also being live-streamed online. The briefing is scheduled to take one hour. Our presentation will be based on the materials on financial results disclosed on our website yesterday, September 4. In accordance with the order indicated in the Table of Contents, President Yamashita will present Topics; Mr. Fujii will present Business Results for the Second Quarter of the Year Ending December 31, 2023 and Forecasts of Business Results for the Year Ending December 31, 2023; and President Yamashita will present our promotion of sustainable management and progress on the Medium-Term Management Plan.

A question-and-answer session will follow the presentation. We will take questions during the Q&A session from those participating online as well as those attending at the venue. We will accept online questions via computer audio only. Please use the Raise Hand button at the bottom of the screen when the time comes to let us know if you have a question. Please wait for your turn to speak. More detailed explanations will be provided later.

Now, President Yamashita will begin his presentation on the Topics. Mr. Yamashita, would you please?

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## Topics

- ◆ While food-service, leisure, and lodging-related demand showed a recovering trend as COVID-19 restrictions eased, future prospects remained uncertain due to the effects of soaring energy prices, inflation spurred by rising materials costs, and exchange-rate fluctuations.
- ◆ The Pack's business performance showed increased sales and profits across all segments. Recovering personal consumption combined with efforts to grow sales and propose solutions to customers resulted in increased sales volumes. Despite the rising costs of sales, each profit account showed considerable growth thanks to efforts to normalize sales prices.
- ◆ Full-year earnings forecasts and year-end dividends forecast have been revised upward. Plans call for annual dividends of 78 yen per share (up 13 yen from last year).
- ◆ Sustainable Committee was set up to promote sustainable management.

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**Yamashita:** Thank you for the introduction. My name is Hideaki Yamashita. Now, let me begin by presenting reports on several topics.

Food and beverage, leisure, and lodging-related activities have begun recovering with easing restrictions on activities due to COVID-19, but the outlook remains uncertain due to soaring energy prices, high commodity prices associated with rising material prices, and the effects of fluctuations in foreign exchange rates.

Company sales and profits increased across all segments. Sales volumes have increased due to recovery in personal consumption, our solution proposals for customers, and efforts to promote sales. Despite the rising cost of sales, profits increased significantly thanks to efforts to optimize sales prices.

We have revised upward our full-year forecasts both for business results and projected year-end dividends. We plan to pay annual dividends of 78 yen per share.

To promote sustainable management, we have established a Sustainable Committee charged with the *Mission to bolster social prosperity and creating satisfaction through packaging*. This concludes my presentation.

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## Summary of Business Results

Recovering markets combined with higher sales volume and normalization of sales prices to drive large-scale growth in sales and profit.

(Million yen)

|   | Second quarter of year ended December 31, 2022 | Second quarter of year ending December 31, 2023 |            |
|---|--|---|------------|
|   | Actual   | Actual  | YoY change |
| Net sales                               | 39,617   | 44,878  | 13.3%      |
| Operating profit                        | 2,044  | 2,976   | 45.6%      |
| Ordinary profit                         | 2,298  | 3,147   | 36.9%      |
| Profit attributable to owners of parent | 1,422  | 2,133   | 50.0%      |

- ◆ Personal consumption recovered as the lifting of all COVID-19 restrictions led to consumers going out more and increased inbound demand.
- ◆ Despite rising costs, operating profit grew significantly with surging sales volumes and rising average sales prices due to price normalization.
- ◆ Paper bags, paper cartons, and film packaging in particular drove sales and profits.

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**Moderator:** Mr. Fujii will now present the business results for the second quarter of the fiscal year ending December 31, 2023.

**Fujii:** My name is Fujii. Thank you for the introduction. I will discuss our financial results for the second quarter of this fiscal year.

Let's begin with a summary. A recovering market, expanding sales volumes, and optimized sales prices led to significant growth in both sales and earnings.

Net sales increased 13.3% year-on-year to ¥44.8 billion. Profit attributable to owners of parent increased 50% year on year to of 2.1 billion yen.

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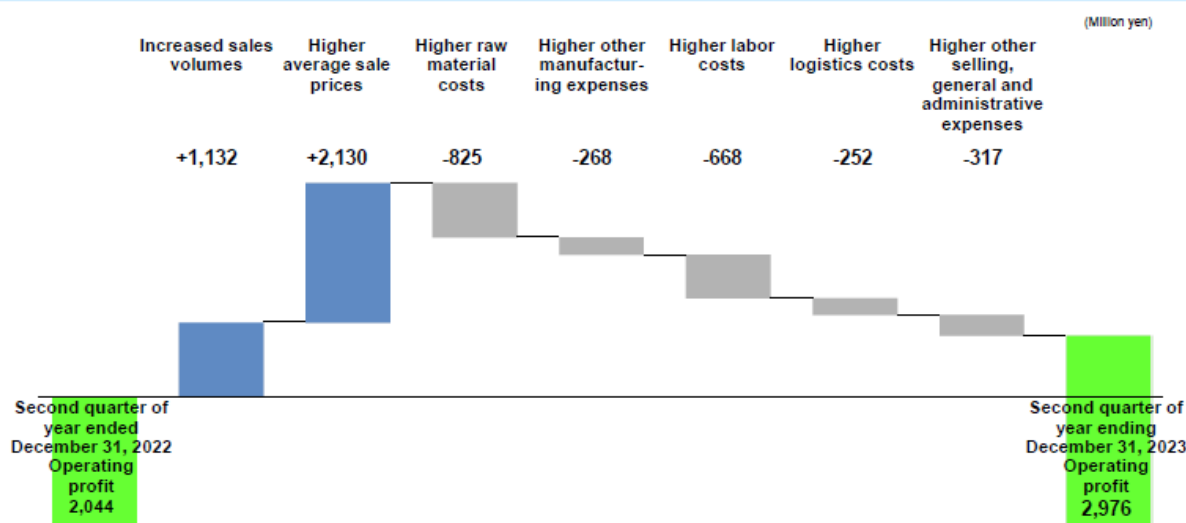
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## Factors Underlying Changes in Operating Profit

Operating profit grew due to growing sales volumes and rising average sale prices.



- ◆ Sales volumes grew thanks to recovering personal consumption, chiefly for paper cartons (up 9.3%)
- ◆ Average sales prices rose due to changes in product structures, normalization of sales prices, and sales of solutions involving high value added products (they were up by 11.6% for paper bags, 6.0% for paper cartons, 16.1% for corrugated boxes, and 23.0% for plastic bags).
- ◆ Higher raw materials prices were mainly due to price hikes and higher purchases of raw materials accompanying increased production volume (1,668 million yen).
- ◆ Other manufacturing costs rose mainly due to higher utilities and power costs (131 million yen) accompanying rising energy prices
- ◆ Labor costs rose due to increased staffing mainly in manufacturing sections and higher salaries and bonuses accompanying wage hikes (264 million yen).

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Next are the factors underlying projected changes in our operating profit. Sales volumes grew significantly, mainly for paper cartons, but also for paper bags and in the film packaging business. Average sales price rose, to which sales proposals for high value-added products also contributed, and covered the increase in raw material prices, manufacturing costs such as utilities and power costs, and labor costs.

Operating profit thus increased by ¥932 million, or 45% year-on-year.

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## Results by Segment

(Million yen)

|                  | Second quarter of year ended<br>December 31, 2022 |        | Second quarter of year ending<br>December 31, 2023 |        |            |
|------------------|---|--------|--|--------|------------|
|                  | Actual  | Share  | Actual   | Share  | YoY change |
| Net sales        | 39,617  | 100.0% | 44,878   | 100.0% | 13.3%      |
| Paper Products   | 27,998  | 70.7%  | 31,734   | 70.7%  | 13.3%      |
| Paper bags       | 11,259  | 28.4%  | 12,993   | 29.0%  | 15.4%      |
| Paper cartons    | 9,728   | 24.6%  | 11,262   | 25.1%  | 15.8%      |
| Corrugated boxes | 5,947   | 15.0%  | 6,343  | 14.1%  | 6.7%       |
| Printing         | 1,063   | 2.7%   | 1,135  | 2.5%   | 6.7%       |
| Film Packaging   | 5,221   | 13.2%  | 6,654  | 14.8%  | 27.4%      |
| Others           | 6,396   | 16.1%  | 6,489  | 14.5%  | 1.4%       |
| Operating profit | 2,044   | 100.0% | 2,976  | 100.0% | 45.6%      |
| Paper Products   | 1,952   | 95.5%  | 2,715  | 91.2%  | 39.1%      |
| Film Packaging   | 197   | 9.7%   | 288  | 9.7%   | 46.1%      |
| Others           | 431   | 21.1%  | 485  | 16.3%  | 12.5%      |
| Adjustments      | -537  | -26.3% | -513   | -17.2% | -          |

- ◆ Recovering consumer spending and tourism demand and strong sales of paper cartons to the takeout market helped drive sales and profit growth in the Paper Products Business.
- ◆ The Film Packaging Business enjoyed favorable trends in sales of external packages for disposable diapers and flexible packaging for food products.
- ◆ Sales of soft bags showed a favorable trend in other businesses.



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Here we see the results by segment. The table shows increased sales and profits. We see significant recovery in the film packaging business as well.

