



THE PACK CORPORATION

Briefing Materials on Business Results for the Year Ended December 31, 2023

February 29, 2024



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Topics

- ◆ Demand for dining and accommodations grew as COVID-19 restrictions were relaxed. Despite an economic recovery driven by factors including recovering inbound tourism demand and rising wages, the lingering effects of high energy prices and exchange rate fluctuations appear to be spurring inflation, and the future outlook remains uncertain.
- ◆ The Pack Group recorded record highs in net sales, operating profit, ordinary profit, and profit attributable to owners of parent. Sales volumes grew, centered on packages for food products, thanks to proposals of environmentally conscious high value added products and solutions and sales expansion efforts. Additionally, prices were revised to reflect the rising cost of raw materials.
- ◆ Dividends grew by 25 yen YoY. The Company paid 90 yen in dividends vs. an initial forecast of 70 yen.
- ◆ In addition to upward revisions of FY2024 and FY2025 targets under the current Medium-Term Management Plan, the shareholder returns policy was revised to maintain a dividend payout ratio of 35% or higher, to purchase up to 1.0 billion yen in treasury stock per year, and to target a total payout ratio of 50%.
- ◆ We established a Sustainability Committee and are currently promoting various sustainability management efforts.

1. Business Results for the Year Ended December 31, 2023



Summary of Business Results

Record highs in net sales, operating profit, ordinary profit, and profit attributable to owners of parent

(Million yen)

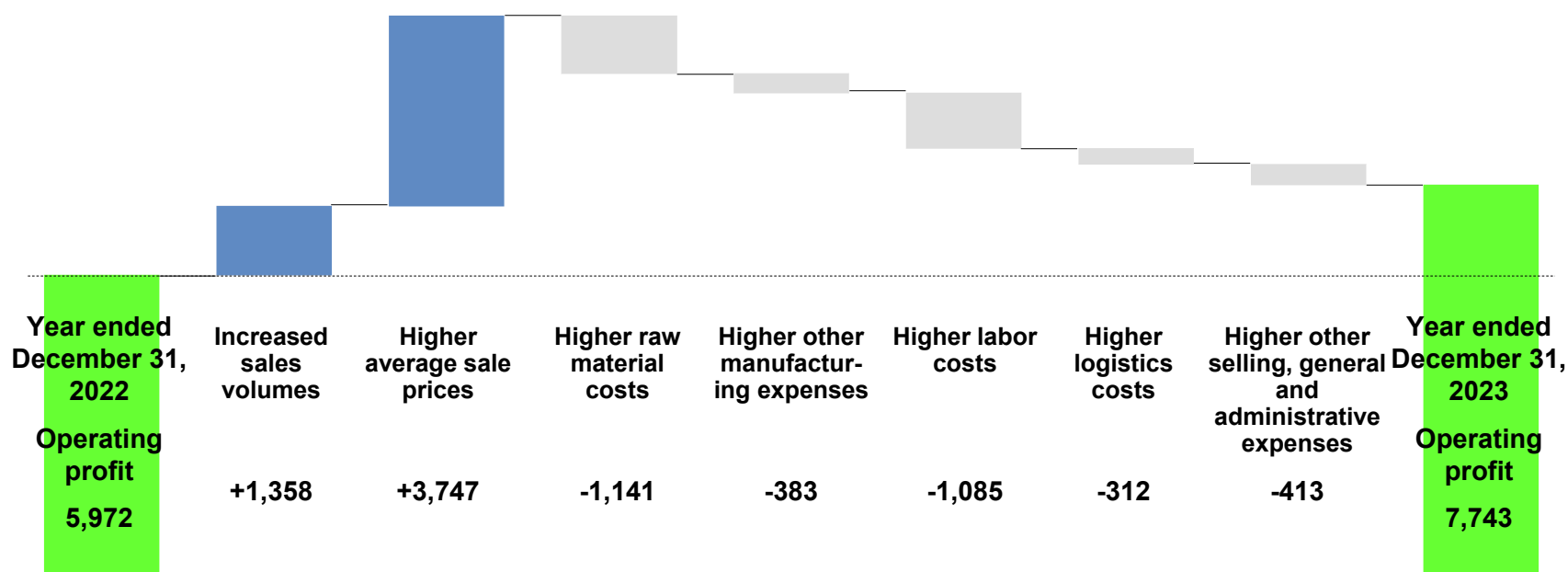
	Year ended December 31, 2022	Year ended December 31, 2023	
	Actual	Actual	YoY change
Net sales	89,060	97,714	9.7%
Operating profit	5,972	7,743	29.7%
Ordinary profit	6,353	8,063	26.9%
Profit attributable to owners of parent	4,058	5,652	39.3%
Basic earnings per share (yen)	213.55	297.07	39.1%
Dividend per share (yen)	65.00	90.00	38.5%

- ◆ Consumer spending recovered as demand related to souvenirs, domestic tourism, and inbound tourism grew following the relaxation of various restrictions.
- ◆ Offsetting growing costs, operating profits recorded significant growth thanks to higher average sale prices, which reflected the proposal of various high value added products and efforts to optimize prices. Paper bags and paper cartons in particular drove growth in both sales and profits.

Factors Underlying Changes in Operating Profit

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

(Million yen)



- ◆ Sales volume grew due to recovering consumer spending, centered on paper cartons (up 5.5%).
- ◆ Average sale prices rose due to efforts to optimize prices and to proposal-based sales for high value added products (paper bags up 11.0%, paper cartons up 6.5%, corrugated boxes up 12.5%, plastic bags up 14.8%).
- ◆ Materials costs rose, due mainly to rising raw material costs.
- ◆ Labor costs rose due to expanded hiring and to wage hikes averaging 5.01%.
- ◆ Other SG&A expenses rose due to various factors, including costs associated with building a new headquarters building and expenses accompanying an upgrade of the backbone computer system.

Results by Segment

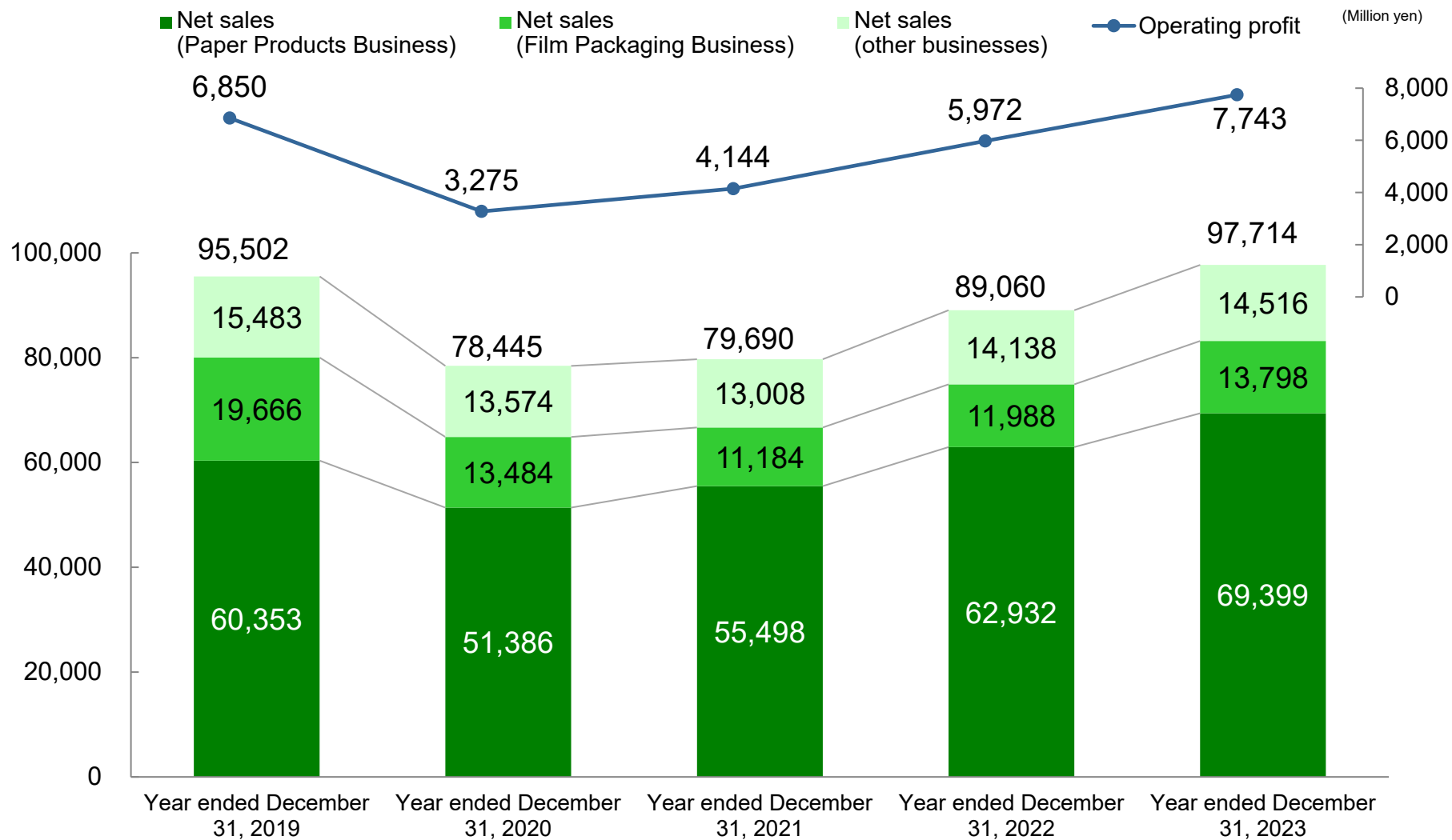
(Million yen)

		Year ended December 31, 2022		Year ended December 31, 2023		
		Actual	Share	Actual	Share	YoY change
Net sales		89,060	100.0%	97,714	100.0%	9.7%
	Paper Products	62,932	70.7%	69,399	71.0%	10.3%
	Paper bags	26,252	29.5%	29,653	30.3%	13.0%
	Paper cartons	22,283	25.0%	25,000	25.6%	12.2%
	Corrugated boxes	12,210	13.7%	12,419	12.7%	1.7%
	Printing	2,186	2.5%	2,325	2.4%	6.4%
	Film Packaging	11,988	13.4%	13,798	14.1%	15.1%
	Others	14,138	15.9%	14,516	14.9%	2.7%
Operating profit		5,972	100.0%	7,743	100.0%	29.7%
	Paper Products	5,333	89.3%	6,858	88.6%	28.6%
	Film Packaging	583	9.8%	856	11.1%	46.7%
	Others	1,059	17.7%	1,267	16.4%	19.7%
	Adjustments	-1,004	-16.8%	-1,239	-16.0%	-

- ◆ The Paper Products Business recorded sales and profits growth thanks to strong sales of packages for food products and recovering consumer spending and tourism demand.
- ◆ Positive sales performance continued in the Film Packaging Business for external packages for disposable diapers and for film packaging for food products.
- ◆ Other businesses saw strong sales of eco bags of cotton, nonwoven, and other materials and gift-wrapping materials.

