

# **THE PACK CORPORATION**

## **THE PACK CORPORATION**

Business Results Briefing for the Second Quarter of the Year Ending December 31, 2024

September 3, 2024

# Event Summary

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<b>[Company Name]</b>	THE PACK CORPORATION
<b>[Company ID]</b>	3950-QCODE
<b>[Event Language]</b>	JPN
<b>[Event Type]</b>	Earnings Announcement
<b>[Event Name]</b>	Business Results Briefing for the Second Quarter of the Year Ending December 31, 2024
<b>[Fiscal Period]</b>	FY2024 Q2
<b>[Date]</b>	September 3, 2024
<b>[Number of Pages]</b>	36
<b>[Time]</b>	10:00 – 10:41 (Total: 41 minutes, Presentation: 32 minutes, Q&A: 9 minutes)
<b>[Venue]</b>	Webcast
<b>[Venue Size]</b>	
<b>[Participants]</b>	
<b>[Number of Speakers]</b>	2
	Hideaki Yamashita      President & CEO
	Ikuo Shimomura        Director

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# Presentation

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**Moderator:** We will now begin THE PACK CORPORATION's Business Results Briefing for the Second Quarter of the Year Ending December 31, 2024. Thank you so much for attending our briefing today despite your busy schedule.

First, let me introduce our speakers. To your left is President and CEO, Hideaki Yamashita. To the right is Director and Corporate General Manager, Ikuo Shimomura.

In addition to a venue within the building of our Tokyo Head Office, this briefing is being live-streamed online. It is expected to take an hour. The speakers will explain the briefing materials on business results disclosed on our corporate website yesterday, September 2.

Following the table of contents of the materials, the topics will be explained first by President Yamashita. Director Shimomura will explain the business results for 2Q of FY2024 and the forecasts of business results for FY2024. Yamashita will explain progress on sustainable management and the Medium-Term Management Plan. The Q&A session will follow thereafter.

Now, let's get started with the "Topics" portion, which will be discussed by President Yamashita.

**Yamashita:** My name is Yamashita. Thank you for taking the time from your busy schedules to attend this briefing at the venue or online.

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## Topics

- ◆ Recovering domestic consumption, robust capital investments, and strong spending by foreign visitors have been key factors supporting the Japanese economy. However, the outlook for consumer consumption remains uncertain for several reasons, including soaring energy costs, the rising cost of imported goods driven by yen devaluation, and a period during which prices outstripped wage growth.
- ◆ The Pack achieved record-high figures for net sales, operating profit, ordinary profit, and profit. Its eco-friendly high value added products, solutions proposals, and sales efforts boosted sales and profits, particularly for products targeting the food products market.
- ◆ The Pack undertook various capital investments and sales expansion initiatives while enhancing DX training and other human resource development programs.
- ◆ The Pack published its first Integrated Report to deepen communications with stakeholders.

I'll dive right into the topics.

While robust capital investment and strong spending by foreign visitors have supported the Japanese economy, the outlook for consumer consumption remains uncertain due to soaring energy costs, the rising cost of imported goods driven by yen devaluation, and a period during which prices outstripped wage growth.

We achieved record-high figures for net sales, operating profit, ordinary profit, and profit. Our eco-friendly high value added products, solutions proposals, and sales efforts boosted sales and profits, particularly for products targeting the food products market.

We published our first Integrated Report to deepen ties to and communications with our stakeholders.

That provides a bird's eye view of the key topics.

**Moderator:** Next, Shimomura will explain the business results for the second quarter of FY2024.

**Shimomura:** My name is Shimomura, and I'm in charge of the Corporate Division. Thank you for your attendance. Allow me to review the business results for the semi-annual period under review.

## Summary of Business Results

Net sales, operating profit, ordinary profit, and profit all achieved record highs.

(Million yen)

	Second quarter of year ended December 31, 2023	Second quarter of year ending December 31, 2024	
	Actual	Actual	YoY change
Net sales	44,878	46,617	3.9%
Operating profit	2,976	3,525	18.4%
Ordinary profit	3,147	3,662	16.3%
Profit attributable to owners of parent	2,133	2,999	40.6%
Basic earnings per share (yen)	112.16	157.69	40.6%
Dividend per share (yen)	35.0	52.0	48.6%

- ◆ Proposals of high value added products featuring both eco-friendly and functional advantages resulted in significantly better profit margins.
- ◆ Paper products, paper bags and paper cartons in particular, showed growth, driving up sales and profit.
- ◆ We recorded extraordinary income on the sale of certain cross-held shares.



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First, please take a look at the summary of business results. For the semi-annual period, we had net sales of 46,617 million yen, up 3.9% YoY; operating profit of 3,525 million yen, up 18.4% YoY; and ordinary profit of 3,662 million yen, up 16.3% YoY.

All are record-high semi-annual figures. In particular, the operating profit margin improved by 0.9 percentage points from 6.6% to 7.5%.

The economy has returned to normal after the COVID-19 pandemic. Our business performance has been steady. The improvements in profitability are attributable chiefly to the eco-friendliness of our products, proposals for products with high added value, and redoubled sales activities.

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## Results by Segment

(Million yen)

	Second quarter of year ended December 31, 2023		Second quarter of year ending December 31, 2024		
	Actual	Share	Actual	Share	YoY change
<b>Net sales</b>	<b>44,878</b>	<b>100.0%</b>	<b>46,617</b>	<b>100.0%</b>	<b>3.9%</b>
<b>Paper Products</b>	<b>31,734</b>	<b>70.7%</b>	<b>33,322</b>	<b>71.5%</b>	<b>5.0%</b>
Paper bags	12,993	29.0%	14,279	30.6%	9.9%
Paper cartons	11,262	25.1%	12,120	26.0%	7.6%
Corrugated boxes	6,343	14.1%	5,926	12.7%	-6.6%
Printing	1,135	2.5%	995	2.2%	-12.3%
<b>Film Packaging</b>	<b>6,654</b>	<b>14.8%</b>	<b>6,347</b>	<b>13.6%</b>	<b>-4.6%</b>
<b>Others</b>	<b>6,489</b>	<b>14.5%</b>	<b>6,947</b>	<b>14.9%</b>	<b>7.1%</b>
<b>Operating profit</b>	<b>2,976</b>	<b>100.0%</b>	<b>3,525</b>	<b>100.0%</b>	<b>18.4%</b>
<b>Paper Products</b>	<b>2,715</b>	<b>91.2%</b>	<b>3,164</b>	<b>89.8%</b>	<b>16.5%</b>
<b>Film Packaging</b>	<b>288</b>	<b>9.7%</b>	<b>403</b>	<b>11.5%</b>	<b>39.7%</b>
<b>Others</b>	<b>485</b>	<b>16.3%</b>	<b>519</b>	<b>14.7%</b>	<b>7.1%</b>
<b>Adjustments</b>	<b>-513</b>	<b>-17.2%</b>	<b>-562</b>	<b>-16.0%</b>	<b>-</b>

- ◆ The Paper Products segment posted growth in both net sales and profit based on strong sales of products for the food products market, particularly paper bags and paper cartons.
- ◆ Corrugated boxes posted lower net sales due to production adjustments for products for overseas markets and revised package specifications for the e-commerce sector.
- ◆ In other businesses, sales of premium products such as gift-wrapping materials showed a steady trend.

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The next page shows results by segment. We experienced notable growth in the Paper Products segment, which accounts for more than 70% of our overall sales. Paper bags and paper cartons showed especially high growth.

Among products categorized under Others, gift wrapping materials in particular showed strong sales.

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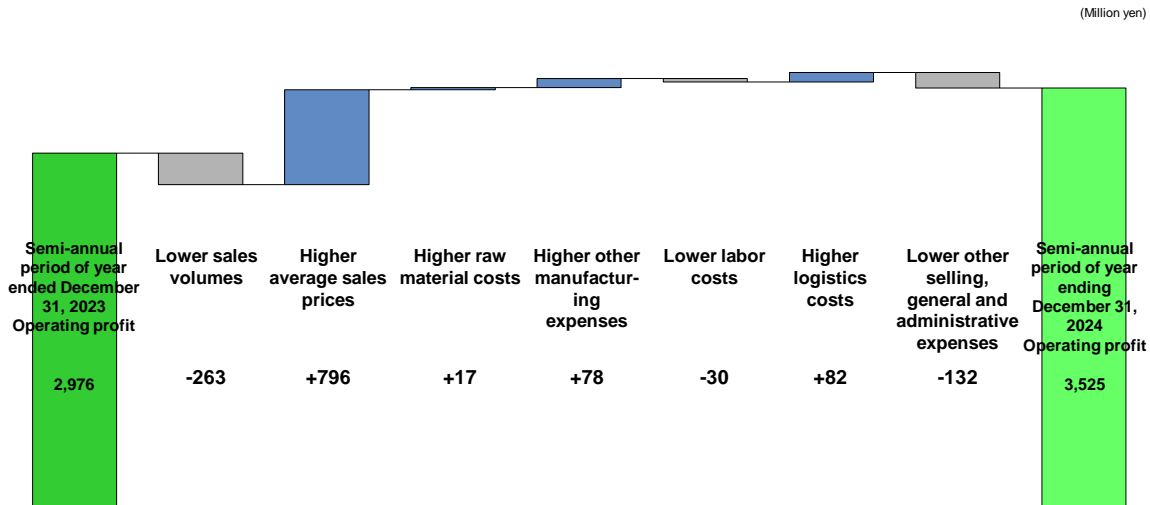
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# Factors Underlying Changes in Operating Profit

## Sales volumes grew due to rising average sales prices



- ◆ Sales volumes of products like film packaging decreased slightly.
- ◆ Average sales prices rose due to normalization of sales prices and efforts to promote sales of high value added products. Sales prices were up by 9.5% for paper bags, 2.7% for paper cartons, 8.9% for corrugated boxes, and 2.0% for plastic bags.
- ◆ Logistics costs fell due to improved transportation efficiency.
- ◆ Other selling, general and administrative expenses grew due to the growing cost of human resource development and sales promotions such as R&D.

