



THE PACK CORPORATION

Financial Results Briefing for the Fiscal Year Ended December 31, 2024

March 4, 2025

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 31, 2024		
[Fiscal Period]	FY2024 Q4		
[Date]	March 4, 2025		
[Number of Pages]	35		
[Time]	13:30 – 14:15 (Total: 45 minutes, Presentation: 32 minutes, Q&A: 13 minutes)		
[Venue]	The Pack Corporation Tokyo Head Office and webcast		
[Venue Size]			
[Participants]			
[Number of Speakers]	2		
	Hideaki Yamashita	President & CEO	
	Ikuo Shimomura	Director, Corporate General Manager	

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Presentation

Moderator: We will now begin THE PACK CORPORATION's Business Results Briefing for the Fiscal Year Ended December 31, 2024. Thank you so much for taking the time from your busy schedules to attend today's briefing.

First, let me introduce our two speakers. To your left is President and CEO, Hideaki Yamashita.

Yamashita: My name is Yamashita. Thank you for attending today.

Moderator: To your right is Director and Corporate General Manager, Ikuo Shimomura.

Shimomura: My name is Shimomura. Thank you for taking time today to attend.

Moderator: We're pleased to share our business results with you today.

This briefing is being webcast in addition to the live presentation at a venue at our Tokyo Head Office. We expect it to take an hour. The speakers will explain the briefing materials on business results disclosed on our corporate website yesterday, March 3.

In keeping with the table of contents, the topics will be explained first by President Yamashita. Director Shimomura will then explain the business results for FY2024 and the forecasts of business results for FY2025. Thereafter, Mr. Yamashita will discuss our progress on sustainable management and the Medium-Term Management Plan. The Q&A session will follow.

Now, let's get started with the Topics portion, which President Yamashita will now address.

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Topics

- ◆ The Japanese economy has gradually recovered due to spending by inbound tourists and robust capital investments. At the same time, it has been adversely affected by soaring prices attributable to rising energy costs and yen devaluation, creating lingering circumstances in which price increases outstrip wage growth. The outlook for consumer spending remains uncertain.
- ◆ The Pack achieved record figures for net sales, operating profit, ordinary profit, and profit. Higher value added order-receiving activities based on proposal-based sales to solve customer issues increased sales of paper products, contributing significantly to net sales and profit.
- ◆ Dividend per share grew to 118 yen (up by 28 yen from the previous fiscal year).
- ◆ The progress toward achievement of numerical targets under the Medium-Term Management Plan (FY2023-2025) has been substantially as planned.

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

I'll dive right in.

The Japanese economy has trended toward gradual recovery due to spending by inbound tourists and robust capital investments. At the same time, it has been adversely affected by soaring prices, which can be attributed to rising energy costs and yen devaluation, a lingering situation in which price increases outstrip wage growth. The outlook for consumer spending remains uncertain.

The Pack achieved record-high figures for net sales, operating profit, ordinary profit, and profit. As a result of higher value added order-receiving activities backed by proposal-based sales to resolve customer problems, sales of paper products have grown, contributing significantly to net sales and profit.

We increased dividend per share by 28 yen from the previous fiscal year to 118 yen.

Progress toward achieving the numerical targets set in the Medium-Term Management Plan for the FY2023-2025 period has proceeded substantially as planned. That's the bird's eye overview of the key topics.

Moderator: Mr. Shimomura will explain the business results for FY2024.

Shimomura: My name is Shimomura. Allow me to go over the business results for FY2024.

Summary of Business Results

Consolidated net sales exceeded 100 billion yen, a new record high.

(Million yen)

	Year ended December 31, 2023	Year ended December 31, 2024	
	Actual	Actual	YoY change
Net sales	97,714	101,461	3.8%
Operating profit	7,743	8,009	3.4%
Ordinary profit	8,063	8,285	2.8%
Profit attributable to owners of parent	5,652	6,316	11.7%
Basic earnings per share (yen)	297.07	333.52	12.3%
Dividend per share (yen)	90.00	118.00	31.1%

- ◆ We achieved consolidated net sales of 100 billion yen by promoting proposal-based sales and cross-selling.
- ◆ We absorbed cost increases by normalizing sales prices and strengthening high value added product sales.
- ◆ We reduced cross-held shares.

First, let's take a look at the summary of business results on p. 5 of the materials.

Net sales grew 3.8% to 101,461 million yen; operating profit 3.4% to 8,009 million yen; and ordinary profit 2.8% to 8,285 million yen. We achieved consolidated net sales of 100 billion yen for the first time due to efforts to promote proposal-based sales and cross-selling. We also achieved record highs in all aspects of profit.

We absorbed cost increases by normalizing sales prices and through efforts to sell high value added products. We've reduced some cross-held shares and posted extraordinary income from the corresponding sales.

Results by Segment

(Million yen)

	Year ended December 31, 2023		Year ended December 31, 2024		
	Actual	Share	Actual	Share	YoY change
Net sales	97,714	100.0%	101,461	100.0%	3.8%
Paper Products	69,399	71.0%	73,114	72.1%	5.4%
Paper bags	29,653	30.3%	32,214	31.8%	8.6%
Paper cartons	25,000	25.6%	25,882	25.5%	3.5%
Corrugated boxes	12,419	12.7%	13,027	12.8%	4.9%
Printing	2,325	2.4%	1,990	2.0%	-14.4%
Film Packaging	13,798	14.1%	13,499	13.3%	-2.2%
Others	14,516	14.9%	14,846	14.6%	2.3%
Operating profit	7,743	100.0%	8,009	100.0%	3.4%
Paper Products	6,858	88.6%	7,168	89.5%	4.5%
Film Packaging	856	11.0%	933	11.7%	9.0%
Others	1,267	16.4%	1,261	15.7%	-0.5%
Adjustments	-1,239	-16.0%	-1,354	-16.9%	-

- ◆ The Paper Products segment posted growth in both net sales and profit due to strong sales of paper cartons for the food products market and paper bags for retail businesses, attributable in turn to spending by inbound tourists and recovering personal consumption.
- ◆ Sales of corrugated boxes grew due to recovery in sales of packing materials for transportation.
- ◆ Profits for film packaging products grew due to productivity improvements. However, the volume of such products consumed declined in line with growing environmental awareness.

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The next page shows results by segment.

In the Paper Products segment, which accounts for more than 70% of our overall sales, sales of paper bags and paper cartons were strong thanks to recovery in personal consumption. Sales of corrugated boxes grew due to recovering sales of packing materials for transportation.

Profits for film packaging products grew due to productivity improvements. This was despite the adverse conditions created by the shift to paper materials, which we attribute to growing environmental awareness.

Sales of the diverse and various products categorized under Other, including sewn products mainly made of nonwoven fabric and gift wrapping materials, were also strong.

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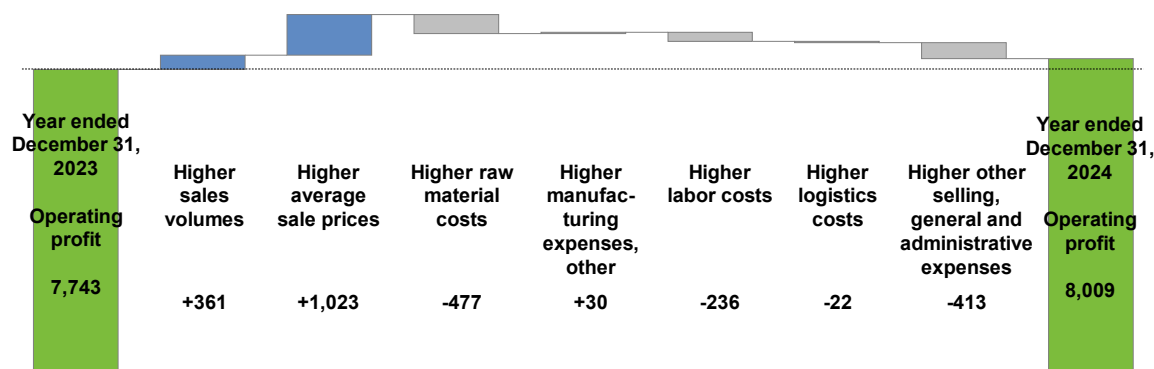
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Factors Underlying Changes in Operating Profit

Sales volumes grew due to rising average sales prices

(Million yen)



- ◆ Sales volumes increased thanks to strong consumer spending.
- ◆ Average sales prices rose due to normalization of sales prices and efforts to promote sales of high value added products.
- ◆ Capital investments intended to improve production efficiency increased.