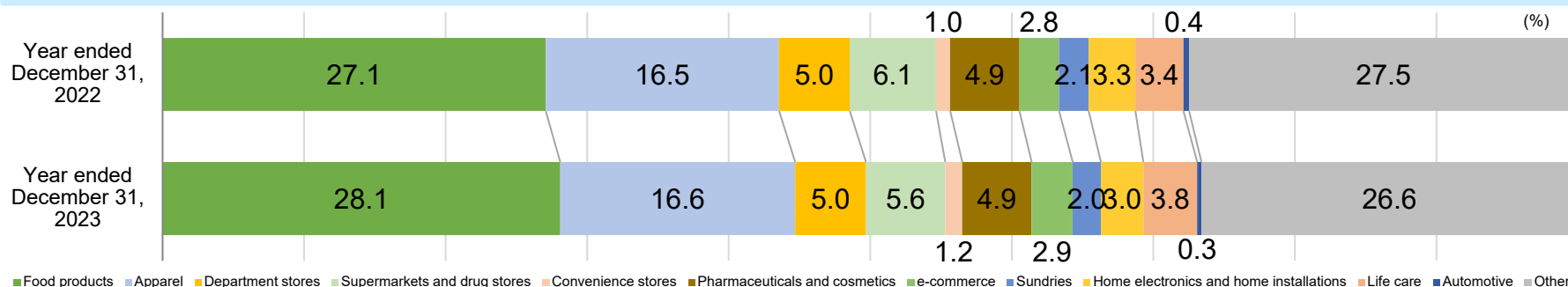
Trends by Segment

Record-high sales and operating profit for paper products



Sales Composition

Net sales by business



	Year ended December 31, 2022		Year ended December 31, 2023		
	Actual	Share	Actual	Share	YoY change
Food products	24,149	27.1%	27,438	28.1%	13.6%
Apparel	14,709	16.5%	16,187	16.6%	10.0%
Department stores	4,449	5.0%	4,910	5.0%	10.3%
Supermarkets and drug stores	5,390	6.1%	5,502	5.6%	2.1%
Convenience stores	890	1.0%	1,184	1.2%	33.0%
Pharmaceuticals and cosmetics	4,331	4.9%	4,743	4.9%	9.5%
e-commerce *	2,520	2.8%	2,834	2.9%	12.5%
Sundries	1,859	2.1%	1,939	2.0%	4.3%
Home electronics and home installations	2,982	3.3%	2,888	3.0%	-3.2%
Life care	2,985	3.4%	3,744	3.8%	25.4%
Automotive	327	0.4%	330	0.3%	0.7%
Other	24,461	27.5%	26,014	26.6%	6.3%

- ◆ In the food products segment, recovering consumer spending spurred sales growth to the souvenir market and for delivery and takeout foods.
- ◆ The relaxation of various restrictions helped drive a recovery in sales related to apparel packaging for brick-and-mortar stores.
- ◆ Department store sales remained firm as consumer spending and inbound demand recovered.
- ◆ Sales to the convenience store segment increased; our market share grew with expanded production capacity, while we received new orders related to proposals for paper package solutions leveraging our design capabilities.
- ◆ Sales to the pharmaceuticals and cosmetics segment grew with recovering consumer spending and inbound demand.
- ◆ The e-commerce sector showed positive sales performance due to new orders for corrugated boxes, paper delivery bags, and other delivery packaging.
- ◆ In the life care segment, sales grew sharply for external packages for disposable diapers.

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

Paper Products Segment

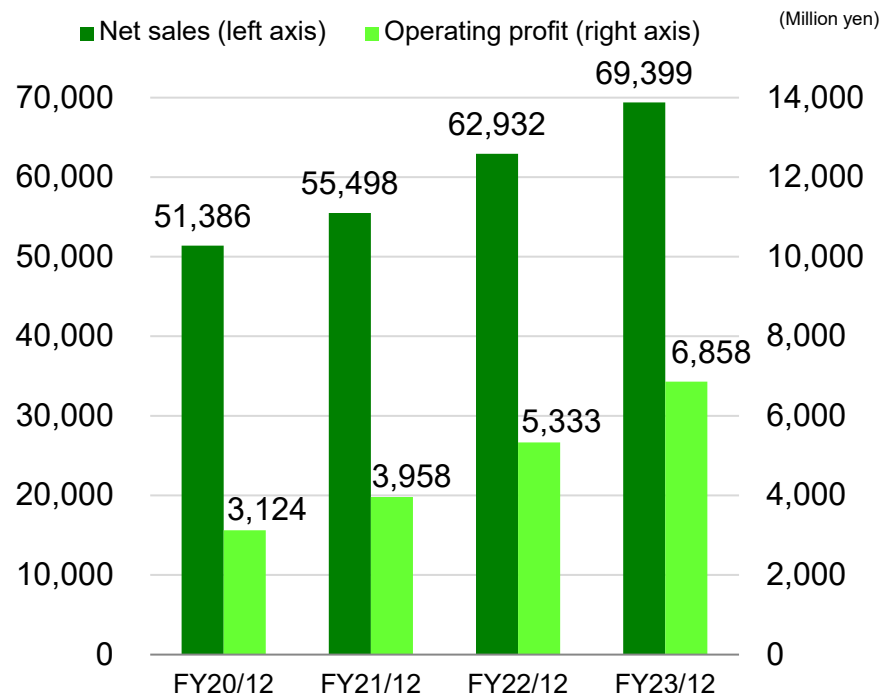
Industry environment

- ◆ Department store sales were up for the 22nd consecutive month, including double-digit YoY growth for accessories, sundries, and cosmetics, centered on luxury brands. Demand was strong for snacks as gifts.
(Source: Japan Department Store Association)
- ◆ Domestic travel consumption in Japan returned to near pre-COVID levels. The number of visitors from overseas is also recovering.
- 2023 domestic travel consumption in Japan (preliminary figure)
July-September: 6,289,900,000,000 yen (down 6.0% vs. 2019, up 15.7% YoY)
(Source: Japan Tourism Agency, Ministry of Land, Infrastructure, Transport and Tourism, "Travel and Tourism Consumption Trend Survey")

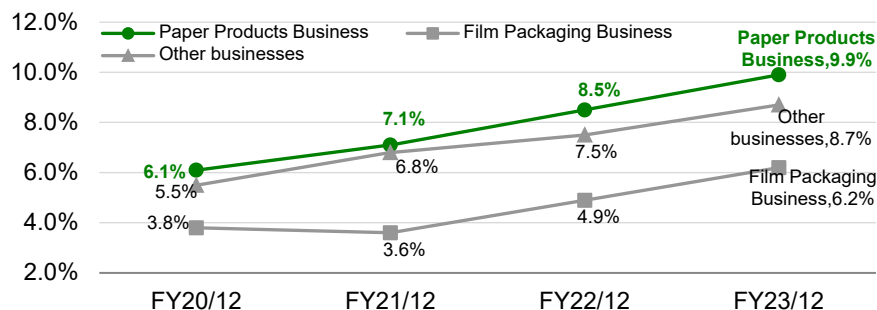
Initiatives

- ◆ Enhancing manufacturing capacity through investments in machinery and equipment and improved productivity
- ◆ Aggressive proposals of eco-friendly materials and processing methods

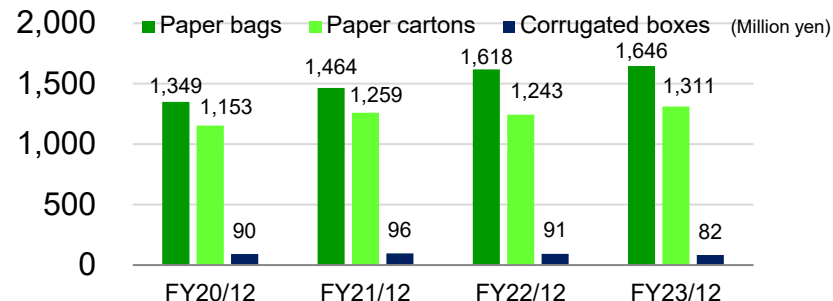
Trends in net sales and operating profits



Trends in operating profit margins



Trends in sales volume by product



Paper Products Segment (Paper Bags)

Industry environment

- ◆ Recovering demand for takeout paper cartons in response to growing brick-and-mortar store consumption and resumption of various events
- ◆ Growing demand for paper bags for high-end items to reflect tastes and preferences
- ◆ Growing demand for paper totes related to growing environmental awareness
- ◆ Continued diversification of packaging forms in response to the need within the e-commerce market to improve transport efficiency

Initiatives

- ◆ Stable supplies through enhancement of manufacturing capacity at our plants and strengthening supply chains
- ◆ Strengthening proposals for high value added products centering on eco-friendly products
- ◆ Focusing on development and sales expansion of paper delivery bags to improve efficiency in transport and operations

Examples of developed products

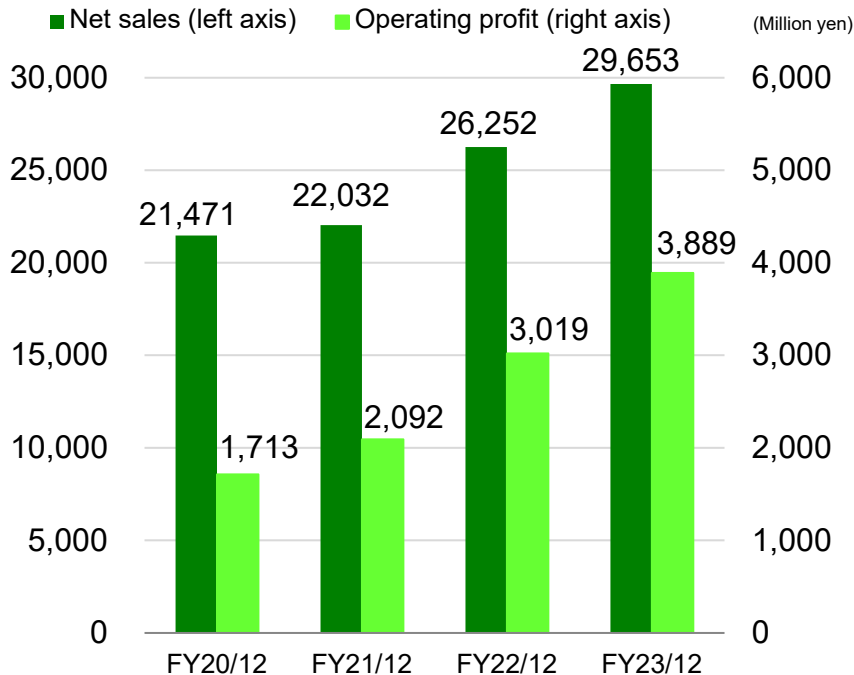


▲ Mixed paper with used clothes

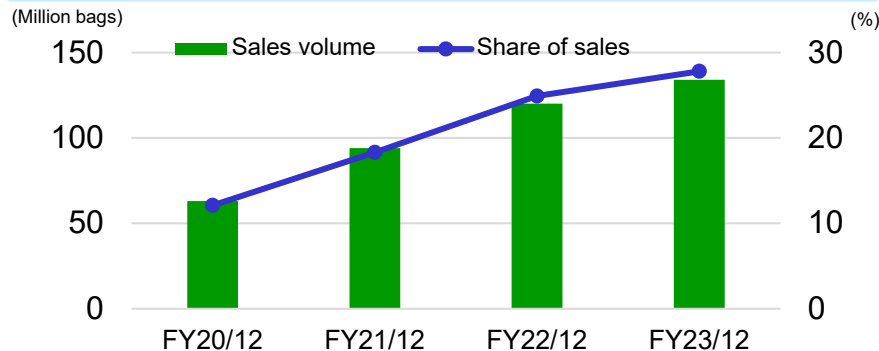


▲ Paper delivery bag compatible with automatic packaging machines

Trends in operating profit margins



Sales volume of FSC®-certified paper bags and their share of all paper bag sales



Paper Products Segment (Paper Cartons)