This graph summarizes the various factors that underlie the changes in operating profit. First, let me go over the change attributable to sales volumes. We sell products ranging from individual packages for pieces of confectionery to large corrugated boxes. This product mix led to the results shown in this figure.

Average sales prices rose due to normalization of sales prices to reflect increased raw material prices, as well as stronger sales of high value added products.

Labor costs rose slightly. Selling, general and administrative expenses grew due to increases in cost for human resource development and in R&D expenses to enhance our capacity to propose solutions. However, the SGA ratio decreased by 0.6 percentage points YoY.

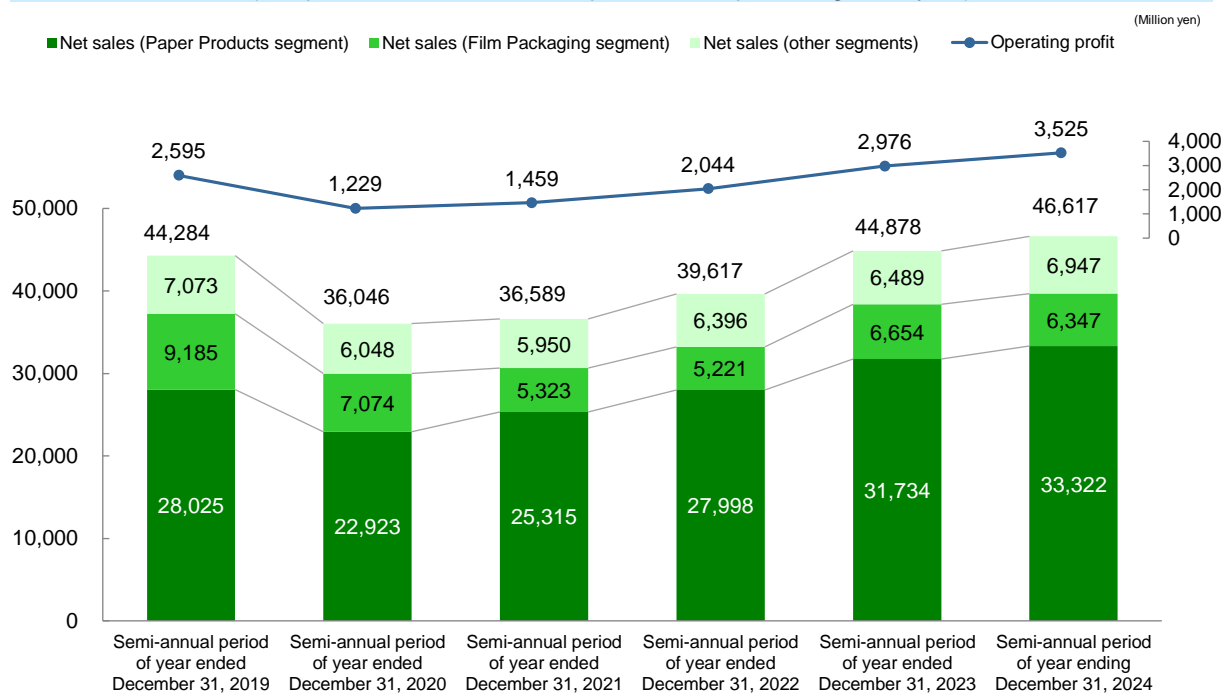
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## Trends by Segment

Net sales and operating profit reached record highs  
(compared to the semi-annual period of the preceding fiscal year)



This graph summarizes trends by segment for the semi-annual periods since FY2019. As with the Group as a whole, the paper products segment posted record-high semi-annual net sales and operating profit.



# Sales Composition

## Net sales by business



(Million yen)	Second quarter of year ended December 31, 2023		Second quarter of year ending December 31, 2024		YoY change
	Actual	Share	Actual	Share	
Food products	12,156	27.1%	13,201	28.3%	8.6%
Apparel	7,087	15.8%	7,620	16.3%	7.5%
Department stores	2,159	4.8%	2,292	4.9%	6.2%
Supermarkets and drug stores	2,617	5.8%	2,507	5.4%	-4.2%
Convenience stores	564	1.3%	597	1.3%	5.9%
Pharmaceuticals and cosmetics	2,237	5.0%	2,203	4.7%	-1.5%
e-commerce*	1,300	2.9%	1,616	3.5%	24.3%
Sundries	926	2.1%	1,058	2.3%	14.3%
Home electronics and home installations	1,701	3.8%	1,291	2.8%	-24.1%
Life care	1,859	4.1%	1,755	3.8%	-5.6%
Automotive	164	0.4%	144	0.3%	-12.2%
Other	12,102	27.0%	12,333	26.5%	1.9%

- ◆ In the food products sector, sales of packages for the food service industry and for the souvenir market were strong.
- ◆ In the apparel sector, sales of packages for brick-and-mortar shops and for e-commerce deliveries were strong.
- ◆ Sales to department stores trended positive, with recovering consumer spending and inbound tourism demand.
- ◆ In the convenience store sector, sales of packages for food products were strong.
- ◆ Sales to the e-commerce sector were strong due to new orders for delivery packages, including paper delivery bags.
- ◆ In the sundries sector, sales of gifting packages were strong.
- ◆ The life care and the home electronics and home installations sectors saw declining demand for packages intended for overseas market sales.

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

This table shows the breakdown of Group net sales by our customers' businesses. From the top to the bottom in this table, while the food, apparel, department store, convenience store, and e-commerce related sectors have grown steadily, the home electronics and home installations and life care sectors saw declining demand for packages destined for overseas markets.

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# Paper Products Segment

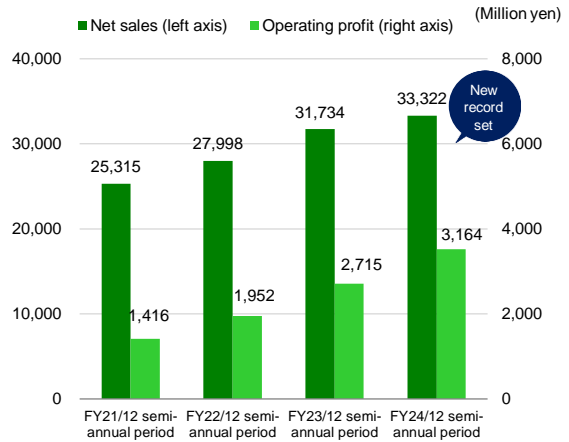
## Business environment

- ◆ By the end of the semi-annual period, department store sales had climbed nationwide for 28 consecutive months. Sales for inbound tourists (tax-free sales) and sales of high value added products were robust. Sales in the apparel, personal care products, and sundries sectors are currently major growth drivers. In the food products sector, confectionery sales grew as well due to growth in gifting and inbound demand. (Source: Japan Department Stores Association)
- ◆ In each month from January to June, the monthly on-line shopping expenditure per two-or-more-person household increased year on year, setting a record for the month. Expenditures in June rose 5.1% year on year. (Source: "Family Income and Expenditure Survey," Statistics Bureau of Japan)

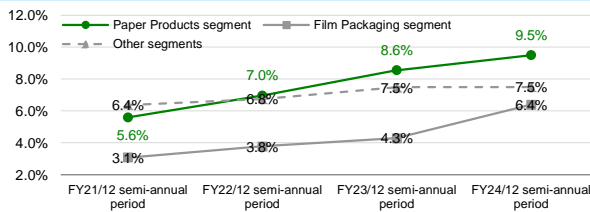
## Initiatives

- ◆ Capital investments in machinery and improvements in productivity
- ◆ Diversification of the line of products to cover a wider range of market needs
- ◆ Proactive proposals of eco-friendly materials and processing methods
- ◆ Strengthening combined sales

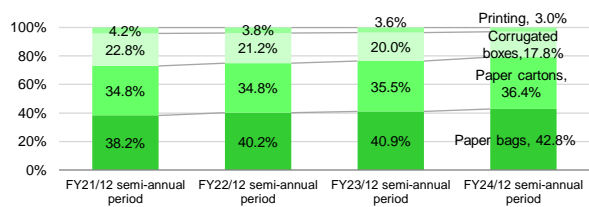
## Trends in net sales and operating profits



## Trends in operating profit margins



## Trends in sales composition in the Paper Products Segment



From here on, we will show various materials to explain the results by segment. The business environment is as presented.

Our current initiatives include improvements in manufacturing capacity and productivity, diversification of product lines, and proactive proposals of eco-friendly solutions.

In addition to these initiatives, we're driving forward aggressively with combined sales, one of our strengths and characteristics. These efforts involve proposals for total solutions involving various products, such as paper bags, boxes, delivery corrugated boxes, and various wrapping materials.

The operating gross margin in the Paper Products segment, which accounts for more than 70% of net sales, was 9.5%, as shown in the bottom-left graph.

# Paper Products Segment (Paper Bags)

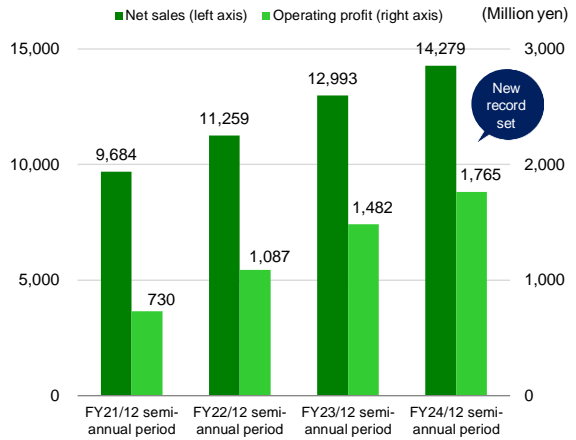
## Business environment

- ◆ Intensifying competition within the industry and fears of declining consumer confidence have highlighted the need for value enhancements as an emerging issue.  
→The need has grown to shift to high value added specifications.
- ◆ Society is increasingly strongly demanding eco-friendliness.
- ◆ e-commerce has been widespread in the product sales area. Since the logistics issue in 2024 and due to the related issues of improving transportation efficiency and securing workers, reformation of logistics and packaging systems is now underway.