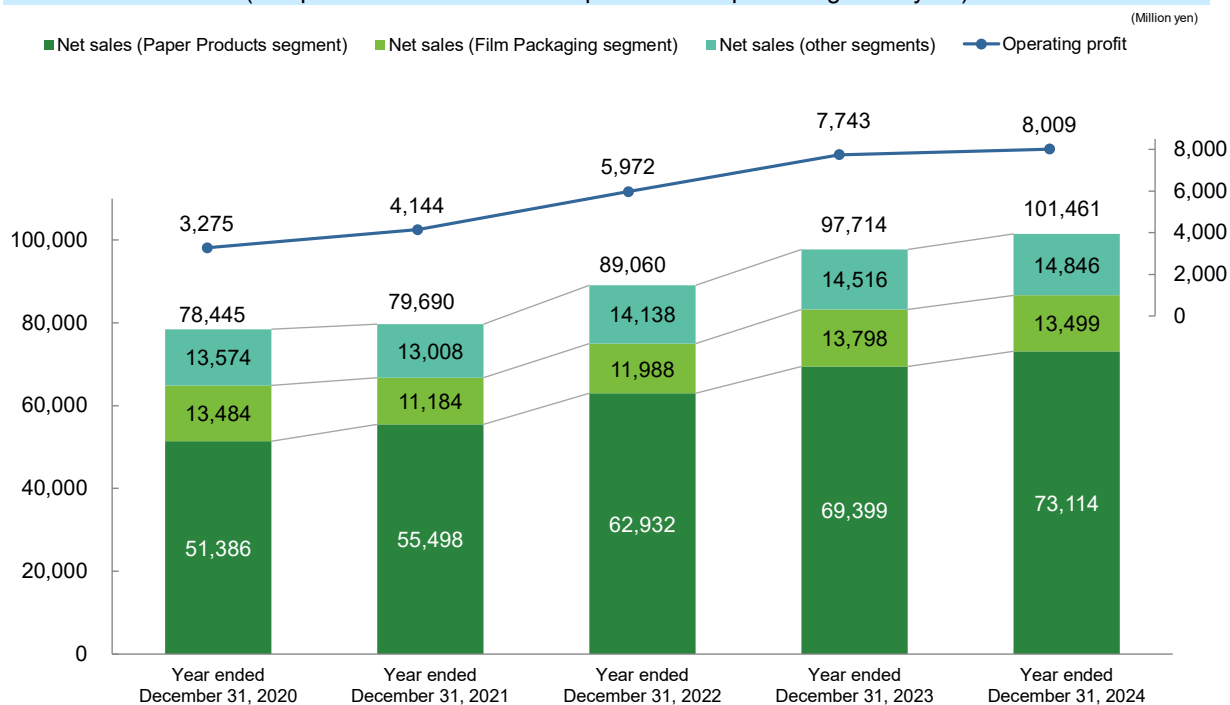
This graph summarizes the various factors that underlie the changes in operating profit.

First, let me go over the growth in both sales volumes and average sales prices. While we sell a wide range of products, the graph shows only the overall results for the product mix. But it does show that factors like the shift to paper products and normalization of sales prices contributed significantly to profit growth.

At the same time, we successfully absorbed the growing cost of raw materials and labor. Selling, general and administrative expenses rose due to higher expenditures not just for capital investments, but also human resource development and R&D expenses to enhance our capacity to propose solutions. However, the SGA ratio fell by 0.1 percentage points YoY.

Trends by Segment

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



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This graph summarizes trends in business results by segment since FY2020.

The Paper Products segment, our main segment, posted record highs for both net sales and operating profit.

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Sales Composition



	Year ended December 31, 2023		Year ended December 31, 2024		YoY change
	Actual	Share	Actual	Share	
(Million yen)					
Food products	27,438	28.1%	29,160	28.7%	6.3%
Apparel	16,187	16.6%	17,390	17.1%	7.4%
Department stores	4,910	5.0%	5,103	5.0%	4.0%
Supermarkets and drug stores	5,502	5.6%	5,089	5.0%	-7.5%
Convenience stores	1,184	1.2%	1,158	1.3%	-2.2%
Pharmaceuticals and cosmetics	4,743	4.9%	4,632	4.6%	-2.3%
e-commerce*	2,834	2.9%	3,663	3.6%	29.3%
Sundries	1,939	2.0%	2,151	2.1%	10.9%
Home electronics and home installations	2,888	3.0%	2,778	2.7%	-3.8%
Life care	3,744	3.8%	3,454	3.4%	-7.7%
Automotive	330	0.3%	298	0.3%	-9.7%
Other	26,014	26.6%	26,578	26.2%	2.2%

- ◆ In the food products market, sales of packages for the food service industry and for the souvenir market were strong.
- ◆ In the apparel market, sales of paper bags for brick-and-mortar shops and high value added paper bags were strong.
- ◆ Sales to department stores trended positive, driven by robust consumer spending and inbound tourism demand.
- ◆ Sales to the e-commerce market were strong due to new orders for delivery packages, including paper delivery bags.
- ◆ In the sundries market, sales of gifting packages were strong.
- ◆ Sales to the life care market declined as a proportion of total sales due to weak sales to specific users of products for overseas markets.

* 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 gives a breakdown of Group net sales by our customer businesses.

Despite steady growth in the food products, apparel, department store, e-commerce-related, and sundries sectors, sales declined in the supermarket and drug store and life care sectors, as well as the automotive sector, which accounts for a small portion of sales.

Paper Products Segment

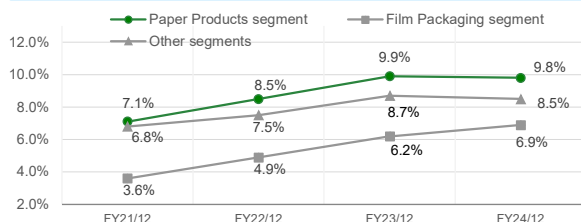
Business environment

- ◆ Nationwide department store sales for 2024 were up 6.8% year on year, marking year-on-year increases for four consecutive years. The number of tax-free buyers was up 74.3%, a new record high. These buyers were the largest contributor to sales of high value added products. In the food products market, while pullbacks in consumer spending were noted in part due to soaring prices, confectionery sales grew slightly thanks to gifting and inbound demand. (Source: Japan Department Store Association "Preliminary Reports on Department Store Sales in Japan" for January to December, 2024)
- ◆ The monthly on-line shopping expenditure per two-or-more-person household increased year on year for the twelfth consecutive month, marking a record high. (Source: "Family Income and Expenditure Survey," Statistics Bureau of Japan)

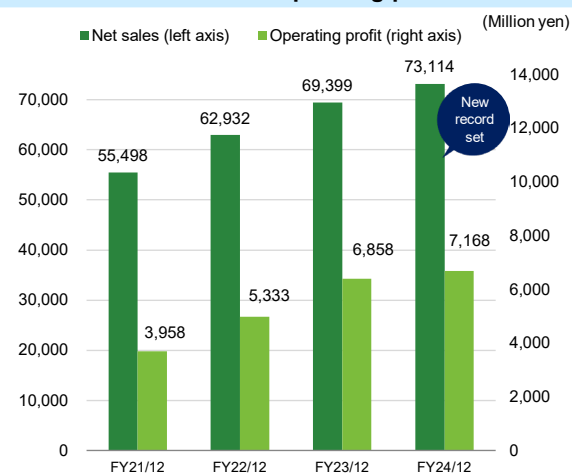
Initiatives

- ◆ Promoting productivity improvement through capital investments
- ◆ Diversifying the line of products to cover a wider range of market needs
- ◆ Putting in more efforts for products and services that are eco-friendly or serve as solutions to problems such as labor shortages
- ◆ Strengthening cross-selling

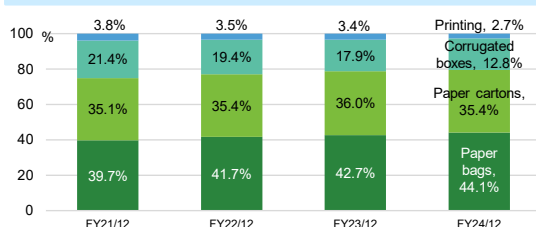
Trends in operating profit margins



Trends in net sales and operating profits



Trends in sales composition in the Paper Products Segment



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From this point on, we'll show various materials to explain the results by segment.

The business environment is as presented. In this environment, we're improving manufacturing capacity and productivity, diversifying product lines, and putting more effort into offering proposals that respond to growing environmental awareness.

We're also moving aggressively forward with cross-selling, one of our strengths and characteristics. Specifically, this means proposing total solutions involving various products—paper cartons, paper bags, corrugated boxes, and various others. The most recent operating gross margin in the Paper Products segment as a whole was 9.8%.

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Paper Products Segment (Paper Bags)

Business environment

- ◆ Sales of high value added products for inbound tourists to Japan have been strong thanks to yen devaluation.
- ◆ In response to declining consumer confidence in the domestic markets and intensifying competition within the industry, retail businesses are taking initiatives to enhance brand values.
→ The need has grown to shift to packages with high value added specifications.
- ◆ Society is increasingly demanding eco-friendliness.
- ◆ Since improving transportation efficiency and securing workers are urgent issues, efforts to reform logistics and packaging systems are now underway.