Industry environment

- ◆ Growing demand for paper cartons in markets for souvenirs and food products due to recovering consumption
- ◆ Growing demand for high value added paper cartons for nonrecurring events and other uses and in response to growing demand for gift packaging
- ◆ Growing demand for outsourcing and reducing manual labor amid labor shortages
- ◆ Growing demand for paper containers related to increasing environmental awareness

Initiatives

- ◆ Strengthening capital investment and new product development initiatives to bolster sales of primary paper containers for food products
- ◆ Focusing on bundled solutions combining services to help customers adapt to labor shortages in aspects such as paper carton assembly and product packing work, in addition to package sales
- ◆ Developing processing methods to realize plastic-free packaging with low environmental impact

Examples of developed products

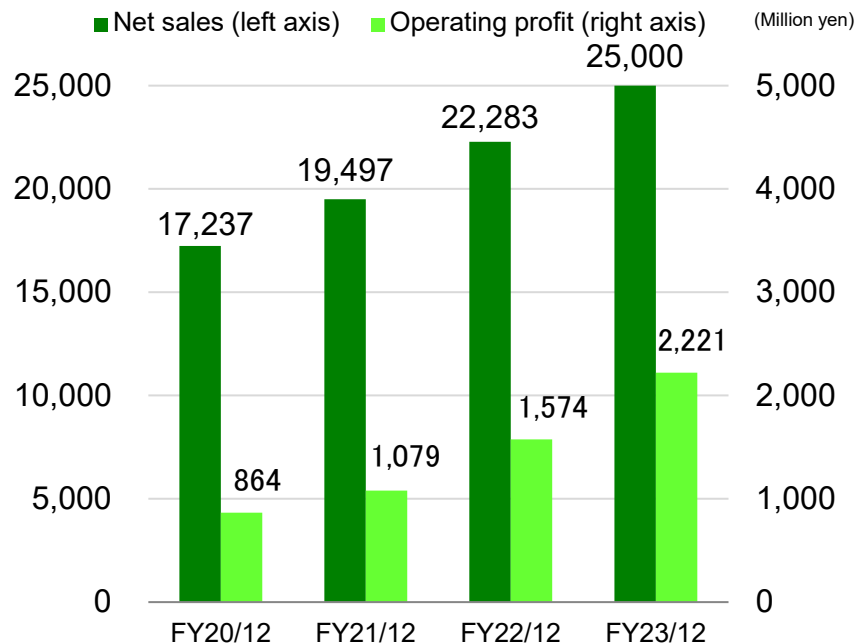
- ▶ Paper alternative to plastic trays featuring special structure to maintain tray shape



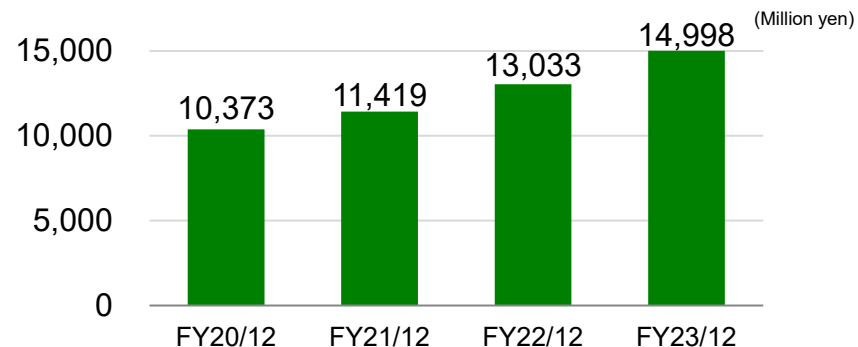
- ▶ Molded tray packages with paper lids



Trends in operating profit margins



Trends in paper carton sales to the food products market



Paper Products Segment (Corrugated Boxes)

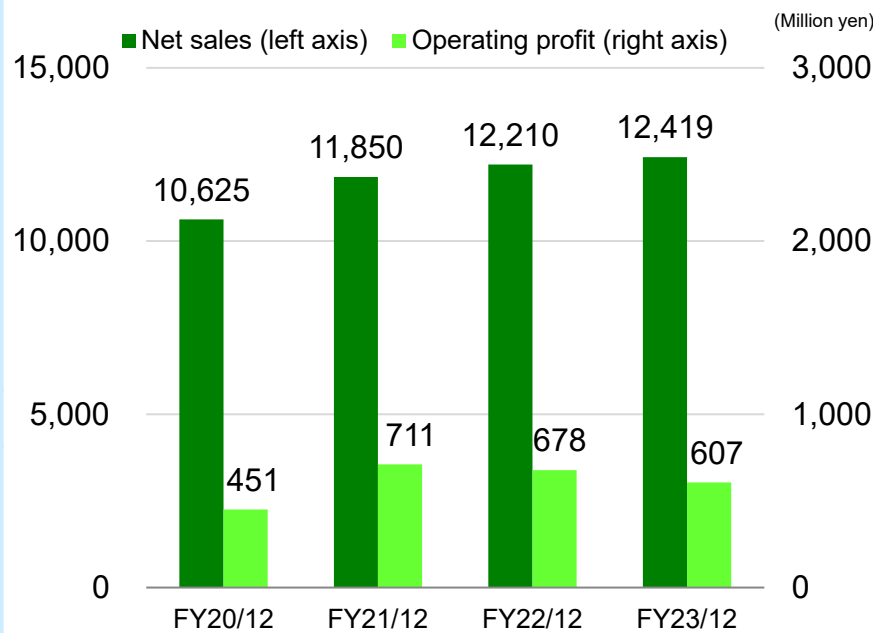
Industry environment

- ◆ Declining corrugated box demand due to slowing purchases of major home appliances, etc. in response to higher prices and lower exports from Japan as the US and China adopt protectionist policies
Production in the corrugated box industry in January-November 2023 was down 3.1% YoY overall and 6.3% for electrical and mechanical machinery.
(Source: Japan Corrugated Case Association, Corrugated Box Statistics)
- ◆ Growing demand for proposals of solutions to reduce labor requirements in packing workplaces and improve transport efficiency with growth in e-commerce market

Initiatives

- ◆ Enhancing the development and proposal of thin delivery boxes that fit inside mailboxes, to improve delivery efficiency
- ◆ Focusing on the proposal and sale of reinforced corrugated boxes and corrugated cushioning materials that draw on our design capabilities
- ◆ Enhancing proposals of high value added products using precision flexographic printers

Trends in operating profit margins



▲ Extra-large corrugated boxes—among the largest corrugated products in Japan



▲ All-paper cushioned CC-PACK® cushioned packages featuring flexibility and cushioning achieved by a special material structure



▲ Corrugated pads created by applying our design capabilities, to replace plastic cushioning materials



▲ Corrugated delivery boxes made using high-precision flexographic printers

Film Packaging Segment

Industry environment

- ◆ Growing demand for proposals for and development of eco-friendly packages using thinner films, recycled materials, biomass materials, etc.
- ◆ Progressive trend toward paper film packaging to reduce plastic use in the food products market in response to rising environmental awareness

Initiatives

- ◆ Providing attractive packaging using the latest eco-friendly high-precision flexographic printers
- ◆ Leveraging our proprietary processing technologies and accumulated expertise to enhance proposals for the life care and pet supplies markets
- ◆ Focusing on developing and expanding sales of paper film packaging using paper as a base material
→ 112.5% YoY growth in sales in 2023

Examples of developed products

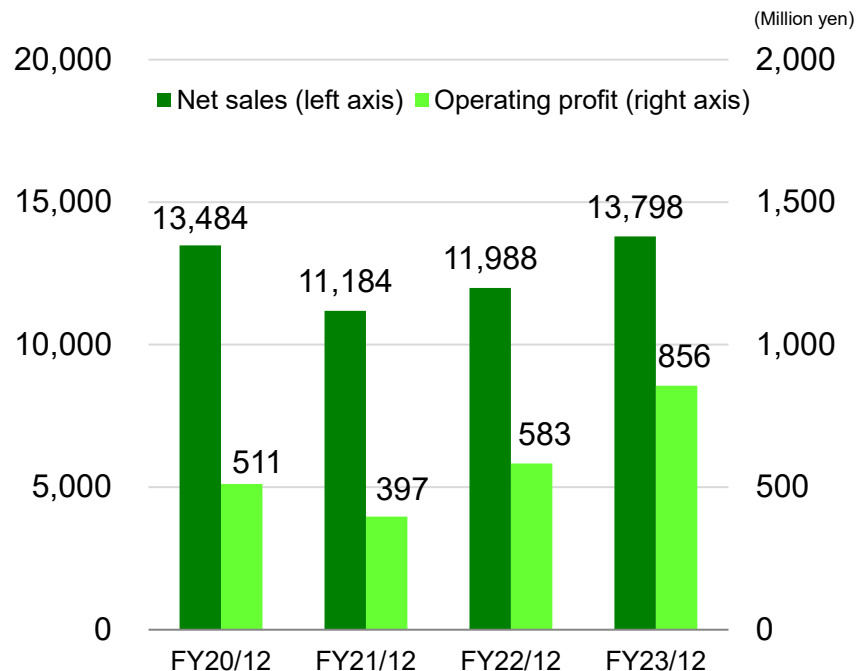


▲ ecoKARA Series film made using egg shells

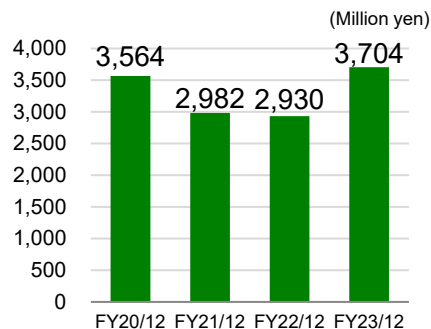


▲ Fully filmless paper-based flexible packaging with barrier function

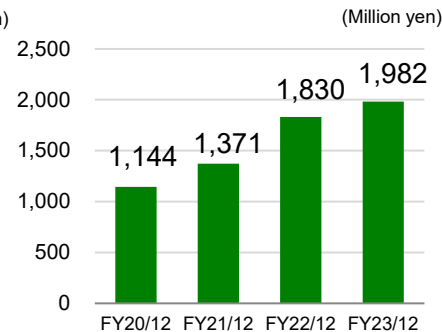
Trends in operating profit margins



Trends in sales of external packages for disposable diapers



Trends in sales of film packaging



Other Businesses

Industry environment

- ◆ Renewal of gift wrapping materials is underway in response to recovering consumption at brick-and-mortar stores
- ◆ Growing introduction of reusable and post-usable sewn packages (eco bags and gift wrapping) in response to rising environmental awareness
- ◆ Recovering demand for supplies and office materials at department stores in response to recovering department store sales

