



THE PACK CORPORATION

Financial Results Briefing for the Fiscal Year Ended December 2023

March 1, 2024

Event Summary

[Company Name]	THE PACK CORPORATION		
[Company ID]	3950-QCODE		
[Event Language]	JPN		
[Event Type]	Earnings Announcement		
[Event Name]	Financial Results Briefing for the Fiscal Year Ended December 2023		
[Fiscal Period]	FY2023 Q4		
[Date]	March 1, 2024		
[Number of Pages]	32		
[Time]	13:30 – 14:10 (Total: 40 minutes, Presentation: 36 minutes, Q&A: 4 minutes)		
[Venue]	KDDI Hall and Webcast		
[Venue Size]			
[Participants]			
[Number of Speakers]	2		
	Hideaki Yamashita	President & CEO	
	Michihisa Fujii	Managing Director, Corporate Division	

Support

Japan 050.5212.7790
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com



Presentation

Moderator: The scheduled time has arrived. We will now commence THE PACK CORPORATION's financial results briefing for the year ended December 31, 2023.

In addition to being held at the venue, this briefing is being live-streamed online.

To begin, I would like to introduce today's attendees. Mr. Hideaki Yamashita, President & CEO. Mr. Michihisa Fujii, Managing Director, Corporate Division.

Today, the Company will give a presentation, followed by a question-and-answer session. The scheduled end time is 14:30.

We will now move on to the explanation. President Yamashita, could you please?

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.

Yamashita: I am Yamashita. Thank you.

First, I would like to report on topics.

In FY2023, we were able to post record high sales and profits. Also in the current fiscal year, we expect both sales and profits to reach record highs.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com

In addition, the target figures for FY2024 and FY2025 in the current medium-term management plan have been revised upward, and the shareholder return policy has been changed. After the change, the Company will maintain a dividend payout ratio of at least 35% and conduct share buybacks of up to JPY1 billion per year, aiming for a total return ratio of at least 50%.

That is all.

Moderator: Next, Managing Director Fujii, could you please?

Summary of Business Results

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

	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.

THE PACK CORPORATION

Copyright© 2024 The Pack Corporation. All Rights Reserved.

4

Fujii: Hello, everyone. I am Fujii in charge of the Corporate Division. Thank you all very much for your time today. I will now explain the financial results for FY2023.

First, page four of the document is a summary of results.

As the President has just mentioned, the results for FY2023 are record highs in terms of net sales, operating profit, ordinary profit, and profit attributable to owners of parent. Although the COVID-19 pandemic caused a decline in earnings, since FY2021, the Company has increased sales and profits for three consecutive fiscal years, and this fiscal year, all results are record highs.

Net sales were JPY97.7 billion, up 9.7% or JPY8.6 billion from the previous year. Operating profit was JPY7.7 billion, up 29% or JPY1.7 billion from the previous year. The operating margin is 6.7% in FY2022 and 7.9% in FY2023, an improvement of about 1.2 percentage points.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com

SCRIPTS
Asia's Meetings, Globally

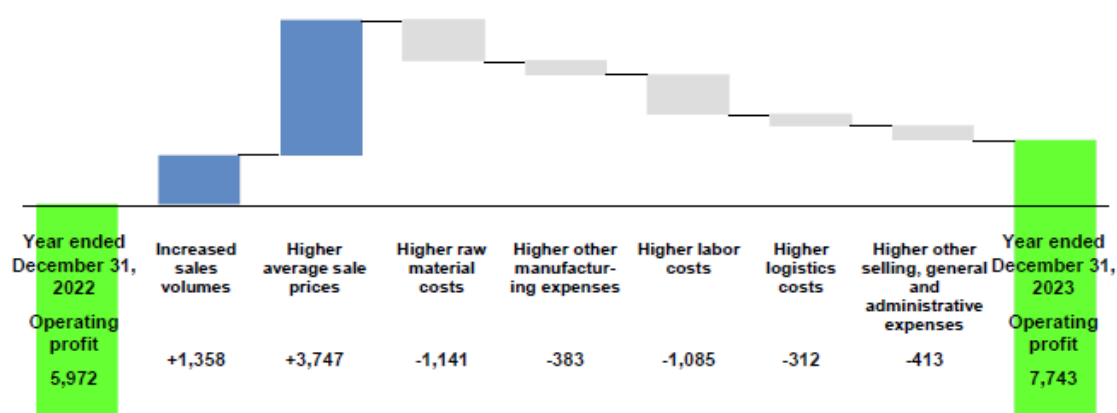
With regard to dividends, the current medium-term management plan calls for maintaining a dividend payout ratio of 30% or more. Based on this, the dividend for FY2023 is JPY90, an increase of JPY25 over the previous year.

One of the reasons behind these results is the recovery in consumer spending, with an increase in demand for souvenirs and tourism and inbound demand due to the easing of restrictions on behavior. This is also due to the fact that, despite higher raw material prices and other cost increases, unit sales prices have risen due to proposals for high value-added products and price adjustments, resulting in a significant increase in operating profit.

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 soaring 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.

THE PACK CORPORATION

Copyright© 2024 The Pack Corporation. All Rights Reserved.

5

The most significant factor underlying changes in operating profit is, after all, higher average sales prices.

One of the reasons for higher sales prices is that the market has valued our business model, which differentiates us from our competitors, and our strength in proposal-based sales with the environment as the keyword, as well as in composite sales including solution proposals. We also recognize that our daily relationships of trust with our customers and their cooperation have been behind our ability to correct prices to reasonable levels. Unit prices have increased by 11% for paper bags, 12% for corrugated boxes, and 14% for film packaging.

On the other hand, as for SG&A expenses, as shown, personnel expenses increased by approximately JPY1 billion, which is an increase of approximately 9.4% over the previous year. However, since the growth of overall SG&A expenses was 8.6% over the previous year and the growth of sales was 9.7%, we believe we were able to keep SG&A expenses low compared to sales.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com

SCRIPTS
Asia's Meetings, Globally

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.

THE PACK CORPORATION

Copyright© 2024 The Pack Corporation. All Rights Reserved.

