

April 14, 2023

The Pack’s Initiatives Related to the Corporate Governance Code

The Pack Corporation

The Pack and The Pack Group (“Company” hereafter), based on a Group vision of Passionate and Dedicated to Our Partnerships, have established a Corporate Purpose to define their reason for existing in society, which is “Mission of bolstering social prosperity and creating satisfaction through packaging.” The Company practices sustainable management to create corporate value on a continuing basis, and to this end it engages in highly transparent management and timely and appropriate disclosure to build appropriate collaborative relationships with and respect the interest of all stakeholders, starting with the shareholders.

The Company’s initiatives and policies related to the Corporate Governance Code are as follows.

General Principle 1 Compliance

[Securing the Rights and Equal Treatment of Shareholders]

Companies should take appropriate measures to fully secure shareholder rights and develop an environment in which shareholders can exercise their rights appropriately and effectively. In addition, companies should secure effective equal treatment of shareholders. Given their particular sensitivities, adequate consideration should be given to the issues and concerns of minority shareholders and foreign shareholders for the effective exercise of shareholder rights and effective equal treatment of shareholders.

To secure effective and equal treatment of all shareholders, the Company works to provide information in compliance with the Financial Instruments and Exchange Act, other applicable laws and regulations, and the rules for timely disclosure set forth by the Tokyo Stock Exchange.

Additionally, the Company promptly discloses information to secure shareholder rights and contribute to the appropriate exercise of those rights, even when the information is not subject to timely disclosure requirements.

Principle 1.1 Compliance

[Securing the Rights of Shareholders]

Companies should take appropriate measures to fully secure shareholder rights, including voting rights at the general shareholder meeting.

The Company takes a proactive approach to disclosing information, working to maintain an environment that allows for appropriate management and execution of voting rights to ensure that the rights of shareholders are fully and equitably secured.

Supplementary Principle 1.1.1 Compliance

When the board recognizes that a considerable number of votes have been cast against a proposal by the company and the proposal was approved, it should analyze the reasons behind opposing votes and why many shareholders opposed, and should consider the need for shareholder dialogue and other measures.

The Company investigates the percentages by which proposals are approved following general meetings of shareholders and discloses the results of votes for and against. It also analyzes the attributes of shareholders who

cast votes against proposals and considers the reasons for their opposition to grasp the intentions of shareholders at general meetings of shareholders and ensure their intentions are reflected in management. The results of voting rights execution, including votes for and against, are made available for public inspection on EDINET.

Supplementary Principle 1.1.2 Compliance

When proposing to shareholders that certain powers of the general shareholder meeting be delegated to the board, companies should consider whether the board is adequately constituted to fulfill its corporate governance roles and responsibilities. If a company determines that the board is indeed adequately constituted, then it should recognize that such delegation may be desirable from the perspectives of agile decision-making and expertise in business judgment.

The Company has adopted the legal format of a company with a board of corporate auditors. It has a Board of Directors with nine members (three of whom are External Directors) and an Audit and Supervisory Board with four members (two of whom are External Corporate Auditors). The External Directors and External Corporate Auditors are all registered as independent officers with the Tokyo Stock Exchange.

Along with the statutory Board of Directors, the Company maintains the following structures to strengthen corporate governance:

- (1) Nomination Committee and Remuneration Committee, which are discretionary bodies
- (2) System of Corporate Officers for agile business execution
- (3) Business division meetings (held monthly) attended by the general managers of business divisions and higher ranked executives used to convey company policies and the resolutions of the Board of Directors and to verify the status of their execution
- (4) The Board of Outside Officers, which is made up of the three independent external directors and two independent External Corporate Auditors and is intended to enable independent external officers to exchange information, share their understanding, and advise the management team and Directors as necessary

As stated above, the Company recognizes that it has structures in place that allow the Company's Board of Directors to adequately fulfill its corporate governance roles and responsibilities. If the judgment is made that delegating certain powers of the general meeting of shareholders to the board would lead to sustained corporate growth and increased medium- to long-term corporate value, the Company will consider presenting a proposal to do so to the general meeting of shareholders.

Supplementary Principle 1.1.3 Compliance

Given the importance of shareholder rights, companies should ensure that the exercise of shareholder rights is not impeded. In particular, adequate consideration should be given to the special rights that are recognized for minority shareholders with respect to companies and their officers, including the right to seek an injunction against illegal activities or the right to file a shareholder lawsuit, since the exercise of these rights tend to be prone to issues and concerns.