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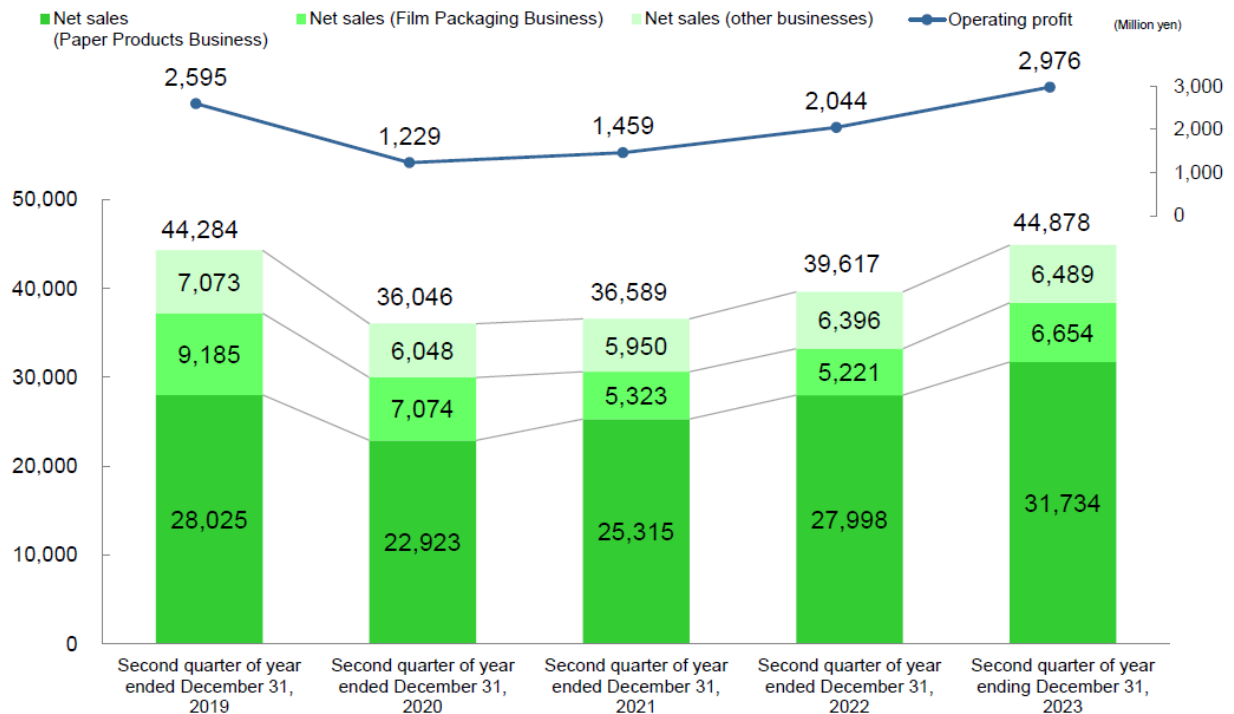
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## Trends by Segment (Second Quarter)

### Exceeding pre-COVID sales and profit levels



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Let's look at trends by segment. As shown in this graph, there has been steady recovery and growth exceeding 2019 performance.

The net sales figure of 44.8 billion yen exceeds the figure for 2019 and sets an all-time high. Operating profit is second only to the record figure set in 2017.

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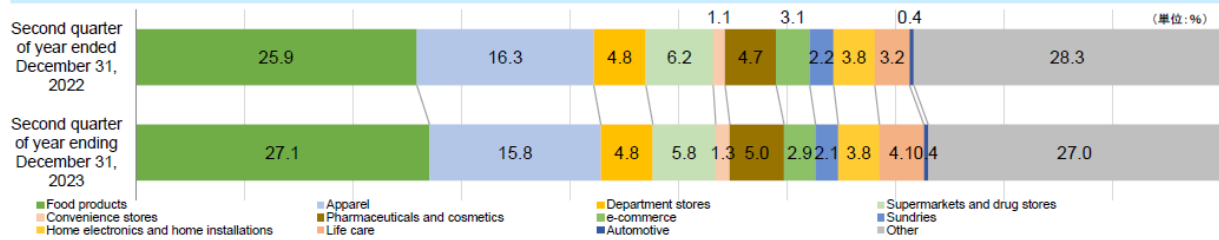
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# Sales Composition

## Net sales by business



| (Million yen)                           | Second quarter of year ended December 31, 2022 |       | Second quarter of year ending December 31, 2023 |       |            |
|---|--|-------|---|-------|------------|
|   | Actual   | Share | Actual  | Share | YoY change |
| Food products                           | 10,266   | 25.9% | 12,156  | 27.1% | 18.4%      |
| Apparel                                 | 6,442  | 16.3% | 7,087   | 15.8% | 10.0%      |
| Department stores                       | 1,907  | 4.8%  | 2,159   | 4.8%  | 13.3%      |
| Supermarkets and drug stores            | 2,463  | 6.2%  | 2,617   | 5.8%  | 6.3%       |
| Convenience stores                      | 428  | 1.1%  | 564   | 1.3%  | 31.8%      |
| Pharmaceuticals and cosmetics           | 1,870  | 4.7%  | 2,237   | 5.0%  | 19.6%      |
| e-commerce *                            | 1,242  | 3.1%  | 1,300   | 2.9%  | 4.6%       |
| Sundries                                | 864  | 2.2%  | 926   | 2.1%  | 7.2%       |
| Home electronics and home installations | 1,490  | 3.8%  | 1,701   | 3.8%  | 14.2%      |
| Life care                               | 1,266  | 3.2%  | 1,859   | 4.1%  | 46.7%      |
| Automotive                              | 158  | 0.4%  | 164   | 0.4%  | 4.0%       |
| Other                                   | 11,215   | 28.3% | 12,102  | 27.0% | 7.9%       |

- ◆ In the food products segment, in addition to strong sales in the takeout and delivery markets, sales of packages for the souvenir market are also recovering.
- ◆ Sales in the apparel segment increased as consumers returned to stores.
- ◆ Department store sales are trending favorably, with more consumers venturing out and inbound tourism demand recovering.
- ◆ Some of our products in the convenience store segment (mainly primary paper containers) saw an increase in use due to market-share growth and the effects of the promotion cycle.
- ◆ Sales grew in the pharmaceuticals and cosmetics segment as personal consumption recovered.
- ◆ While e-commerce sales volume showed healthy growth, total revenue only increased slightly due to a change in product structure from delivery boxes to delivery bags.
- ◆ Sales of corrugated boxes to the home electronics/home installations segment grew as manufacturers' production volumes increased.
- ◆ In the life care segment, sales of external packages for disposable diapers grew sharply.

\* e-commerce refers to the e-commerce platform segment. e-commerce sales on vendor sites are counted as part of their individual business segments.

Next, let's look at the sales composition and net sales by business. Sales of products for food, convenience stores, pharmaceuticals and cosmetics, and life care products increased significantly. In the life care segment, sales of external packages for disposable diapers grew sharply.

# Paper Products Segment

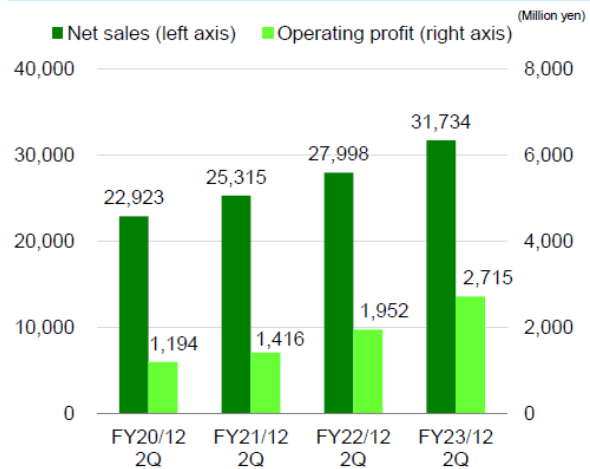
## Business environment

- ◆ Department store sales were up nationwide for 16 consecutive months (source: Japan Department Stores Association). Domestic tourism consumption by domestic travelers nears pre-COVID levels.
- ◆ Domestic tourism consumption by domestic travelers (preliminary figures)  
Jan.-March: 4,233.1 billion yen (vs. 2019: +0.5%; YoY: +80.2%)  
April-June: 5,596.3 billion yen (vs. 2019: -6.6%; YoY: +27.7%)  
(Source: Japan Tourism Agency, Ministry of Land, Infrastructure, Transport and Tourism, "Travel and Tourism Consumption Trend Survey")
- ◆ Visitors to Japan from abroad are increasing  
→ Demand is increasing for packages in the souvenir, apparel, and cosmetics markets as more consumers venture out and inbound tourism demand recovers.

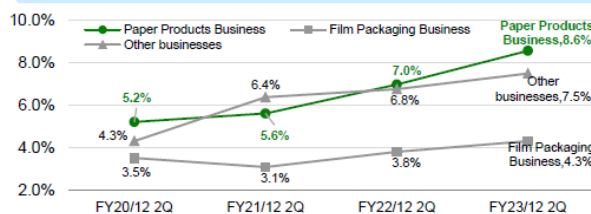
## Initiatives

- ◆ Promoting improvements in packaging material forms and specifications and labor-saving, energy-saving, and mechanization solutions for automation of operation lines
- ◆ Enhancing efforts to develop new eco-friendly materials and processes and high-performance paper materials

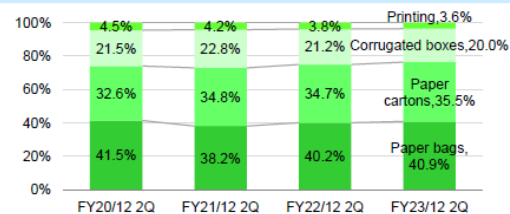
## Trends in net sales and operating profits



## Trends in operating profit margins



## Trends in sales composition in the Paper Products Segment



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Here allow me to discuss matter segment by segment. First, the Paper Products Segment.

In terms of the business environment, department store sales were up nationwide for 16 consecutive months. Both domestic travel and numbers of foreign visitors to Japan are rising. So are the numbers of people shopping in various settings. We are working hard to respond to the packaging demands generated by these trends. We are proposing solutions for labor savings and mechanization in the packaging operations of our customers and proposing environmentally-friendly packaging. As a result, net sales for the first half of the year under review totaled ¥31.7 billion, a 13% increase from ¥28.0 billion in 2019. Operating profit is ¥2.7 billion, about 34% more than the ¥2.0 billion figure for 2019.