6

Next, I would like to show you the results by segment.

In the paper products business, sales of paper bags and paper cartons grew significantly.

Sales of the film packaging business also grew by about 15%, which was due to steady sales of outer bags for disposable diapers and flexible packaging for food products.

Support

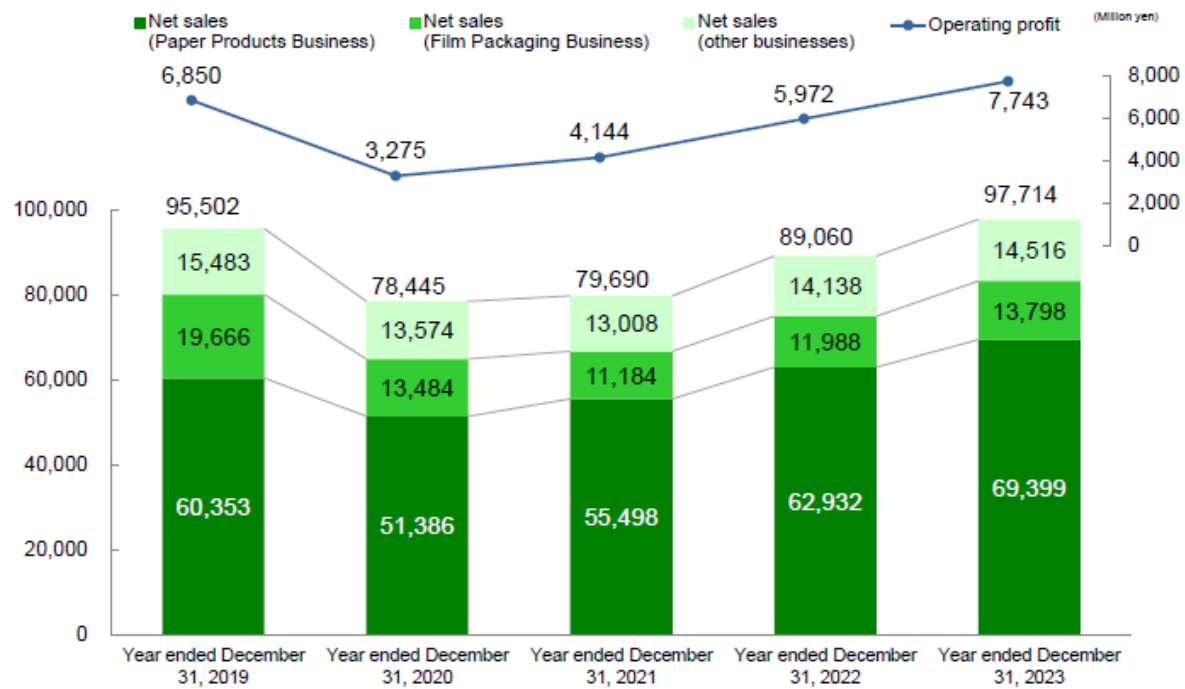
Japan 050.5212.7790
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com

SCRIPTS
Asia's Meetings, Globally

Trends by Segment

Record-high sales and operating profit for paper products



THE PACK CORPORATION

Copyright© 2024 The Pack Corporation. All Rights Reserved.

7

The next page shows results by segment.

Net sales and operating profit of the paper products business reached record highs.

Support

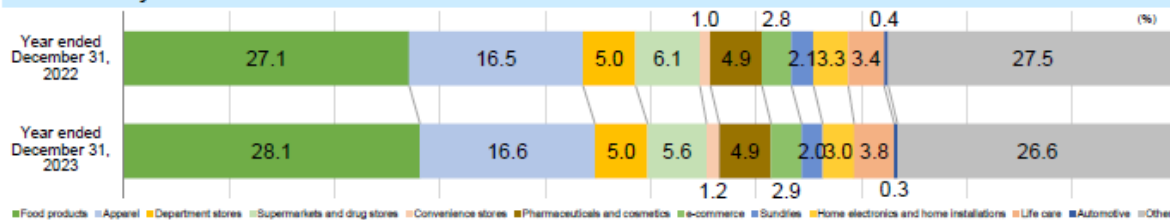
Japan 050.5212.7790
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasias.com

SCRIPTS
Asia's Meetings, Globally

Sales Composition

Net sales by business



(Million yen)	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.

THE PACK CORPORATION

Copyright© 2024 The Pack Corporation. All Rights Reserved.

8

The next page shows net sales by business.

Sales in the food, apparel, department store, convenience store, e-commerce (mail order), and consumer goods sectors have grown significantly.

The increase in sales to convenience stores is largely attributable to the sales increase in market share due to increased manufacturing capacity and sales from new orders for paper cartons based on proposals that take advantage of our design capabilities. The increase in sales to EC is due to higher sales from new orders for paper delivery bags and other packages for parcel delivery, in addition to corrugated boxes. In the consumer goods sector, sales of outer packaging bags for disposable diapers grew substantially.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com

SCRIPTS
Asia's Meetings, Globally

Paper Products Segment

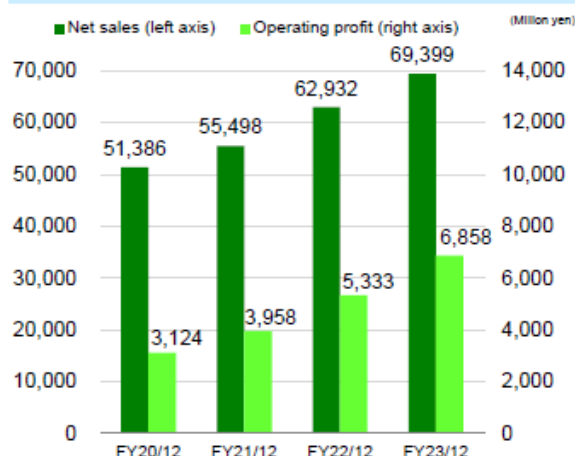
Industry environment

- ◆ 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")