Initiatives

- ◆ Expanding production capacity and enhancing productivity through capital investments
- ◆ Strengthening supply stability by building domestic and overseas supply chains
- ◆ Focusing on proposing high value added products centering on eco-friendly products
- ◆ Strengthening the development of paper delivery bags, which improve transportation efficiency and work efficiency, and the ability to propose solutions applicable to packaging sites

Examples of developed products

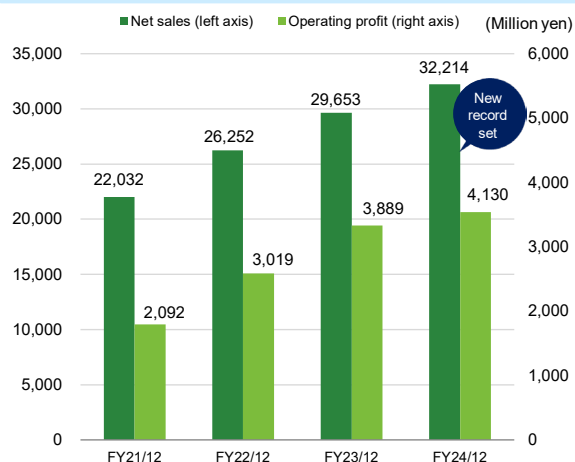


▲ Original base paper 100% made from recycled paper

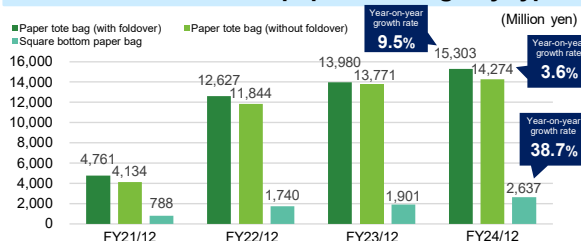


▲ Paper delivery bag compatible with automatic packaging machines

Trends in net sales and operating profits



Trends in net sales of paper tote bags by type



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Next are materials that address paper bags in the Paper Products segment.

The business environment is as presented. Our initiatives include the following: further enhancing production capacity and technologies; strengthening supply chains by 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 for 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 in this area as well. Please see the lower right graph on this page.

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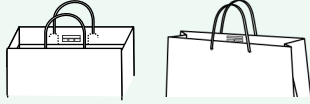
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[Reference] Examples of Types of Paper Bag

■ 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.



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This graph illustrates the trends in net sales of paper bags by type. Looking at this alongside the reference information on the next page should give a better understanding.

In general, in most cases, paper tote bags with folded-over upper edges are designed for jewelry, cosmetics, and expensive clothing. In contrast, those with upper edges simply cut and not folded over tend to be designed for confectionery and food products, and casual clothing.

Another type of paper bag, generally called a square-bottom paper bag,, lacks handles and is used for the delivery purpose of various products or to carry confectionery. While sales of all these types have steadily grown, square-bottom paper bags for delivery in particular showed remarkable growth.

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Paper Products Segment (Paper Cartons)

Business environment

- ◆ Demand in the domestic tourism market was high due to inbound tourists.
- ◆ The food service industry, including the souvenir market and fast food restaurants, is showing strong performance.
- ◆ In response to increasingly serious labor shortages, demand is on the rise for outsourcing manual work such as preparation of paper cartons and setup of products.
- ◆ With society increasingly demanding eco-friendliness, the shift to plastic-free wrapping is advancing.

Initiatives

- ◆ Expanding the lineup of primary paper containers, the targets of which are the home meal replacement market and the takeout food market
- ◆ Focusing on the development of PFAS-free coating (in response to the PFAS regulations)
- ◆ Focusing on the development of proposals for cross-selling that additionally include offering services that complement labor shortages of customers, such as in the assembly of paper cartons and packing of products
- ◆ Advancing decisively with efforts to shift to resource-saving products with lower environmental impact and to paper packages

Examples of developed products

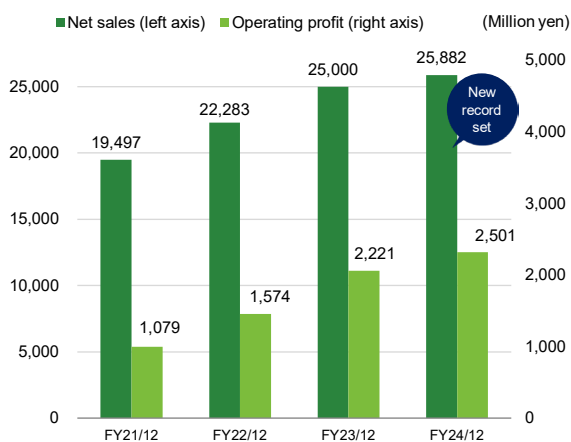


▲ Paper food container with a fog-resistant window to replace plastic containers

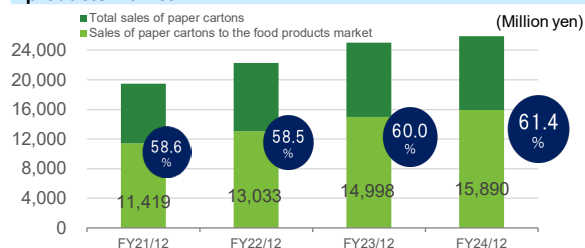


▲ Draw-formed paper tray to replace plastic trays

Trends in net sales and operating profits



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



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The next material is about paper cartons.

The business environment is, as with other products, presented on the material. Our current initiatives include strengthening sales of and expanding the lineup of paper containers, mainly for food products.

Our efforts to reduce environmental impact include reducing use of plastic laminates and developing PFAS-free coating technologies for food containers. We aren't just selling packages; we're providing services that account for customer labor shortages, including paper carton assembly and product packing. As the upper right graph shows, as with paper bags mentioned earlier, we saw steady growth in net sales and operating profit from paper cartons.

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Paper Products Segment (Corrugated Boxes)

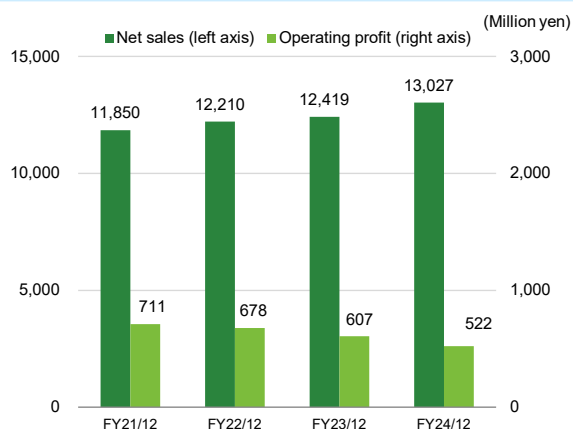
Business environment

- ◆ Production volumes in the corrugated box industry for 2024 was 98.9% of last year's level.
- ◆ By segment, consumption of those for electric appliances and mechanical instruments was 100.4% of last year's level and on a recovery trend, whereas the figure for mail order, home deliveries, and moving was 99.0%.
(Source: Japan Corrugated Case Association, "Corrugated Box Statistics")
- ◆ In Europe, restrictions on the use of plastic packaging materials are being introduced in a stepwise manner.
→ Demand for corrugated cushioning materials and corrugated transportation packaging materials will rise.

Initiatives

- ◆ Putting more efforts into developing and proposing corrugated cushioning materials and corrugated transportation packaging materials
- ◆ Developing our own production technologies for differentiation, such as to enable production of large-sized products
- ◆ Focusing on making proposals for total solutions, which may include solutions to improve packaging lines
- ◆ Further enhancing quality and technical capabilities

Trends in net sales and operating profits



▲ Corrugated packaging material for large, heavy items



▲ Corrugated cushioning material to replace styrofoam cushioning material



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



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

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This material addresses the results for corrugated boxes. In this area, we're making focused efforts to develop and propose corrugated cushioning materials while minimizing use of plastic; producing large corrugated boxes by leveraging our production facilities; and providing total solutions, which may involve improving packaging lines.

While net sales were up 4.9% to 13,027 million yen, operating profit has trended down, partly due to the growing proportion of low-profit products in the product mix. Going forward, to improve the operating profit margin, we plan to strengthen sales of high value added products, including those for e-commerce.

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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.
- ◆ Overseas demand for paper baby diapers, which comes mainly from China, is decreasing due to the emergence of local brands and a decline in number of children. In Japan, high value added products to correspond to narrowly segmented needs have been increasingly focused on in development.
- ◆ In Europe, restrictions on the use of plastic packaging materials have been tightened and require using recyclable materials.

Initiatives

- ◆ Offering beautifully decorated packages by introducing the most advanced high-definition flexographic printers with low environmental impact
- ◆ Putting more efforts into development of recyclable raw fabric in collaboration with raw fabric suppliers
- ◆ Focusing on development and sales expansion of paper film packaging, the base material of which is paper

Examples of developed products

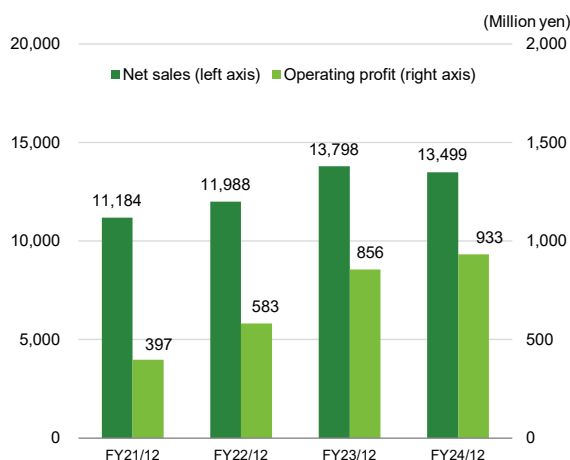


▲ ecoKARA-series films utilizing eggshells

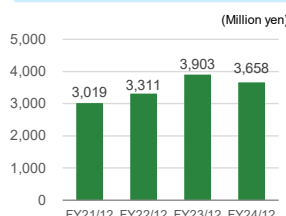


▲ Totally film-free flexible paper packaging with barrier performance

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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Let's move on to the Film Packaging segment.