Initiatives

- ◆ Enhancing proposals of sewn products with low environmental impact using recycled or natural materials
- ◆ Improving logistics efficiency in the Pack Assortment Service System (PAS) for department stores and specialty retailers

Examples of sewn eco-friendly products



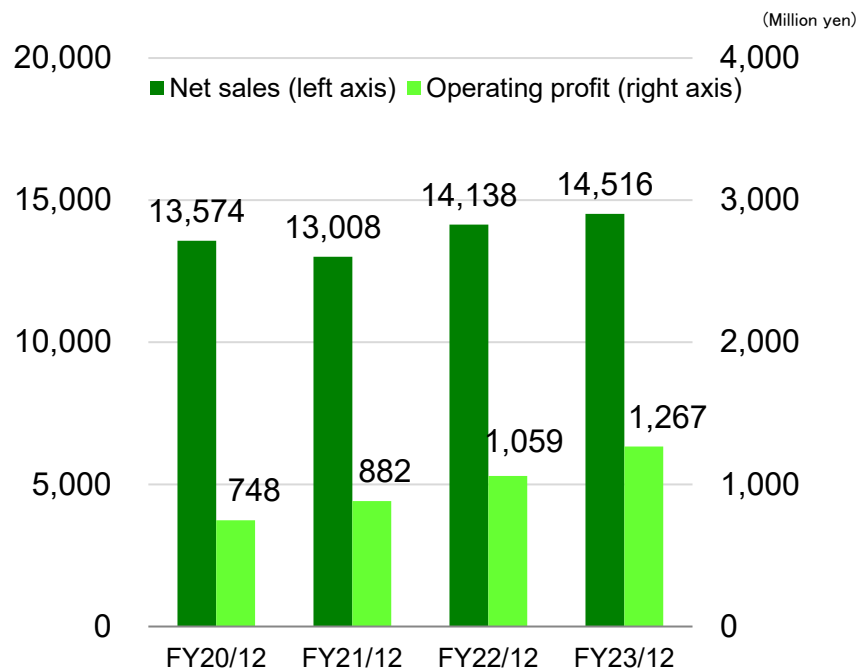
▲ Recycled Tetron Cotton, a material produced by recycling factory scraps of cotton, polyester, and other fabrics



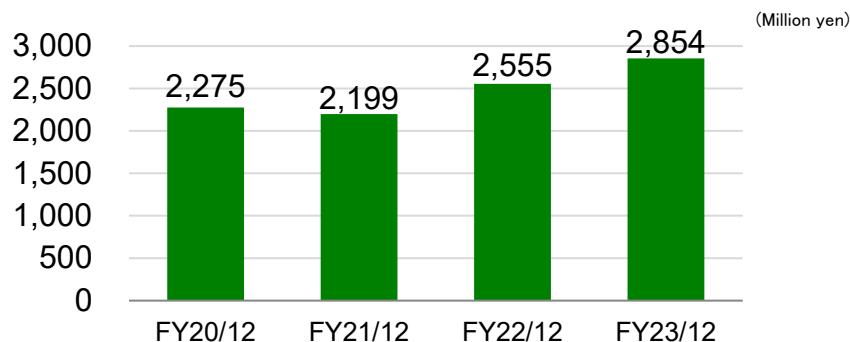
▲ Center: Gift packaging material made of sewn kraft paper that is both highly durable and washable
Right: Gift packaging material of special sewn paper material with embedded threading



Trends in operating profit margins



Trends in sales of sewn products



Balance Sheet

(Million yen)

		Year ended December 31, 2022	Year ended December 31, 2023
		Actual	Actual
Assets		94,365	98,847
	Current assets	61,484	59,080
	Non-current assets	32,881	39,766
	Property, plant, and equipment	23,729	27,401
	Intangible assets	1,044	2,679
	Investments and other assets	8,106	9,685
Liabilities		28,994	27,691
	Current liabilities	26,054	26,605
	Non-current liabilities	2,939	1,085
Net assets		65,371	71,156
	Shareholders' equity	63,713	68,092
	Accumulated other comprehensive income	1,611	3,018
	Share acquisition rights	46	45
	Non-controlling interests	-	-

Cash Flow

(Million yen)

Main items	Year ended December 31, 2022	Year ended December 31, 2023
	Actual	Actual
Cash flows from operating activities	5,380	4,443
Profit before income taxes	5,925	7,941
Depreciation and impairment losses	2,315	2,082
Cash flows used in investment activities	-3,762	-3,962
Purchase of property, plant, and equipment	-3,109	-5,581
Purchase of intangible assets	-433	-1,702
Purchase of investment securities	-2,357	-36
Proceeds from sales of investment securities	204	1
Cash flows used in financing activities	-1,124	-1,407
Cash dividends paid	-1,043	-1,334
Cash and cash equivalents at end of period	18,653	17,812

- ◆ We incurred expenditures associated with the establishment of a retirement benefit trust in preparation for the payment of lump-sum retirement benefits.
- ◆ The increase in purchases of property, plant, and equipment include purchases related to land acquisition and construction for the new headquarters.
- ◆ The amount of dividends paid increased as we maintained a payout ratio of 30% or higher on returns to shareholders.

2. Forecasts of Business Results for the Year Ending December 31, 2024



Forecasts of Business Results

Toward new record highs in sales and profit

(Million yen)

	Year ended December 31, 2023	Year ending December 31, 2024	
	Actual	Forecast of business results	Forecast YoY change
Net sales	97,714	101,000	3.4%
Operating profit	7,743	8,100	4.6%
Ordinary profit	8,063	8,400	4.2%
Profit attributable to owners of parent	5,652	6,400	13.2%
Basic earnings per share (yen)	297.07	336.27	13.2%
Dividend per share (yen)	90.00	118.00	31.1%

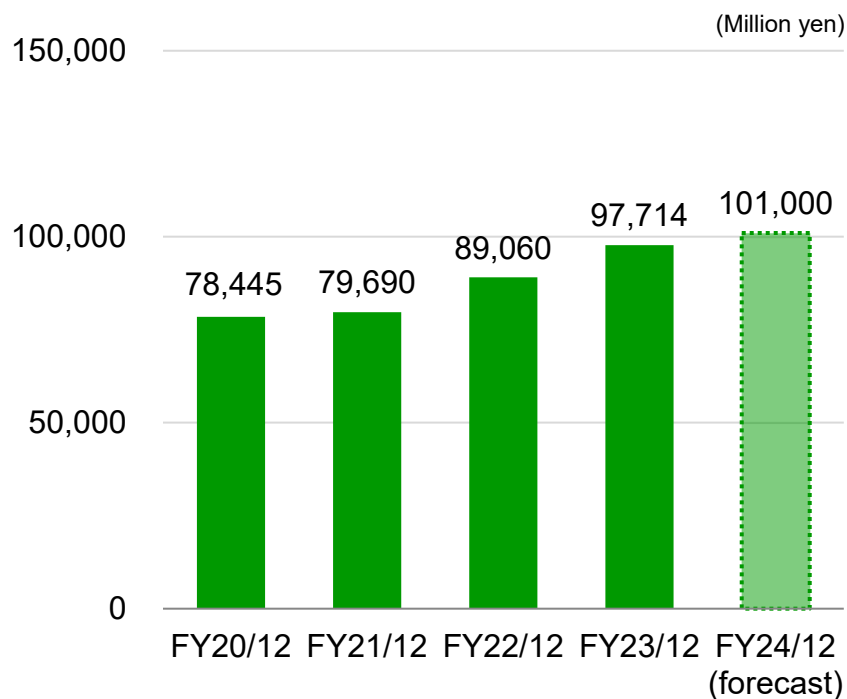
- ◆ Sales expected to exceed 100 billion yen for the first time
- ◆ We will expand both our lineup and sales of paper cartons and paper bags. We will strive to increase sales and profits by energetically proposing solutions to social challenges in areas such as environmental impact, nature conservation, and addressing the labor shortage.

Trends in Consolidated Business Results

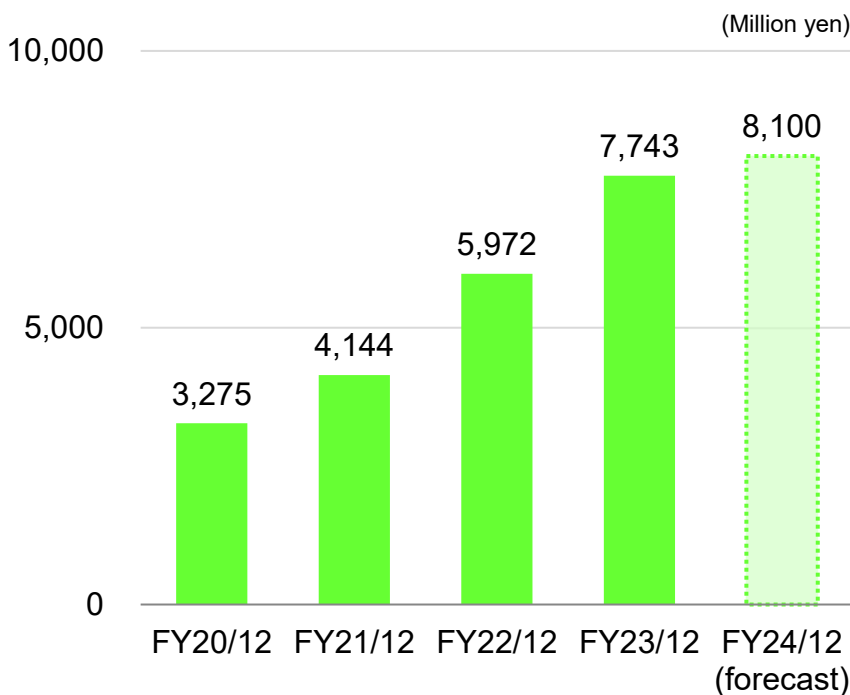
(Million yen)

	Year ended December 31, 2020	Year ended December 31, 2021	Year ended December 31, 2022	Year ended December 31, 2023	Year ending December 31, 2024 (forecast)
Net sales	78,445	79,690	89,060	97,714	101,000
Operating profit	3,275	4,144	5,972	7,743	8,100