## Initiatives

- ◆ Enhancing production capacities and technologies of our own plants, and ensuring stable supply by strengthening supply chains
- ◆ Enhancing high value added products as proposed solutions, centering on eco-friendly products
- ◆ Focusing on development and sales expansion of paper delivery bags, which improve transportation efficiency and work efficiency

## Trends in net sales and operating profits



## Examples of developed products

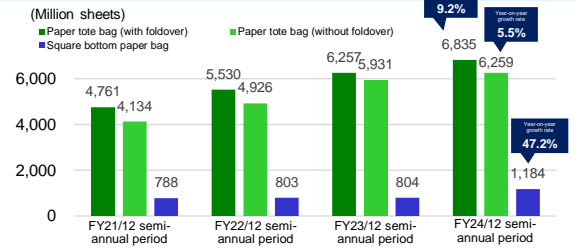


▲ Mixed paper with used clothes



▲ Paper delivery bag compatible with automatic packaging machines

## Trends in net sales of paper tote bags by type



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Next are materials that explain about paper bags in the Paper Products segment. The business environment is as described here.

Our initiatives include the following: enhancing production capacity and technologies at our own plants; strengthening supply chains—specifically, making proactive use of subcontractors; enhancing high value added products as proposed solutions, centering on eco-friendly products; and focusing on development and sales expansion of paper delivery bags, which improve transportation efficiency and work efficiency.

As the upper right graph shows, we achieved record-high net sales and operating profit for the period under review.

For reference, a graph illustrating the trends in net sales of paper tote bags by type is presented at the bottom right of the slide.

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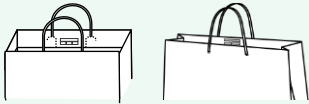
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## [Reference] Examples of Types of Paper Bag

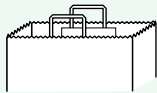
### ■ Paper tote bag (with foldover)

Bag with upper edges folded inside. The folded edges add strength to the bag, making reuse more likely.



### ■ Paper tote bag (without foldover)

Bag with its serrated upper edges. These highly cost-efficient bags are ideal for mass production.



### ■ Square bottom paper bag and flat paper bag

These bags are often used for home delivery or for primary food wrapping. It is possible to attach double-sided adhesive tape and/or provide oil resistance to them according to their applications.



In general, paper tote bags with folded-over upper edges are used mainly for jewelry, cosmetics, and expensive clothing.

In contrast, those with serrated upper edges not folded over are often used for confectionery and food products, as well as casual or inexpensive clothes.

Another type of paper bag, called a square-bottom paper bag, lacks handles and is used for deliveries. Small versions of these bags are used to carry confectionery. Paper bags are broadly categorized into these three types.

Paper delivery bags mentioned on the previous slide show remarkable growth although net sales were relatively low. However, overall sales of all types of bags have been growing steadily.

# Paper Products Segment (Paper Cartons)

## Business environment

- ◆ The food service industry, including fast food restaurants, is showing strong performance following the full recovery of everyday activities. Companies in these industries are strengthening delivery and takeaway services.
- ◆ In response to labor shortages, manual work such as preparation of paper cartons and setup of products is increasingly outsourced.
- ◆ As society is increasingly strongly demanding eco-friendliness, the industry is shifting to plastic-free wrapping.

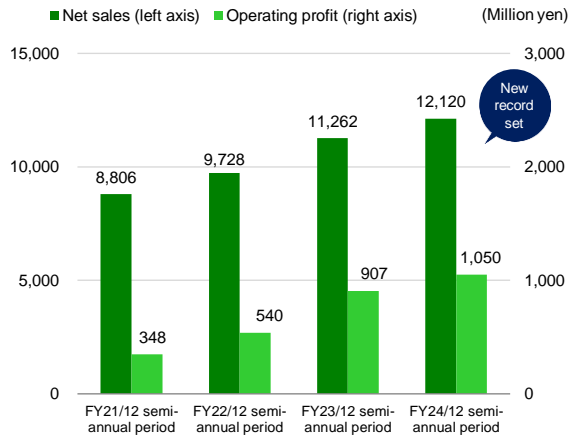
## Initiatives

- ◆ Expanding sales of primary paper containers to the home meal replacement market, and capital investments as well as strengthening product development (such as PFAS-free coating).
- ◆ Focusing on development of proposals that would lead to cross-selling of packages and services that complement labor shortages of customers through means such as assembling paper cartons and packing of products.
- ◆ Developing processing methods to achieve plastic-free businesses with lower environmental impact.

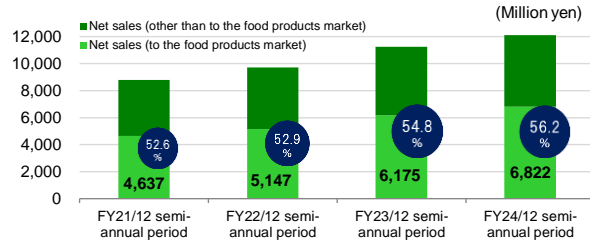
## Examples of developed products



## Trends in net sales and operating profits



## Trends in net sales and sales composition to the food products market



Next are paper cartons. The business environment is as shown here.

Our current initiatives include capital investments and sales expansion of paper containers for items including food products, as well as efforts to strengthen product development for these paper containers. In addition, we're focusing on developing proposals aimed at not only selling packages but also services that consider labor shortages of customers, including assembly of paper cartons and product packing.

In addition, our initiatives to reduce environmental impact include reducing use of plastic laminates and developing PFAS-free paper trays as food containers.

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# Paper Products Segment (Corrugated Boxes)

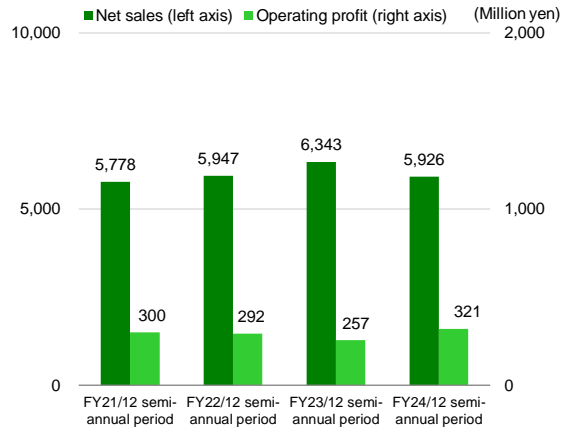
## Business environment

- ◆ Although demand for corrugated boxes, particularly those for food products has increased due to the rise in everyday activities, Japanese exports have been declining as a result of protectionist policies in the US and China. Production volume in the corrugated cardboard industry for the first half of 2024 was 97.1% of last year's level. The consumption of electric appliances and mechanical instruments was 97.9% of last year's level, whereas the figure for mail order, home deliveries, and moving was 98.2%. (Source: Japan Corrugated Case Association, "Corrugated Box Statistics")
- ◆ The 2024 issue in logistics has increased the need for proposals of solutions that address labor saving at packaging sites and improved transportation efficiency.

## Initiatives

- ◆ Putting more efforts into developing and proposing a corrugated-board cushioning material that can replace plastic cushioning material
- ◆ Developing our own production technologies for differentiation, such as to enable production of large-sized products.
- ◆ Putting more efforts into proposing high value added products produced by use of high-definition flexographic printers

## Trends in net sales and operating profits



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



▲ Totally paper-made cushioned envelop CC-PACK® featuring flexibility and cushioning achieved using a special material composition



▲ A corrugated-board pad, designed by capitalizing on our overall design capabilities, which can replace plastic cushioning material



▲ Corrugated boxes produced by printing by use of high-definition flexographic printers

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The business environment for corrugated boxes is as described in the upper left part here. Our initiatives include more focused efforts in developing and proposing corrugated board cushioning materials while minimizing use of plastic, strengthening sales in large corrugated boxes by leveraging our production facilities, and expanding solutions proposals based on the use of high-definition flexographic printers.

While net sales for the semi-annual period under review were 5,926 million yen, down 6.5% YoY, operating profit grew 25% YoY. The operating profit margin improved by 1.4 percentage points.

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# Film Packaging Segment

## Business environment

- ◆ As societal demand for eco-friendly products grows stronger, the shopping bags used to transport purchases are increasingly becoming plastic-free.
- ◆ Inbound demand for paper-made sanitary products, supported mainly by Chinese tourists, has been weak due to the emergence of local brands and a drop in population. In Japan, high value added products to correspond to narrowly segmented needs have been increasingly focused on in development.
- ◆ In the food products market where competition is intensifying, products in the specialty fields such as health and the environment are actively being developed.

## Initiatives

- ◆ Offering beautifully decorated packages by introducing the most advanced high-definition flexographic printers of low environmental impact
- ◆ Focusing on development and sales expansion of flexible paper packaging, the base material of which is paper.