The Company has established procedures in its share-handling regulations related to the rights of minority shareholders recognized in the Companies Act and works to ensure that these rights can be exercised.

Principle 1.2 Compliance

[Exercise of Shareholder Rights at General Shareholder Meetings]

Companies should recognize that general shareholder meetings are an opportunity for constructive dialogue with shareholders, and should therefore take appropriate measures to ensure the exercise of shareholder rights at such meetings.

Recognizing that the general meeting of shareholders is a potential opportunity for constructive dialogue with shareholders, the Company works to select dates and venues for meetings that will allow as many shareholders as possible to attend and provides adequate time for shareholder questions. In addition, for shareholders unable to attend the meeting directly, the Company allows rights to be exercised via a voting rights exercise form, and since the general meeting of shareholders held in March 2022 it has allowed voting rights to be exercised over the Internet.

Supplementary Principle 1.2.1 Compliance

Companies should provide accurate information to shareholders as necessary in order to facilitate appropriate decision-making at general shareholder meetings.

Information capable of facilitating appropriate decision-making by shareholders is sent in a shareholder report at the interim and year-end. Information is also promptly disclosed on the Company website (<https://www.thepack.co.jp/>) and through the Tokyo Stock Exchange. In addition, the Company also works to provide easy-to-understand information at the general meeting of shareholders through presentations on current conditions and financial performance using graphs and other means.

Supplementary Principle 1.2.2 Compliance

While ensuring the accuracy of content, companies should strive to send convening notices for general shareholder meetings early enough to give shareholders sufficient time to consider the agenda. During the period between the board approval of convening the general shareholder meeting and sending the convening notice, information included in the convening notice should be disclosed by electronic means such as through TDnet or on the company's website.

Convening notices for the general meeting of shareholders are sent further in advance than the statutory deadline, which is two weeks before the meeting. They are also disclosed by electronic means on the Company website (<https://www.thepack.co.jp/>) and disclosed to the Tokyo Stock Exchange (before the date the convening notice is sent) three weeks before the meeting.

Supplementary Principle 1.2.3 Compliance

The determination of the date of the general shareholder meeting and any associated dates should be made in consideration of facilitating sufficient constructive dialogue with shareholders and ensuring the accuracy of information necessary for such dialogue.

The Company's fiscal year closes in December. Relatively few companies hold general meetings of shareholders on the same date. Nevertheless, considerations are made to ensure that as many shareholders as possible can participate in the meeting.

Supplementary Principle 1.2.4 Compliance

Bearing in mind the number of institutional and foreign shareholders, companies should take steps for the creation of an infrastructure allowing electronic voting, including the use of the Electronic Voting Platform, and the provision of English translations of the convening notices of general shareholder meeting. In particular, companies listed on the Prime Market should make the Electronic Voting Platform available, at least to institutional investors.

Considering its percentage of foreign investors (around 13%), the Company recognizes the need to create an infrastructure that allows institutional investors to exercise their voting rights easily and the need to provide information to foreign investors in English.

The Company discloses English translations of its briefings on business results (full text) and notices of resolutions on its website. It discloses English translations of convening notices (convocation notice in the narrow sense and reference documents) on its website and through the Tokyo Stock Exchange.

An electronic voting system for shareholders and a platform for electronically exercising voting rights have been in place since the general meeting of shareholders held in March 2022.

Supplementary Principle 1.2.5 Compliance

In order to prepare for cases where institutional investors who hold shares in street name express an interest in advance of the general shareholder meeting in attending the general shareholder meeting or exercising voting rights, companies should work with the trust bank (*shintaku ginko*) and/or custodial institutions to consider such possibility.

The Company allows individuals entered or registered in the current shareholder register to exercise voting and other rights at general meetings of shareholders. However, when so-called substantial shareholders who hold shares under the name of a trust bank or similar institution wish to exercise their rights, the Company shall allow them to attend general meetings of shareholders upon consultation with the trust bank, based on procedures specified in advance that include presenting proof of role as a substantial shareholder and proof that exercise of rights has been delegated.

Principle 1.3 Compliance

[Basic Strategy for Capital Policy]

Because capital policy may have a significant effect on shareholder returns, companies should explain their basic strategy with respect to their capital policy.