Trends in net sales



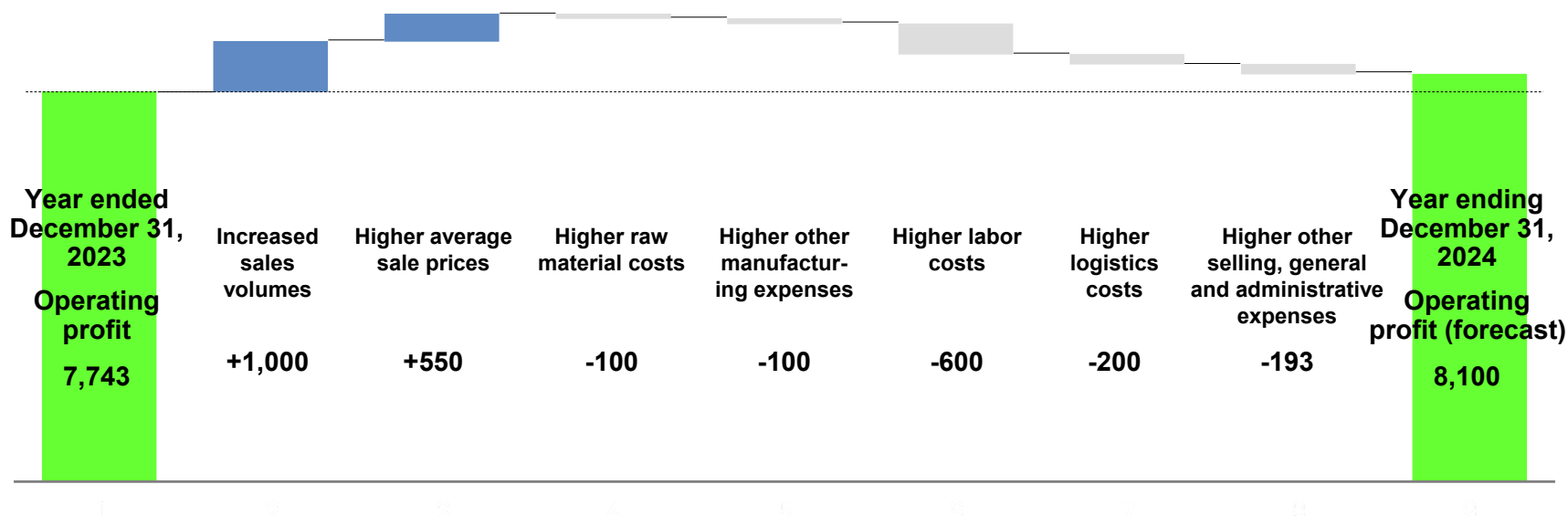
Trends in operating profit



Major Factors Underlying Projected Changes in Operating Profit

Profit growth driven mainly by growing sales of paper products

(Million yen)



- ◆ Growth in sales volumes centering on paper products thanks to stronger proposal-based sales
- ◆ Higher average sale prices achieved through proactive proposals involving eco-friendly products and high value added products, starting with paper materials
- ◆ Higher labor costs due to increased hiring

3. Promotion of Sustainable Management



Promotion of Sustainable Management

Setting 12 materialities in five themes

	Major themes	Materialities (Important Issues)
Environment	Delivering solutions to environmental issues through our business activities	<ul style="list-style-type: none"> ◆ Promoting eco-friendly product planning and technological development ◆ Reducing environmental impact throughout our business activities ◆ Contributing to environmental conservation and preservation
Social	Valuing and nurturing people	<ul style="list-style-type: none"> ◆ Promoting employee health and safety ◆ Developing and cultivating the capacity to offer total solutions related to packaging ◆ Promoting diverse work styles that encourage all employees to thrive
	Building and enhancing relations of trust with our business partners and customers	<ul style="list-style-type: none"> ◆ Co-creating brand value with our customers ◆ Maintaining and improving quality through joint efforts with business partners
	Contributing to social development and prosperity	<ul style="list-style-type: none"> ◆ Contributing to developing future generations and fostering environmental awareness ◆ Providing solutions to increasingly diverse social issues
Governance	Enhancing management foundations	<ul style="list-style-type: none"> ◆ Securing soundness, transparency, and efficiency in management ◆ Promoting supply chain risk management

Details of initiatives in the year ended December 2023 and the year ending December 2024

March 2023	Construction began on the new headquarters building
Beginning April 2023	<p>Launch of Sustainability Committee (chaired by President & CEO Hideaki Yamashita; four members; met eight times in 2023)</p> <p>Topics of deliberations: Preparation of the Sustainability Committee Regulations; final confirmation of TCFD disclosure; checking progress on CFP initiatives; overseeing Integrated Report, dealing with sustainability evaluation agencies; expanding activities of The Pack Forest® Environment Fund; etc.</p>
Beginning June 2023	<p>Publishing the SHINKA bulletin for all employees to promote understanding of sustainability data and the Medium-Term Management Plan internally (vols. 1-3 have been published).</p> <p>Includes survey to stimulate internal dialogue and gauge permeation among employees as we strive to ascertain workplace views and understanding.</p>
September 2023	Materiality KPIs formulated
March 2024 (planned)	TCFD disclosure
May-June 2024 (planned)	Publication of Integrated Report and Sustainability Report



Promotion of Sustainable Management

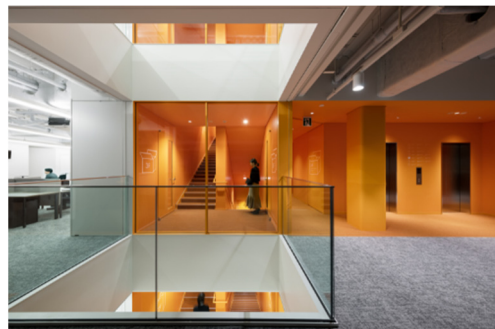
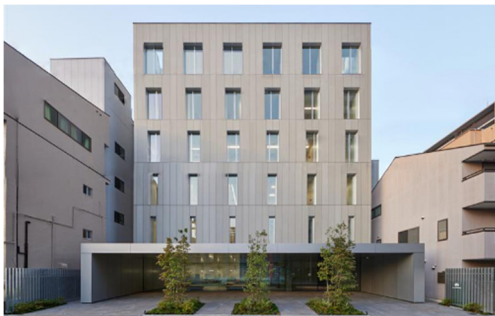
- ◆ Construction began in March 2023 on the headquarters building at the site where the Company was founded. Plans for the facility emphasize high environmental performance to contribute to a decarbonized society, consideration for local residents, and comfortable workplaces. The new building will be a symbol of our sustainability management.

Building evaluations

- Zero-emissions building accreditation results: ZEB Ready, BELS highest rating
- CASBEE accreditation results: CASBEE Rank S (highest rating), CASBEE Wellness Office Rank S (voluntary registration)

Awards

- FY2023 Osaka Environmentally Friendly Architecture Award in office category
- Silver prize and guest judge's prize (Bo Linnemann Prize) in the 57th Japan Sign Design Awards (SDA)



Use of eco-friendly technologies

- Natural ventilation and lighting using Ecovoid
- Solar power generated via solar panels
- Highly insulation-efficient exterior walls and low-E glass to reduce air conditioning loads
- Automated light dimming using LED lights with sensors in work areas
- Ventilation control through full use of heat exchangers reflecting fluctuation in number of personnel present (CO₂ concentration)

Efforts to improve productivity

- Reception rooms featuring large monitors
- Layout suited to new workstyles and free-address workspaces, remote work, paperless work, and online meetings
- Shared spaces to stimulate exchange and dialogue

Promotion of Sustainable Management

HR measures based on the corporate philosophy, “We value and nurture people.”

- ◆ We’re implementing various HR measures to support diverse employee workstyles and increase motivation and engagement with the goal of increasing corporate value over the long term.

Training
(Initial year, levels, Companywide)

Expand use of talent management system.

Regular raises, increasing base pay, increasing bonuses

Adoption of an incentive program using transfer-restricted shares for the employee stock ownership association

Promotion of women’s careers

Encouraging men to take childcare leave

Adopting engagement surveys

Support to stimulate employee interaction and dialogue

* See “Progress of Human Capital Strategy,” p. 31 for details

Formulating materialities and KPIs

- ◆ We established materialities and KPIs in September 2023. Efforts continue in each section to achieve these KPIs by FY2030. The 2023 results are reviewed below.

Main theme	Materialities	KPIs	2023 results
Resolve environmental issues through business activities.	Plan products and develop technologies that reflect environmental awareness.	Increase sales*1 of FSC® products (paper bags, paper cartons, corrugated boxes) to at least 50% of sales.	12,155 million yen 14.2%
	Reduce overall environmental impact of business activities.	Reduce CO ₂ emissions (Scopes 1 and 2) by 46% vs. FY2018.	Planned for announcement around May-June 2024
	Contribute to nature protection and environmental preservation.	Conducting 15 activities/year, with 500 participants, under The Pack Forest® Environment Fund	Nine activities per year, with 253 participants
Value people, nurture people.	Promote diverse work styles that allow employees to thrive.	Increase the percentage of women in managerial positions (manager or higher) to at least 15%.	6.5%
Build and deepen trust with suppliers and customers.	Co-create brand value with customers.	Increase the number of companies*2 supporting The Pack Forest® Environment Fund to 300.	123 companies

*1 Net sales: For the entire Paper Products Business of The Pack on a nonconsolidated basis

*2 Relates to the number of companies with net sales results

(FSC® C020517)

4. Progress on the Medium-Term Management Plan



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

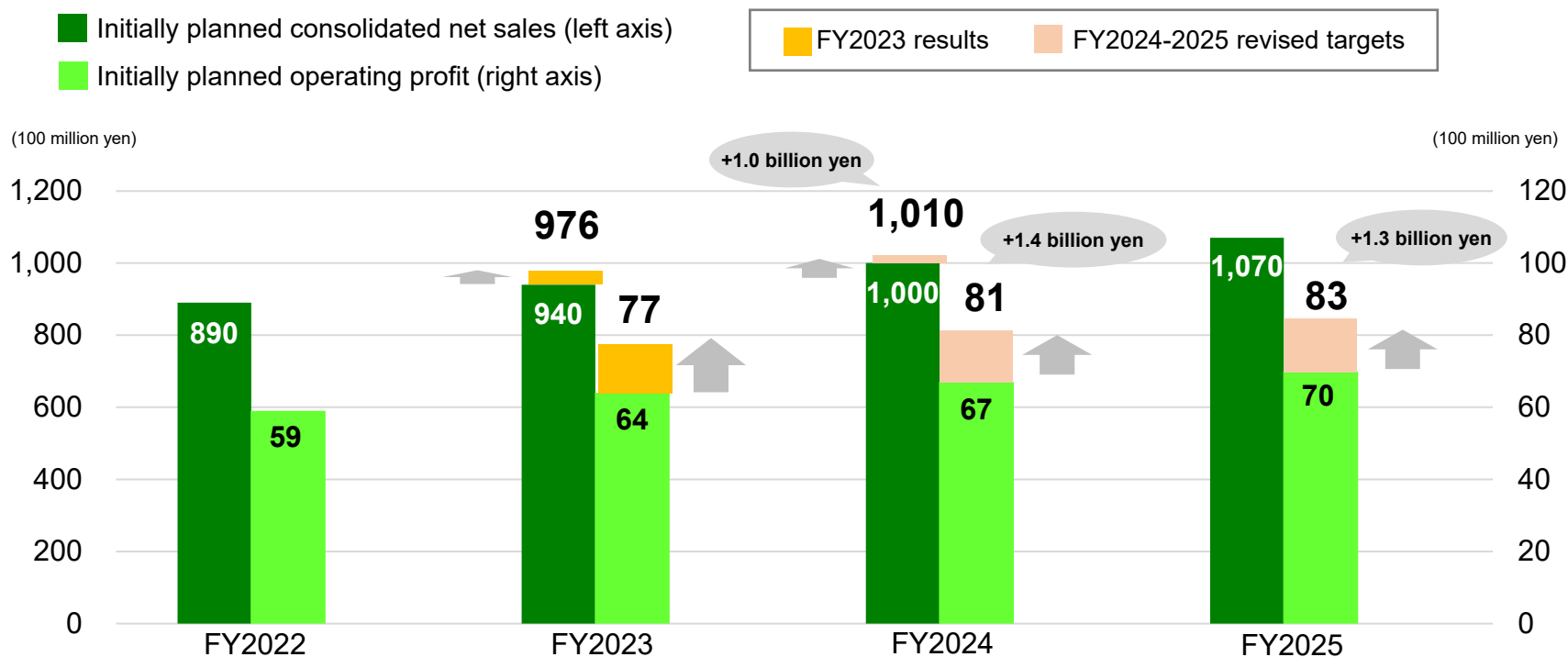
Background of revisions

- ◆ 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.

