

Progress on the Medium-Term Management Plan

February 29, 2024

Upward Revision of Figures Set for the Medium-Term Management Plan

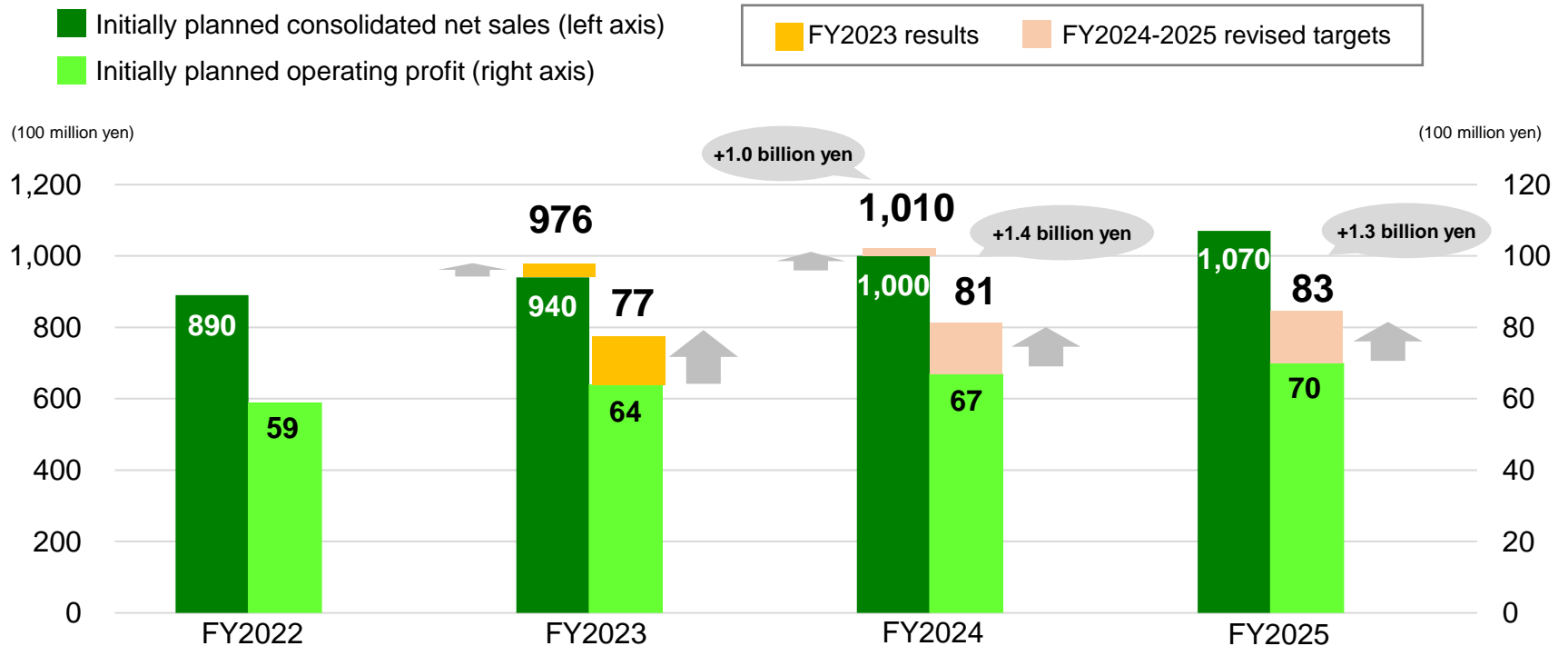
Background of revisions

- ◆ Achievement in the year ended December 2023 of the operating profit target for the year ending December 2025 through the following efforts:
 - ◇ High profitability achieved by executing the strategies and measures specified in the Medium-Term Management Plan
 - ◇ Major growth in profits achieved by optimizing selling prices in response to the rising costs of sales

Details of upward revisions

Targets for the year ending December 2025:
107.0 billion yen in consolidated net sales, 8.3 billion yen in operating profit

Medium-Term Management Plan targets (FY2023-2025)



Progress toward Numerical Targets under the Medium-Term Management Plan

Overview

- ◆ Sales growth was up YoY for all markets and products in the first fiscal year of the Medium-Term Management Plan.
 - ◇ Sales in the food products and general distribution and retail markets expand beyond the full-year forecast as of September 2023.
 - ◇ Sales grew significantly in the main product categories of paper bags and paper cartons.