As societal demand for eco-friendly products continues to grow, fewer and fewer people are using polyethylene or plastic non-reusable shopping bags to carry their purchases. Performance has been weak for another main product line, outer bags for disposable diapers. This is due to the emergence of China's local brands and declining birth rates.

Our initiatives include using high-definition flexographic printers that have low environmental impact and focusing on the development and sales expansion of flexible packaging—film packaging, the base material of which is paper.

We ended with net sales of 13,499 million yen, down 2.2%. However, the operating profit margin improved mainly due to the rising proportion of high profitability products and the subsequent reviews of the efficiency of production, procurement, and logistics. Operating profit grew as a result.

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Other Sectors

Business environment

- ◆ Sales promotion events intended to attract customers are well received.
→ 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 department stores is increasing as department store sales are favorable

Initiatives

- ◆ Promoting sales of sewn products that have lower environmental impact
- ◆ Making more effort to propose projects developed by fully leveraging the ability to conceive ideas and designs
- ◆ Improving the logistics efficiency of PAS (Pack Assortment Service System*) for department stores and specialty retail stores
* Combined delivery system for miscellaneous and consumable supplies

Examples of eco-friendly sewn products

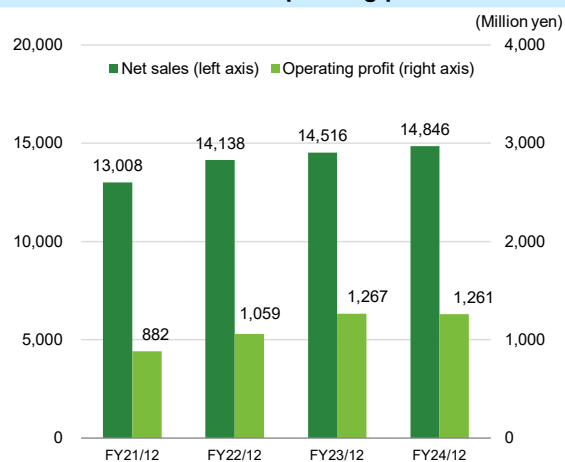


▲ Recycled Tetron Cotton, a material made by recycling materials such as cotton and polyester scraps from factories

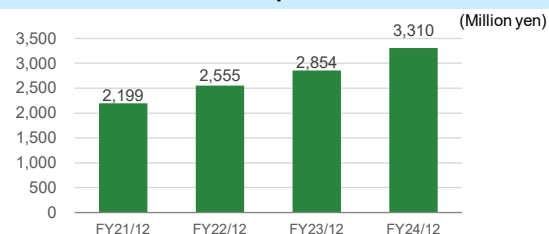


▲ A sewn bag that can be used in three ways as shown above. This bag can be used as gift wrapping and a tote bag, thus encouraging its reuse.

Trends in net sales and operating profits



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 not classified under the paper bag, paper carton, corrugated box, and film packaging segments mentioned so far. 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 is also affecting these businesses. Customers are increasingly adopting reusable products. As the lower right graph shows, sales of sewn products have grown steadily. Additionally, with rebounding department store sales, demand has been strong for in-store supplies used in the department store industry.

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Balance Sheet

(Million yen)

	Year ended December 31, 2023	Year ended December 31, 2024
	Actual	Actual
Assets	98,847	103,292
Current assets	59,080	60,043
Non-current assets	39,766	43,248
Property, plant, and equipment	27,401	30,166
Intangible assets	2,679	3,384
Investments and other assets	9,685	9,697
Liabilities	27,691	28,806
Current liabilities	26,605	27,766
Non-current liabilities	1,085	1,040
Net assets	71,156	74,485
Shareholders' equity	68,092	71,437
Accumulated other comprehensive income	3,018	3,022
Share acquisition rights	45	25
Non-controlling interests	-	-



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Here's the balance sheet, for which I have no particular comments.

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Cash Flow

(Million yen)

Main items	Year ended December 31, 2023	Year ended December 31, 2024
	Actual	Actual
Cash flows from operating activities	4,443	7,101
Profit before income taxes	7,941	9,160
Depreciation and impairment losses	2,082	2,416
Cash flows used in investment activities	-3,962	-5,436
Purchase of property, plant, and equipment	-5,581	-4,768
Purchase of intangible assets	-1,702	-919
Purchase of investment securities	-36	-609
Proceeds from sales of investment securities	1	988
Cash flows used in financing activities	-1,407	-3,041
Cash dividends paid	-1,334	-2,032
Purchase of treasury shares	-0	-1,013
Cash and cash equivalents at end of period	17,812	16,656
<ul style="list-style-type: none"> ◆ Capital investments were proactively conducted (purchase of machinery for manufacturing, acquisition of a land next to the Tokyo Plant, and rebuilding of the building of Keihin Tokushu Printing). ◆ Shareholder returns were increased as operating activities provided larger positive cash flows than in the previous fiscal year. ◆ Treasury shares were purchased. 		

This table shows cash flows, which were as presented.

Topics include proactive capital investments, proceeds from sales of a portion of cross-held shares, and purchases of treasury shares.

Now, we'll move on to business result forecasts for FY2025.

Forecasts of Business Results

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

(Million yen)

	Year ended December 31, 2024	Year ending December 31, 2025	
	Actual	Forecasts of Business Results	Forecast YoY change
Net sales	101,461	105,000	3.5%
Operating profit	8,009	8,300	3.6%
Ordinary profit	8,285	8,600	3.8%
Profit attributable to owners of parent	6,316	6,500	2.9%
Basic earnings per share (yen)	333.52	346.08	3.8%
Dividend per share (yen)	118.00	122.00	3.4%

- ◆ Growth in both net sales and profit is forecast through further expansion of product lineup and promotion of proposal-based sales to solve customers' problems.
- ◆ New record highs were achieved for both Operating profit and ordinary profit.
- ◆ Dividend per share grew to 122 yen.

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Shimomura: These are the full-year forecasts for FY2025.

We forecast net sales of 105,000 million yen, operating profit of 8,300 million yen, and dividends of 122 yen per share, with the dividend payout ratio set to 35%. We plan to maintain growth in both net sales and profit by further expanding the lineup of products and promoting proposal-based sales.

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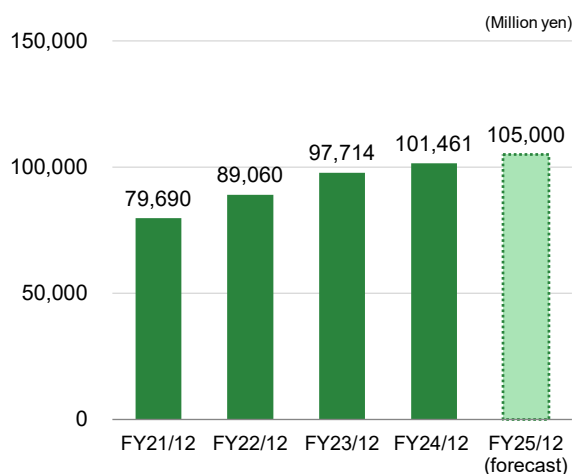
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Trends in Consolidated Business Results

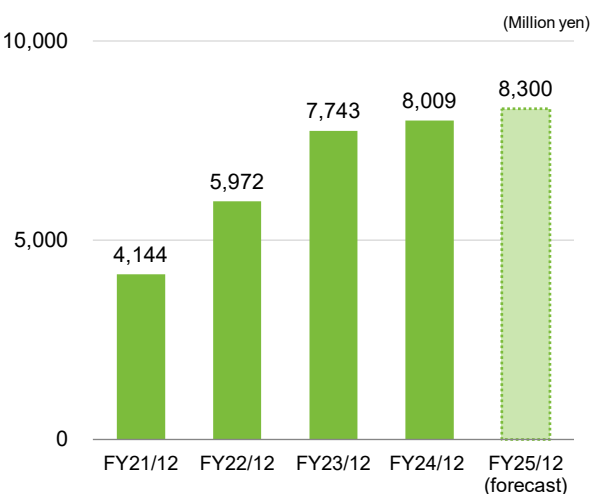
(Million yen)

	Year ended December 31, 2021	Year ended December 31, 2022	Year ended December 31, 2023	Year ended December 31, 2024	Forecast for year ending December 31, 2025
Net sales	79,690	89,060	97,714	101,461	105,000
Operating profit	4,144	5,972	7,743	8,009	8,300

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 plan to achieve growth in both net sales and profit for the fifth consecutive year and record-high results for FY2025.