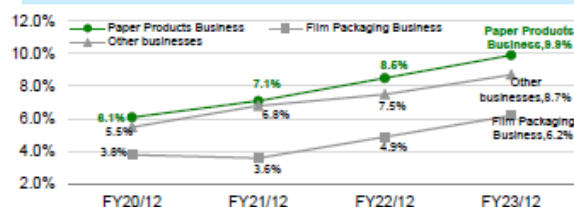
Initiatives

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

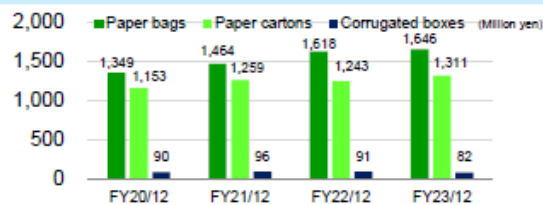
Trends in net sales and operating profits



Trends in operating profit margins



Trends in sales volume by product



THE PACK CORPORATION

Copyright© 2024 The Pack Corporation. All Rights Reserved.

9

Next, I will explain each business.

Regarding the industry environment for the paper products business, sales at department stores nationwide have increased for 22 consecutive months. In addition, Japanese spending on domestic travel is approaching what it was before the COVID-19 pandemic. The number of foreign visitors to Japan is also on the rise.

In response to the increasing demand for packages in the midst of such external environmental trends, the Group is increasing its manufacturing capacity and production facilities, as well as improving productivity to achieve a stable supply. We are also actively promoting environmentally friendly materials and processing methods.

The lower left graph shows trends in operating profit. This year, operating profit margins in the paper products business, other businesses, and film packaging business increased significantly to 9.9%, 8.7%, and 6.2%, respectively.

I believe that the reason for this increase in operating profit margin is that our manufacturing operations are running at nearly 100% capacity utilization, which has improved productivity, and that improved delivery efficiency has kept logistics costs low, resulting in an overall more profitable structure.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

North America
Email Support

1.800.674.8375
support@scriptsasias.com

SCRIPTS
Asia's Meetings, Globally

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

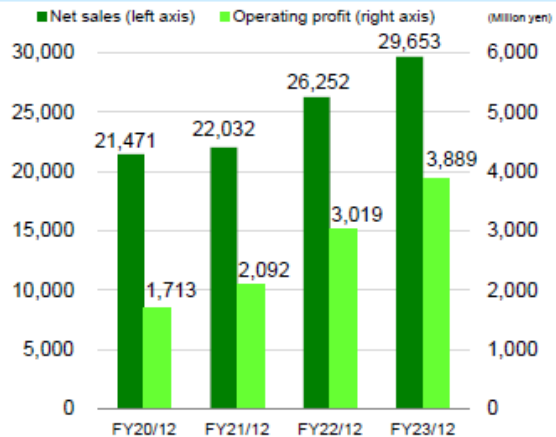


▲ Mixed paper with used clothes

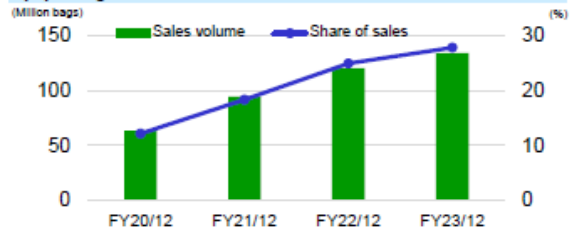


▲ Paper delivery bag compatible with automatic packaging machines

Trends in operating profit margins



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



© THE PACK CORPORATION

Copyright© 2024 The Pack Corporation. All Rights Reserved.

10

Next, I will explain about paper bags in the paper products business.

Regarding the industry environment, we believe that the demand for to-go bags is increasing due to the resurgence of consumption and events in real stores.

Our efforts include improving manufacturing capacity at our own factories and strengthening our supply chain, including our partner factory in Vietnam and our subsidiary in China, to ensure a stable supply. For the EC market, we are also focusing on developing and expanding sales of paper delivery bags that improve transportation and operational efficiency.

As shown in the graph below right, sales of paper bags using paper certified by the Forest Stewardship Council's FSC Certification System, as an environmental response, have increased significantly.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

North America
Email Support

1.800.674.8375
support@scriptasia.com

SCRIPTS
Asia's Meetings, Globally

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

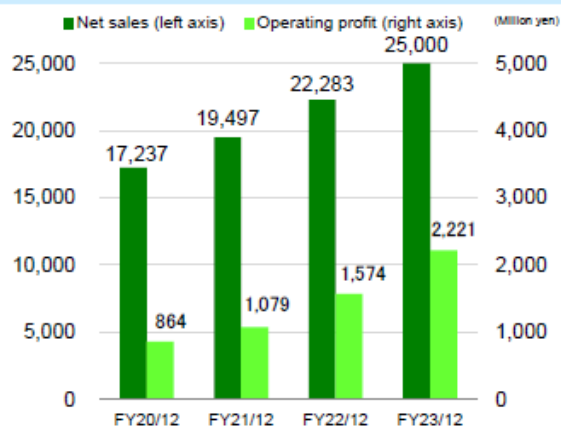
Initiatives

- ◆ 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

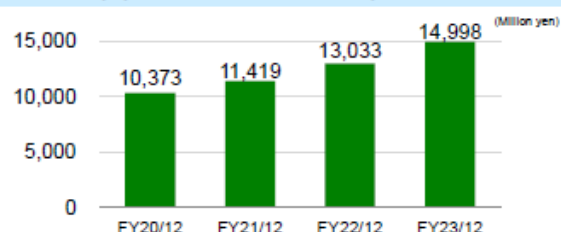
Examples of developed products



Trends in operating profit margins



Trends in paper carton sales to the food products market



THE PACK CORPORATION

Copyright© 2024 The Pack Corporation. All Rights Reserved.

11

Next, let's look at paper cartons.

Regarding the industry environment, the demand for paper cartons in the souvenir and food markets is increasing due to the revitalization of consumption activities. In addition, with the shortage of labor, there seems to be an increasing need to reduce manual labor and outsource work. In addition, increasing environmental awareness has increased the demand for paper cartons with the goal of reducing the use of plastic materials.