Numerical targets by market (FY2023-2025)

(100 million yen)

	FY2022 result	FY2023 result	FY2025 target	Progress as of the end of FY2023
Food products*	250	282	320	45.7%
E-commerce, mail order, logistics*	140	147	180	17.5%
General distribution, retail, etc.	500	548	570	68.6%
Total	890	977	1,070	48.3%

* The food products and e-commerce, mail order, logistics market categories in the Medium-Term Management Plan reflect consideration of product uses and customer industries.

Numerical targets by product type (FY2023-2025)

(100 million yen)

	FY2022 result	FY2023 result	FY2025 target	Progress as of the end of FY2023
Paper bags	265	297	315	64.0%
Paper cartons	222	250	270	58.3%
Corrugated boxes	122	124	150	7.1%
Film packaging	119	138	145	73.1%
Other	162	168	190	21.4%
Total	890	977	1,070	48.3%

Progress of Growth Strategies in the Food Products Market

Progress toward quantitative targets

(100 million yen)

FY2022 result	FY2023 result	YoY change
250	282	12.8%

◆ Increase sales of primary food containers; initiatives for trays and molded containers, etc.

(100 million yen)

	FY2022 result	FY2023 result	YoY change
Total paper cartons in the food products market	130.3	150.0	15.1%
Primary food containers (included in above)	69.1	77.2	11.7%
Paper bags in the food products market	66.3	76.9	16.0%

<Factors underlying growth in primary food containers for food products>

- Nationwide sales expansion across all regions, business scales, etc.
- Growth in new orders received through proposals for switching from plastic to paper containers
- Increased manufacturing capacity through enhancements in manufacturing equipment and improved productivity

◆ Expanded sales of film packaging; combined sales

(100 million yen)

* To the food products market only	FY2022 result	FY2023 result	YoY change
Film packaging	12.0	13.3	10.8%

<Factors underlying growth in film packaging>

- Capturing demand for film packaging through combined sales
- Enhancements in nationwide sales and supply structures

Fully filmless paper-based flexible packaging with barrier function



Overview of progress

- ◆ Sales have grown achieved primarily through new developments related to product development and proposal capabilities in response to strong demand for paper containers.
 - ◇ Expansion of product lineup, enhancement of manufacturing and product-development capabilities
 - ◇ Proactive deployment of solutions-based business models

◆ Develop materials and processes that help reduce environmental impact; increase sales of FSC® products (FSC® C020517).

(100 million yen)

* To the food products market only	FY2022 result	FY2023 result	YoY change
FSC® products	40.6	50.3	23.9%
Products eligible under The Pack Forest® Environment Fund	2.5	2.9	16.0%

◆ Promote solutions proposals that contribute to customer labor savings, streamlining, and automation.

- Contributing to streamlining of work at customer facilities
Promoting solutions bundling packaging line work improvements based on improved packaging materials
- Initiatives to offer one-stop services
Promoting proposals of services addressing customer labor shortfall issues, such as box assembly and product assortment work, in addition to packaging materials

October 2023: Setup facility began operating in Kanagawa Prefecture.

→ Beginning FY2024: Commercialization based on improved productivity and expanded service areas

Progress of Growth Strategies in the E-commerce and Mail Order Market and the Logistics Industry

Progress toward quantitative targets

(100 million yen)

FY2022 result	FY2023 result	YoY change
140	147	5.0%

◆ Strengthen sales of delivery bags that increase transport efficiency for customers.