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## Paper Products Segment (Paper Bags)

### Business environment

- ◆ Demand for paper shopping bags is recovering in parallel with increasing personal consumption, tourism, and inbound demand.
- ◆ Demand for paper bags is growing in step with rising environmental consciousness  
→ There has also been a trend from overseas production to domestic production to reduce CO<sub>2</sub> emissions during transport.
- ◆ The e-commerce market increasingly is using delivery bags in addition to corrugated boxes for delivery.

### Initiatives

- ◆ Developing new product forms, centered on delivery bags, and proposing labor-saving, energy-saving and automation solutions to customers
- ◆ Enhancing solutions involving high value added products, centered on eco-friendly products  
→ Proposals suited to customers' businesses and needs, such as putting wastes generated in their product manufacturing processes to effective use

### Examples of developed products



▲ Mixed paper with used clothes

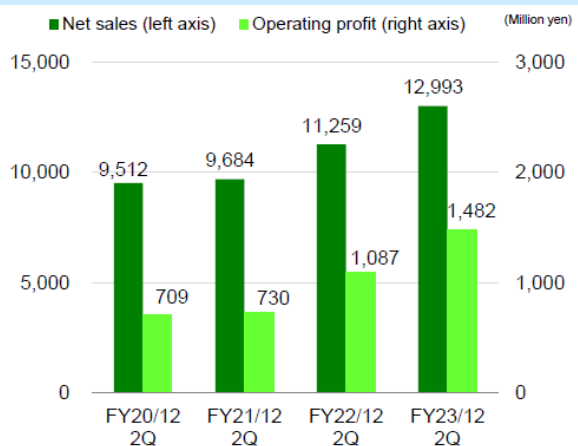


▲ Our 100% recycled paper bag

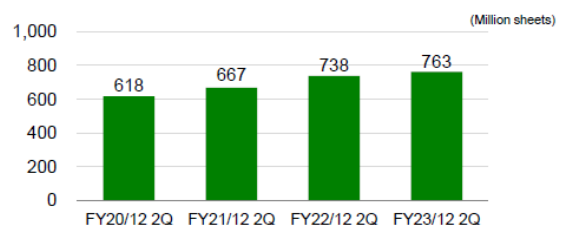


▲ Paper delivery bag compatible with automatic packaging machines

### Trends in net sales and operating profits



### Trends in sales volumes



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Shown here is paper bags category of the Paper Products Segment. In the current business environment, demand for paper shopping bags is recovering on the heels of increasing personal consumption, tourism, and inbound demand. Increasingly, for deliveries, the e-commerce market is using delivery bags in addition to corrugated boxes.

As you can see in the upper and lower graphs on the right, we have seen steady growth both in sales of paper bags and in sales volumes. We are also expanding sales of delivery bags. We're making a greater effort to develop, offer, and sell environmentally-friendly products, as shown in the photos below, in response to growing environmental awareness.

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## Paper Products Segment (Paper Cartons)

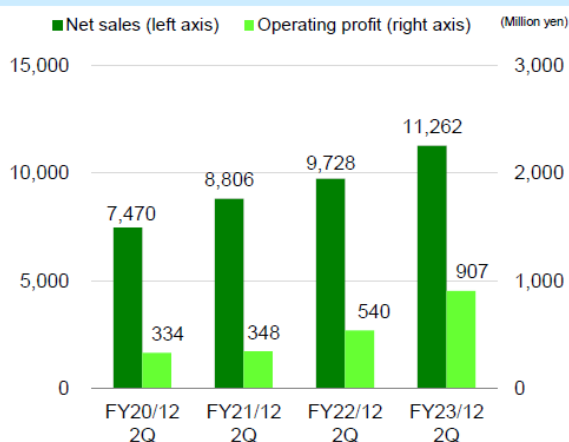
### Business environment

- ◆ Growing demand for primary paper containers for food products, convenience stores, and fast food, keeping pace with growth in the home meal replacement market and rising environmental consciousness
- ◆ Sales of paper cartons for the souvenir market are also strengthening, as consumers become more active in areas such as tourism, inbound demand, business travel, and visiting relatives at home.

### Initiatives

- ◆ Enhancing capital investments and new product development efforts, to grow sales of primary food containers
- ◆ Proposing solutions for customers' labor shortages, such as assembled delivery and assortments
- ◆ Using 3D printing, 3D computer graphics, and other technologies to propose paper carton designs and graphics and molded container forms

### Trends in net sales and operating profits



### ◆ Examples of developed products



▲ Kome-kami TP-FS, a paperboard made with waste rice, developed jointly with Papal Co., Ltd.

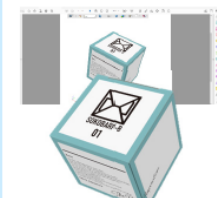


▲ Molded tray packages sealed with paper lids



▲ Paper carton coated with silver ink, a proposed alternative to cans

### ◆ Examples of technologies used in proposing solutions



▲ Tool using 3D computer graphics to propose designs and forms



▲ 3D printer

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Now I'll discuss paper cartons, a product area where we have also seen significant recovery in demand from the tourism and souvenir markets. Plastic materials have traditionally been used for containers in which food is placed and for containers that come into direct contact with food. But in today's market environment, there is growing demand to use paper materials to respond to environmental concerns and reduce use of plastic materials. We are responding by developing primary paper containers, expanding manufacturing facilities, and increasing sales.

Since we seldom handled plastic containers for food products, I think it's fair to say this is a new business area.

The graph on the right shows trends in net sales and operating profit for paper cartons. Net sales for the first half of the year under review is ¥11.2 billion, a 35% increase from ¥8.3 billion in 2019. The operating profit of ¥900 million is nearly double the 2019 figure.

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## Paper Products Segment (Corrugated Boxes)

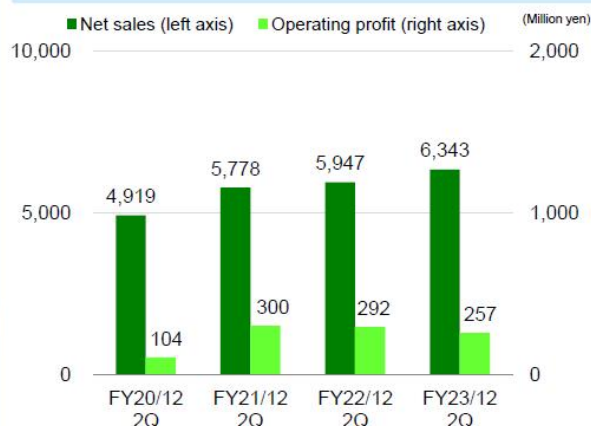
### Business environment

- ◆ Decreasing demand for corrugated boxes due to purchase hesitancy as prices rise and decreased Japanese exports as a result of protectionist policies in the US and China  
Production volume in the corrugated cardboard industry for the first half of 2023 was 98.4% last year's level, while the figure for corrugated boxes for e-commerce, delivery, and moving use was 99.9% of last year's level.  
(Source: Japan Corrugated Case Association, "Corrugated Box Statistics").
- ◆ Shipments of corrugated boxes to the home electronics/home installations segment are recovering from their low when manufacturers' production volumes decreased due to the chip shortage.
- ◆ Growth in the e-commerce market is driving increased demand for corrugated boxes for use in shipping.  
→ There is growing need for delivery boxes sized to fit inside mailboxes, as well as delivery boxes with simplified packing, opening, and disposal and mechanization to save labor.

### Initiatives

- ◆ Proposing high value added solutions using extra-strong corrugated materials, large-format printers, decorative printers, and our design capabilities  
→ Proposing customer corrugated products for use in large-scale logistics centers, from the design stage on

### Trends in net sales and operating profits



### Examples of developed products



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Here we see the corrugated boxes category. The total production of the corrugated industry in the first half of 2023 was 98.4% of the figure recorded for the same period last year. In such circumstances, we seek to expand sales with a focus on large and reinforced corrugated boxes and proposal of products that make the most of our design capabilities.

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## Film Packaging Segment

### Business environment

- ◆ Growing environmental consciousness is leading to increasing requests for proposals for eco-friendly packages such as those using less plastics, recyclable packages, and switching to paper.
- ◆ Demand is growing for home meal replacements, individual servings, and shelf-stable foods.  
→ Growing needs for functional materials (such as barrier materials)
- ◆ Demand for plastic shopping bags is recovering along with the recovery in personal consumption.

### Initiatives

- ◆ Expanding sales of flexible packaging in the food and beverage market, as part of new market development efforts
- ◆ Using the latest 10-color flexographic printers to offer film printed products using the most advanced flexographic printing technologies in the Japanese market
- ◆ Developing new eco-friendly materials and introducing products incorporating them

### ◆ Examples of developed products



▲ CRAFTCLEAR® flexible paper packaging with visible contents

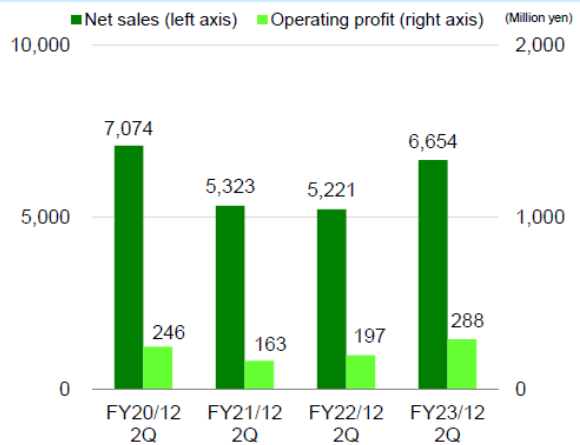


▲ Craft VM Barrier flexible paper packaging blocks light and has high barrier performance.