Support

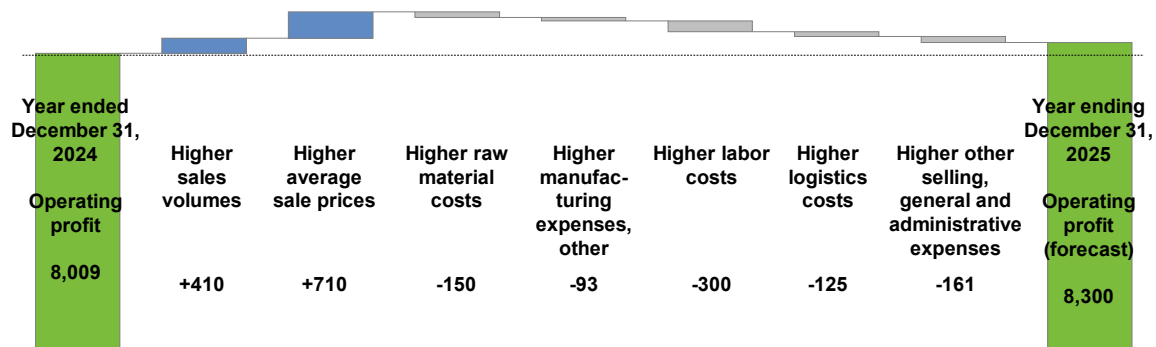
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Major Factors Underlying Projected Changes in Operating Profit

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

(Million yen)



Year ended December 31, 2024	Higher sales volumes	Higher average sale prices	Higher raw material costs	Higher manufac- turing expenses, other	Higher labor costs	Higher logistics costs	Higher other selling, general and administrative expenses	Year ending December 31, 2025
Operating profit 8,009	+410	+710	-150	-93	-300	-125	-161	Operating profit (forecast) 8,300

- ◆ Sales volumes are expected to grow through entry into new markets and expansion of market shares thanks to product lineup expansion and proposals that would lead to cross-selling.
- ◆ Average sales prices are expected to increase through proposals for eco-friendly products and high value added products that help customers solve their issues.
- ◆ Labor costs are expected to rise, driven primarily by workforce expansion and wage increases.
- ◆ Capital investments in machinery for productivity improvement are expected to increase.

This page shows the factors underlying forecast changes in full-year operating profit.

We expect the product lineup expansion and proposals that would lead to cross-selling to increase sales volumes. We also expect to increase average sales prices based on proposals for eco-friendly products and high value added products.

Labor costs and capital investments are expected to increase. Raw material costs and logistics costs pose certain uncertainties. Even with other uncertainties about human resource reinforcement expenses, wage increases, and so forth, we believe the forecast for operating profit of 8,300 million yen is achievable.

This ends my part of the presentation. Thank you for your time and attention.

Moderator: 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	<p>◆ Increasing the proportion of net sales^{*1} of FSC® products (paper bags, paper cartons, and corrugated boxes) to 50% or more</p> <ul style="list-style-type: none">Putting more efforts into proposals for the shift to paper packagingIncreasing the number of FSC® certified suppliersAccelerating development of new paper-based materials and products <p>^{*1} Net sales = the whole Paper Products segment of The Pack Corporation on a non-consolidated basis (FSC® C020517)</p> <p><Accomplishments for FY2024/12></p> <ul style="list-style-type: none">Achieved a 9.8% year-on-year increase in sales of FSC® productsAchieved a 9.7% year-on-year increase in sales to the food products market	<table><thead><tr><th>Fiscal Year</th><th>Proportion of Net Sales (%)</th></tr></thead><tbody><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>FY2024</td><td>21.1%</td></tr><tr><td>FY2030</td><td>50.0%</td></tr></tbody></table>	Fiscal Year	Proportion of Net Sales (%)	FY2021	13.2%	FY2022	17.4%	FY2023	20.2%	FY2024	21.1%	FY2030	50.0%
Fiscal Year	Proportion of Net Sales (%)													
FY2021	13.2%													
FY2022	17.4%													
FY2023	20.2%													
FY2024	21.1%													
FY2030	50.0%													
Reducing environmental impact throughout our business activities	<p>◆ Reducing CO₂ 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)</p> <ul style="list-style-type: none">Switching to machines with high energy efficiencyShifting to renewable energy for power used (including purchase of renewable energy)Expanding the use of solar panels <p><Accomplishments for FY2024/12></p> <ul style="list-style-type: none">Reduced CO₂ emissions (Scopes 1+2) by 3.62% year on year through actions such as replacing the office lighting with LEDs and improving the efficiency of plant facilities against the backdrop of record net sales	<table><thead><tr><th>Fiscal Year</th><th>CO₂ Emissions (tons)</th></tr></thead><tbody><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>FY2024</td><td>16,149</td></tr><tr><td>FY2030</td><td>8,997</td></tr></tbody></table>	Fiscal Year	CO ₂ Emissions (tons)	FY2021	14,894	FY2022	15,399	FY2023	16,756	FY2024	16,149	FY2030	8,997
Fiscal Year	CO ₂ Emissions (tons)													
FY2021	14,894													
FY2022	15,399													
FY2023	16,756													
FY2024	16,149													
FY2030	8,997													

Yamashita: I'll review our progress on sustainable management. In this part of the presentation, I'll go over our progress on materiality KPIs, which we established as targets for specific initiatives for sustainable management

We established five KPIs as targets to be achieved by FY2030. Three have environmental objectives. The first target involves expanding sales of FSC products, which contributes to forest conservation. We're proactively proposing FSC products to our customers. Sales have steadily increased and are up 9.8% YoY. In addition to proposals that suggest shifting from materials for paper products to FSC products, we're continuing to make proposals that suggest shifting from plastic products to paper products and choosing FSC products as paper products.

The second target involves reducing CO₂ emissions to counter climate change. We're trying to save energy in our manufacturing sections, which account for some 90% of our CO₂ emissions, with the goal of reducing CO₂ emissions (Scopes 1 + 2) by 46% from levels in FY2018. We plan to continue pursuing various other initiatives as well, including switching to new facilities with high energy efficiency and initiating a shift 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	<p>◆ Increasing the number of The Pack Forest® Environment Fund activities per year to 15 and the number of participants to 500</p> <ul style="list-style-type: none">Increasing the number of activities by finding new locations for conducting activitiesMaking more publicity efforts to local residents and inviting general participantsStrengthening customer invitation activities <p><Accomplishments for FY2024/12></p> <ul style="list-style-type: none">Conducted eight activities (plus one planned but rained out)Increased the acceptable number of allowed general participants (45 people participated)	<table><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>FY2021</td><td>0</td><td>0</td></tr><tr><td>FY2022</td><td>11</td><td>4</td></tr><tr><td>FY2023</td><td>253</td><td>9</td></tr><tr><td>FY2024</td><td>230</td><td>8</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	FY2021	0	0	FY2022	11	4	FY2023	253	9	FY2024	230	8	FY2030 (KPI)	15	500
Fiscal Year	Number of activities per year	Number of participants per year																		
FY2021	0	0																		
FY2022	11	4																		
FY2023	253	9																		
FY2024	230	8																		
FY2030 (KPI)	15	500																		
Promoting diverse work styles that encourage all employees to thrive	<p>◆ Increasing the percentage of women managers (section manager or above) to 15% or more</p> <ul style="list-style-type: none">Increasing the percentage of women in university graduate recruits to 35% or moreEstablishing systems and environments that allow women to work for many years <p><Accomplishments for FY2024/12></p> <ul style="list-style-type: none">Achieved 35.7% for the percentage of women in university graduate recruits (maintained 35% or more for five consecutive years)Achieved 23.0% for the percentage of women in permanent employees (marking the fourth consecutive yearly increase)	<table><thead><tr><th>Fiscal Year</th><th>Percentage of women managers</th></tr></thead><tbody><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>FY2024</td><td>7.2%</td></tr><tr><td>FY2030 (KPI)</td><td>15.0%</td></tr></tbody></table>	Fiscal Year	Percentage of women managers	FY2021	4.9%	FY2022	6.7%	FY2023	6.3%	FY2024	7.2%	FY2030 (KPI)	15.0%						
Fiscal Year	Percentage of women managers																			
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FY2030 (KPI)	15.0%																			

As an initiative to contribute directly to environmental preservation, we're expanding the scope of The Pack Forest® Environment Fund activities. We set two quantitative targets: number of activities and number of participants. The activities had been suspended until the middle of 2022 due to COVID-19, but have been pursued as planned upon their resumption. In FY2024, the number of activities declined from FY2023 due to adverse weather conditions. But the numbers of participants from among business partners and of general participants both increased. Encouraged by this, we plan to maintain such efforts, including activities that involve inviting our business partners.

The next target has a societal objective. It involves promoting the empowerment of women in the workplace. We achieved the target percentage for women among our university graduate recruits for the fifth consecutive fiscal year, as well as an increase in percentage of women in permanent full-time employees for the fourth consecutive fiscal year. Going forward, we will strive to be more supportive of various working styles so that all employees, as well as women, can thrive.