In this environment, our efforts are focused on strengthening product development and sales, along with capital investment, to expand sales of primary food containers. In addition to package sales, we are also focusing on a combined offering of services that help customers reduce labor shortages in the assembly of folding cartons and product filling operations, which we call assortment or setup. We are also developing processing methods to realize plastic-free products with less environmental impact.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

North America
Email Support

1.800.674.8375
support@scriptasia.com

SCRIPTS
Asia's Meetings, Globally

Paper Products Segment (Corrugated Boxes)

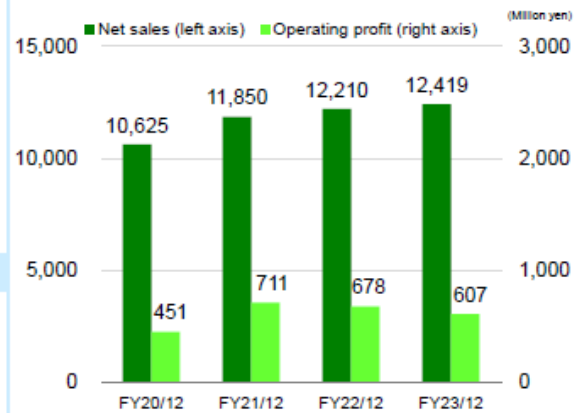
Industry environment

- ◆ 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

THE PACK CORPORATION

Copyright© 2024 The Pack Corporation. All Rights Reserved.

12

Next, let's look at corrugated boxes.

In the corrugated box industry, the total industry production volume from January to November last year was down about 3% from the previous year. The expansion of the EC market has increased demand for labor savings at packing sites and improved transportation efficiency.

As part of our efforts, we have been developing and proposing thin shipping boxes that can be dropped into a post box, which contribute to improved delivery efficiency, and we are also strengthening the development and sales of corrugated boxes for home delivery that use environmentally friendly flexographic printing, which does not use solvents.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasias.com

SCRIPTS
Asia's Meetings, Globally

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

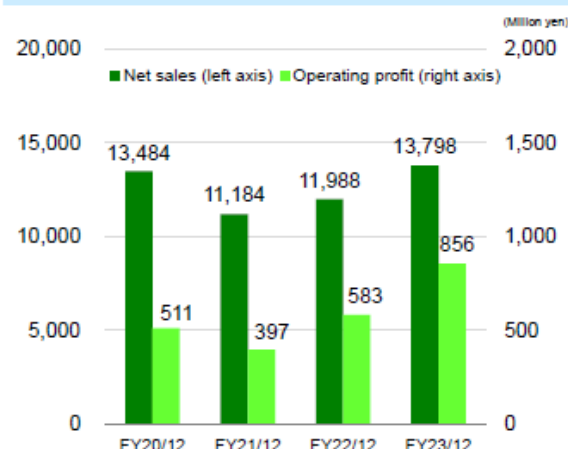


▲ ecoKARA Series film made using egg shells

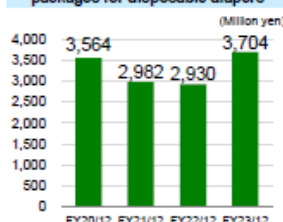


▲ Fully filmless paper-based flexible packaging with barrier function

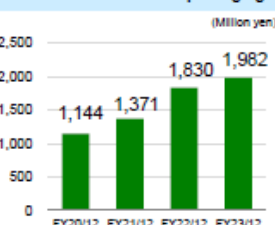
Trends in operating profit margins



Trends in sales of external packages for disposable diapers



Trends in sales of film packaging



Next, let's look at the film packaging business.

Regarding the industry environment, we believe that there is an increasing demand in the consumer goods market for the proposal and development of environmentally friendly packages, such as the use of biomass materials. The demand for paper-based flexible packaging is also increasing in the food market to reduce the use of plastic.

In this environment, we are focusing on environmental proposals in the consumer goods field, as well as the development and proposal of flexible packaging made of paper as a base material.

The graph on the lower right shows the trend in sales of flexible packaging, which has been growing steadily.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

North America
Email Support

1.800.674.8375
support@scriptsasias.com

Other Businesses

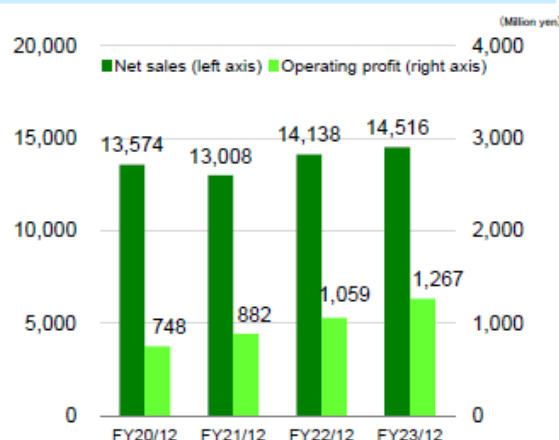
Industry environment

- ◆ 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

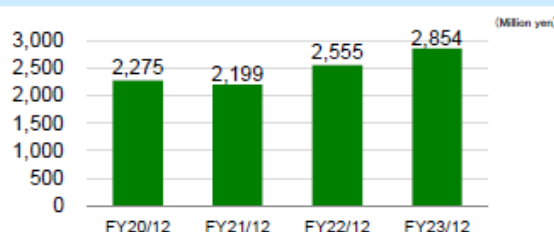
Trends in operating profit margins



Examples of sewn eco-friendly products



Trends in sales of sewn products



THE PACK CORPORATION

Copyright© 2024 The Pack Corporation. All Rights Reserved.

14

Next, let's look at other businesses.

In terms of the industry environment, a recovery in consumption in physical stores has led to renewal of gift wrapping materials. I believe that department stores are increasing the number of events and special corners.

The environment is also a key word in this field. We are strengthening our offerings of sewn products with low environmental impact, using recycled or nature-derived materials.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

North America
Email Support

1.800.674.8375
support@scriptsasias.com

SCRIPTS
Asia's Meetings, Globally

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	-	-



Copyright© 2024 The Pack Corporation. All Rights Reserved.