Progress on Financial Strategy (2): Further Enhancements in Shareholder Returns

Overview

- ◆ Strengthening corporate value through dialogue with investors and shareholders and continuous consideration by the Board of Directors and other bodies
- ◆ Alongside efforts to maintain ROE and ROIC of 8% or higher as indicators of returns on capital, we will target a total payout ratio of 50% by increasing the dividend payout ratio to enhance shareholder returns and by purchasing treasury stock.

Initial plans

◆ Dividend payout ratio

Maintaining 30% payout ratio or higher

◆ Buying back our own shares

Flexible share buybacks

◆ Total shareholder returns and total payout ratio

4.0 billion yen (FY2023-2025 total)

Revised plans

FY2023 result: 30%

FY2024-2025: Maintaining a level of 35% or higher

FY2023 result: none

FY2024-2025: Buying back up to 1.0 billion yen of our own shares each year

8.0 billion yen

Breakdown	Dividends	Buying back our own shares	Total payout ratio
FY2023 result	1.7 billion yen	None	30%
FY2024	2.2 billion yen	Up to 1.0 billion yen	50%
FY2025	2.2 billion yen	Up to 1.0 billion yen	50%

5. Reference Materials



Corporate Overview

Name	THE PACK CORPORATION
Founded	May 1952 (shares listed September 1991; listed on TSE Prime Market April 2022)
Headquarters	2-9-3 Higashiobase, Higashinari-ku, Osaka City, Osaka * Relocated in May 2023.
Lines of business	Planning, manufacturing and sale of paper bags, folding paper cartons, corrugated boxes, film packaging, etc.
Executives	Hideaki Yamashita, President and CEO, eight other directors (including three outside directors), and four auditors (including two outside auditors)
Number of employees	1,183 consolidated, 840 nonconsolidated
Group companies	Eight consolidated subsidiaries (in Japan, the United States, and China)
Main banks	MUFG Bank, Sumitomo Mitsui Banking Corporation, Mitsubishi UFJ Trust and Banking Corporation, Sumitomo Mitsui Trust Bank, Mizuho Bank
Main shareholders	Morita Memorial Welfare Foundation 10.93%, The Master Trust Bank of Japan (trust account) 8.25%, BBH for Fidelity Low-Priced Stock Fund (principle all-sector sub-portfolio) 6.61%, Partner companies' stock ownership program, Custody Bank of Japan (trust account) 4.73%, Custody Bank of Japan (trust account) 4.60%, Custody Bank of Japan (Resona re-trust account/Hokuetsu Corporation retirement benefits trust account) 3.26%, Daio Paper Corporation 3.01%, MUFG Bank 2.60%

(As of the end of December 2023)

The Pack Group (Eight Consolidated Subsidiaries)

The Pack Corporation

Headquarters (Osaka)



Tokyo Head Office Building



Osaka Plant



Nara Plant



Tokyo Plant



Ibaraki Plant



(All sites have earned ISO 9001 and ISO 14001 certification.)

Domestic subsidiaries

Keihin Tokushu Printing Corp.



Nikko Print Corporation



Pack Takeyama Co., Ltd.



Nishinihon Printing Co., Ltd.



Kannaru Printing Co., Ltd.



Overseas subsidiaries

Consolidated subsidiaries in China
The Pack (Changshu) Co., Ltd.