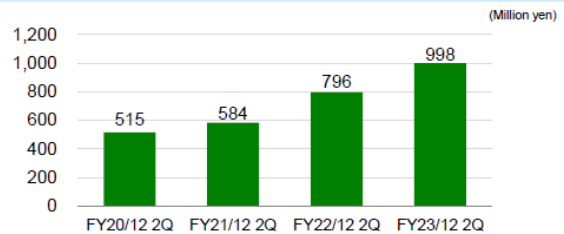


▲ Water-resistant paper Craft Pouch suitable for boiling

### Trends in net sales and operating profits



### Trends in sales of flexible packaging



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Next is the Film Packaging Segment. Personal consumption in this area has also recovered. Demand is growing for various environmental solutions, including demand to reduce use of plastics, boost recycling, and convert to paper products. To meet these demands, we're taking a proactive approach to developing new products, formulating and presenting sales proposals, and expanding sales.

Sales of flexible packages for food products, which we are enhancing through combined sales with paper cartons, paper bags, and corrugated boxes, are also growing steadily, as shown in the graph on the lower right.

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## Other Businesses

### Business environment

- ◆ Demand for in-store supplies and office supplies used in the department store industry is recovering as department store sales rebound
- ◆ Giveaways and other promotional campaigns are recovering as consumers return to stores. Demand for eco-friendly reusable cloth bags (made of materials such as cotton, polyester, and nonwoven fibers) is increasing.

### Initiatives

- ◆ Growing Pack Assortment Service System (PAS) transactions to department stores and specialty stores
- ◆ Enhancing development and proposal of food trays using eco-friendly materials and reusable cloth bags made of eco-friendly materials

### Examples of developed products

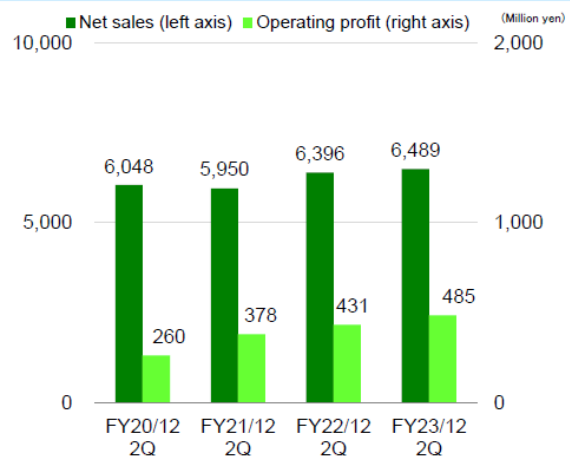


▲ ecoKARA™ tray, a biomass tray containing eggshells

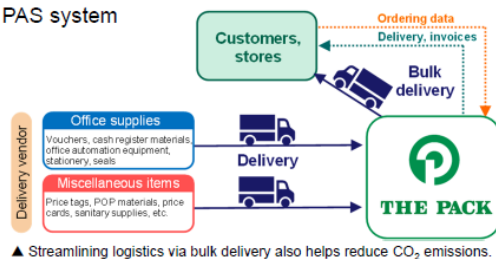


▲ Recycled Tetron Cotton, a material made by recycling materials such as cotton and polyester scraps from factories

### Trends in net sales and operating profits



### PAS system



The next category is Other Businesses. As customers return to the stores, novelty and other promotions are recovering, and events are increasing. In response, we are developing and proposing food trays made of environmentally-friendly materials and soft bags made of recycled materials.

## Balance Sheet

(Million yen)

|  | Year ended<br>December 31, 2022 | Second quarter of year ending<br>December 31, 2023 |
|--|---------------------------------|--|
|  | Actual                          | Actual   |
| <b>Assets</b>                          | <b>94,365</b>                   | <b>93,831</b>                                      |
| Current assets                         | 61,484                          | 55,565   |
| Non-current assets                     | 32,881                          | 38,266   |
| Property, plant, and equipment         | 23,729                          | 27,011   |
| Intangible assets                      | 1,044                           | 2,462  |
| Investments and other assets           | 8,106                           | 8,792  |
| <b>Liabilities</b>                     | <b>28,994</b>                   | <b>26,125</b>                                      |
| Current liabilities                    | 26,054                          | 23,306   |
| Non-current liabilities                | 2,939                           | 2,818  |
| <b>Net assets</b>                      | <b>65,371</b>                   | <b>67,705</b>                                      |
| Shareholders' equity                   | 63,713                          | 65,240   |
| Accumulated other comprehensive income | 1,611                           | 2,420  |
| Share acquisition rights               | 46                              | 45   |
| Non-controlling interests              | -                               | -  |



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Next is our balance sheet, as you can see here.

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## Cash Flow

(Million yen)

| Main items                                   | Second quarter of year ended<br>December 31, 2022 | Second quarter of year ending<br>December 31, 2023 |
|--|---|--|
|  | Actual  | Actual   |
| Cash flows from operating activities         | 4,449   | 5,066  |
| Profit before income taxes                   | 2,060   | 3,129  |
| Depreciation and impairment losses           | 1,133   | 1,014  |
| Cash flows used in investment activities     | -2,065  | -5,413   |
| Purchase of property, plant, and equipment   | -1,323  | -4,351   |
| Purchase of intangible assets                | -184  | -1,465   |
| Purchase of investment securities            | -154  | -18  |
| Proceeds from sales of investment securities | 60  | 6  |
| Cash flows used in financing activities      | -514  | -703   |
| Cash dividends paid                          | -473  | -664   |
| Cash and cash equivalents at end of period   | 20,101  | 17,719   |

- ◆ Purchase of property, plant, and equipment increased with rebuilding the head office.
- ◆ On shareholder returns, we maintain a dividend payout ratio of at least 30% and are increasing the dividend amount paid.

Regarding cash flow, cash flows used in investment activities saw increased expenditures as purchase of property, plant, equipment and purchase of intangible assets have increased.

## Forecasts of Business Results

Growing sales and profits by delivering environmental, social, and economic value in response to changing markets

(Million yen)

|  | Year ended<br>December 31, 2022 | Year ending December 31, 2023                  |                                 |                        |
|--|---------------------------------|--|---------------------------------|------------------------|
|  | Actual                          | Previous forecast<br>(announced<br>February 6) | Forecast of business<br>results | Forecast YoY<br>change |
| Net sales                                  | 89,060                          | 94,000   | 97,000                          | 8.9%                   |
| Operating profit                           | 5,972                           | 6,400  | 7,100                           | 18.9%                  |
| Ordinary profit                            | 6,353                           | 6,800  | 7,500                           | 18.1%                  |
| Profit attributable to<br>owners of parent | 4,058                           | 4,400  | 4,900                           | 20.7%                  |

- ◆ Forecasts of business results announced February 6, 2023 have been revised upward due to favorable performance trends in the second quarter.
- ◆ Continued growth is expected in the e-commerce and food takeout and delivery markets, along with strong growth in personal consumption.
- ◆ As a company offering total solutions related to packaging, we will target sales and profit growth backed by proactive proposals for eco-friendly packages and labor-saving, energy-saving, and mechanization solutions, thus helping address issues faced by customers and society.



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Allow me to discuss the annual forecast for the fiscal year under review. We have revised upward our full-year earnings forecast for the fiscal year under review presented when we disclosed our financial summaries of the second quarter on August 7. We have revised net sales upward from the initial forecast of ¥94.0 billion to ¥97.0 billion and revised operating profit from ¥6.4 billion to ¥7.1 billion. We also revised ordinary profit and profit attributable to owners of parent upward.

We will continue to work to strengthen revenues and profits.

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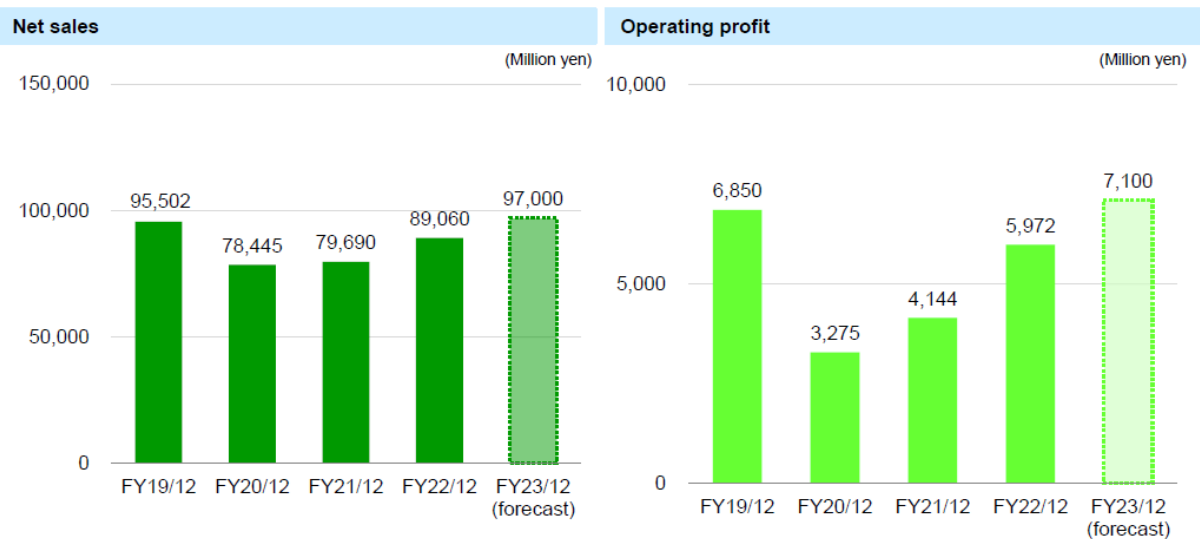
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## Trends in Consolidated Business Results

(Million yen)

|                  | Year ended<br>December 31,<br>2019 | Year ended<br>December 31,<br>2020 | Year ended<br>December 31,<br>2021 | Year ended<br>December 31,<br>2022 | Revised forecast<br>for year ending<br>December 31,<br>2023 |
|------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|---|
| Net sales        | 95,502                             | 78,445                             | 79,690                             | 89,060                             | 97,000  |
| Operating profit | 6,850                              | 3,275                              | 4,144                              | 5,972                              | 7,100   |



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Next, I'll discuss the trends in consolidated business results. The net sales figure of ¥97.0 billion forecast for the current fiscal year would mark a record high. Operating profit would be second only to the figure recorded in 2017.