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	<p>◆ Increasing the number of companies*² supporting The Pack Forest® Environment Fund to 300</p> <ul style="list-style-type: none">Enhancing tools for activity introduction and inviting companies to support activities <p>*² Companies that have a record of sales are counted.</p> <p><Accomplishments for FY2024/12></p> <ul style="list-style-type: none">Achieved a new record number of supporting companies 24 companies by the end of 2019 → 158 companies by the end of 2024	<p>(Companies)</p> <table><thead><tr><th>Fiscal Year</th><th>Number of Companies</th></tr></thead><tbody><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>FY2024</td><td>158</td></tr><tr><td>FY2030 (KPI)</td><td>300</td></tr></tbody></table>	Fiscal Year	Number of Companies	FY2021	67	FY2022	94	FY2023	123	FY2024	158	FY2030 (KPI)	300
Fiscal Year	Number of Companies													
FY2021	67													
FY2022	94													
FY2023	123													
FY2024	158													
FY2030 (KPI)	300													

Efforts to promote permeation of the philosophy for sustainability management; and activities accomplished in line with the philosophy

◆ **The Pack continues efforts to promote permeation of the philosophy for sustainability management throughout the Company, its Group companies, and partner companies, and implements a range of activities based on the philosophy.**

[Efforts to permeate the philosophy]

Publish a bulletin called SHINKA aimed at permeation of sustainability management

Publish the Sustainability Report and the Integrated Report

Distribute videos inside the Company (on the code of conduct and on prohibition of corruptive acts)

Promote permeation of the philosophy through quality control group activities (by providing materiality-related themes)

[Accomplished activities]

Training (for the initial year, tiered by levels, and company-wide)

Improvement based on the results of engagement surveys (implemented workplace improvement training)

Improved workers' employment conditions (increased base pay and introduced new types of leave and allowance)

Encouraged men to take childcare leave (taken by 87.5% of eligible workers)

Promoted health management (by offering support for vaccinations and encouraging secondary health examinations)

Enhanced work safety and sanitation (established manuals for manufacturing sites)

Utilization of various employment programs (hired seven employees through the referral employment program)

Quality enhancement in supply chains (held quality meetings with the Group companies in Japan and joint quality meetings with partner companies)



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The fifth target is one achieved by an initiative to co-create brand value with our customers through participation in The Pack Forest Environment Fund, which is also involved with the environmental objectives. We set the target to the number of companies supporting the Forest Environment Fund, which grew 28.4% YoY in FY2024. In addition, total contributions to the Fund, which have increased year by year, increased 8.4% YoY in FY2024. Going forward, we'll strive not just to expand the scope of activities but to proactively propose that business partners support and participate in these activities. That's all for our progress on the KPIs.

Some of our achievements in FY2024 are presented on the bottom half of the page. We've been continuing to act to promote awareness related to sustainable management among our employees, encouraging them to take on board the issue themselves and apply it to their actual work. For example, we're sharing goals with them by making the most of explanatory materials and videos based on our integrated reports and sustainability reports. Other initiatives include engagement enhancement, for which we're continuing to improve employment conditions and programs that support various working styles. In this way, we're striving to enhance the Company's sustainability.

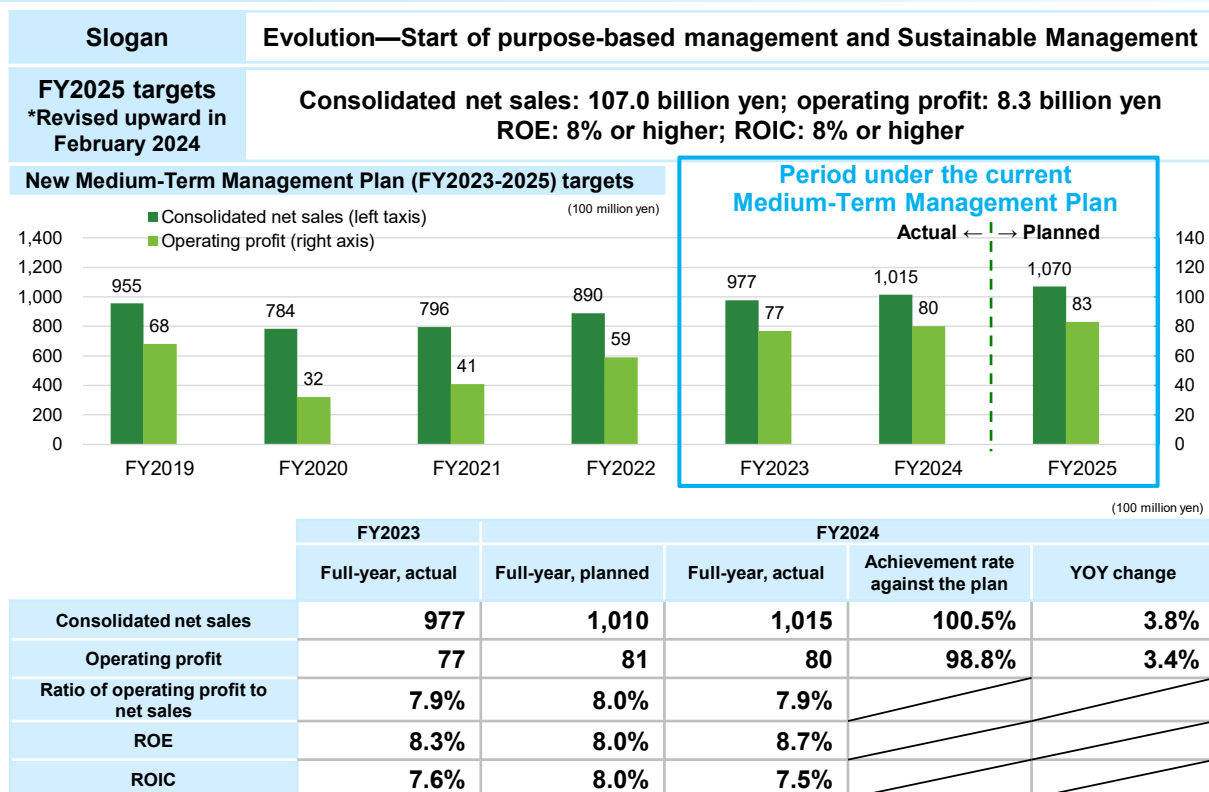
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Quantitative Progress on the Medium-Term Management Plan



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Now I'll go over the progress on the Medium-Term Management Plan.

I'll discuss the progress on the Medium-Term Management Plan for the period from FY2023 to FY2025.

Net sales for FY2024 rose 3.8% YoY to 1,015 million yen, 500 million yen beyond the target of 1,010 million yen. Operating profit was up 3.4% YoY to 800 million yen, falling short of the target of 810 million yen by 100 million yen. For FY2025, the most recent forecast figure for net sales is 1,050 million yen. We plan to take every possible measure to achieve the planned figure of 1,070 million yen.

While ROE ended at 8.7% as compared with the target of 8%, ROIC ended at 7.5%, short of the 8% target. Despite cost increases due to yen devaluation, we believe effective growth strategies explain these business results.

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Quantitative Progress on the Medium-Term Management Plan

Overview

- ◆ Achieved significant growth in sales to the food products market and the e-commerce market, which are growing
- ◇ Capital investments and sales activities propelled growth.
- ◇ In the field of paper bags, sales of delivery bags to the e-commerce market and tote bags to the retail market were strong.

Quantitative target by market

(100 million yen)

	FY2022 actual	FY2023 actual	FY2024 actual	YOY change	FY2025 target
Food products (*)	250	282	303	7.4%	320
e-commerce, mail order, logistics (*)	140	147	163	10.9%	180
General distribution, retail, etc.	500	548	549	0.2%	570
Total	890	977	1,015		1,070

(*) 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)

	FY2022 actual	FY2023 actual	FY2024 actual	YOY change	FY2025 target
Paper bags	265	297	322	8.4%	315
Paper cartons	222	250	259	3.6%	270
Corrugated boxes	122	124	130	4.8%	150
Film packaging	119	138	135	-2.2%	145
Other	162	168	169	0.6%	190
Total	890	977	1,015	3.9%	1,070



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Next, I'll go over the progress toward the targets for net sales by market and by product category.

For FY2024, we did better than in FY2023 in all markets and all product categories. We believe these results were achieved by implementing capital investments and growth strategies with a focus on the markets that were active, as well as by effectively implementing a proposal-based sales approach in response to changing customer needs.

By market, sales in the food products market, the Group's growth area, grew by 2,100 million yen, while sales in the e-commerce market grew by 1,600 million yen. By product category, sales of paper bags, our main product line, made a significant leap of 2,500 million yen. Sales of corrugated boxes, which were weak for FY2023, showed steady growth in FY2024.

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Progress on Growth Strategies in the Food Products Market

Quantitative progress

(100 million yen)

FY2023 actual	FY2024 actual	FY2025 target	YOY change
282	303	320	7.4%

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

(100 million yen)

Net sales to the food products market	FY2022 actual	FY2023 actual	FY2024 actual	YOY change
All paper cartons in the market	130.3	150.0	159.4	6.3%
Primary containers for food products	69.1	77.2	87.5	13.3%
(Reference) All paper bags in the food products market	66.3	76.9	81.2	5.6%

Growth in sales of primary containers for food products greatly contributed to the strong results.

Initiatives to solve issues in the souvenir confectionery, food service, and home meal replacement markets were successful.

Stable supply → supply capacity enhancement through capital investments and supply chain enhancement

Added values → diversified product lineups and promotion of proposals on various designs

Eco-friendly approaches → Shift to paper, PFAS-free solutions, and printing of low environmental impact

◆ Growth in sales of and cross-selling of film packaging

(100 million yen)

Net sales to this market	FY2022 actual	FY2023 actual	FY2024 actual	YOY change
Film packaging	12.0	13.3	14.8	11.3%

Orders increased due to proposals made for cross-selling with paper cartons and paper bags.

Proposals on added value enabled by the development of products including paper-based film packaging proved successful.

The Company is seeking to respond to widely-varied demand in the food products market in addition to offering primary food packaging.

Overview of Progress

◆ Expanded sales by leveraging our strengths and implementing strategies

◇ Sales volumes increased due to strong sales to existing customers and market share expansion through sales activities.

◇ An increased number of new products were added through diverse initiatives enabled by capital investments and product development.