15

Next is the balance sheet. Nothing special to mention here.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com



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.

Next is cash flow.

As explained below, there was a cash outflow of approximately JPY2 billion due to the establishment of a retirement benefit trust to provide for lump-sum retirement payments.

With respect to the acquisition of tangible fixed assets, the head office was reconstructed. Construction was completed in March of last year, and a cash outflow of approximately JPY1 billion was recorded in the last fiscal year under review. The land acquisition includes approximately JPY2.3 billion in acquisition costs for the factory site.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com

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.

Next, I would like to present our forecasts for the current FY2024.

Including this fiscal year, we are aiming to increase sales and profits for four consecutive fiscal years. And we are planning to further increase our record sales and profits.

The sales forecast is JPY101 billion. Net sales exceeding JPY101 billion has been our long-desired target, and FY2024 will be an anniversary year for us. We are also planning to achieve our operating profit target of JPY8.1 billion, which will be the highest ever.

With regard to dividends, the upward revision of the medium-term management plan has resulted in a change in the dividend payout ratio policy from maintaining a payout ratio of 30% to maintaining at least 35%. Accordingly, we forecast a dividend of JPY118, an increase of JPY28 compared to last year.

In terms of sales, various new production lines were added to the paper carton production last year, and the lineup of paper cartons has increased. Taking advantage of this, we will increase the sales volume of paper cartons in addition to paper bags. We will also actively promote comprehensive and complex proposals to solve social issues such as reduction of environmental impact, nature conservation, and labor shortage.

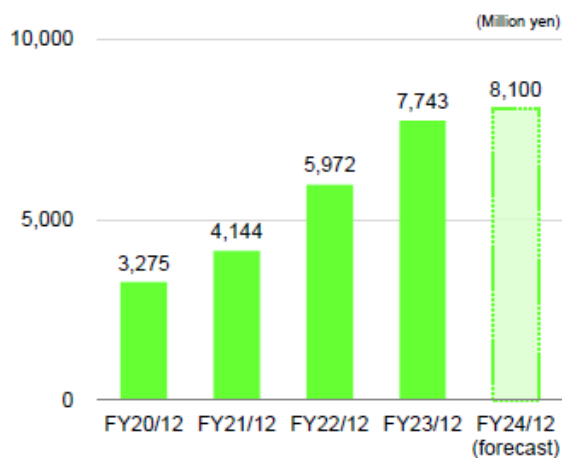
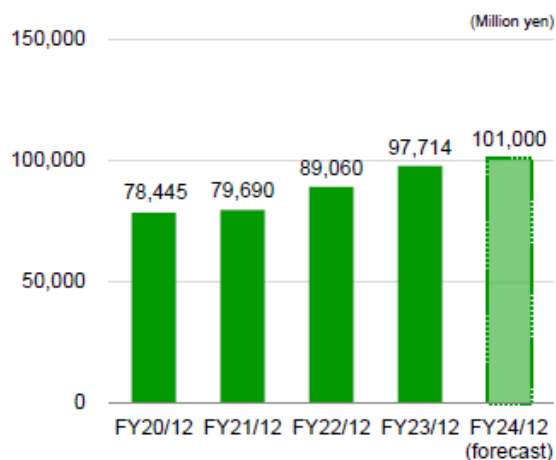
Support

Japan 050.5212.7790
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com

Trends in Consolidated Business Results

	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		



The next page shows trends in consolidated financial results.

From 2019 to 2020, sales and operating profit declined 17% and 52%, respectively, due in part to COVID-19. Subsequently, from FY2021 to last year, the Company has recorded consecutive increases in sales and profit. This fiscal year, we are aiming for a fourth consecutive fiscal year of sales and profit growth, and we will continue to set new highs.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

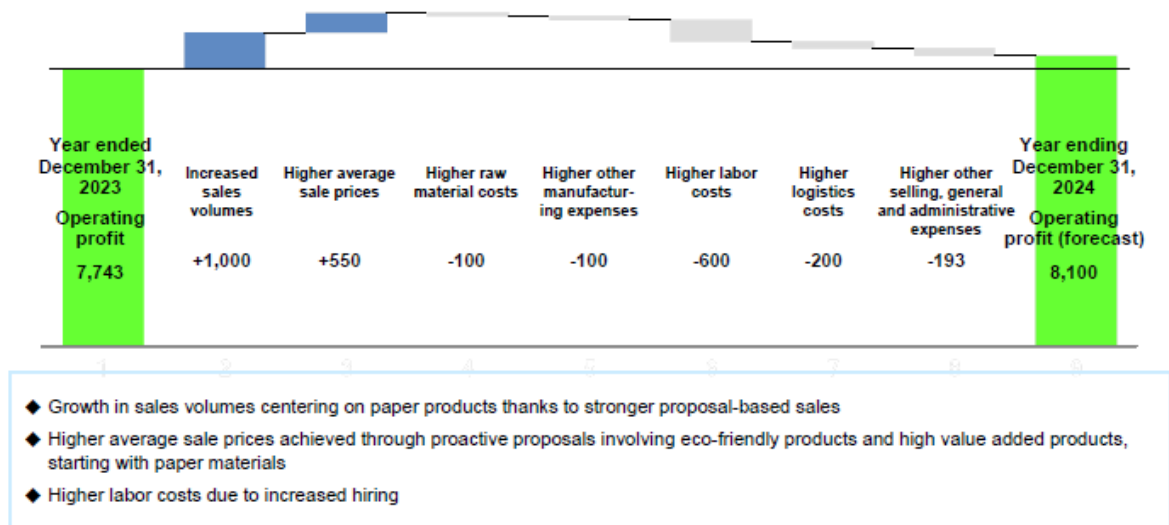
North America
Email Support

1.800.674.8375
support@scriptsasias.com

Major Factors Underlying Projected Changes in Operating Profit

Profit growth driven mainly by growing sales of paper products

(Million yen)



The next page shows the factors behind projected changes in operating profit.