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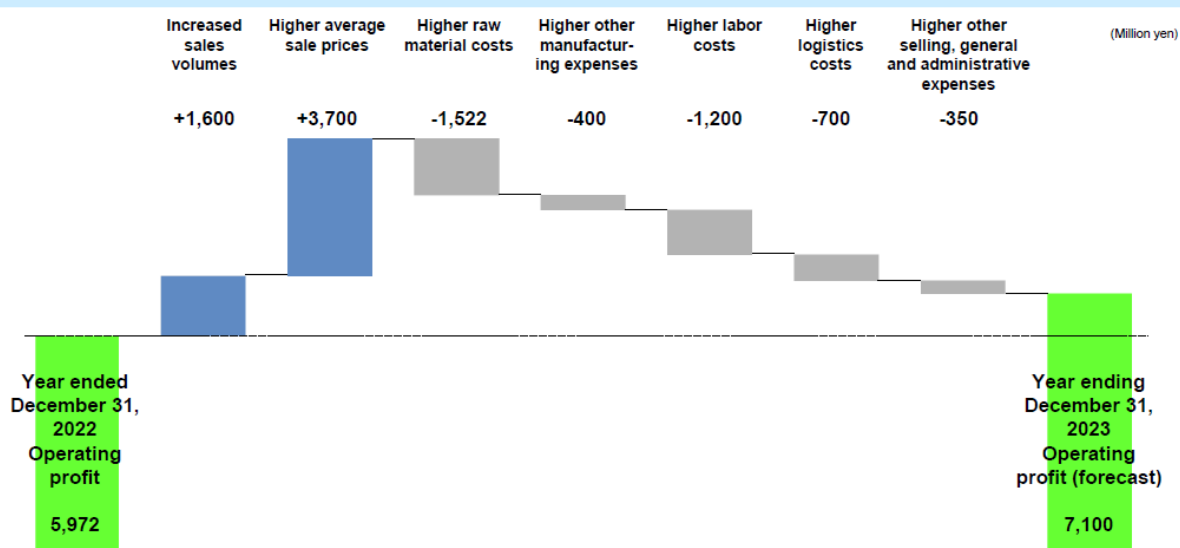
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## Major Factors Underlying Projected Changes in Operating Profit

Increased profits due to higher sales volumes, mainly of paper products, and improved earnings



- ◆ Growth in sales volumes of paper bags and paper cartons due to recovering personal consumption
- ◆ Rising average sales prices due to active proposal of eco-friendly products such as paper materials and high value added products as well as normalization of prices
- ◆ Raw material prices and logistics costs are expected to continue rising. We will respond by normalizing sales prices through means such as proposed modifications to specifications.
- ◆ Labor costs are projected to increase in the second half as well, due to increased staffing and salary and bonus hikes.

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Next are the factors underlying the projected changes in our operating profit. Although we expect raw material prices and manufacturing costs to continue to rise in the second half of the fiscal year, we plan to achieve profit growth by steadily increasing sales volumes and optimizing sales prices.

This concludes my presentation. Thank you for your time and attention.

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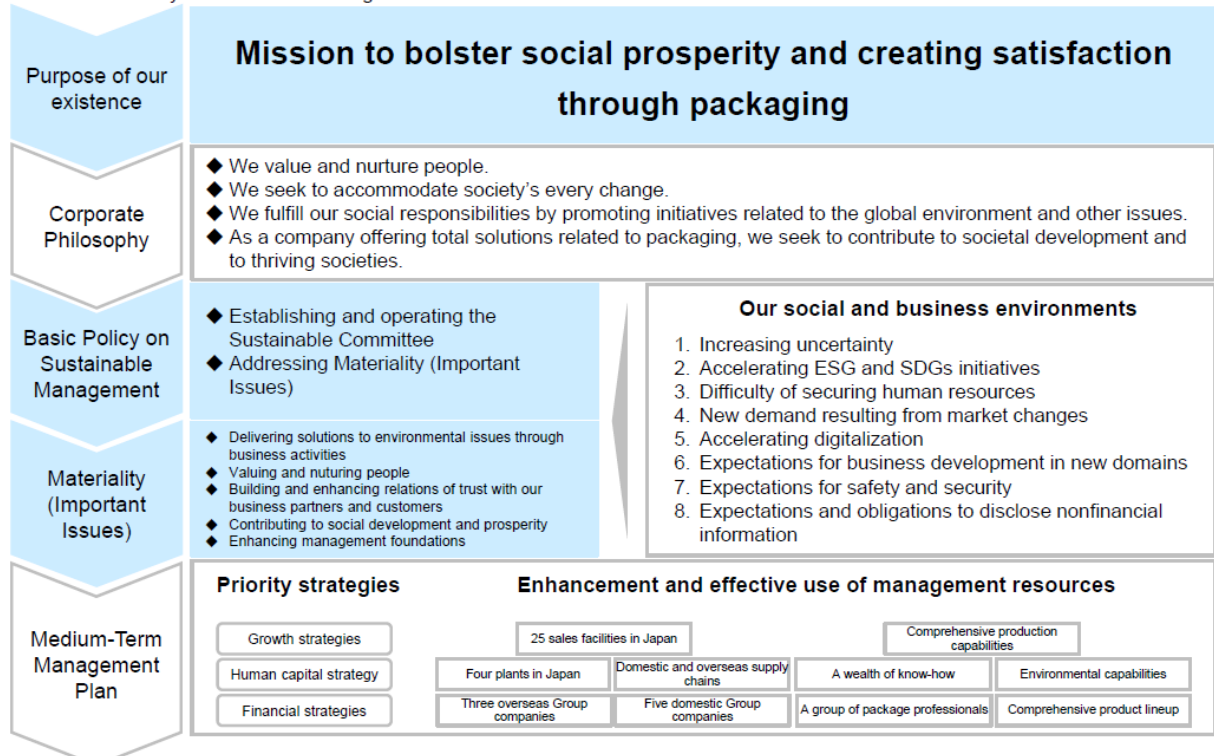
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# The Pack Group's management policy

In 2023, we formulated a new management policy reflecting the social and business environment, establishing the purpose of our existence and our Basic Policy on Sustainable Management.



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**Moderator:** Next, President Yamashita will discuss our promotion of sustainable management.

**Yamashita:** I'll discuss our efforts to promote sustainable management.

In February, we established the purpose of our existence as our mission to bolster social prosperity and create satisfaction through packaging. As part of this mission, we're promoting sustainable management. The next slide shows the newly established basic policy for sustainable management and our materiality items.

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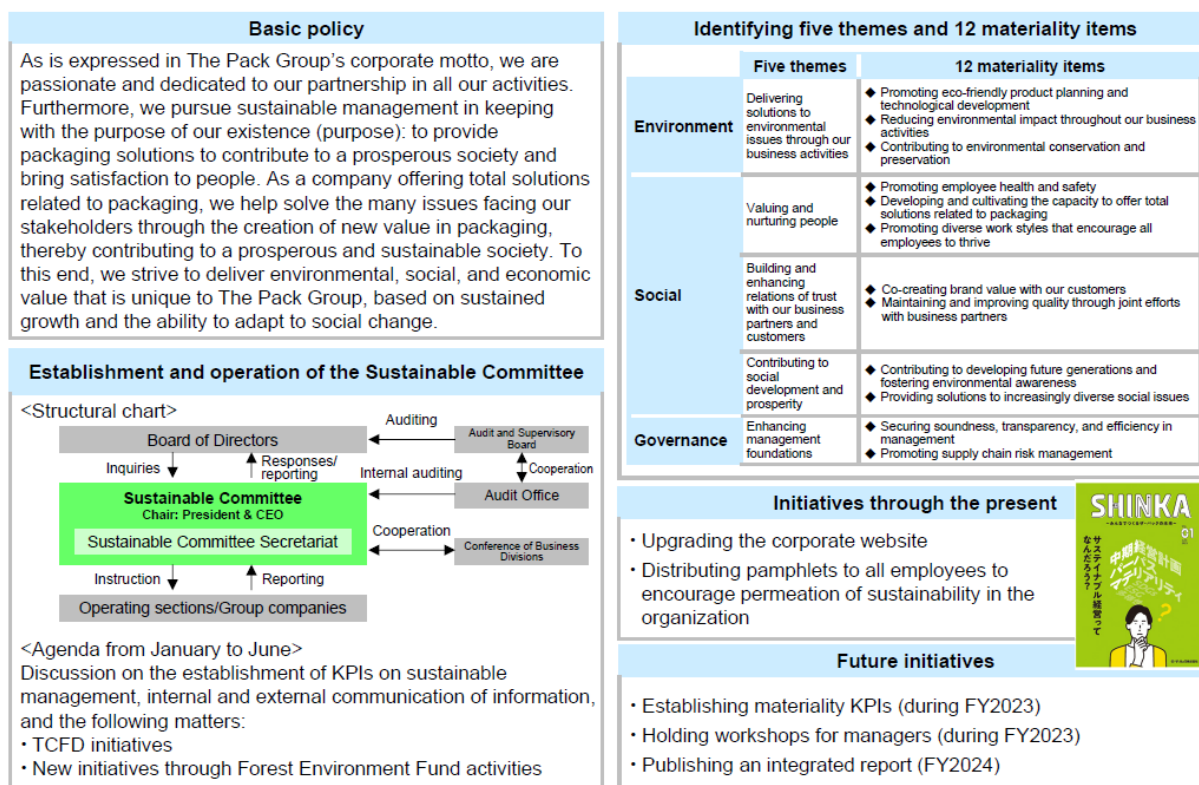
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# Promoting sustainable management



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We established the Sustainable Committee this year. This committee, which I chair, manages and promotes sustainable management; formulates policies related to important themes; manages the progress on initiatives; and deliberates on and determines how to reflect the results in the mid-term management plan.