## Examples of developed products

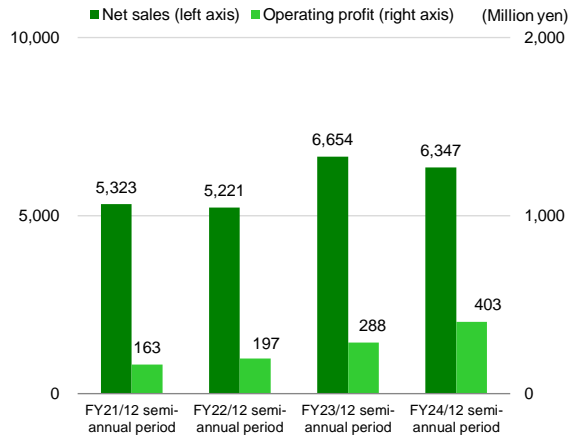


▲ ecoKARA-series films utilizing eggshells

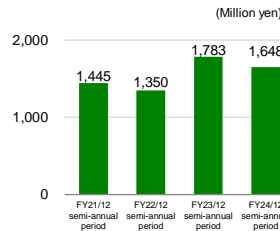


▲ Totally film-free flexible paper packaging with barrier performance

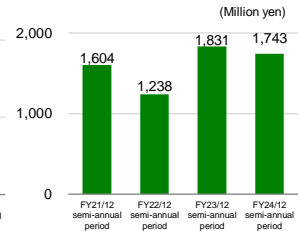
## Trends in net sales and operating profits



## Trends in net sales of plastic tote bags



## Trends in net sales of external packages for disposable diapers



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Show here is the Film Packaging segment. As societal demand for eco-friendly products continues to grow, fewer people are using polyethylene or plastic non-reusable shopping bags to carry their purchases.

Another main product line, outer bags for paper-made sanitary products, mainly disposable diapers, has been somewhat weak. This is due to the emergence of China's local brands and a drop in population, although Japanese paper-made sanitary products had until recently been very popular.

Our initiatives are as follows: utilizing high-definition flexographic printers that have low environmental impact, and, focusing on development and sales expansion of flexible packaging and film packaging, the base material of which is paper.

We ended with semi-annual net sales of 6,347 million yen, down 4.6% YoY. As in the above case, however, operating profit grew nearly 40% YoY. The operating profit margin improved by about 2 percentage points.

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## Other Sectors

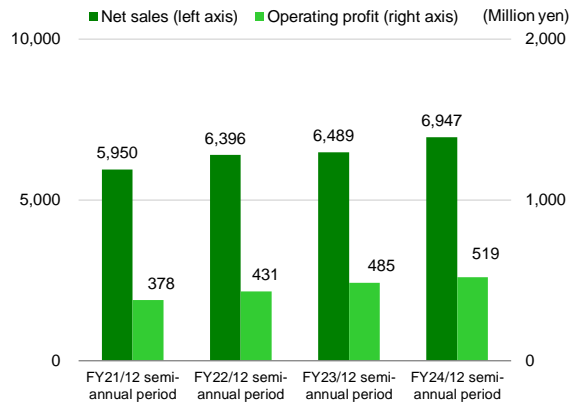
### Business environment

- ◆ Demand for gift-wrapping materials and sales-promotion materials is increasing.
- ◆ Due to growing environmental consciousness, the introduction of sewn packages (eco-friendly bags and gift wrapping), which have high added value and can be reused, is on the increase.
- ◆ Demand for in-store supplies and office supplies used in the department store industry is recovering as department store sales rebound.

### Initiatives

- ◆ More effort in proposing sewn products, which incorporate recycled and/or nature-based materials for lower environmental impact
- ◆ Improving the logistics efficiency of PAS (Pack Assortment Service System\*) for department stores and specialty stores  
\* Combined delivery system for miscellaneous and consumable supplies

### Trends in net sales and operating profits



### Examples of eco-friendly sewn products

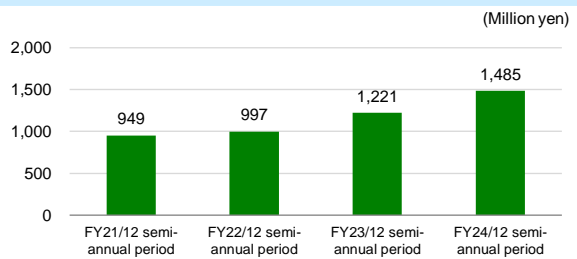


▲ Recycled Tetron Cotton, a material made by recycling materials such as cotton and polyester scraps from factories



▲ A sewn bag that can be used in three ways as shown above. This bag can be used as gift wrapping and a tote bag, thus encouraging its reuse.

### Trends in net sales of sewn products



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Finally, let's take a look at our other businesses. This section addresses total sales for products that are not classified as paper bags or boxes, corrugated boxes, or film packaging. These products include fabric or nonwoven-fiber bags and in-store supplies.

In general, demand is growing for gift-use materials and sales promotion materials. Growing environmental awareness has also affected these businesses so that customers are increasingly purchasing reusable products. Additionally, with rebounding department store sales, demand for in-store supplies used in the department store industry has been strong.

These businesses together grew by around 7% YoY both in net sales and operating profit.

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## Balance Sheet

(Million yen)

	Year ended December 31, 2023	Second quarter of year ending December 31, 2024
	Actual	Actual
<b>Assets</b>	<b>98,847</b>	<b>98,723</b>
Current assets	59,080	57,186
Non-current assets	39,766	41,537
Property, plant, and equipment	27,401	28,488
Intangible assets	2,679	3,290
Investments and other assets	9,685	9,758
<b>Liabilities</b>	<b>27,691</b>	<b>25,771</b>
Current liabilities	26,605	24,782
Non-current liabilities	1,085	988
<b>Net assets</b>	<b>71,156</b>	<b>72,952</b>
Shareholders' equity	68,092	69,906
Accumulated other comprehensive income	3,018	3,020
Share acquisition rights	45	25
Non-controlling interests	-	-

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I have no particular remarks on the balance sheet for the period under review.

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## Cash Flow

(Million yen)

Main items	Second quarter of year ended December 31, 2023	Second quarter of year ending December 31, 2024
	Actual	Actual
<b>Cash flows from operating activities</b>	<b>5,066</b>	<b>6,301</b>
Profit before income taxes	3,129	4,381
Depreciation	1,014	1,006
<b>Cash flows used in investment activities</b>	<b>-5,413</b>	<b>-97</b>
Purchase of property, plant, and equipment	-4,351	-1,958
Purchase of intangible assets	-1,465	-635
Purchase of investment securities	-18	-519
Proceeds from sales of investment securities	6	802
<b>Cash flows used in financing activities</b>	<b>-703</b>	<b>-2,084</b>
Cash dividends paid	-664	-1,046
<b>Cash and cash equivalents at end of period</b>	<b>17,719</b>	<b>22,210</b>

- ◆ Cash flows used in investing activities resulted in net cash flow used that is lower than that in investing activities due to an increase in proceeds from sales of investment securities and a decrease in expenditure for purchase of property, plant, and equipment and purchase of intangible assets.
- ◆ The amount of expenditure increased due to an increase in deposits for purchase of treasury shares and purchase of treasury shares.

This shows main items in the cash flow. Proceeds grew due to sales of investment securities, and expenditures increased as a result of purchasing treasury shares which we are currently conducting.

## Forecasts of Business Results

The highest-ever year-end net sales and profit are forecast

(Million yen)

	Year ended December 31, 2023	Year ending December 31, 2024	
	Actual	Forecasts 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)	90.0	118.0	31.1%

- ◆ Net sales is forecast to exceed 100 billion yen for the first time.
- ◆ The lineup of paper cartons will be expanded; sales of paper cartons is thus expected to grow together with sales of paper bags. Our goal is to increase both net sales and profit by proactively offering proposals of solutions that address social issues such as environmental impact reduction and labor shortages.

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These are full-year forecasts for FY2024. While these have not been revised since the previous forecasts, net sales are forecast to exceed 100 billion yen for the first time.

We plan to pay 118 yen per share in dividends, which corresponds to a dividend payout ratio of 35%.

As mentioned previously, we will maintain concerted efforts to expand sales, focusing on sales of paper cartons. Additionally, we will make proactive proposals for solutions that address various social issues, including the need to reduce environmental impact and to address labor shortages.

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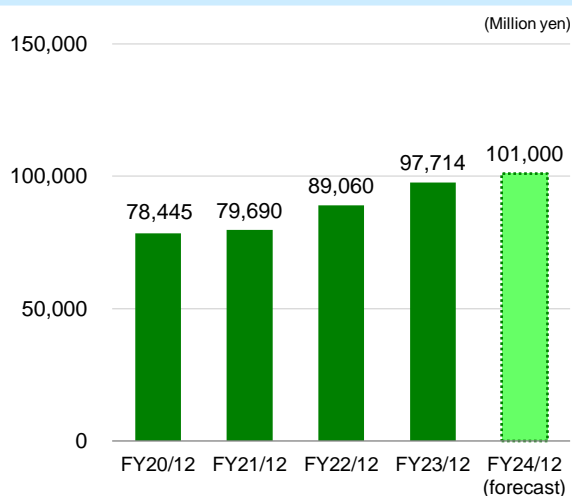
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## Trends in Consolidated Business Results

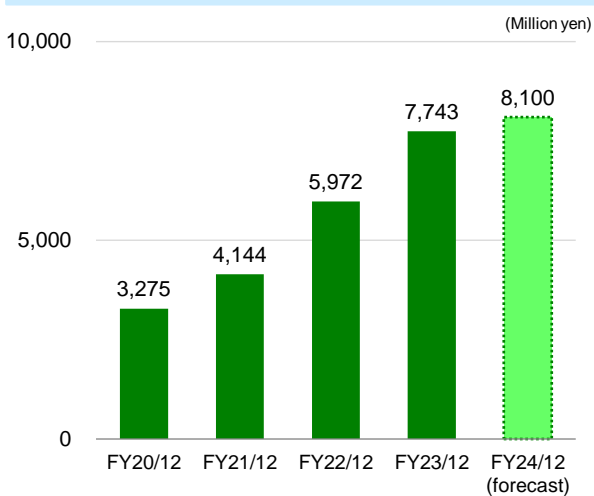
(Million yen)

	Year ended December 31, 2020	Year ended December 31, 2021	Year ended December 31, 2022	Year ended December 31, 2023	Forecast for year ending December 31, 2024
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



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This page summarizes the forecast of full-year results and actual results. We forecast net sales to grow 3.3% to 101.0 billion yen and operating profit to grow 4.6% to 8.1 billion yen, marking growth for four consecutive fiscal years and record highs in both net sales and profits.