(100 million yen)

	FY2022 result	FY2023 result	YoY change
Paper delivery bags	8.8	9.8	11.4%
Other delivery materials	2.8	4.5	60.7%
Reference: Corrugated boxes	122.1	124.2	1.7%

- New orders received are growing in the e-commerce (mail-order) market for paper delivery bags and other delivery materials (e.g., thin delivery boxes), in addition to traditional corrugated boxes.
- Demand for paper delivery bags is expected to grow as the industry addresses restrictions on work hours to take effect in 2024 and the need to improve packing work efficiency, and we are seeking to expand manufacturing capacity.

◆ Further increase sales of reinforced corrugated boxes for heavy objects.

(100 million yen)

	FY2022 result	FY2023 result	YoY change
Reinforced corrugated boxes	9.7	9.8	1.0%

As in January-June FY2023, under conditions of intensifying competition, dropping export demand, and rising raw material costs, we maintained sales in individual markets through sales activities leveraging the value of our in-house design and proposal capabilities.

Overview of progress

- ◆ Sales of various products and services have grown in response to increasingly diverse demand.
 - ◇ Expanding product lineups and enhancing manufacturing and design capabilities
 - ◇ Proactive proposals of solutions based on automation and labor savings, in addition to package sales

◆ Develop materials and processes for automatic packaging and increase related sales.

- Proactive proposals of automatic packaging systems tailored to customer environments.
- Development of automatic packaging machinery and materials to meet customer needs
 - Heat-sealed coatings free of plastic film are currently under development.



Automatic packaging machinery for paper delivery bags



Example of corrugated paper delivery bag

◆ Strengthen proposal-based sales that help reduce labor requirements at customer facilities.

- Promoting proposals of automation equipment and work improvements on packaging lines
- Development of jigs that help reduce time required for box assembly work (trademark applied for)



Progress of Growth Strategies in Various Markets, Including General Distribution and Retail Market

Progress toward quantitative targets

(100 million yen)

FY2022 result	FY2023 result	YoY change
500	548	9.6%

◆ Increase paper bag share and continue pursuing proposal-based sales to promote the migration to paper

(100 million yen)

General distribution and retail market and other markets	FY2022 result	FY2023 result	YoY change
Paper bags	131.0	153.0	16.8%
Film packaging	70.8	81.6	15.3%

<Factors underlying growth of paper bags>

- Progress of migration to paper for takeout paper cartons at major specialty retail stores and large retailers
- Growth in orders received and market share through supply chain improvements and increased manufacturing capacity
- Proposing optimal specifications for various customer needs

◆ Product sales aligned with the three Rs (reduce, reuse, recycle)

- Initiatives to reuse customer waste for manufacturing packages
Paper products: development of proprietary mixed paper for use in paper bags
Plastic products: manufacturing plastic bags from waste



Mixed paper and used textile bags made from used clothing

- Proactive proposals and sales expansion of sewn products to encourage reuse

Overview of progress

◆ Proposal-based sales in response to growing demand in the market and changing business conditions are bearing fruit.

- ◇ Major growth in sales of paper bags
- ◇ Sales growth in the apparel and life care markets

◆ Develop sales channels in ASEAN region.

- Promoting the securing of global business customers and trade rights in Asia
- Establishing optimal supply chains in individual regions

◆ Promote social contributions alongside customers.

Activities of The Pack Forest® Environment Fund

Results in 2023:

- Forest conservation activities: Nine activities undertaken, including six in joint efforts with customers
(Total customer participation: 65 people from nine companies)
Planted 828 trees, capable of absorbing 5.2 tons of CO₂ (estimated).



- Concluded a contract on and conducted forest conservation activities at a new tree-planting activity site in Nagano Prefecture.

Future plans

- Adding one new tree-planting site in each of the years 2024 and 2025 to achieve materiality KPI for 2030 of 15 activities/year, with 500 participants, under The Pack Forest® Environment Fund
- Also considering waste collection activities in rivers to preserve and restore coasts and rivers

Progress on Human Capital Strategy

Overview

- ◆ Implementing various measures to secure human resources to support growth and maximize value
 - ◇ Linked to materialities (important issues) and KPIs
 - ◇ Using stress checks and engagement surveys

Secure diverse human resources.