The Pack
(Shanghai)
Corporation

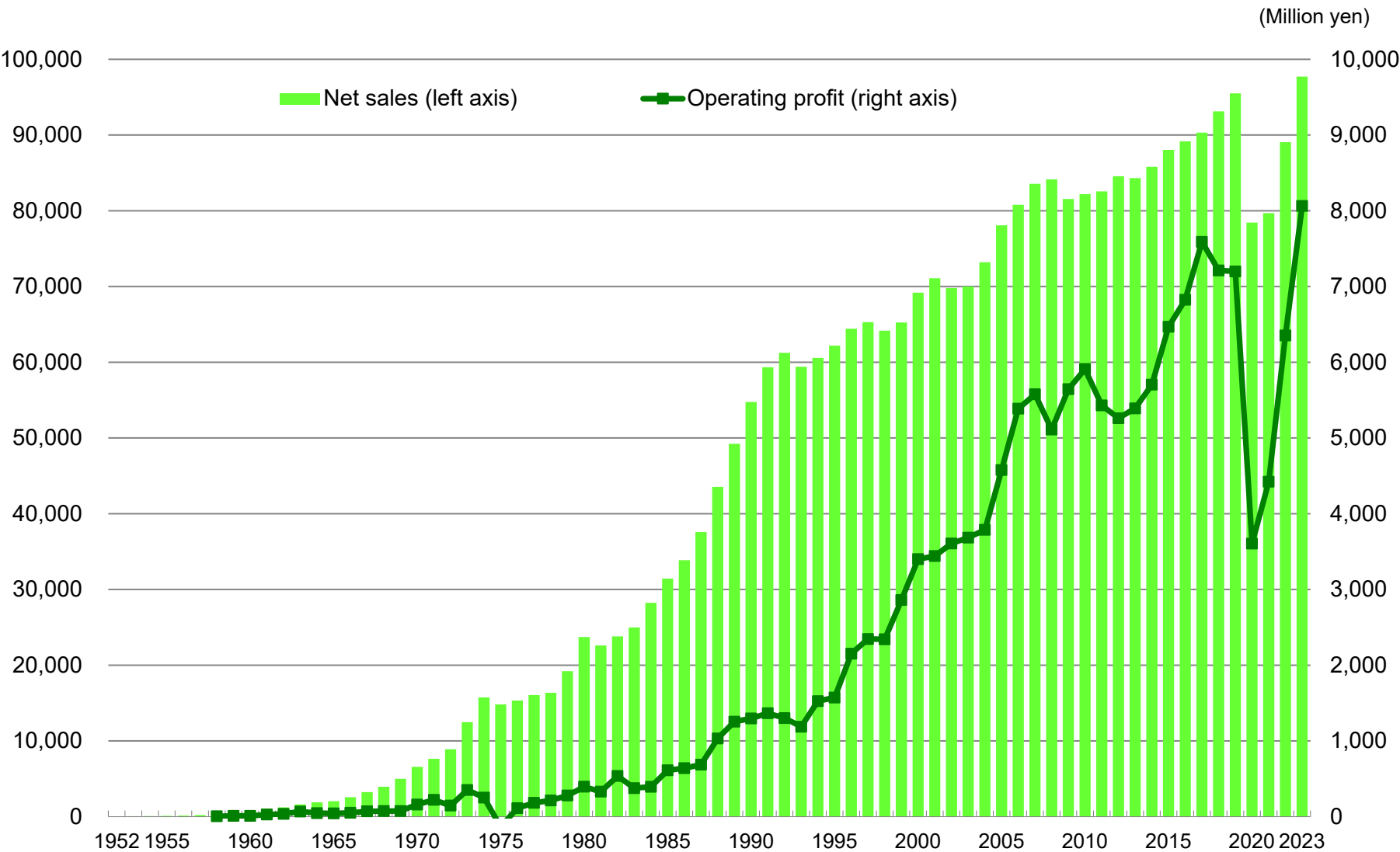


U.S. consolidated subsidiary

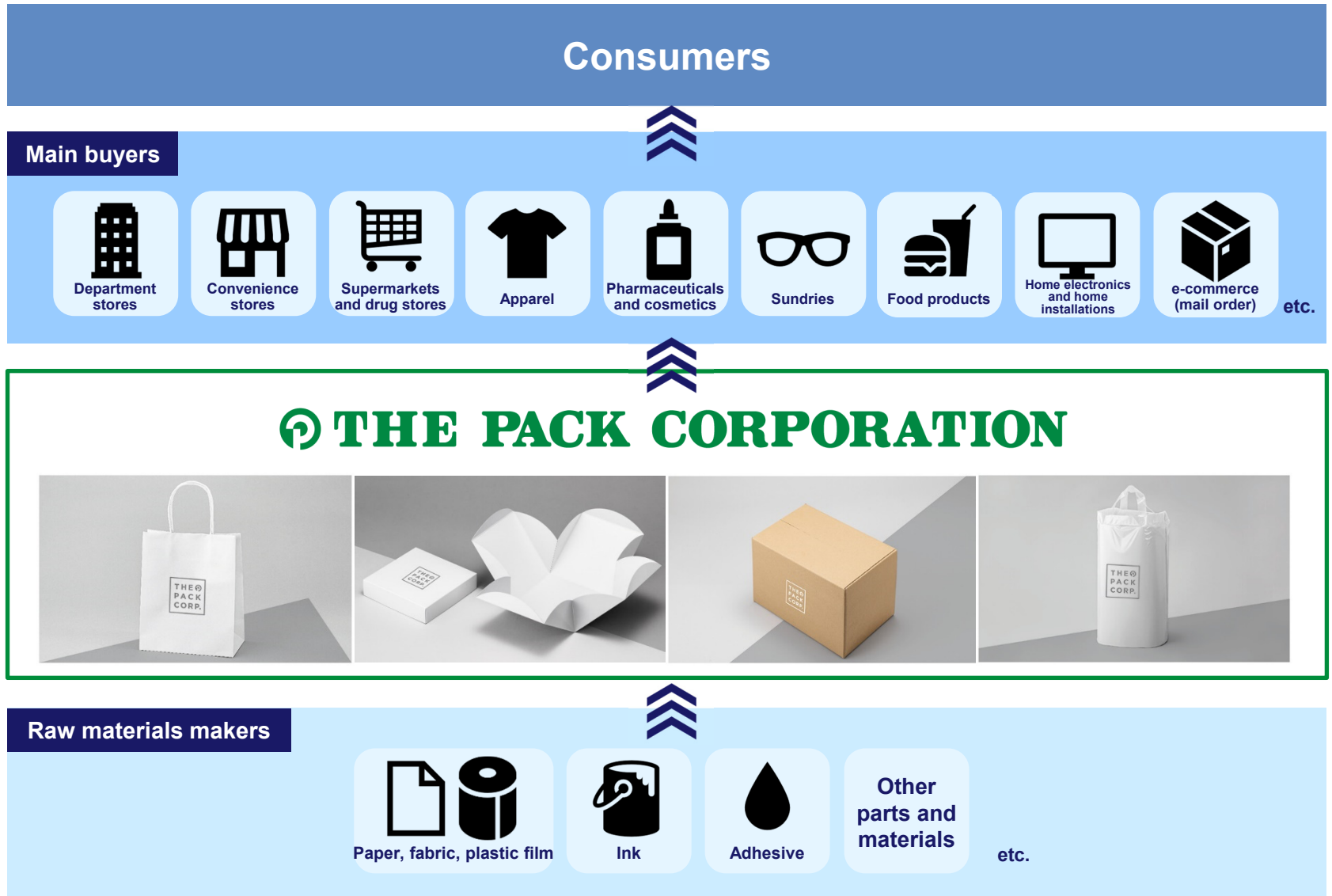
The Pack
America
Corporation







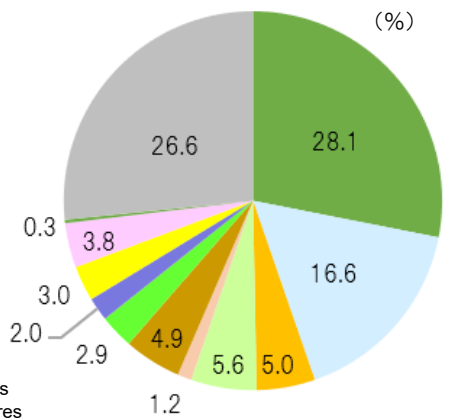
Trends in Net Sales and Ordinary Profit (Consolidated) from the Company's Founding (1952) through 2023




Distribution Structure for Major Products



The Pack's Strengths (1)

Strength	Specifics																										
<p>1. A wide-ranging customer base</p>  <p>Apparel and other goods</p>  <p>e-commerce</p>	<p>◆ Transaction counterparties: approx. 14,000 companies</p> <p>Food products, department stores, specialty stores, large retailers, general retailers, convenience stores, fast food, apparel, home electronics manufacturers, e-commerce, etc.</p> <p>⇒ <u>A customer base resistant to the negative effects of downturns in specific industries</u></p> <div data-bbox="666 695 1385 822"> <ul style="list-style-type: none"> Food products Apparel Department stores Supermarkets and drug stores Convenience stores Pharmaceuticals and cosmetics e-commerce (mail order) Sundries Home electronics and home installations Life care Automotive Other </div>  <p>Food products</p>  <p>Consumer industries</p> <p>Year ended December 31, 2023 (%)</p>  <table border="1"> <thead> <tr> <th>Industry</th> <th>Percentage (%)</th> </tr> </thead> <tbody> <tr> <td>Food products</td> <td>28.1</td> </tr> <tr> <td>Apparel</td> <td>16.6</td> </tr> <tr> <td>Department stores</td> <td>26.6</td> </tr> <tr> <td>Supermarkets and drug stores</td> <td>5.6</td> </tr> <tr> <td>Sundries</td> <td>5.0</td> </tr> <tr> <td>e-commerce (mail order)</td> <td>4.9</td> </tr> <tr> <td>Home electronics and home installations</td> <td>3.8</td> </tr> <tr> <td>Life care</td> <td>3.0</td> </tr> <tr> <td>Automotive</td> <td>2.9</td> </tr> <tr> <td>Other</td> <td>1.2</td> </tr> <tr> <td>Convenience stores</td> <td>0.3</td> </tr> <tr> <td>Pharmaceuticals and cosmetics</td> <td>2.0</td> </tr> </tbody> </table>	Industry	Percentage (%)	Food products	28.1	Apparel	16.6	Department stores	26.6	Supermarkets and drug stores	5.6	Sundries	5.0	e-commerce (mail order)	4.9	Home electronics and home installations	3.8	Life care	3.0	Automotive	2.9	Other	1.2	Convenience stores	0.3	Pharmaceuticals and cosmetics	2.0
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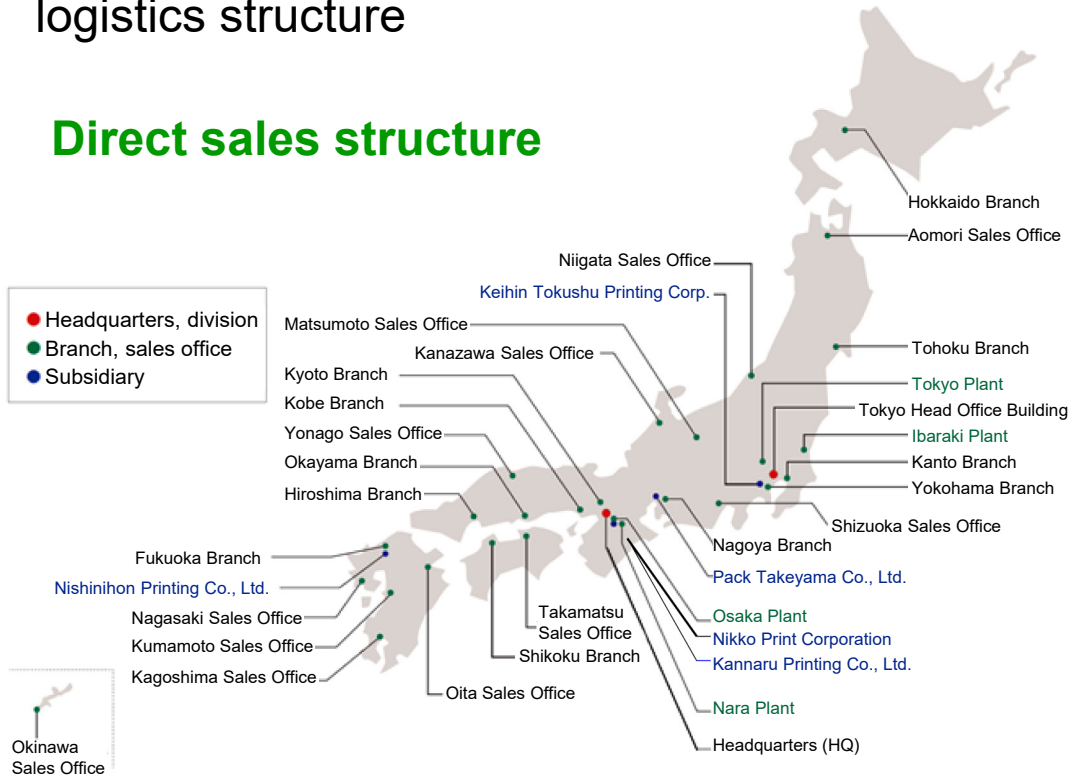
The Pack's Strengths (2)

Strength	Specifics
2. A total packaging solutions provider	<ul style="list-style-type: none">◆ (Full support structure) Solutions proposed by joint efforts of the sales, research and planning, engineering, and design sections◆ (Thorough expertise and access to large body of information) Operating one of Japan's largest packaging labs <p>⇒ <u>Delivering consulting-based solutions in response to the wide-ranging needs of customers</u></p> <div data-bbox="643 665 1582 1228"></div> <p>Packaging lab</p>

The Pack's Strengths (3)

3. Integrated manufacturing, sales, and logistics structure

Direct sales structure



Teamwork among our four domestic plants, Group companies, and subcontractor plants also helps manage the risk of disasters and accidents.

Specifics

The Pack Group

Printing plant



Manufacturing

Paper bag plant



Film packaging plant



Paper cartons plant



Corrugated board plant



Nationwide direct sales structure

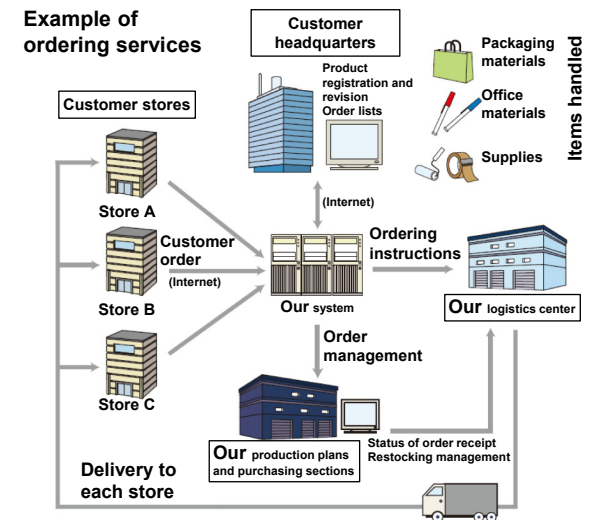
Logistics

Products

Customers across Japan

The Pack's Strengths (4)

Strength	Specifics
4. Quality control structure	<ul style="list-style-type: none"> ◆ Groupwide quality management systems are ISO 9001-certified. ◆ The Tokyo and Osaka plants <ul style="list-style-type: none"> ⇒ <u>have earned FSSC 22000 international food-safety management system certification.</u> ◆ Based on a policy of improving customer satisfaction through enhanced quality, we strive to earn customer trust by delivering safe, reliable products.
5. IT-driven customer networks	<ul style="list-style-type: none"> ◆ Delivering packaging materials, supplies, and other products as an integrated service <ul style="list-style-type: none"> ⇒ <u>Streamlined logistics based on bulk deliveries also helps cut CO₂ emissions.</u> ◆ Offering Pack-Web web-ordering services <ul style="list-style-type: none"> ⇒ <u>Streamlining customers' ordering operations</u>



ESG Initiatives (1)