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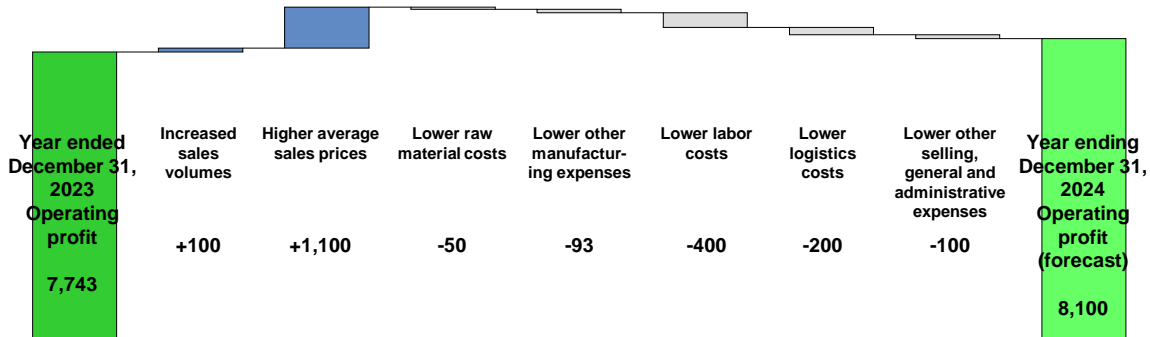
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## Major Factors Underlying Projected Changes in Operating Profit

Efforts to strengthen sales of paper products are expected to boost profits.

(Million yen)



- ◆ Sales volumes are expected to grow through cultivation of new markets and new demand by expanding and enhancing product lineups, particularly paper products.
- ◆ Average sales prices are expected to increase through proactive proposals for eco-friendly products, such as paper-based materials, and high value added products.
- ◆ Labor costs are expected to rise due mainly to workforce expansion and wage increases.

This page shows the factors underlying changes in our forecasts of operating profit. We will continue to expand sales, particularly of paper products. Meanwhile, we will proactively make proposals for eco-friendly and high value-added products. This is why we are forecasting an increase in average sales prices.

On the other hand, uncertainty remains concerning raw material costs and logistics costs. Additional negative factors include labor costs, which are expected to rise due to the need to expand our workforce. All in all, however, we believe our forecast net profit for FY2024 of 8.1 billion yen can be achieved.

This concludes my explanation. Thank you very much.

**Moderator:** Next, President Yamashita will discuss our progress on sustainable management.

# Progress on Sustainable Management

## Materiality KPIs

◆ Five KPIs were established with a goal of achieving these KPIs by FY2030. The following shows action plans and actual results for the past four years:

Materiality	KPIs and action plans	Targets for FY2030 and actual results for the past four years												
Promoting eco-friendly product planning and technological development	<ul style="list-style-type: none"> <li>◆ Increasing the proportion of net sales<sup>*1</sup> of FSC® products (paper bags, paper cartons, and corrugated boxes) to 50% or more</li> <li>• Putting more efforts into proposals for the shift to paper packaging</li> <li>• Increasing the number of FSC® certified suppliers</li> <li>• Accelerating development of new paper-based materials and products</li> </ul> <p><small>*1 Net sales = the whole Paper Products segment of The Pack Corporation on a non-consolidated basis (FSC® C020517)</small></p>	<table border="1"> <caption>Percentage of Net Sales from FSC Products</caption> <thead> <tr> <th>Fiscal Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>FY2020</td> <td>10.8%</td> </tr> <tr> <td>FY2021</td> <td>13.2%</td> </tr> <tr> <td>FY2022</td> <td>17.4%</td> </tr> <tr> <td>FY2023</td> <td>20.2%</td> </tr> <tr> <td>FY2030 (KPI)</td> <td>50.0%</td> </tr> </tbody> </table>	Fiscal Year	Percentage	FY2020	10.8%	FY2021	13.2%	FY2022	17.4%	FY2023	20.2%	FY2030 (KPI)	50.0%
Fiscal Year	Percentage													
FY2020	10.8%													
FY2021	13.2%													
FY2022	17.4%													
FY2023	20.2%													
FY2030 (KPI)	50.0%													
Reducing environmental impact throughout our business activities	<ul style="list-style-type: none"> <li>◆ Reducing CO<sub>2</sub> emissions (Scopes 1+2) by 46% from the level of FY2018 (16,662 tons in FY2018 to a target of 8,997 tons in FY2030)</li> <li>• Switching to machines with high energy efficiency</li> <li>• Shifting to renewable energy for power used (including purchase of renewable energy)</li> <li>• Expanding the use of solar panels</li> </ul>	<table border="1"> <caption>CO<sub>2</sub> Emissions (tons)</caption> <thead> <tr> <th>Fiscal Year</th> <th>Emissions (tons)</th> </tr> </thead> <tbody> <tr> <td>FY2020</td> <td>14,914</td> </tr> <tr> <td>FY2021</td> <td>14,894</td> </tr> <tr> <td>FY2022</td> <td>15,399</td> </tr> <tr> <td>FY2023</td> <td>16,756</td> </tr> <tr> <td>FY2030 (KPI)</td> <td>8,997</td> </tr> </tbody> </table>	Fiscal Year	Emissions (tons)	FY2020	14,914	FY2021	14,894	FY2022	15,399	FY2023	16,756	FY2030 (KPI)	8,997
Fiscal Year	Emissions (tons)													
FY2020	14,914													
FY2021	14,894													
FY2022	15,399													
FY2023	16,756													
FY2030 (KPI)	8,997													

**Yamashita:** I'll next review our progress on sustainable management.

We established five KPIs as targets to be achieved by FY2023. The first target is to increase the proportion of use of FSC-certified paper to 50%, which is aimed at conserving forestry resources. Since 2020, 3% to 4% has been added each year, helping us achieve the 50% target.

The second target involves CO<sub>2</sub> reductions. Unfortunately, due to a sharp increase in sales, we failed to achieve our target for CO<sub>2</sub> emissions. Going forward, we plan to work to achieve these reductions by enhancing productivity in manufacturing and proactively shifting to renewable energy.

# Progress on Sustainable Management

Materiality KPIs																				
Materiality	KPIs and action plans	Targets for FY2030 and actual results for the past four years																		
Contributing to environmental conservation and preservation	<ul style="list-style-type: none"> <li>◆ Increasing the number of The Pack Forest® Environment Fund activities per year to 15 and the number of participants to 500</li> <li>• Increasing the number of activities by finding new locations for conducting activities</li> <li>• Making more publicity efforts to local residents and inviting general participants</li> <li>• Strengthening customer invitation activities</li> </ul>	<table border="1"> <caption>Number of activities and participants per year</caption> <thead> <tr> <th>Fiscal Year</th> <th>Number of activities per year</th> <th>Number of participants per year</th> </tr> </thead> <tbody> <tr> <td>FY2020</td> <td>0</td> <td>0</td> </tr> <tr> <td>FY2021</td> <td>0</td> <td>0</td> </tr> <tr> <td>FY2022</td> <td>4</td> <td>111</td> </tr> <tr> <td>FY2023</td> <td>9</td> <td>253</td> </tr> <tr> <td>FY2030 (KPI)</td> <td>15</td> <td>500</td> </tr> </tbody> </table>	Fiscal Year	Number of activities per year	Number of participants per year	FY2020	0	0	FY2021	0	0	FY2022	4	111	FY2023	9	253	FY2030 (KPI)	15	500
Fiscal Year	Number of activities per year	Number of participants per year																		
FY2020	0	0																		
FY2021	0	0																		
FY2022	4	111																		
FY2023	9	253																		
FY2030 (KPI)	15	500																		
Promoting diverse work styles that encourage all employees to thrive	<ul style="list-style-type: none"> <li>◆ Increasing the percentage of women managers (section manager or above) to 15% or more</li> <li>• Increasing the percentage of women in university graduate recruits to 35% or more</li> <li>• Establishing systems and environments that allow women to work for many years</li> </ul>	<table border="1"> <caption>Percentage of women managers</caption> <thead> <tr> <th>Fiscal Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>FY2020</td> <td>5.3%</td> </tr> <tr> <td>FY2021</td> <td>4.9%</td> </tr> <tr> <td>FY2022</td> <td>6.7%</td> </tr> <tr> <td>FY2023</td> <td>6.3%</td> </tr> <tr> <td>FY2030 (KPI)</td> <td>15.0%</td> </tr> </tbody> </table>	Fiscal Year	Percentage	FY2020	5.3%	FY2021	4.9%	FY2022	6.7%	FY2023	6.3%	FY2030 (KPI)	15.0%						
Fiscal Year	Percentage																			
FY2020	5.3%																			
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FY2023	6.3%																			
FY2030 (KPI)	15.0%																			

As the third target, we determined the target number of annual forest preservation activities and participants as part of our 20-year long program.

Participants in the activities include not just employees, but local residents and business partners who are active in environmental preservation activities, and numbers of these non-employee participants have increased. We temporarily suspended activities due to the COVID-19 pandemic, but both activities and participants have been on the increase after we restarted activities.

The fourth target concerns promoting women’s empowerment in the workplace. As a system that allows women to work over many years, we introduced a comprehensive shorter working-hour system. Thus, we have established an environment where employees with various burdens, such as childrearing or caring for family members and receiving outpatient treatment, can work for many years.

The percentage of women in university graduate recruits was 32% for the current fiscal year, but we will continue to enhance our working environment with the aim of raising this percentage further.