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

(100 million yen)

Net sales to this market	FY2022 actual	FY2023 actual	FY2024 actual	YOY change
FSC® products	40.6	50.3	55.1	9.5%

Sales grew due to high environmental consciousness among customers.

Enhanced development of PFAS-free and plastic-free materials

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

The food products setup business has performed well, helping to resolve labor shortage issues.

In addition to the setup base in eastern Japan, the Company started the operation of one in western Japan in January 2025, and aims to add several bases in other locations.

We're striving to become a one-stop supplier of food packages mainly for confectioneries and to achieve better business results by winning orders for products that customers haven't ordered.

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Next, I'll discuss our progress on growth strategies for the food products market.

Sales in this market grew by 2,100 million yen YoY. In paper cartons, primary containers for food products contributed significantly to growth in this market, with an increase in sales of about 1,000 million yen. We expanded sales to customers across the country, regardless of region and business scale. Sales of film packaging grew 11.3% YoY to 1,480 million yen. Going forward, we plan to expand sales still further by responding to a wide range of demands in the food products market through various initiatives, including cross-selling with paper bags and paper cartons.

Sales of FSC products to the food products market grew by about 500 million yen YoY. Given the high level of environmental awareness in the food products markets, we plan to promote development of PFAS-free and other materials that respond to societal demand.

Among the solutions presented in the lower right corner, the food products setup business, which we launched in 2023, has performed well. With customers experiencing growing labor shortages, demand for this business has climbed across the country. To meet this demand, we began operating a new food products setup base in western Japan in January 2025.

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

Quantitative progress				Overview of Progress
(100 million yen)				
FY2023 actual	FY2024 actual	FY2025 target	YOY change	◆ Various initiatives to respond to the growth and demand of the market have paid off, leading to significant growth. ◇ Expanded supply capacities for paper delivery bags and thin delivery materials resulted in expanded market share. ◇ Development of automation technologies continues in joint efforts with customers.
147	163	180	10.9%	

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

(Million yen)				
Net sales to the food products market	FY2023 actual	FY2024 actual	FY2025 actual	YOY change
Paper delivery bags	8.8	9.8	16.4	67.3%
Other delivery materials	2.8	4.5	6.6	46.7%

- 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 to areas where demand is high.
- Sales of thin delivery paper materials increased while sales of plastic delivery bags declined.
- Many of our proposals aiming for added values and workability improvement by leveraging our capabilities to design crossover subjects were adopted.

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

(Million yen)				
Net sales to this market	FY2023 actual	FY2024 actual	FY2025 actual	YOY change
Reinforced corrugated boxes	9.7	9.8	9.2	-6.1%

- While affected by the current market environment, we have sustained sales efforts by highlighting our internal design and proposal capabilities, and saw an increase in the volume of orders for new products.
- We have expanded business opportunities by increasing our capacity for manufacturing large-sized packaging materials suitable for heavy items.

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

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

- Proposals beyond the realm of materials contributed to acquisition of new customers and market share expansion.
- Joint efforts with customers have continued. We offer the capacity to design both machines and products, a key strength.

<Showcasing at TOKYO PACK 2024 (Tokyo International Packaging Exhibition)>

- We exhibited products at TOKYO PACK 2024, held at Tokyo Big Sight (Tokyo International Exhibition Center) (October 23 to 25, 2024).
- This exhibition introduced our automatic packaging machines, which have plastic-free specifications, and paper delivery bags 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. It provided us with a chance to explore business opportunities with new customers.



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Let's move on to our progress on growth strategies for the e-commerce, mail order, and logistics industries.

Sales in this market grew by 1,600 million yen YoY, significantly larger than the growth of 700 million yen for FY2023.

The 2024 logistics issue boosted demand for products that improve transportation efficiency. Sales of paper delivery bags and thin delivery boxes that improve loading efficiency expanded, mainly to large corporate users. Sales of paper delivery bags grew 67.3% to 1,640 million yen, and sales of thin delivery boxes and other delivery materials grew 46.7% to 660 million yen. Since automation and labor savings are major issues in this market, we're moving to develop automatic packaging and material handling equipment.

We introduced an automatic packaging system in October 2024 at TOKYO PACK, where we showcased our products. We've improved our products in response to demand for plastic-free products and plan to promote market penetration for the improved products.

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Progress on Growth Strategies in the General Distribution Market, the Retail Market, and Other Markets

Quantitative progress

(100 million yen)

FY2023 actual	FY2024 actual	FY2025 target	YOY change
548	549	570	0.2%

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

(100 million yen)

Net sales to this market	FY2022 actual	FY2023 actual	FY2024 actual	YOY change
Paper bags	131.0	153.0	160.0	4.6%
(Reference) Film packaging	70.8	81.6	77.7	-4.8%

This market continues to shift to plastic-free and paper products. The growth in sales of paper bags exceeded the decline in sales of plastic bags.

Product lineups and supply capabilities contributed to successful response to surging demand driven primarily by inbound tourism.

Sales of high value added products were strong in response to surging demand for paper bags for events and sales promotions.

◆ Providing products consistent with the 3Rs (Recycle, Reuse, and Reduce)

(100 million yen)

Net sales to this market	FY2022 actual	FY2023 actual	FY2024 actual	YOY change
Sewn bags, gift packaging materials, etc.	25.6	28.5	33.1	16.1%

Overview of Progress

◆ Sales steadily grew as the Group's base business amid changing external environments.

◇ The distribution and retail markets have shown strong performance thanks to inbound tourism, etc. The shift to paper also contributed to performance.

◇ Improvements in productivity and production capacity attributable to capital investments to increase paper bag production capacity have contributed to expanded market shares.

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

	FY2030 target	FY2023 actual	FY2024 actual
Number of activities per year (times)	15	9	8
Number of participants (persons)	500	253	230
Number of supporting companies	300	123	158

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.

New business opportunities through collaboration are created.

◆ Cultivating ASEAN sales channels

Global companies have access to larger trading zones and hold larger share in the market than before in the ASEAN countries.

Market shares grew due to strengthened capabilities of production, logistics, and quality control in the Japanese market.

Sales grew in overseas markets due to strengthened supply chains.

The trading zone has been expanded in joint efforts with Group companies in China and the United States.

Efforts on import

We help customers with their overseas businesses by offering the level of quality and services developed in the Japanese market.

Sales of materials for overseas stores and overseas plants have been expanding.

Next concerns the general distribution, retail, and other markets.

Sales in these markets grew by 100 million yen YoY. While sales to supermarkets and drug stores and to the life care industries declined, sales to the distribution and retail industries, including apparel and sundries businesses, which constitute the Group's base business, grew significantly. High-end paper bags, sewn bags, and other high value added products sold well to apparel and sundries businesses because these businesses continue to shift to paper shopping bags and have become more active in their differentiation efforts and sales promotions.

We're enhancing customer brand value alongside our customers through social contribution activities. We implemented eight forest conservation activities in FY2024. The number of companies supporting our activities grew by 35 YoY to 158. We expect to have more business opportunities as we collaborate with more companies.

Progress on Human Capital Strategy

Overview

- ◆ We continued undertaking initiatives to secure and make the most of the potential represented by human resources capable of supporting Company growth.
 - ◇ Revised systems and wage increases improved employment conditions.
 - ◇ We enhanced human resources development programs.

Securing diverse human resources

	FY2023 actual	FY2024 actual
Career hires	35	27
Referrals and “comeback” hiring	15	9

	FY2023 actual	FY2024 actual	FY2025 target
Women as a percentage of permanent full-time employees	22.9%	24.4%	25.0%
Women as a percentage of managerial personnel (section managers or above)	8.8%	9.7%	10.0%

Human resource development

- We provide training and education programs, including newly introduced programs suited to different levels.
 - ◆ Pre-employment training, new employee training, and section manager skills training
 - ◆ Career design training (at the age of 55), career advancement training (at the age of 58), training intended for directors, etc.
 - ◆ Workplace improvement training
 - ◆ DX training (the second term)
 - ◆ A program to develop human resources selected in training in the first term in the previous fiscal year and to output results was provided (to around 150 people)
 - ◆ Efforts to develop the capacity to produce total solutions concerning packages
 - ◆ Holding study meetings, developing and providing product databases and video tools.

Creating better working environments

- We revised the rules for wages for employees rehired under the reemployment system.
- Employee benefits were enhanced (such as inclusion of financial support for vaccinations and comprehensive medical examinations).
- The Pack’s own maternity and paternity leave program was formally introduced (after experimentally introduced in 2022).

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 December 31, 2024	FY2025 planned
Personnel planning for all workers including permanent employees, contract employees, and part-time workers.	1,836	1,836	1,920

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

Next, I'll go over our progress on our human capital strategy.

We've undertaken various initiatives based on an awareness that human capital represents the cornerstone of sustainable growth for the Group. As before, we recruited human capital via multiple routes, including university graduate hires, career hires, and other hiring. We hired 40 university graduates and 36 people through nontraditional routes. We plan to maintain annual hiring at this scale.

In terms of human resource development, we provided training and education programs tailored to employees at various levels. In particular, we introduced study meetings to develop the capacity to produce total solutions, which we count among our strengths, and have developed and provided the corresponding tools. These opportunities and means serve to develop younger employees.