Among several initiatives, we redesigned our corporate website to better communicate information related to sustainability issues. In addition, to promote sustainability within the company, we have published a booklet titled *SHINKA*, which we have distributed to all employees, including employees of Group companies. Volume two has already been published and distributed. Volume three is scheduled to be distributed this month.

Future efforts include establishing materiality KPIs within this fiscal year and holding internal workshops for managers to promote on-site activities and achieve materiality goals.

We also plan to work to issue our first integrated report to improve disclosure to stakeholders.

This concludes my presentation on sustainability.

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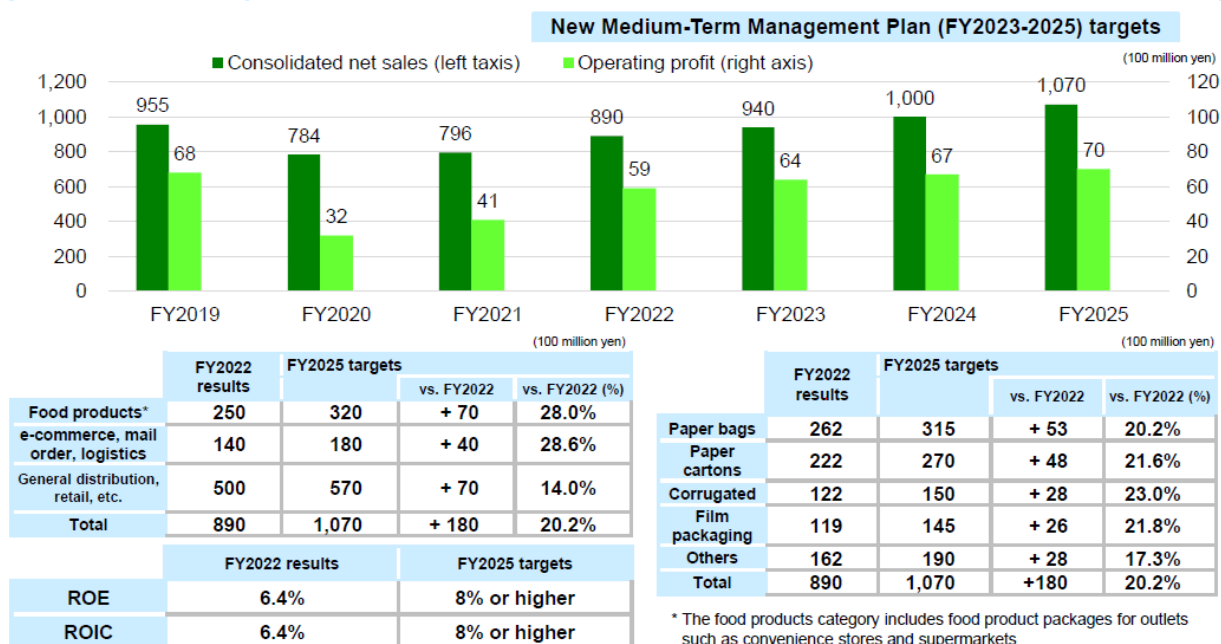
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## Overview of the Medium-Term Management Plan (FY2023-2025)

|                       |   |
|-----------------------|---|
| <b>Slogan</b>         | <b>Evolution—Start of purpose-based management and Sustainable Management</b>   |
| <b>FY2025 targets</b> | <b>Consolidated net sales: 107.0 billion yen; operating profit: 7.0 billion yen<br/>ROE: 8% or higher; ROIC: 8% or higher</b> |



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**Moderator:** Mr. Yamashita will discuss our progress on the medium-term management plan.

**Yamashita:** Here I'll discuss our progress with the medium-term management plan.

This is a summary of the mid-term management plan launched this past February. The targets for the fiscal year ending December 31, 2025 are consolidated net sales of ¥107.0 billion, operating profit of ¥7.0 billion, and both ROE and ROIC of 8%.

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## Progress on growth strategies in the food products market

| Progress on quantitative targets |            |                    |                | Evaluation of efforts in progress   |   |
|----------------------------------|------------|--------------------|----------------|---|---|
| FY2022 results                   | FY2023     |                    | FY2025 targets |   |   |
|                                  | 2Q results | Full-year forecast |                |   |   |
| 250                              | 121        | 280                | 320            | ◆ Expanding sales of primary containers for food products   | ◎ |
|                                  |            |                    |                | ◆ Developing materials and processes to contribute to lessening environmental impact, expanding sales of FSC® products (FSC® C020517) | ◎ |
|                                  |            |                    |                | ◆ Combined sales of labels, films (flexible packaging), etc., together with paper bags and paper cartons                              | ◎ |
|                                  |            |                    |                | ◆ Promoting proposals of solutions to contribute to labor saving, efficiency improvements, and automation by customers                | ○ |
|                                  |            |                    |                | ◆ Growing the paper carton product lineup   | △ |
|                                  |            |                    |                | ◆ Initiatives targeting trays, molded containers, etc.  | ○ |


  

| Progress   |                                       |  |            |
|--|---------------------------------------|--|------------|
| <b>◆ Developing materials and processes to contribute to lessening environmental impact, expanding sales of FSC® products (FSC® C020517)</b><br>• Sales figures have increased thanks to proactive sales activities and increasing customer environmental consciousness. |                                       |  |            |
|  | (100 million yen)                     |  |            |
| Sales to the food products market  | January to June in FY ended Dec. 2022 | January to June in FY ending Dec. 2023 | YoY change |
| FSC products   | 17.1                                  | 22.7                                   | 133%       |
| Forrest products   | 1.0                                   | 1.4                                    | 140%       |


  

|   |  |
|---|--|
| <b>◆ Growing sales of labels and films (flexible packaging)</b><br>• Sales figures are up 125% YoY thanks to sales growth.  | <br>FSC® certification logo |
| <b>◆ Promoting proposals of solutions to contribute to labor saving, efficiency improvements, and automation by customers</b><br>• Launching operation of new setup facility for food products during FY2023<br>• Launching operation of automation equipment proposed by us on customer sites likely to lead to sales growth<br>• Also actively deploying new proposal activities nationwide |  |
| <b>◆ Initiatives targeting trays, molded containers, etc.</b><br>• Enhancing paper tray production capacity: up approx. 10% from December 2022 as of June 2023<br>• Efforts to increase productivity for various paper trays<br>• Increasing sales of primary containers for food products overall  |  |

  
 The Pack Forest® Environment Fund certification logo

  
 ▲ Food product trays

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Now, let me start with a report on our progress with the strategy in each market.

First, our growth strategy for the food market. In the food market, sales in the first half of this year were ¥12.1 billion, and the full-year forecast is ¥28 billion, compared to ¥25 billion in 2022.

Our evaluations of efforts suggest better-than-anticipated results in the areas of primary food containers, environmentally-friendly products, and flexible packaging. Solution proposals, trays, and molded containers achieved good results. However, despite our efforts to expand the paper carton product lineup, we proved unable to achieve the targeted performance in the first half. Our product development will continue to address this shortfall.

Here I'll address the actual progress made to date.

Net sales of FSC products were up 33% year on year. Net sales of Forrest target products were up 40% year on year. An energetic sales campaign and growing environmental awareness among customers is helping to boost sales volumes.

Flexible label and film packaging sales were up 25% year on year, driven by strong sales of Craft Barrier and other internally developed products, as well as progress in the development of beverage bottle labels and food flexible packaging.

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We have also seen an increase in requests for proposals of solutions across Japan due to labor shortages at customers. We will open a new food setup base this fall, something many of our customers have asked for.

In addition, some of the automation equipment introduced to our customers based on our proposals is now online. We expect this to generate increased sales.

The production capacity for food paper trays has been strengthened, increasing output by about 10% from last year. We are also working to strengthen our production capacity for various types of paper trays. These efforts are intended to strengthen sales and set the foundations for continuing growth.