## Support

# Progress on Sustainable Management

## Materiality KPIs

Materiality	KPIs and action plans	Targets for the fiscal year ending March 31, 2030 and actual results for the past four years												
Co-creating brand value with our customers	<ul style="list-style-type: none"> <li>◆ Increasing the number of companies*<sup>2</sup> supporting The Pack Forest? Environment Fund to 300</li> <li>• Enhancing tools for activity introduction and inviting companies to support activities</li> </ul> <p><sup>2</sup> Companies that have a record of sales are counted.</p>	<table border="1"> <caption>Number of Companies Supporting The Pack Forest? Environment Fund</caption> <thead> <tr> <th>Fiscal Year</th> <th>Number of Companies</th> </tr> </thead> <tbody> <tr> <td>FY2020</td> <td>44</td> </tr> <tr> <td>FY2021</td> <td>67</td> </tr> <tr> <td>FY2022</td> <td>94</td> </tr> <tr> <td>FY2023</td> <td>123</td> </tr> <tr> <td>FY2030 (KPI)</td> <td>300</td> </tr> </tbody> </table>	Fiscal Year	Number of Companies	FY2020	44	FY2021	67	FY2022	94	FY2023	123	FY2030 (KPI)	300
Fiscal Year	Number of Companies													
FY2020	44													
FY2021	67													
FY2022	94													
FY2023	123													
FY2030 (KPI)	300													

## Initiatives to enhance engagement of stakeholders

Shareholders and investors	<ul style="list-style-type: none"> <li>• Proactively conducting individual IR discussions and providing the Packaging Laboratory guide tours</li> <li>• Enhancing English disclosure documents (such as Business Results, Annual Securities Reports, and Briefing Materials on Business Results)</li> <li>• Publishing Integrated Report 2024</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Publishing Sustainability Report 2024</li> <li>• Offering a proposal on support of The Pack Forest? Environment Fund</li> </ul>
Business partners	<ul style="list-style-type: none"> <li>• Holding quality control meetings and lectures for business partners</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Conducting training (such as DX training and tiered training)</li> <li>• Improving the employment conditions of post-retirement employees</li> </ul>
Local communities	<ul style="list-style-type: none"> <li>• Reducing environmental impacts (such as information disclosure according to TCFD and switching to renewable energy)</li> </ul>



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As the fifth KPI, we established a target for the number of companies supporting and contributing to The Pack Forest Environment Fund.

We are making efforts to enhance our customers' products and brand value through packages, and The Pack Forest Environment Fund is aimed at enhancing our customers' corporate value in terms of environmental preservation. The number of companies supporting the Fund has steadily increased from 44 in FY2020 to 123 in FY2023.

Next, I'll go over our initiatives to enhance stakeholder engagement. For shareholders and investors like you who are attending here today, we're working to enhance IR and SR efforts.

In addition to engaging in individual IR discussions, we are increasing the provision of guided tours of our Packaging Laboratories, which are facilities unique to our company. During the tours, we explain our strengths and points of differentiation, as well as how we add value for customers through the use of packages, while demonstrating actual products and types of usage.

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# Progress on Sustainable Management

## Initiatives to enhance engagement of stakeholders

### ◆ Publishing Integrated Report 2024 (in July 2024)

We have edited this report to communicate the value creation story of The Pack Group to a wide range of stakeholders, including shareholders and investors. The composition of contents was arranged to allow readers to grasp the whole picture of The Pack Group.

The report is available on the following web pages.

- The Japanese version:  
[https://www.thepack.co.jp/dcms\\_media/other/integratedreport2024.pdf](https://www.thepack.co.jp/dcms_media/other/integratedreport2024.pdf)
- The English version:  
[https://www.thepack.co.jp/dcms\\_media/other/integratedreport2024en.pdf](https://www.thepack.co.jp/dcms_media/other/integratedreport2024en.pdf)



### ◆ Publishing Sustainability Report 2024 (in July 2024)

We have changed the name of CSR Reports published to date. We have edited this report to communicate to stakeholders the details of initiatives we are conducting to create a sustainable society and enhance our corporate value.

This report focuses particularly on our environmental and social activities.

- The Japanese version:  
[https://www.thepack.co.jp/dcms\\_media/other/sustainabilityreport2024.pdf](https://www.thepack.co.jp/dcms_media/other/sustainabilityreport2024.pdf)
- The English version:  
[https://www.thepack.co.jp/dcms\\_media/other/sustainabilityreport2024en.pdf](https://www.thepack.co.jp/dcms_media/other/sustainabilityreport2024en.pdf)



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Until the previous fiscal year, we engaged in dialogue with shareholders and investors via summaries of business results, annual securities reports, and biannually published sets of briefing materials on business results.

These were insufficient to explain what we wanted to convey, so from this fiscal year we've compiled an integrated report to explain our value creation processes and business model. This report was posted to our website in July. I hope you can find the time to read the report.

We changed the name of the CSR Report published in past fiscal years to The Sustainability Report. This describes our initiatives to create a sustainable society, centering on environmental activities and social contribution activities. I encourage you to read both this report and the Integrated Report.

That is all for the progress on sustainable management.

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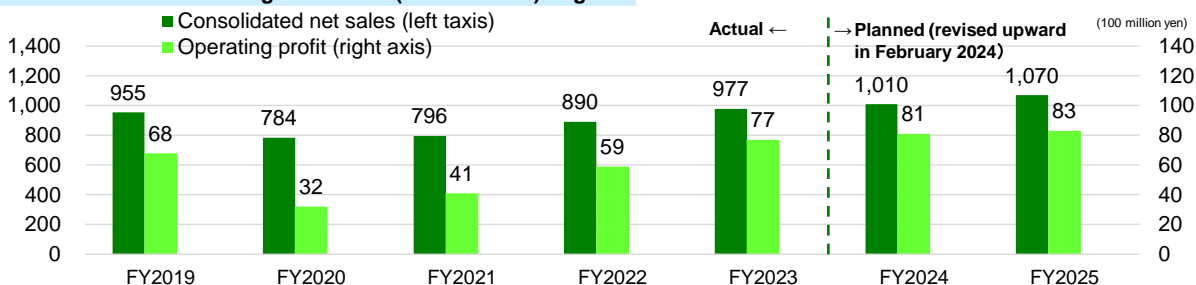
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## Quantitative Progress on the Medium-Term Management Plan

<b>Slogan</b>	<b>Evolution—Start of purpose-based management and Sustainable Management</b>
<b>FY2025 targets</b> *Revised upward in February 2024	<b>Consolidated net sales: 107.0 billion yen; operating profit: 8.3 billion yen</b> <b>ROE: 8% or higher; ROIC: 8% or higher</b>

### New Medium-Term Management Plan (FY2023-2025) targets



	FY2023			FY2024		
	Semi-annual, actual	Full-year, actual	Semi-annual progress	Semi-annual, actual	Full-year, planned	Semi-annual progress
Consolidated net sales	449	977	45.9%	466	1,010	46.1%
Operating profit	30	77	38.9%	35	81	43.2%
Ratio of operating profit to net sales	6.7%	7.9%	-	7.5%	8.0%	-



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Next, I'll go over the progress on the Medium-Term Management Plan. While the target net sales for FY2025 are 107 billion yen and operating profit of 8.3 billion yen, the targets for the current fiscal year are sales of 101 billion yen and operating profit of 8.1 billion yen.

During the first half of FY2024, net sales and operating profit grew steadily, 3.9% YoY to 46.6 billion yen and 17% to 3.5 billion yen, respectively. The rates of progress toward the annual targets are 46% for net sales and 43% for operating profit, each of which is the same or above the rates for the first half of FY2023.

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## Quantitative Progress on the Medium-Term Management Plan

### Overview

- ◆ Actual results have been favorably progressing toward the planned figures for FY2024
- ◇ The growth of paper bags and paper cartons and in the food products market contributed to the results of the semi-annual period under review.
- ◇ While market environments and demand for certain product categories remain uncertain, we expect to achieve the planned full-year figures.

### Quantitative target by market

(100 million yen)

	FY2023 semi-annual, actual	FY2023 full-year, actual	Semi-annual progress	FY2024 semi-annual, actual	FY2024 full-year, actual	Semi-annual progress
Food products (*)	121	282	42.9%	133	300	44.3%
e-commerce, mail order, logistics (*)	70	147	47.6%	74	155	47.7%
General distribution, retail, etc.	258	548	47.1%	259	555	46.6%
<b>Total</b>	<b>449</b>	<b>977</b>	<b>46.0%</b>	<b>466</b>	<b>1,010</b>	<b>46.1%</b>

(\*) The "food products" and "e-commerce, mail-order, logistics" markets were defined in consideration of the businesses of customers and the purposes of their use of products.

### Quantitative target by product category

(100 million yen)

	FY2023 semi-annual, actual	FY2023 full-year, actual	Semi-annual progress	FY2024 semi-annual, actual	FY2024 full-year, actual	Semi-annual progress
Paper bags	130	297	43.7%	143	310	46.1%
Paper cartons	113	250	45.2%	121	265	45.6%
Corrugated boxes	63	125	50.4%	59	125	47.2%
Film packaging	67	138	48.6%	63	135	46.7%
Other	76	168	45.2%	80	175	45.7%
<b>Total</b>	<b>449</b>	<b>977</b>	<b>46.0%</b>	<b>466</b>	<b>1,010</b>	<b>46.1%</b>



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Next, I'll go over the progress by market. For the first half of FY2024, we performed better than for the first half of FY2023 in all markets. In particular, sales in the food products market, which we particularly focus on, grew 10% from 12.1 billion yen for the first half of FY2023 to 13.3 billion yen, and sales in the e-commerce/mail order market grew 6% from 7 billion yen to 7.4 billion yen. Those two markets outdid the others.

By product category, sales of paper bags, our main product, and paper cartons showed steady increases of 10% and 7%, respectively, or from 13 to 14.3 billion yen and from 11.3 to 12.1 billion yen, respectively, YoY compared to the first half of FY2023.