In the current fiscal year, we will significantly increase sales volume, especially in paper products. As I mentioned earlier, we have a growing lineup of paper cartons, and we intend to increase the sales volume of paper cartons to generate profits.

As for the increase in unit selling prices, we do not expect it to contribute to a significant increase in operating profit since the increase in unit selling prices due to price revisions will run its course between Q1 and the beginning of Q2 of the current fiscal year.

In terms of expenses, personnel costs are expected to increase due to an increase in personnel. Our company is still greatly understaffed. We are in the process of actively recruiting new graduates and career professionals.

This concludes my explanation. Thank you very much.

Moderator: Again, President Yamashita, please.

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
	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
Social	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	Launch of Sustainability Committee (chaired by President & CEO Hideaki Yamashita; four members; met eight times in 2023) 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.
Beginning June 2023	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). Includes survey to stimulate internal dialogue and gauge permeation among employees as we strive to ascertain workplace views and understanding.
September 2023	Materiality KPIs formulated
March 2024 (planned)	TCFD disclosure
May-June 2024 (planned)	Publication of Integrated Report and Sustainability Report



THE PACK CORPORATION

Copyright© 2024 The Pack Corporation. All Rights Reserved.

22

Yamashita: First, I would like to report on the progress of sustainable management.

We have established a basic policy for sustainable management in 2022. As a total package solution company, we will provide the Group's unique value to the environment, society, and the economy by preparing a system to respond to any social change and by achieving sustainable growth.

Next, I would like to report on the progress of our various sustainable management initiatives. Materiality was identified in 2022. We have established 5 themes from an ESG perspective and are working on 12 items of materiality.

A list of major initiatives made in 2023 is shown on the slide. We are steadily promoting sustainable management by holding regular meetings of the Sustainable Committee to discuss and make specific decisions. For materiality, we have first set five goals, which we aim to achieve in FY2030. I will explain the details later.

As part of our efforts for FY2024, we are currently preparing for the publication of our first integrated report as a report to our stakeholders.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com

SCRIPTS
Asia's Meetings, Globally

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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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

On the next page, we report on the new head office building completed in March 2023.

The new building offers high environmental performance for a decarbonized society and a comfortable work environment for employees. In terms of facilities, we are adapting to new ways of working, and aim to improve productivity through active internal communication.

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)



Copyright© 2024 The Pack Corporation. All Rights Reserved.

24

On this page, we report on our human resource policies and materiality KPIs to realize our management philosophy, "We Value and Nurture People."

Aiming to enhance long-term corporate value, we are working on a variety of human resource policies, which are incorporated into our medium-term management plan as a human capital strategy. In addition to this, we are continuously considering new initiatives to address the current social climate.

We first selected 5 items from the materiality and established KPIs. We are steadily advancing initiatives for various stakeholders, including the environment, human resources, and customers.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasias.com



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

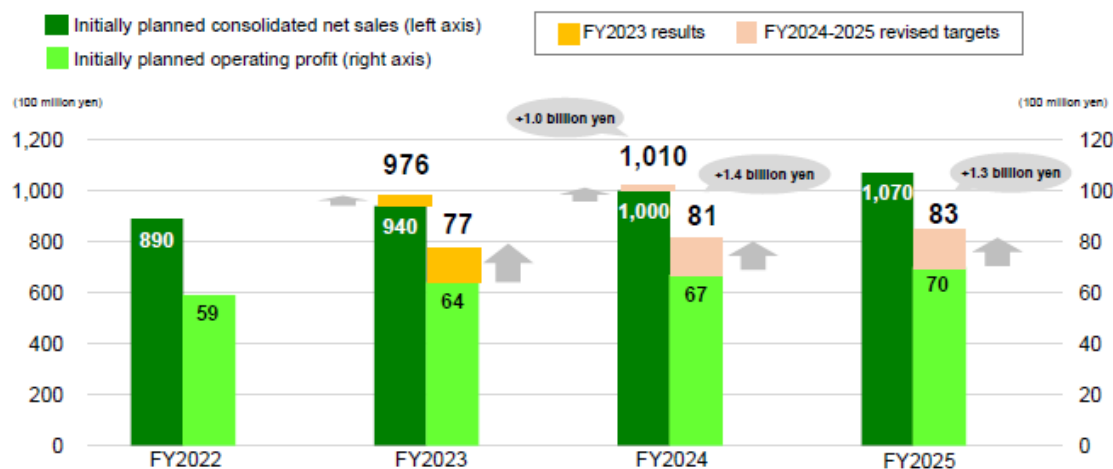
Background of revisions

- ◆ 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)



THE PACK CORPORATION

Copyright© 2024 The Pack Corporation. All Rights Reserved.

28

I would like to continue by reporting on the progress of the medium-term management plan.

First, I would like to discuss the upward revision of the medium-term management plan.

Sales for FY2023 were JPY97.6 billion, JPY3.6 billion higher than the initial target of JPY94 billion, and operating profit was JPY7.7 billion, JPY1.3 billion higher than the initial target of JPY6.4 billion. Operating profit also exceeded the FY2025 target of JPY7 billion.

We believe that sales based on solution proposals and a shift to high value-added products have contributed to the results.

Based on these results, we have revised upward our targets for sales and operating profit for FY2024 and operating profit for FY2025, as disclosed on February 9, this year.

The revised target for FY2024 is JPY101 billion in sales and JPY8.1 billion in operating profit, and for FY2025 is JPY107 billion in sales and JPY8.3 billion in operating profit. With renewed spirit, we will work toward this goal once again.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com

SCRIPTS
Asia's Meetings, Globally

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)

	FY2022 result	FY2023 result	FY2025 target	Progress as of the end of FY2023	
Food products*	250	282	320	45.7%	* 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.
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%	

Numerical targets by product type (FY2023-2025)

	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%



Copyright© 2024 The Pack Corporation. All Rights Reserved.

27

Next, I will explain our numerical targets by market and by product type.

In FY2023, we were able to exceed the previous year's sales in all markets and all product types.

We believe that this is the result of our proposal-based sales approach functioning against rising raw material prices, in addition to the implementation of the capital investment and growth strategies set forth in the medium-term business plan amid a booming market.