- Strengthen mid-career hiring.
From 23 hired in FY2022 to 35 hired in FY2023
- Expand hiring opportunities.
Referrals, re-hires: 15 hired in FY2023
- Promote active participation of women.

	FY2022 result	FY2023 result	FY2025 target
Women as a percentage of full-time employees	22.2%	22.9%	25.0%
Women as a percentage of managerial positions (manager or higher)	9.6%	8.8%	10.0%

* Targets in the Medium-Term Management Plan are on a consolidated basis.

Develop optimal working environments.

- Revise rules for remote work in normal times as well.
- Encouraging men to take childcare leave, etc.: Ten men took this form of leave in FY2023.

Maximize employee engagement.

- Appropriate wage structure, enhancements to benefits
Increased wages by 5.01% on average
- Raise management participation awareness by joining stock ownership association.
Introduced incentives using transfer-restricted shares for the employee stock ownership program
- Energize employee interactions and communications.
Supported social gatherings among employees to encourage communication in the Company.
- Conduct stress checks and engagement surveys.
Based on survey results, implementing measures in FY2024 to reduce high stress levels and make work more rewarding

Develop human resources.

- Implementing training programs suited to various levels, including newly introduced training
- Digital transformation (DX) training implemented for all officers and all employees (700 people)
FY2023 results: Programs to foster a DX mindset among non-IT specialist personnel and to uncover DX human resources
→ In FY2024, programs will be launched to train untapped human resource potential and generate growth.

Personnel plan

	FY2022 result	FY2023 result	Progress rate at the end of FY2023	FY2025 plan
Total employees, including full-time employees, contract employees, and part-time employees	1,797	1,836	31.7%	1,920

Increased number of operators in manufacturing sections contributes to growing manufacturing capacity.

→ Staffing increases planned for all sections in FY2024 and later

Progress on Financial Strategy (1): Proactive Investment

Overview

- ◆ Implementing measures to increase growth and corporate value
 - ◇ Facilities enhancements centered on paper cartons and paper bags
 - ◇ Investment in increasing corporate value

Capital investment

(100 million yen)

		Initial plan (2023-25)	FY2023 result	FY2024-25 plan
Strategy investment	Augment paper carton manufacturing capacity	20.0	7.9	16.6
	Augment paper bag manufacturing capacity	30.0	7.8	20.7
	Rationalization, labor savings	11.0	1.2	9.6
	Energy savings, resource savings	2.0	0.4	1.5
	Other	2.0	0.1	0.8
Strategy investment, total		65.0	17.4	49.2
Plant equipment maintenance, etc.		20.0	5.6	12.0
Land acquisition	Acquisition of plant site near Osaka Plant	-	19.0	-
	Acquisition of plant site near Tokyo Plant	-	3.8	-
Headquarters reconstruction			10.0	-
Total		85.0	55.8	61.2

FY2023 strategy investment results

Paper cartons:
 Increasing food container manufacturing capacity
 Expanding e-commerce materials lineup
 Paper bags:
 Increasing manufacturing capacity
 Rationalization, labor savings

FY2024-25 strategy investment plans

Paper cartons:
 Increasing manufacturing capacity for paper cartons overall
 Expanding product lineup
 Rationalization, labor savings
 Paper bags:
 Increasing manufacturing capacity

M&A

- Research and study now underway with a focus on balancing core business growth with expansion of business domains

Backbone system upgrades

- Investment toward backbone system upgrade in FY2025 Promoting business and management efficiency improvements together with optimization of management resources

FY2023 investment results: 1.3 billion yen
 FY2024 investment plans: 1.0 billion yen

- Starting development of a system to support sales activities, aimed at improving management and service quality, in or after 2024

HR investment

- FY2023 result: 980 million yen
 - HR development and hiring: 60 million yen
 - Expanded hiring and wage increases: 920 million yen
- We plan proactive investments in human resources in FY2024 as well.