Sales of corrugated boxes and for film packaging both decreased by about 0.4 billion yen YoY. These decreases partly reflect the drop in market demand. However, we believe these decreases are temporary as they were affected by a production adjustment made by a large customer.

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# Progress on Growth Strategies in the Food Products Market

Quantitative progress				Overview of Progress
FY2023 semi-annual, actual	FY2024		FY2025 target	<p>◆ All figures are trending up due to favorable progress on initiatives.</p> <p>◇ The number of orders received has increased following efforts to expand sales of developed products and promote cross-sales of products and peripheral services.</p> <p>◇ Capital investments related to products for the food products market have increased steadily.</p>
	Semi-annual, actual	Full-year planned		
121	133	300	320	

◆ Sales expansion of primary containers for food products and efforts related to paper trays and molded pulp containers

	(Million yen)		
	FY2023 semi-annual, actual	FY2024 semi-annual, actual	YOY change
All paper cartons in the food products market	66.3	73.0	10.1%
<b>Primary containers for food products</b>	<b>34.5</b>	<b>41.7</b>	<b>20.9%</b>
(Reference)			
Paper bags in the food products market	33.5	35.7	6.6%

- Taking advantage of the ongoing shift to paper, we're striving to increase the number of orders received and to further expand our market reach.
- We will focus on development and validation in response to growth in numbers of projects requiring high functionality and high quality.
- Capital investments are advancing as planned. We are striving to begin operations contributing to business results earlier than originally planned.

Enhancing customer and industry recognition by showcasing products at exhibitions

<Showcasing at FABEX 2024>

- Our products were showcased at FABEX Tokyo 2024 held at Tokyo Big Sight (Tokyo International Exhibition Center) (April 10 to 12, 2024).
- This exhibition provided an opportunity to demonstrate the appeal of our packages and planning capabilities for the food products market at a venue where companies and buyers in the food service and home meal replacement industry gather. It led to lively business negotiations.



◆ Sales expansion and cross-selling of film packaging

	(Million yen)		
* For food products market only	FY2023 semi-annual, actual	FY2024 semi-annual, actual	YOY change
Film packaging	6.5	7.0	7.7%

- In this segment, strengths in original high value added products, design proposals, and cross-selling with other products have boosted net sales.
- We intend to expand sales activities across Japan and to expand into food product areas beyond the confectionery industry.

◆ Developing materials and processes that help reduce environmental impact and expanding sales of FSC® products (FSC® C020517)

	(Million yen)		
* For food products market only	FY2023 semi-annual, actual	FY2024 semi-annual, actual	YOY change
FSC® products	22.7	25.9	14.1%

- We will continue to develop PFAS-free materials, plastic-free materials, and the corresponding new processes.

◆ Promoting proposals for solutions that contribute to labor savings, efficiency, and automation

- A setup base in Kanagawa Prefecture, which began operating in 2023, has recently launched full-scale operations and has begun receiving satisfactory order volumes.
- We are preparing to establish another setup base in western Japan and plan to bring it online during FY2024.

Photo: Setup base in Kanagawa Prefecture



Next are growth strategies by market. In the food products market, as explained earlier, net sales grew by around 10% YoY for the first half of FY2024. In particular, net sales for primary food product containers, enclosed by a red frame, grew substantially by 21%. We have been driving forward capital investments, aiming for further growth.

As shown in the bottom left part, our products were showcased at FABEX Tokyo 2024, at Tokyo Big Sight in April last year. This was an opportunity to demonstrate the appeal of our packages and planning capabilities for the food products market, and it led to lively business negotiations.

The bottom right picture shows a setup base in Kanagawa Prefecture, which began operating last fall, which has begun receiving satisfactory order volumes partly due to labor shortages at customers.

# Progress on Growth Strategies in the e-commerce, Mail Order, and Logistics Industries

## Quantitative progress

FY2023 semi-annual, actual	FY2024		FY2025 target
	Semi-annual, actual	Full-year planned	
70	74	154	180

(Million yen)

### ◆ Enhancing sales efforts for delivery bags designed to contribute to transportation efficiency at customer sites.

	FY2023 semi-annual, actual	FY2024 semi-annual, actual	YOY change
Paper delivery bags	3.5	5.9	68.6%
Other delivery materials	3.7	4.4	18.9%

(Million yen)

- Backed by market demand, sales expansion efforts have paid off and led to the acquisition of new customers, primarily major companies.
- Capital investments in eastern Japan expanded our supply capacity in this area due to high demand.
- We are working to cultivate overseas suppliers and to strengthen competitiveness through technological partnerships.
- We will continue to make capital investments for the purpose of building a diverse lineup of products.

### ◆ Continuing to expand sales of reinforced corrugated boxes for heavy articles

	FY2023 semi-annual, actual	FY2024 semi-annual, actual	YOY change
Reinforced corrugated boxes	5.5	4.7	-14.5%

(Million yen)

- While current demand in this market appears weak, our sustained sales efforts are currently targeting customers by highlighting our internal design and proposal capabilities.

## Overview of Progress

- ◆ We have received significant orders for delivery bags, a product area in which we have special strengths. This has been a driving force behind our growth in this market.
  - ◇ Capital investments in paper delivery bags and thin delivery boxes expanded our supply capacity.
  - ◇ Active R&D and sales activities have been conducted to response to demand for labor saving, automation, and efficiency enhancement.

### ◆ Development and sales expansion for materials and processes for automatic packaging

#### ◆ We plan to exert greater effort into proposals that contribute to labor savings.

- Inquiries are growing not just from the logistics industry, but from manufacturers.
- Initiatives involving the transition to plastic-free materials in automatic packaging have made steady progress.
- We showed successful results in which we paired a product with the design of an automation line.



Paper delivery bag automatic packaging machine



Illustration of paper delivery bag processed by the machine

### Enhancing customer and industry recognition by showcasing products at exhibitions

#### <Scheduled showcasing at TOKYO PACK 2024 (Tokyo International Packaging Exhibition)>

- Our products will be showcased at TOKYO PACK 2024 held at Tokyo Big Sight (Tokyo International Exhibition Center) (October 23 to 25, 2024).
- This exhibition, an opportunity to expand our presence in this industry, will introduce our automatic packaging machines, which have plastic-free specifications, at a venue that attracts companies and buyers who have been successful in various fields and are interested in packaging materials, containers, packaging machines, and related services.



(Reference) The Pack's booth at the Japan Pack 2023



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In the e-commerce/mail order market, net sales grew by around 6% YoY for the first half of FY2024. In this market, net sales of paper delivery bags, enclosed in red, grew by nearly 70%. Compared to corrugated boxes, customers favor paper delivery bags for their higher loading efficiency. In addition, the 2024 logistics issue is also driving up the need for paper delivery bags.

Against this backdrop, we bolstered our production capabilities by introducing new facilities in eastern Japan in July.

The right picture shows a paper delivery bag automatic packaging machine we developed. We have successfully shifted to plastic-free materials with this machine, which we will showcase at TOKYO PACK 2024 to be held in October 2024. We intend to use this opportunity to start sales of this machine and receive orders for related products.

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# Progress on Growth Strategies in the General Distribution Sector, the Retail Sector, and Other Sectors

Quantitative progress				Overview of Progress			
FY2023 semi-annual, actual	FY2024		FY2025 target	<ul style="list-style-type: none"> <li>◆ Sales strategies and supply systems have met the challenges posed by changing market environments.                             <ul style="list-style-type: none"> <li>◇ The distribution and retail sector have shown strong performance thanks to inbound tourism, etc. Sales of event products and high value added products have increased.</li> <li>◇ Improvements in productivity and production capacity attributable to capital investments to increase paper bag production capacity have progressed favorably.</li> </ul> </li> </ul>			
	Semi-annual, actual	Full-year planned					
258	259	556	570				

(Million yen)

◆ Promoting additional proposals that would expand market share for paper bags and promote the shift to paper

General distribution sector, retail sector, and other sectors	FY2023 semi-annual, actual	FY2024 semi-annual, actual	YOY change
Paper bags	68.0	71.0	4.4%
(Reference) Film packaging	39.2	36.2	-7.7%

(Million yen)

- Although the scope may vary, projects related to the shift to paper have led to continuous expressions of interest throughout the current period. We have been receiving orders at a favorable pace.
- Our product lineups and supply systems proved sufficient to respond to growth in inbound demand.
- We have promoted sales of high value added products in response to demand for paper bags for events and sales promotions.
- Large-scale investment in high-definition printers expanded our production capabilities.

◆ Cultivating ASEAN sales channels

- We plan to build supply chains optimized for the corresponding regions.
- We will make efforts to acquire access to trading zones through global companies, particularly in the luxury industry and the apparel industry.
- We will help Japanese companies export packages to Asian markets.

◆ Promoting social contributions alongside customers (The Pack Forest® Environment Fund)




	FY2023 actual	FY2024 semi-annual, actual	FY2030 target
Number of activities per year (times)	9	5	15
Number of participants (persons)	253	124	500
Number of customers (persons)	65	25	-

- Due to growing awareness of the need to make environmental and social contributions, customers have begun to see the Fund as an opportunity for them to actively participate.

**Enhancing customer and industry recognition by showcasing products at exhibitions**

<Showcasing at the 14th COSME Tech 2024 Tokyo>

- Our products were showcased at the 14th COSME Tech 2024 Tokyo held at Tokyo Big Sight (Tokyo International Exhibition Center) (January 17 to 19, 2024).
- This exhibition was an opportunity for us to demonstrate the appeal of our high value added products, our wide range of paper packages, and our planning and proposal capabilities at an event that attracts companies and buyers related to cosmetics-related business products.
- Our efforts led to several business negotiations and deals.