Progress with Financial Strategies

Overview

- ◆ We have undertaken various initiatives to enhance our growth potential and corporate value.
- ◇ We implemented facility reinforcement plans for the food products and e-commerce markets and have made additional investments to respond to demand.
- ◇ We implemented a measure to increase shareholder returns as planned and enhanced information provision by publishing an integrated report.

Capital investments

(100 million yen)

		Initial plan (FY2023- 2025)	FY2023 actual	FY2024 actual	FY2025 planned	Total
Strategic investments	Reinforcing the capacity to produce paper cartons	20.0	7.9	12.5	2.5	22.9
	Reinforcing the capacity to produce paper bags	30.0	7.8	19.5	16.5	43.8
	Streamlining or labor savings	11.0	1.2	1.1	10.0	12.3
	Energy or resource savings	2.0	0.4	0.1	0.3	0.8
	Other	2.0	0.1	2.0	1.3	3.4
	Total strategic investments	65.0	17.4	35.2	30.6	83.2
Maintaining plant facilities		20.0	5.6	4.1	10.6	20.3
Land acquisition	Plant site near Osaka Plant	-	19.0	0.0	-	19.0
	Plant site near Tokyo Plant	-	3.8	3.6	-	7.4
Reconstruction of headquarters building			10.0	0.0	0.0	10.0
Total		85.0	55.8	42.9	41.2	139.9

Main capital investments actually carried out in FY2024

Paper cartons: Facilities for the food products market
Paper bags: Eco-friendly printers
Facilities for the e-commerce market

Main capital investments actually carried out in FY2025

Paper cartons: Facilities for the e-commerce market
Paper bags: Automated and labor saving facilities
Facilities for the distribution market
Eco-friendly printers

Renovations of the backbone system

(100 million yen)

	FY2024 planned	FY2024 actual	FY2023 to FY2025 planned
Amount invested to renovate the backbone system	10	8.4	20

Human resource investments

FY2024 actual: 290 million yen
Human resource development and recruitment: 80 million yen
Wage increases: 210 million yen

Returns to shareholders

	FY2024 planned	FY2024 actual
Purchase of treasury shares	Planned under the annual upper limit of one billion yen	Executed for treasury shares of around one billion yen
Dividend payout ratio	Planned to maintain 35%	35.4%
Total payout ratio	Dividends of 2.2 billion yen Total payout ratio of 50%	Dividends of around 2.2 billion yen Total payout ratio of 51%

- We will carry out planned measures also in FY2025.



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Here I'll address progress in financial strategies.

In FY2024, capital investments categorized as strategic investments amounted to 3,520 million yen, centering on those for bolstering paper carton and paper bag production capabilities. In FY2025, to respond to growing demand and for investments in streamlining and labor-savings solutions, we plan to make additional investments. In FY2024, for renovations of the backbone system to be implemented in FY2025, we invested about 840 million yen. Total human resource investments amounted to around 300 million yen. We can break that down to around 200 million yen to expand the workforce and for wage increases and 80 million yen for human resource recruitment and development. We plan to continue making energetic human resource investments in FY2025 and onward.

Next is measures for shareholder returns. In FY2024, we sought to implement shareholder returns consistent with the plans disclosed in 2024. We planned to pay out about 2,200 million yen in total for dividends and to maintain a dividend payout ratio of 35%. Ultimately, we achieved a dividend payout ratio of 35.4%. In addition, as planned, we purchased treasury shares of 1,000 million yen. After all of these measures, our total payout ratio was 51%. In FY2025, we plan to continue emphasizing returns to shareholders.

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

Moderator: That's all for our presentation. Thank you all for your time and attention.

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Question & Answer

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

Kojima [Q]: Thank you for your detailed presentation. My name is Kojima, and I'm from Bunseki Koho Laboratory. Your company appears to be performing very well, so I'm wondering why a new president was named after Mr. Yamashita. So, one question is: Why would the company name a new president? Another question for which I really want to know the answer to is: What do you expect of the new President? Thank you in advance for answering my question.

Yamashita [A]: I've served as President for around three years. My term started in 2022 and will end in 2025. As to why we would name a new president now, essentially, I feel it's time to pass on the baton to a new generation. As with certain other industries, the package industry is in constant flux and subject to rapid change. People in this industry need to be sensitive—to have their antennas out—to see and keep pace with this constant change. How should we time these generational handovers? I've thought a suitable milestone would be when our sales exceeded 100 billion yen. So future milestones might 200 billion yen and 300 billion yen. I'm hoping this generational transition will encourage the new generations to strive and further grow this company. That's all I can say.

Moderator [M]: Thank you. Please proceed with your question.

Katayama [Q]: My name is Katayama from Nomura Asset Management. Thank you for your presentation. First, I'd like to ask about the steady increase in average sales prices. Can you break down the factors behind these increases into simple price increases and other mixed factors?

Shimomura [A]: Thank you for your question. Simply put, it's hard to give a simple breakdown. We have a wide range of products from very large corrugated boxes, like those for refrigerators, to small bags for pieces of fried chicken. By item, there's one example for which higher average prices, due partly to price revision and due mainly to a switch in the material used to make the bags from plastic to paper, contributed more than increased sales volumes.

In general, average prices rose, but many other more complex factors are also involved. I've been asked the same question before, but it's hard to break down the factors into, for example, price increase X%, specification change Y%, and so on. I'm sorry I can't more fully answer your question.

Katayama [Q]: The purpose of my question is to ask whether I'm right in thinking that, as increases in average sale prices in FY2022 and FY2023 were large compared to the relatively small increases in FY2024 and in the FY2025 forecast, the increases in FY2022 and FY2023 were due in large part to simple price increases—that is, price revisions?

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Shimomura [A]: You're right. There were large increases in price prices during those fiscal years.

Katayama [Q]: So, although labor costs may be rising, the upward pressure from raw materials is currently less significant?

Shimomura [A]: That pressure now isn't as strong as it was in FY2022 and FY2023, but we still feel it in certain areas related to paper and paperboard. Higher logistics costs are unavoidable. Still, we strive to absorb even these cost increases.

Katayama [Q]: Thank you for responding to my question. I'd like to ask one more question, a question about cash. You've spent significant amounts, more than planned in the Mid-term Medium-Term Management Plan, in so-called capital investments. I assume you're making sound investments. I'm wondering what it means to have net cash exceeding 20 billion yen. What's the purpose of having this amount of cash on hand? A typical answer might be to prepare for M&A. I've been informed that your past M&A cases were relatively modest. Going forward, do you foresee much larger M&A? I would be grateful if you could give the reasons for the cash holdings.

Shimomura [A]: First, I'll address the question about cash holdings. I'm aware we've accumulated a significant amount of cash. Originally, the urgent issue was to rebuild the Osaka Plant and Nara Plant, which are aging. We accumulated cash over the past several years with the idea of covering the costs with our own money.

But the plan is somewhat behind schedule. In all honesty, we've accumulated more cash than we expected. At the same time, as you know, building costs are rapidly rising. A significant amount of money will be needed to rebuild the two plants. So, most of the cash will go toward rebuilding.

As for M&A, one with a paper carton maker in Kanazawa, which we announced just recently, is currently underway. The scale isn't huge. But our previous M&A project was back in 2018, if I remember correctly. We haven't been active in any M&A for a while. This isn't a strong factor in our thinking, but we'll be willing to take on any project consistent with our growth strategies. That's all I can say.

Katayama [M]: Thank you.

Moderator [M]: Thank you for your questions. We'll take one last question from our audience, including those here attending at the venue.

Katayama [Q]: My name is Katayama from Nomura Assets. I'd like to ask about the ROIC. You set the ROIC target at 8% but failed to achieve this figure in FY2024 and often failed to reach this target in the preceding years. My understanding is that a target is something that should typically be achieved. In view of the ROIC target of 8% in relation to the plant rebuilding discussed earlier, how do you explain missing this target?

Shimomura [A]: I'll start by saying something about ROE and ROIC. We set the ROE target to 8%, which is the same as the ROIC target. Regarding ROE, we understand in our case that this is more or less the same level as the ROIC, since we had proceeds from sales of cross-held shares.

Your question assumes we have already done the construction required for the plants. As mentioned earlier, we're not yet at the stage where we can analyze our estimates of construction costs and other expenses. I'd like to abstain from answering now. Are you OK with that answer? I'm sorry I can't answer your question beyond that.

Katayama [M]: OK. Thank you.

Moderator [M]: Thank you for your questions. This ends the Q&A session.

Finally, we'd like to briefly touch on the changes in directors and officers announced on February 12, 2025. President and CEO Hideaki Yamashita, one of the speakers at this presentation, will step down on March 26. He will give some brief farewell remarks.

Yamashita [M]: As I said earlier in answering a question, I plan to step down from office after having served for three years, since FY 2022. I'm truly grateful for your support over these years. Your support has made it possible for us to rebound in the three years after the COVID-19 pandemic in 2020. I'll be succeeded by the new president, Naoki Nakamura, for the next term and onward, and hope that you will continue to support our company. Thank you very much for your support and cooperation.

Moderator [M]: We will now conclude the presentation of the business results of THE PACK CORPORATION for the fiscal year ended December 31, 2024. Thank you very much for attending today.

[END]

Document Notes

1. *Portions of the document in which the audio is unclear are marked [Inaudible].*
2. *Speaker comments are 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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