Initiatives	Specifics
<div>1. Environmental Initiatives</div> <div><div>Relationship to the SDGs</div><div><div><div>6</div><div>CLEAN WATER AND SANITATION</div><div></div></div><div><div>7</div><div>AFFORDABLE AND CLEAN ENERGY</div><div></div></div><div><div>9</div><div>INDUSTRY, INNOVATION AND INFRASTRUCTURE</div><div></div></div><div><div>11</div><div>SUSTAINABLE CITIES AND COMMUNITIES</div><div></div></div><div><div>12</div><div>RESPONSIBLE CONSUMPTION AND PRODUCTION</div><div></div></div><div><div>13</div><div>CLIMATE ACTION</div><div></div></div><div><div>14</div><div>LIFE BELOW WATER</div><div></div></div><div><div>15</div><div>LIFE ON LAND</div><div></div></div></div></div> <div><ul style="list-style-type: none">◆ All plants and sites in Japan had earned ISO 14001 certification as of 2006.◆ We are implementing a wide range of initiatives, including measures to cut CO₂ emissions and waste volumes and to develop eco-friendly products.◆ We fulfill our obligations as a core member of the Japan Clean Ocean Material Alliance, which promotes activities across the economy to develop and promote innovative substitutes based on public-private partnerships to reduce ocean plastic waste.◆ Support the spread and growth of renewable energy through investment in renewable energy funds.<div><div>Overview of environmental impact</div><div><div>We're striving to ascertain and lessen the environmental impact of production activities as a whole.</div><div>* 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</div></div><div><div><div><div>INPUT</div><div><div><div>Raw materials</div><div>97,832 t¹</div><div>[YoY change +4.9%]</div></div><div><div>Subsidiary materials</div><div>4,314 t²</div><div>[YoY change +17.4%]</div></div><div><div>Water (incl. groundwater)</div><div>69 thousand m³</div><div>[YoY change -11.7%]</div></div><div><div>Electricity</div><div>26,543 thousand kWh</div><div>[YoY change +9.5%]</div></div><div><div>Gas</div><div>City gas 1,978 thousand m³</div><div>[YoY change -1.0%]</div><div>LPG 12.7 t</div><div>[YoY change +73.4%]</div></div><div><div>Other fuels</div><div>172 kL</div><div>[YoY change -2.7%]</div></div></div><div><div><div>Raw materials procurement</div><div>Development, production</div><div>Sales, administration</div><div>Logistics</div><div>Customers</div></div></div><div><div><div>OUTPUT</div><div><div>Sewage and public water supply</div><div>69 thousand m³</div><div>[YoY change -11.7%]</div></div><div><div>CO₂</div><div><div>Four plants</div><div>20,360 t</div><div>[YoY change +16.5%]</div></div><div><div>Headquarters and sales as a whole</div><div>445 t</div><div>[YoY change ±0%]</div></div><div><div>logistics³</div><div>9,220 t</div><div>[YoY change +3.0%]</div></div><div><div>Total</div><div>30,025 t</div><div>[YoY change +11.7%]</div></div></div><div><div><div>Waste</div><div><div>Industrial waste (four plants)</div><div>17,973 t</div><div>[YoY change -2.3%]</div></div><div><div>Recycling rate</div><div>99.7%</div></div><div><div>General waste (headquarters and sales as a whole)</div><div>8.6 t</div><div>[YoY change +9.6%]</div></div></div></div></div></div><div><div>*1 Based on volumes purchased (four plants)</div><div>*2 Based on volumes consumed (four plants)</div><div>*3 The figure for CO₂ emissions from logistics refer to those generated by shipments from The Pack to customers.</div></div><div><div>Quantity sold</div><div><div><div>Folding paper cartons</div><div>1,155,774 thousand cartons</div><div>[YoY change -1.6%]</div></div><div><div>Paper bags</div><div>1,025,813 thousand bags</div><div>[YoY change +11.7%]</div></div><div><div>Film packaging</div><div>1,071,668 thousand packages</div><div>[YoY change +5.7%]</div></div><div><div>Corrugated boxes</div><div>91,433 thousand m³</div><div>[YoY change -5.3%]</div></div></div></div><div>* 2022 figures</div></div></div></div></div></div>	

* 2022 figures

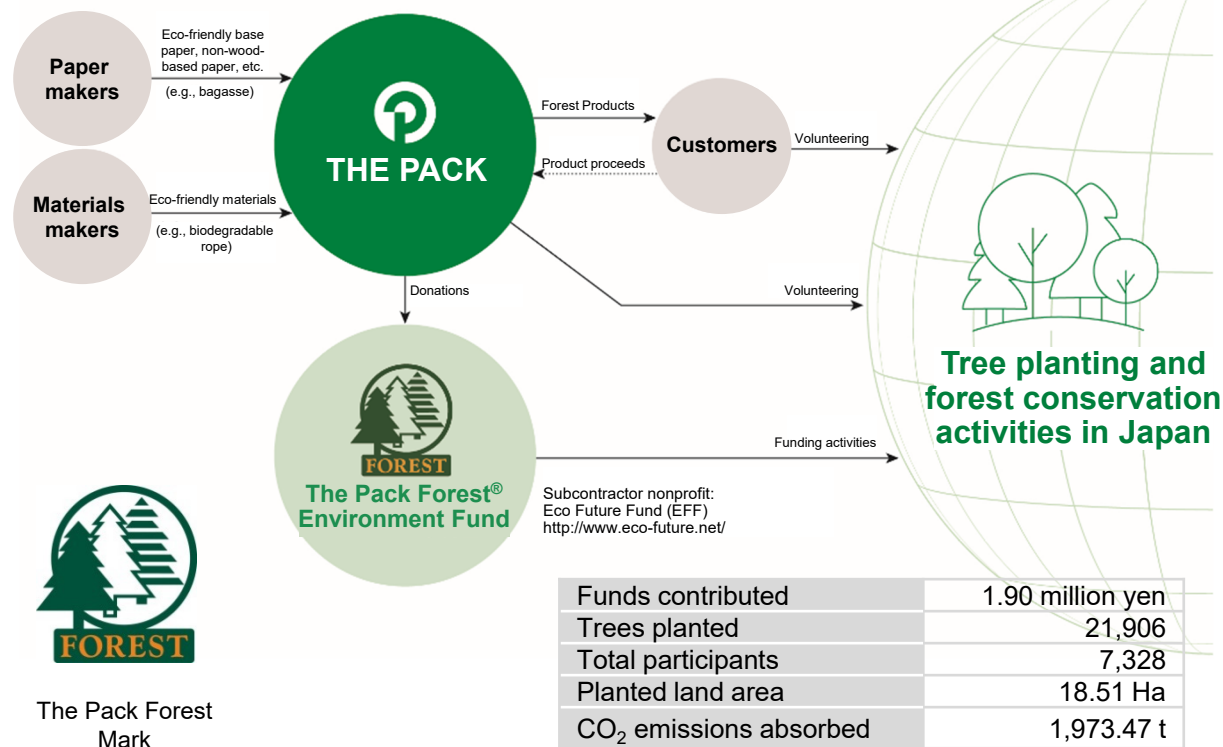
ESG Initiatives (2)

2. Activities of The Pack Forest® Environment Fund (forest conservation activities)

Relationship to the SDGs



- ◆ In 2000, we established an independent Forest® Environment Fund and launched volunteer activities to plant and thin forested areas. Currently, trees are being planted on nine sites nationwide.
- ◆ We contribute a portion of the sales from eco-friendly products to the Forest Environment Fund.
- ◆ Operation of the Fund is subcontracted to the nonprofit Eco Future Fund (EFF).
- ◆ We carry out forest conservation activities with the participation of not just The Pack employees, but customers and the general public.



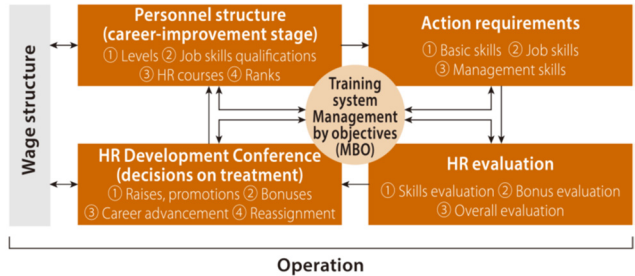


(Totals as of the end of December 2023)





ESG Initiatives (2)

Initiative	Details
<p>2. The Pack Forest® Environment Fund activities (forest conservation activities)</p> <p>Relationship to the SDGs</p> <div> <div>6 CLEAN WATER AND SANITATION</div> <div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div> <div>11 SUSTAINABLE CITIES AND COMMUNITIES</div> <div>13 CLIMATE ACTION</div> <div>14 LIFE BELOW WATER</div> <div>15 LIFE ON LAND</div> </div>	<p>◆ Activities at The Pack Forest No. 9 in Fujimi, Nagano Prefecture began in 2023</p> <p>To support Nagano Prefecture's "Forest Foster Parent Promotion" project, we designated a 1.8 ha site in Fujimi, Suwa-gun, Nagano Prefecture as The Pack Forest Fujiminomori.</p> <p>In line with the characteristics of the site, activities here focus on planting Japanese larch trees and conservation efforts.</p> <p>Results of first activities in June 2023 Participants: 30 Trees planned: 700 Japanese larch</p> <div>  <p>Group photo Employees and their family members participating as volunteers</p> </div> <div>  <p>Activity Planting of a sapling grown in a special container after using a special tool to dig a hole</p> </div>

ESG Initiatives (3)


Initiatives	Specifics
<p>3. Human Resource Development and Workplace Development</p> <p>Relationship to the SDGs</p> 	<ul style="list-style-type: none"> ◆ In accordance with our Company Motto, “Passionate and Dedicated to Our Partnerships,” and our Corporate Philosophy, “We Value and Nurture People,” we implement initiatives to contribute to employee welfare, including human resource development, support for childcare and long-term care, and employment stability. ◆ Recognized as a 2023 Certified Health & Productivity Management Outstanding Organization (for the fifth consecutive year) Thorough health checkups and secondary examinations, smoking cessation challenges, stress checks, health training, etc. ◆ Adoption and use of evaluation and support programs to help improve skills In 2020, we adopted a new HR system, which includes the integrated management of employee information using a talent management system, fair and appropriate evaluation through evaluation meetings by the Human Resource Development Council, and financial assistance for employees earning official qualifications through the skills improvement support program. ◆ Utilizing diverse human resources Promoting women in the workplace; comprehensive reduced working hours program; establishment of The Pack’s own unique childbirth and childcare leave program (for male employees); opening the Kainan Satellite Factory to employ people with disabilities, etc.  

ESG Initiatives (4)


Initiatives	Specifics
4. Social Contribution Activities	<ul style="list-style-type: none">◆ As part of our environmental education initiatives, in cooperation with the city of Higashi-Osaka, we organize hands-on manufacturing classes at elementary schools. <div></div> <ul style="list-style-type: none">◆ Sponsorship of the Kansai Philharmonic Orchestra◆ Donations to Yoshinoyama Hoshoukai
	<ul style="list-style-type: none">◆ Support for the Kids Earth Fund <div></div> <p>The Kids Earth Fund undertakes support activities for children around the world who have suffered psychological trauma. The Company is registered as a corporate member. When requested by customers, pictures from the Kids Earth Fund are used in the graphic design of packaging.</p>

Relationship to the SDGs


4 QUALITY EDUCATION



10 REDUCED INEQUALITIES



11 SUSTAINABLE CITIES AND COMMUNITIES



Note

This document is intended to provide information on management policies and business results for the second quarter of the year ended December 31, 2023. It is not intended to solicit investment in securities issued by the Company. In addition, this document was prepared based on data as of the end of December 2023.

Views, forecasts, and other information contained in this document are based on the Company's judgments at the time the document was prepared. No guarantees are made concerning the accuracy or completeness of such information. The contents of this document are subject to change without notice.

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