In terms of sales by market, we saw significant growth of JPY4.8 billion in the general retail and distribution market, which is the Group's core market, and JPY3.2 billion in the food market, which is the growing market for the Group, resulting in very well-balanced results.

As for sales by product category, we achieved significant growth of JPY3.2 billion in paper bags and JPY2.8 billion in paper cartons, our main products. The reason for the smaller growth in corrugated boxes compared to other types of products is due to production adjustments from some of our customers. We view this as only a temporary event.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com



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%

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

- ◆ 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



- ◆ 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

THE PACK CORPORATION

Copyright© 2024 The Pack Corporation. All Rights Reserved.

28

Next is our growth strategy for the food market.

Sales in this market grew by JPY3.2 billion over the previous year.

Among paper cartons, sales of primary food containers increased approximately JPY0.8 billion. I believe this has contributed greatly to our growth in the paper container market. This is growing regardless of region or business size, and sales are spreading nationwide. We will strive to expand sales by further enhancing our product lineup and manufacturing capacity.

Sales of flexible packaging increased 10.8% from the previous year to JPY1,330 million. We will aim for further expansion, including combined sales with paper bags and paper cartons.

Sales of FSC products for the food market also increased by about JPY1 billion over the previous year. Environmental awareness in the food market continues to be very high, and proposals to switch from plastic to paper cartons are progressing, resulting in an ever-increasing number of new orders.

The number of proposals for manpower-saving and automation solutions to the manpower shortage problem on the client side is also increasing steadily. Recently, we have also received an increasing number of requests from clients who want to outsource or entrust us with the product assembly work itself. Therefore, to meet this need, we opened an assembly base in Kanagawa Prefecture last October. We plan to apply the know-how we have accumulated there to larger markets such as Osaka, Fukuoka, and Sapporo.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com

SCRIPTS
Asia's Meetings, Globally

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%

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

- ◆ 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.

- ◆ 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)



THE PACK CORPORATION

Copyright© 2024 The Pack Corporation. All Rights Reserved.

29

Next, I will explain our growth strategy for the EC/mail-order/logistics industries.

Sales in this market grew JPY0.7 billion over the previous year.

We believe that this market is characterized by a great diversity of needs due to differences in customer work environments. We have been able to increase sales by taking advantage of our strength in offering a wide variety of products, such as paper delivery bags and thin delivery boxes.

Sales of paper delivery bags grew 11.4% from the previous year to JPY980 million. Sales of other parcel delivery materials, such as thin delivery boxes, grew 60.7% to JPY450 million.

Sales of corrugated boxes grew 1.7% to JPY12.4 billion, slightly slowing down the growth rate due to production adjustments by some of our customers, as mentioned earlier.

In the e-commerce/mail-order/logistics industries, the much-discussed logistics 2024 problem has made the improvement of transportation and delivery efficiency an extremely important issue. Our paper delivery bags, which offer higher loading efficiency, are expected to be in ever-higher demand as one of the countermeasures against this problem. To this end, the Company will expand its facilities to increase the supply capacity of delivery bags.



Support

Japan 050.5212.7790
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasias.com

SCRIPTS
Asia's Meetings, Globally

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

Progress toward quantitative targets			Overview of progress	
		(100 million yen)		
FY2022 result	FY2023 result	YoY change	◆ Proposal-based sales in response to growing demand in the market and changing business conditions are bearing fruit.	
500	548	9.6%	◇ Major growth in sales of paper bags	
			◇ Sales growth in the apparel and life care markets	
◆ Increase paper bag share and continue pursuing proposal-based sales to promote the migration to paper			◆ Develop sales channels in ASEAN region.	
		(100 million yen)	• Promoting the securing of global business customers and trade rights in Asia	
General distribution and retail market and other markets	FY2022 result	FY2023 result	• Establishing optimal supply chains in individual regions	
Paper bags	131.0	153.0	◆ Promote social contributions alongside customers.	
Film packaging	70.8	81.6	Activities of The Pack Forest® Environment Fund	
			Results in 2023:	
<p><Factors underlying growth of paper bags></p> <ul style="list-style-type: none"> 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 			<ul style="list-style-type: none"> 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). 	
◆ Product sales aligned with the three Rs (reduce, reuse, recycle)			<ul style="list-style-type: none"> Concluded a contract on and conducted forest conservation activities at a new tree-planting activity site in Nagano Prefecture. 	
<ul style="list-style-type: none"> 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 			<p>Future plans</p> <ul style="list-style-type: none"> 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 	
 <p>Mixed paper and used textile bags made from used clothing</p>				
• Proactive proposals and sales expansion of sewn products to encourage reuse				

Next, I will discuss the general distribution, retail, and other markets.

Sales in those markets grew by JPY4.8 billion over the previous year. We have been able to achieve very significant growth in the apparel and consumer goods industries.

Among them, sales of paper bags grew by JPY2.2 billion. We believe this growth is due to the increasing use of paper for to-go bags at major specialty stores and mass merchandisers, as well as our increased capacity to manufacture paper bags, which has led to an increase in new orders.

For business expansion in the ASEAN region, we are promoting proposals to customers who are expanding their businesses globally. In line with this, we are now in the process of establishing optimal supply chains in each region in parallel.

Next, I would like to talk about social contributions. Together with our customers, we are working to enhance their brand value through social contribution activities. In FY2023, 9 forest conservation activities were conducted. In 6 of these projects, we worked with customers, and a total of 9 companies and 65 people participated.

Last year, we set KPIs for FY2030 of 15 activities per year and 500 participants per year. In order to achieve this, we will increase the number of new activity sites in FY2024 and FY2025. We are also considering new activities such as picking up trash along rivers.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com

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

Next, I will explain the progress of our human capital strategy.

We consider human resources to be an extremely important element for the sustainable growth of the Group. Accordingly, we have been working on each of the measures in the last fiscal year.

To secure human resources, we increased our workforce by using a variety of recruitment methods in addition to new graduates and career hires. As a result, the number of employees at the end of the last fiscal year increased by 39. In addition, 40 new graduates are scheduled to join the Company this April.