Next concerns the general distribution, retail, and other sectors. In these sectors, net sales grew by 0.1 billion yen for the first half of FY2024. Net sales grew in the general distribution and retail sectors composed of department stores and apparel stores that use paper bags. In contrast, net sales rose only slightly in the manufacturing sector including home electronics and life care product manufacturers, which saw sluggish growth in exports and ongoing inventory adjustments.

Given these conditions, net sales for paper bags, enclosed in a red frame, steadily grew by 4.4% YoY.

As shown in the bottom left part, we will continue based on three strategies: building supply chains optimized for the corresponding regions, working to acquire access to products and trading zones in Asian markets through global companies, particularly in the luxury and apparel industries, and helping Japanese companies export packages to Asian markets.

Our products were showcased at the COSME Tech in January, which was an opportunity for us to demonstrate the appeal of our wide-ranging paper packages and our design and planning capabilities. Our efforts have already led to several favorable business deals.



# Progress on Human Capital Strategy

## Overview

- ◆ We have taken initiatives to secure and draw the maximum value from human resources that support Company growth.
  - ◇ Revised systems and wage increases have improved employment conditions.
  - ◇ We enhanced existing human resources development programs and added new programs.

## Securing diverse human resources

	FY2023 semi-annual, actual	FY2024 semi-annual, actual
Career hires	29	19
Referrals and “comeback” hiring	8	5

## Creating better working environments

- Improving the employment conditions of non-permanent employees  
Revising rules regarding wages for post-retirement employees  
We're seeking to strengthen the motivation of employees of all generations.

## Human resource development

- We provide educational programs, including newly introduced programs suited to different levels.  
Training provided before and during the semi-annual period of FY2024:  
Pre-employment training, new employee training, section manager skills training, among others
- ◆ Workplace improvement training (new)  
Targeting enhanced workplace communication and harassment prevention, all participants work mutually to create an employee-friendly environment by participating in group work and talking to group members.
- ◆ DX training (the second term)  
FY2023: Fostering the mindset of a non-IT specialist; discovering DX human resources (Around 700 people)  
FY2024: Developing the human resources discovered; a program to output results (ongoing) (around 150 people)
- ◆ Efforts to develop the capacity to produce total solutions concerning packages  
Study meetings are held to share the knowledge needed to sell ever-changing products and processes that grow increasingly complex. In addition, we are developing and providing applications and video tools.



## Enhancing employee engagement

- Consecutive wage increases FY2024 5.50% on average (FY2023 5.01% on average)
- We encourage employees to join the employee stock ownership program and aim to increase awareness of management participation opportunities. We grant transfer-restricted share-based incentives under the employee stock ownership program.

## Personnel planning

	Actual number of participants as of December 31, 2023	Actual number of participants as of June 30, 2024	Rate of growth	FY2025 planned
Personnel planning for all workers including permanent employees, contract employees, and part-time workers.	1,836 persons	1,866 persons	56.1%	1,920 persons

- Additional workers will be placed in sections involved in strengthening the sales force.

Next concerns our human capital strategy. We undertake various initiatives based on an awareness that human capital represents the cornerstone to sustainable growth.

To secure human resources, we adopted multiple routes, including university graduate hires, career hires, and referrals and “comeback” hiring. As a result, 42 university graduates were hired this spring, and 24 mid-career and returning employees joined us during the last fiscal year. It is noteworthy that this year marked the highest number of university graduate hires in recent years.

In terms of human resource development, we newly introduced workplace improvement training to enhance workplace communication and harassment prevention, in addition to existing DX training and various study meetings.

Furthermore, our efforts to enhance employee engagement included consecutive wage increases, revising wages for post-retirement employees, and granting transfer-restricted share-based incentives under the employee stock ownership program.

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# Progress with Financial Strategies

## Overview

- ◆ We have taken various initiatives to enhance growth potential and corporate value.
  - ◇ We have made steady progress with facility reinforcement plans centering on paper bags and paper cartons for the food products market.
  - ◇ We are purchasing treasury shares as planned to increase shareholder returns and have published an integrated report.

## Capital investments

		(Million yen)			
		Initial plan (FY2023- 2025)	FY2023 actual	Planned for FY2024- 2025	FY2024 semi- annual, actual
Strategic investments	Reinforcing the capacity to produce paper cartons	20.0	7.9	16.6	2.3
	Reinforcing the capacity to produce paper bags	30.0	7.8	20.7	11.7
	Streamlining or labor savings	11.0	1.2	9.6	0.8
	Energy or resource savings	2.0	0.4	1.5	0.0
	Other	2.0	0.1	0.8	0.5
<b>Total strategic investments</b>		<b>65.0</b>	<b>17.4</b>	<b>49.2</b>	<b>15.3</b>
Maintaining plant facilities		20.0	5.6	12.0	1.5
Land acquisition	Plant site near Osaka Plant	-	19.0	-	0.0
	Plant site near Tokyo Plant	-	3.8	-	0.0
Reconstruction of headquarters building			10.0	-	-
<b>Total</b>		<b>85.0</b>	<b>55.8</b>	<b>61.2</b>	<b>16.8</b>

## M&A

- We are pursuing studies on two fronts: enhancing and expanding core businesses; and expanding business domains.

## Renovations of the backbone system

- Investments to renovate the backbone system are scheduled for FY2025. We will optimize the deployment of management resources while enhancing operations and management efficiency.

		(Million yen)		
		FY2024 planned	FY2024 semi- annual, actual	FY2023-2025 planned
Amount invested to renovate the backbone system		10	5.4	20

## Human resource investments

- We will continue to invest proactively in hiring human resources, implementing wage increases, and developing human resources (e.g., training) in the current fiscal year.

## Returns to shareholders

- We will purchase treasury shares under the annual upper limit of purchase set to one billion yen. Actual results for the FY2024 January-June period: Around 0.33 billion yen. We will purchase treasury shares as planned by the end of FY2024.
- Dialogue with investors and shareholders: We have released the Integrated Report to further understanding of the Company.

Finally, I'll report on our progress in financial strategies. In the first half of FY2024, capital investments categorized as strategic investments amounted to 1,530 million yen, centering on those for bolstering production capabilities for paper cartons and paper bags.

To implement shareholder returns, we purchased treasury shares in accordance with the policy disclosed on February 9. Treasury shares of about 330 million yen were purchased during the first half of FY2024. We will purchase treasury shares under the annual upper limit of purchase set at one billion yen.

This concludes my report on the Medium-term Management Plan.



## Question & Answer

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**Moderator [M]:** Now we'd like to move on to answering your questions. Are there any questions?

**Yamashita [Q]:** My name is Yamashita, from SMBC Nikko Securities. Thank you for holding this briefing. I have one question.

Regarding corrugated boxes, you said that there were demand issues and production adjustments. Could you be more specific about these issues, including the underlying factors? When do you think the current unfavorable trend will turn around? You said you expect this to be brief and temporary. Thank you in advance.

**Yamashita [A]:** You're talking about the decrease in net sales for corrugated boxes. Demand in the entire market actually dropped. In addition, we have a specific customer for corrugated boxes for international deliveries, which required a production adjustment. This is almost over, and I expect the pace of growth in the second half of FY2024 to be close to the previous pace.

Thank you for your question.

**Moderator [M]:** Thank you. Please state your question.

**Akiyama [Q]:** My name is Akiyama, from Tokio Marine Asset Management.

You said that the Film Packaging segment has been somewhat weak, which made me think that this segment is challenging. In addition, you noted issues such as the emergence of local brands in China. How about the recovery in this segment? I'd appreciate it if you could be more specific about your anticipation to see the segment recover.

**Yamashita [A]:** Thank you for your question.

The Film Packaging segment has been, as you have just mentioned, somewhat stagnant, although packaging for international products was very high in demand in the past.

It might involve the issue of marketability. At present, as we have introduced facilities that could be said to be unique in Japan, we are focusing on R&D aimed at other fields instead of only using them for packaging for international products.

**Akiyama [Q]:** I understand. Thank you.

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**Yamashita [A]:** I'm glad to hear that. Thank you for your question.

**Akiyama [Q]:** I have one more question. This question might have come up because I am not sure how to correctly interpret the business results. You presented an analysis on factors underlying changes for the semi-annual period on page 6 and the same analysis for the full-year period using forecast figures on page 21. I'd like to ask you only about factors that show the opposite changes.

As to sales volume, sales volumes are [inaudible], and these are actual and forecast, so it may not necessarily be simple. Of course, we could anticipate the sales volume to increase more or less.

Another one concerns logistics costs. In the first half of FY2024, corporate efforts resulted in lower logistics costs. However, logistics costs are forecast to increase by, well, about 200 million yen. How should we see this reverse change? There is a forecast for the full year. How should we consider the actual and forecast figures after the first half ends? I'd like to hear your opinion on these things.

**Shimomura [A]:** I (Shimomura) will answer this question.

You're asking about the differences in changes in operating profit between the first half period and the full-year period. As you mentioned, drops in volume, particularly related to polyethylene, were very sharp in the first half period. These have since ended. Our concerted efforts to replace plastic trays with, for example, paper cartons and paper trays, have been underway and have progressed to a certain extent, in addition to our focus on paper cartons. We expect these efforts to bear fruit in the second half period. The increase in sales volume is predicated on that.

Another point concerns logistics costs. The 2024 issue and other issues are reflected of course. So they will increase. We expect a rise of 4% to 5% for the full-year period.

My answer may have been a little too simple, but there it is. Thank you for your question.

**Moderator [M]:** Thank you. We have completed this briefing earlier than expected.

We thank you once again for your cooperation. With that, we will now conclude the presentation of the business results of THE PACK CORPORATION for the second quarter of the fiscal year ending December 31, 2024.

Thank you very much for taking the time from your busy schedules to attend today.

[END]

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### **Document Notes**

1. Portions of the document in which the audio is unclear are marked with [Inaudible].
2. Speaker speech is classified based on whether the speaker [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.

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