## Progress on growth strategies in the e-commerce, mail order, and logistics industries

| Progress on quantitative targets<br>(100 million yen) |                   |                           |                | Evaluation of efforts in progress   |   |
|---|-------------------|---------------------------|----------------|---|---|
| FY2022 results  | FY2023 2Q results | FY2023 Full-year forecast | FY2025 targets | ◆ Enhancing sales of delivery bags to contribute to improved shipping efficiency by customers   | ○ |
| 140   | 70                | 150                       | 180            | ◆ Enhancing solutions sales to contribute to labor saving by customers<br>• Proposing products designs to save time in work<br>• Proposing solutions to automate work | ◎ |
|   |                   |                           |                | ◆ Development and sales expansion of materials and processes for automated packaging  | ○ |
|   |                   |                           |                | ◆ Further sales expansion of reinforced corrugated boxes for heavy articles   | ○ |

| Progress   |  |  |  |           |           |  |     |     |
|--|--|--|--|-----------|-----------|--|-----|-----|
| <ul style="list-style-type: none"> <li>◆ Enhancing sales of delivery bags to contribute to improved shipping efficiency by customers <ul style="list-style-type: none"> <li>Enhancing production capacity: machinery expansion planned in 1H 2024</li> <li>Focusing on sales expansion of delivery bags in addition to corrugated boxes</li> </ul> </li> <li>◆ Enhancing solutions sales to contribute to labor saving by customers <ul style="list-style-type: none"> <li>Proposals to automate work and to save time in work are growing</li> </ul> </li> <li>◆ Development and sales expansion of materials and processes for automated packaging <ul style="list-style-type: none"> <li>Making steady progress on machinery improvements and development of materials and processes to meet needs in areas such as work automation, weight reduction, reduced use of plastics, and suitability for a wide range of products</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>◆ Further sales expansion of reinforced corrugated boxes for heavy articles <ul style="list-style-type: none"> <li>Focusing on sales by proposing solutions leveraging our design capabilities in the face of increasingly severe competition as demand slows and raw material prices rise</li> </ul> </li> </ul> | <table> <tr> <th></th><th>2Q FY2022</th><th>2Q FY2023</th></tr> <tr> <td>Sales results for reinforced corrugated boxes for heavy articles</td><td>5.2</td><td>5.4</td></tr> </table> |  | 2Q FY2022 | 2Q FY2023 | Sales results for reinforced corrugated boxes for heavy articles | 5.2 | 5.4 |
|  | 2Q FY2022  | 2Q FY2023  |  |           |           |  |     |     |
| Sales results for reinforced corrugated boxes for heavy articles   | 5.2  | 5.4  |  |           |           |  |     |     |



Automated packing machine for paper delivery bags






Illustration of completed package



Example of sales of reinforced corrugated boxes for heavy articles



Example of sales of reinforced corrugated boxes for heavy articles

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Next, let me turn to our strategies in the e-commerce/mail order/logistics industry. For these markets, sales were ¥7.0 billion in the first half of the year and the full year forecast is ¥15 billion, compared to ¥14.0 billion in 2022.

In terms of evaluations of efforts, both proposals and results for the staff reduction solutions proved successful. We made steady progress in sales of delivery bags, developing materials and processing for automated packing machines, and sales of reinforced corrugated boxes.

Here I'll address the actual progress made to date.

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First, regarding strengthening the sales of delivery bags, we are actively proposing delivery bags as one of the solutions to improve transportation efficiency, and inquiries are increasing. We plan to increase the number of machines in the first half of 2024, so that we can meet the growing demand.

Regarding labor-saving proposals, two labor-saving facility solutions have already been adopted, although it takes a long time to plan, develop, and adopt. The number of new projects is increasing, which will hopefully lead to increased sales in the future.



The development of materials and processing for automated packing machines made steady progress in the first half of the year, and we plan to introduce an automated paper delivery bag packing system with improved and additional functions in the second half of the year. Our focus in the future will be on promoting this system and expanding sales.

For reinforced corrugated boxes, despite a slowdown in exports from Japan due to U.S. and Chinese protectionist policies, we were able to increase sales, if only slightly, by taking advantage of our design capabilities and aggressive marketing efforts.

## Progress on growth strategies in the general distribution, retail, and other markets

| Progress on quantitative targets |            |                    |                | Evaluation of efforts in progress   |   |
|----------------------------------|------------|--------------------|----------------|---|---|
| FY2022 results                   | FY2023     |                    | FY2025 targets |   |   |
|                                  | 2Q results | Full-year forecast |                |   |   |
| 500                              | 258        | 540                | 570            |   |   |
|                                  |            |                    |                | ◆ Further solutions sales to grow our market share in paper bags and promote the shift to paper use   | ◎ |
|                                  |            |                    |                | ◆ Combined sales of assembly and setup services in addition to product sales  | △ |
|                                  |            |                    |                | ◆ Developing sales channels in ASEAN  | ○ |
|                                  |            |                    |                | ◆ Sales of products suitable for recycling, reuse, and reduction (3R)<br>• Eco-friendly paper: sales expansion for upcycled materials and FSC® raw paper<br>• Eco bags: sales expansion of monomaterial products<br>• Developing original raw paper and films made of 100% recycled materials | ○ |
|                                  |            |                    |                | ◆ Promoting social contributions together with customers<br>• Putting part of the revenue from eco-friendly products into The Pack Forest Environment Fund to use in forest conservation activities through nonprofits  | ◎ |

| Progress  |  |
|---|--|
| <p>◆ <b>Further solutions sales to grow our market share in paper bags and promote the shift to paper use</b></p> <ul style="list-style-type: none"> <li>Promoting a shift to paper use among customers by proposing specifications changes in an environment of rising raw materials prices</li> <li>Contributing to business growth with sales increase of 15% vs. January to June 2022 (+1.73 billion yen)</li> </ul> <p>◆ <b>Developing sales channels in ASEAN</b></p> <ul style="list-style-type: none"> <li>Transaction discussions are increasing with Japanese and foreign customers active in Asian commercial markets</li> </ul> <p>Initiatives:</p> <ol style="list-style-type: none"> <li>Supply-chain and quality enhancements in Asia</li> <li>Cooperation with Group companies overseas (China, USA) to enhance support structures for customers' ASEAN businesses</li> </ol> | <p>◆ <b>Promoting social contribution activities together with customers</b></p> <ul style="list-style-type: none"> <li>Cooperating with customers on two of four forest conservation activities</li> <li>Plans call for cooperating with customers on six of 10 activities in FY2023</li> <li>Launching forest conservation activities in a new area (Nagano Prefecture) and considering cooperation with customers next year and later</li> </ul> <p>[Forest Environment Fund activity conducted in Takehara, Hiroshima Prefecture, in April 2023]<br/>Participants included 15 people from our customers.</p> <div>   </div> |

Next, I will report on our progress in the general distribution, retail, and other markets. For these markets, sales were ¥25.8 billion in the first half of the year and the full year forecast is ¥54 billion, compared to ¥50 billion in sales in 2022.

As for our evaluations of efforts, we achieved better-than-anticipated results in both activities and performance for expanding paper bag sales, promoting the shift to paper products, and social contribution activities with customers.

Developing ASEAN sales channels and sales of products suitable for 3R have been successful in our activities.

In terms of combined sales with assembly and setup operations, we must further our efforts since the number of projects is rather small compared to those in the food, e-commerce and mail order sectors.

Here I'll address the actual progress made to date.

With regard to expanding sales of paper bags and promoting the shift to paper, we were successful in promoting the switch to paper packaging for our customers by proposing specification changes, despite the soaring price of raw materials. In addition, the recovery of consumer activities contributed to the overall performance, boosting sales by 15.4%—or ¥1.7 billion—compared to the first half of 2022.

ASEAN sales have increased business negotiations with customers who seek to secure stable quality and supply in ASEAN markets with a backdrop of supply chain concerns and China Plus One strategies. This reflects the high reputation of quality and supply in the Japanese market. We will strengthen joint efforts with overseas group companies in China and the U.S. and work to present effective proposals to global brands in Japan and overseas. We are continuing to work towards the next term in the hopes that this will expand sales channels in the ASEAN region.

In terms of social contributions pursued in partnership with our clients, we have strengthened our engagements in this area since restrictions related to COVID-19 were lifted. Two of the four forest conservation activities were undertaken in cooperation with customers in the first half of the year.

We have 10 forest conservation activities planned before the end of 2023. Six are joint projects with customers. We have launched forest conservation activities at a new site this year for which we are considering the possibility of working with our customers in the next fiscal year and beyond. We will continue to promote public awareness and engage in corporate activities that enhance the corporate and brand value of our customers.

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## Progress on human capital strategy and financial strategies

| Human capital strategy   |  |
|--|--|
| Diverse human resources  | <ul style="list-style-type: none"><li>◆ Emphasis on career hiring</li><li>◆ Promotion of women in the workplace (percentages of permanent employees and managers)</li><li>◆ Expanding hiring of people with disabilities</li></ul>   |
| Human resource development   | <ul style="list-style-type: none"><li>◆ Enhancing training programs</li><li>◆ Supporting autonomous skills improvement and reskilling</li></ul>  |
| Optimizing personnel allocation  | <ul style="list-style-type: none"><li>◆ Effective use of talent management system</li><li>◆ Growing hiring opportunities (referrals, "comeback" hiring)</li></ul>  |
| Creating a better working environment  | <ul style="list-style-type: none"><li>◆ Enhancing diverse work forms and systems</li><li>◆ Well-being (promoting health management)</li></ul>  |
| Maximizing employee engagement   | <ul style="list-style-type: none"><li>◆ Appropriate wage structures, enhancement of benefits</li><li>◆ Increasing awareness of participation in management by joining the employee stock ownership plan</li><li>◆ Stimulating employee interaction and communication</li><li>◆ Conducting engagement surveys</li></ul> |
| Progress   |  |
| <ul style="list-style-type: none"><li>◆ <b>Diverse human resources</b><ul style="list-style-type: none"><li>• Career hires: 23 in FY2022, 29 in January to June 2023</li><li>• Referrals and "comeback" hiring: 23 in FY2022, 8 in January to June 2023</li></ul></li><li>◆ <b>Enhancing training programs</b><ul style="list-style-type: none"><li>• Launching digital transformation (DX) training for all executives and employees (700 people)</li></ul></li><li>◆ <b>Creating a better working environment/Maximizing employee engagement</b><ul style="list-style-type: none"><li>• Rules revisions to enable use of remote work during normal times</li><li>• Encouraging men to take maternity and childcare leave</li><li>• Wage hikes, including increases in base pay</li></ul></li></ul> |  |