With regard to human resource development, we are currently implementing educational programs for various levels of employees. Last year, among other things, we conducted DX training for all executives and employees, with the aim of fostering a mindset and identifying DX personnel. In the current FY2024, we intend to train the human resources we have discovered there.

Finally, with respect to improving employee engagement, we implemented wage increases, restricted stock incentives for employee stock ownership plans, and support for employee friendships last year.

We will also conduct stress checks and engagement surveys to further enhance job satisfaction.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com

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.



Copyright© 2024 The Pack Corporation. All Rights Reserved.

32

Next, I discuss investment.

Regarding capital investment, which is listed as a strategic investment, JPY1.74 billion was used in FY2023, mainly to increase manufacturing capacity for paper cartons and paper bags.

We will continue to make investments based on the plan in FY2024 and beyond.

In paper cartons, in addition to increasing manufacturing capacity, we will invest in product lineup expansion, rationalization, and labor saving.

In addition, as I mentioned earlier, we rebuilt our headquarters in FY2023. We also acquired land in the vicinity of the Osaka and Tokyo plants. This resulted in a cash outflow of JPY5.58 billion for property, plant and equipment.

For the renewal of the core system, which is scheduled to be implemented in 2025, we invested JPY1.3 billion in the last fiscal year. In the current fiscal year, the construction of a support system for sales activities has started concurrently.

Regarding human resources investment, we invested JPY920 million in increasing the number of employees and raising wages, and JPY60 million in human resources development and recruiting activities, for a total investment of about JPY980 million. In the current fiscal year, we will continue to actively invest in human resources.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasias.com



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		Revised plans																	
◆ Dividend payout ratio	Maintaining 30% payout ratio or higher	FY2023 result: 30% FY2024-2025: Maintaining a level of 35% or higher																	
◆ Buying back our own shares	Flexible share buybacks	FY2023 result: none FY2024-2025: Buying back up to 1.0 billion yen of our own shares each year																	
◆ Total shareholder returns and total payout ratio	4.0 billion yen (FY2023-2025 total)	8.0 billion yen <table> <tr> <th>Breakdown</th><th>Dividends</th><th>Buying back our own shares</th><th>Total payout ratio</th></tr> <tr> <td>FY2023 result</td><td>1.7 billion yen</td><td>None</td><td>30%</td></tr> <tr> <td>FY2024</td><td>2.2 billion yen</td><td>Up to 1.0 billion yen</td><td>50%</td></tr> <tr> <td>FY2025</td><td>2.2 billion yen</td><td>Up to 1.0 billion yen</td><td>50%</td></tr> </table>		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%
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%																

Finally, I would like to talk about shareholder returns.

In FY2024 and FY2025, we will further enhance shareholder returns, as disclosed on February 9.

With regard to the dividend payout ratio, we have changed our plan from the original "maintaining a payout ratio of 30% or more" to "maintaining a payout ratio of 35% or more." The share buyback plan was changed from "flexible share buyback" to "share buybacks of up to JPY1 billion per year each."

Based on these changes, the total return plan has been changed from the original JPY4 billion to JPY8 billion, with the aim of achieving a total return ratio of 50%.

That is all. Thank you very much.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

North America
Email Support

1.800.674.8375
support@scriptasia.com

Question & Answer

Moderator [M]: We would now like to turn to the question-and-answer session.

Do you have any questions?

As there seems to be no questions, Mr. Fujii, Managing Director, who is scheduled to retire as of March 28, will offer a few words.

Fujii [M]: Hello, everyone. Again, I am Fujii. As just introduced, I plan to retire at the end of this month, on March 28, at the General Meeting of Shareholders. Thank you all very much for your support over the years.

I appreciate your continued interest in and continued support for our company in the future. Thank you very much.

Moderator [M]: With that, we will now conclude the presentation of the financial results of THE PACK CORPORATION for the fiscal year ended December 31, 2023. Thank you very much for taking time out of your busy schedule to attend today.

[END]

Document Notes

1. Portions of the document where the audio is unclear are marked with [Inaudible].
2. Portions of the document where the audio is obscured by technical difficulty are marked with [TD].
3. Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.
4. This document has been translated by SCRIPTS Asia.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com



Disclaimer

SCRIPTS Asia reserves the right to edit or modify, at its sole discretion and at any time, the contents of this document and any related materials, and in such case SCRIPTS Asia shall have no obligation to provide notification of such edits or modifications to any party. This event transcript is based on sources SCRIPTS Asia believes to be reliable, but the accuracy of this transcript is not guaranteed by us and this transcript does not purport to be a complete or error-free statement or summary of the available data. Accordingly, SCRIPTS Asia does not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information contained in this event transcript. This event transcript is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal.

In the public meetings and conference calls upon which SCRIPTS Asia's event transcripts are based, companies may make projections or other forward-looking statements regarding a variety of matters. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the applicable company's most recent public securities filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are accurate and reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the anticipated outcome described in any forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE PUBLIC MEETING OR CONFERENCE CALL. ALTHOUGH SCRIPTS ASIA ENDEAVORS TO PROVIDE ACCURATE TRANSCRIPTIONS, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE TRANSCRIPTIONS. IN NO WAY DOES SCRIPTS ASIA OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BY ANY PARTY BASED UPON ANY EVENT TRANSCRIPT OR OTHER CONTENT PROVIDED BY SCRIPTS ASIA. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S PUBLIC SECURITIES FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS. THIS EVENT TRANSCRIPT IS PROVIDED ON AN "AS IS" BASIS. SCRIPTS ASIA DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, AND ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT.

None of SCRIPTS Asia's content (including event transcript content) or any part thereof may be modified, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of SCRIPTS Asia. SCRIPTS Asia's content may not be used for any unlawful or unauthorized purposes.

The content of this document may be edited or revised by SCRIPTS Asia at any time without notice.

Copyright © 2024 SCRIPTS Asia Inc. ("SCRIPTS Asia"), except where explicitly indicated otherwise. All rights reserved.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com