| Financial strategies   |   |                             |
|--|---|-----------------------------|
| Investment in growth   | <ul style="list-style-type: none"><li>◆ Promoting allocation of funds to investment in growth<ol style="list-style-type: none"><li>1. Capital investment</li><li>2. Investment in new businesses</li><li>3. Human investment</li><li>4. Investment in computer system upgrades</li><li>5. R&amp;D</li></ol></li></ul> |                             |
| Returns to shareholders  | <ul style="list-style-type: none"><li>◆ Maintaining a dividend payout ratio of at least 30%</li><li>◆ Dynamic purchase of treasury shares</li></ul>   |                             |
| Cash outflow plan  |   |                             |
| Capital investment   | Enhancement of paper carton production capacity   | 2.0 billion yen             |
| 6.5 billion yen in total   | Enhancement of paper bag production capacity  | 3.0 billion yen             |
|  | Streamlining, labor saving  | 1.1 billion yen             |
|  | Energy and resource savings   | 200 million yen             |
|  | Other   | 200 million yen             |
| Strategic investment   | M&A   | 10.0 billion yen            |
| 14.0 billion yen in total  | Core system upgrade   | 2.0 billion yen             |
|  | HR investment   | 2.0 billion yen             |
| Progress   |   |                             |
| <ul style="list-style-type: none"><li>◆ <b>Capital investment</b><ul style="list-style-type: none"><li>• Proceeding as planned, with no changes in plans for the second half</li></ul></li></ul>   |   |                             |
|  |   | (100 million yen)           |
|  | January to June 2023 results  | July to December 2023 plans |
| Enhancement of paper carton production capacity  | 5.2   | 8.0                         |
| Enhancement of paper bag production capacity   | 4.6   | 5.5                         |
| Streamlining, labor saving   | 0.6   | -                           |
| Energy and resource savings  | 0.1   | -                           |
| <ul style="list-style-type: none"><li>◆ <b>Returns to shareholders</b><ul style="list-style-type: none"><li>• To enhance returns to shareholders by maintaining a dividend payout ratio of at least 30%, as initially planned, we have revised planned year-end dividends to reflect upward revisions to full-year forecasts of consolidated business results for the period ending December 2023.</li></ul></li></ul> |   |                             |

Finally, I would like to report on the progress on our human capital and financial strategies. The upper part shows what was posted in February. The lower part shows how things have progressed through June.

We'll start by reporting on our hiring. We promote various recruitment methods, centering on career hiring. While we hired 23 career hires for the full year of 2022, we hired 29 careers during the first half of this year. We also hired eight referral/comeback candidates in the first half of the year.

In terms of human resource development, we launched a six-month DX (Digital Transformation) training program for all executives and employees in the first half of the year. We will continue to focus on human resource development in addition to the current training programs.

In the first half of this year, we sought to improve the working environment and to maximize employee engagement. These efforts included revising policies to allow remote work during normal times, encouraging men to take parental leave, and implementing wage increase negotiations, including base salary increases.

As for financial strategies, we implemented capital investment in line with the plan set forth in February. To increase paper carton production capacity, we made investments of ¥520 million in the first half of the year and plans call for the investment of ¥800 million in the second half of the year.

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We invested ¥460 million in the first half of the year to expand paper bag production capacity and plan to invest ¥550 million in the second half.

In terms of shareholder returns, we have revised our year-end dividend forecast based on the revised consolidated earnings forecast for the fiscal year ending December 31, 2023, to maintain a payout ratio of at least 30%, in line with our initial plan and our commitment to increasing returns of profits to our shareholders. This will result in a planned dividend of 78.00 yen per share, an increase of 13.00 yen over the previous fiscal year.

This concludes my report.

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## Q&A

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**Moderator [M]:** That is all what we have today. From this point, we'll respond to questions. First, we'll take questions from those present at the venue. Then we'll move on to asking to those who are participating online. For those online, we ask for your patience.

For those of you attending the meeting on site, do you have any questions? Thank you. We have one person here. Please wait a minute while we deliver a microphone.

Before you ask a question, can you tell us your name?

**Miyata [Q]:** My name is Miyata from Sazalle Capital Management. Thank you for letting me ask you a question.

I'd like to ask about the issue of disposable diapers. In China, local companies are making efforts in this area, and we've seen articles about factories like Kao closing down. Your company is mentioned on page 8. It looks like demand for the outer external packages for disposable diapers is growing. Given the comparatively low share of Film Packaging Business in your company's overall profit, the impact on your company may not be that significant. Still, could you tell us how related developments in China and other factors might affect your company?

Thank you.

**Moderator [M]:** Mr. Fujii will answer your question.

**Fujii [A]:** Thank you for your question. As you mentioned, the demand for disposable diapers for China is declining. A few years ago, I believe there were explosive buying of Chinese people who came to Japan to buy a lot of diapers and brought them back home or parallel imports. However, we believe such demand has already vanished. Now we see the increase in sales of external packages for paper diapers in the domestic market, which increased our market share.

**Moderator [M]:** Thank you very much. Is there anyone else in the audience? No one in the audience appears to have questions. Does anyone participating online have questions?

There are two people. First, Mr. Ueda. Let me connect you.

**Ueda [Q]:** My name is Ueda from Simplex Asset Management. Let me ask one question. According to the revised document regarding the earnings forecast disclosed by your company on August 7, the operating profit forecast was revised from the original 6.4 billion yen to 7.1 billion yen. This is an increase of 700 million yen. Meanwhile, your company had previously forecasted operating profit at 2.3 billion yen of the cumulative total for the second quarter disclosed at the time in the first-quarter financial summaries. Since the actual figure announced in the summary of the second quarter was 2.976 billion yen in operating profit, the explanation for this upward revision of 700 million yen compared to the original forecast suggests this revision derives from the increase achieved in the first

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half of the fiscal year. Accordingly, the forecast for the second half of this fiscal year remains virtually unchanged. Can you please explain this forecast?

**Moderator [M]:** Mr. Fujii will answer your question.

**Fujii [A]:** Thank you for your question. As you pointed out, in terms of both sales and profits, we achieved growth of 7% in the first half of the year 2022 and 14% in the second half of 2022 compared to 2021. Based on this background, we think we can't expect much growth in the second half of the current fiscal year compared to the results in the first half of the year. In terms of both sales and operating profit, we don't expect to see as much growth as in the previous term. As stated by the President at the beginning of this briefing, we made this forecast given many uncertain factors.

**Ueda [M]:** I understand. Thank you.

**Moderator [M]:** Next, Mr. Kitagawa. Go ahead.

**Kitagawa [Q]:** Thank you very much. My name is Kitagawa from Sumitomo Mitsui DS Asset Management. I would like to ask one question.

It's about pricing strategy, and it's about the future. My understanding is that rising commodity costs have been the main factor in price increases to date. Looking to the future, I think the overall rise in commodity costs will eventually settle down. In some cases there may be a phase of decline. If so, will you lower your prices?

Looking at the past few years, I see that your company has been able to sell value-added products well. Perhaps your market share is increasing. With demand remaining solid, I'd like to know how your company plans to negotiate pricing in the future.

**Moderator [M]:** Mr. Yamashita will answer your question.

**Yamashita [A]:** Thank you for your question. As I understand it, I think your question is that while we see the raw material costs have increased, will there be an impact on our sales price when raw materials costs start to fall? In our case, almost all our products are made to order. We manufacture them based on discussions with our customers. This means if raw material costs drop, we will discuss the situation with our customers and set new prices.

Likewise, if logistics and other costs rise further in the future, we will set prices that reflect these costs and promote flexible pricing as needed.

**Kitagawa [Q]:** Thank you. Then, am I correct in understanding that comprehensive price negotiations will take place that account for rising labor costs and other factors given rising inflation in various areas?

**Yamashita [A]:** Yes.

**Kitagawa [M]:** I understand. Thank you. That's all I wanted to know.

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**Moderator [M]:** Thank you very much, Mr. Kitagawa. If anyone in the audience has a question, please let us know. There is one person at the venue. Please tell us your name and ask your question.

**Ichihara [Q]:** My name is Ichihara, from Carrera Asset Management. Thank you for this opportunity.

I have one question regarding the Medium-Term Management Plan on page 25. You have revised the full-year forecast upward and now expect operating profit to reach 7.1 billion yen. This will increase the likelihood that the target for 2025 will be achieved early. Am I correct in assuming that at the current pace, the figures of 6.7 billion yen or 7 billion yen is likely to be revised upward in the future? Or, if these figures remain unchanged without revision, I guess we can say that it means stagnation or slowing down? Can you comment?

**Moderator [M]:** Mr. Yamashita will answer this question.

**Yamashita [A]:** I understand that your question is about the final connection or relevance between the revision of this fiscal year's financial results forecast and the Medium-Term Management Plan. As I explained in the Topics section, there is still some uncertainty regarding this issue. We will reconsider the revision once the financial results for the current fiscal year ending December 31 are somewhat clearer.

**Moderator [M]:** Are there any other questions? Whether you are attending at the venue or online, we welcome questions.

**Ueda [Q]:** This would be the second question, but may I ask it once again?

I think there's discussion about the TSE's recommendation to companies trading at less than one of price-book value ratio. What are your thoughts on this?

**Moderator [M]:** This answer will be provided by Mr. Yamashita.

**Yamashita [A]:** Regarding the standard of price-book value ratio one, our first priority is to strive for sustainable profit improvement in our core business by steadily implementing our current Medium-Term Management Plan.

In addition, with our current performance almost back to pre-Covid levels, we intend to develop our business by increasing production capacity and developing new products, including aggressive investment, as advocated in our Medium-Term Business Plan.

As our business performance improves, we also hope to increase shareholder returns, with a focus on the dividend payout ratio. We hope to achieve a price-book value ratio one.

**Ueda [M]:** Thank you.

**Moderator [M]:** Thank you very much, Mr. Ueda. Any other questions? Since there appear to be no questions from either the in-person or online audience, we will close the Q&A session. Thank you very much for your participation and cooperation.

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We hereby conclude The Pack's briefing on its business results for the second quarter of the fiscal year ending December 31, 2023. Thank you very much. For those of you participating online, please leave the room.

[End]

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***Footnotes***

- 1. In the conversation, [Q] is a question, [A] is an answer, and [M] is neither a question nor an answer.*

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