Corporate value increases when profits exceed capital costs. The Company believes that this course of action earns the satisfaction of shareholders and other stakeholders. With regard to returning profits to shareholders, the Company has a basic policy of maintaining a payout ratio of 30%. With regard to internal reserves, the Company draws effectively on its reserves to strengthen its financial standing and make strategic investments that strengthen its business base.

For more information on the Company's capital plans, please refer to the briefing materials on the Company's new Medium-Term Management Plan posted on February 27, 2023, in the IR section of its website (<https://www.thepack.co.jp/>).

Principle 1.4 Compliance

[Cross-Shareholdings]

When companies hold shares of other listed companies as cross-shareholdings, they should disclose their policy with respect to doing so, including their policies regarding the reduction of cross-shareholdings. In addition, the board should annually assess whether or not to hold each individual cross-shareholding, specifically examining whether the purpose is appropriate and whether the benefits and risks from each holding cover the company's cost of capital. The results of this assessment should be disclosed. Companies should establish and disclose specific standards with respect to the voting rights as to their cross-shareholdings, and vote in accordance with the standards.

(Policy on cross-shareholdings)

The Company's basic policy is to avoid cross-shareholdings unless it is deemed meaningful to do so. Cross-shareholdings are deemed meaningful when coordinating with the company involved would sustain business growth and transactional relationships.

Once each quarter, the Company undertakes a rational examination of cross-shareholdings. It quantitatively examines whether economic value is commensurate with the capital cost for each individual issue and comprehensively assesses the strategic relationship and relative importance from a qualitative perspective.

(Basic policy on exercising voting rights)

In principle, the Company exercises its voting rights on every proposal.

Voting rights are appropriately exercised after carefully reviewing the proposal and determining whether it contributes to raising shareholder value. The Company does not judge such decisions positively in cases in which a proposal would markedly damage the interests of shareholders. Any votes cast in opposition to a proposal are reported to the Board of Directors.

Supplementary Principle 1.4.1 Compliance

When cross-shareholders (i.e., shareholders who hold a company's shares for the purpose of cross-shareholding) indicate their intention to sell their shares, companies should not hinder the sale of the cross-held shares by, for instance, implying a possible reduction of business transactions.

When a cross-shareholder indicates its intentions to sell the Company's shares, the Company does not hinder the sale by implying a possible scaling back of business transactions or by any other means.

Supplementary Principle 1.4.2 Compliance

Companies should not engage in transactions with cross-shareholders which may harm the interests of the companies or the common interests of their shareholders by, for instance, continuing the transactions without carefully examining the underlying economic rationale.

With respect to transactions with cross-shareholders, the Company regularly examines the purpose of holding the shares and the economic rationale and chooses a policy of continuing, expanding, or reducing transactions based on the results.

Principle 1.5 Compliance

[Anti-Takeover Measures]

Anti-takeover measures must not have any objective associated with entrenchment of the management or the board. With respect to the adoption or implementation of anti-takeover measures, the board and *kansayaku* should carefully examine their necessity and rationale in light of their fiduciary responsibility to shareholders, ensure appropriate procedures, and provide sufficient explanation to shareholders.

The Company introduced Measures to Address Large-Scale Purchase of the Company's Shares (the so-called anti-takeover measures; hereafter, the "Plan" hereafter) at its 56th annual general meeting of shareholders held March 28, 2008, and engaged in extensive considerations concerning its continuation. Ultimately, the Company deemed that the need for the Plan had decreased due to changes in the business environment and because implementation of regulations under the Financial Instruments and Exchange Act provided a certain degree of assurance that necessary and sufficient time and information would be secured for shareholders to make an appropriate decision. Thus, it decided to abolish the Plan as of the end of the 68th annual general meeting of shareholders held March 26, 2020.

While anti-takeover measures were abolished, should a party emerge and seek to acquire a large amount of the Company's shares in cases in which the Company deems that a significant acquisition by that party would be inappropriate, the Company will establish a response headquarters that includes external experts; carefully assess the purpose of the party's acquisition and the details of their proposal in light of the aforementioned basic policy and the common interests of shareholders; and promptly identify and execute specific countermeasures.

Supplementary Principle 1.5.1 Compliance

In case of a tender offer, companies should clearly explain the position of the board, including any counteroffers, and should not take measures that would frustrate shareholder rights to sell their shares in response to the tender offer.

In the case of tender offers, the Company promptly discloses the position of the Board of Directors to shareholders. It respects the rights of shareholders and will not frustrate their rights to respond to the offer.

Principle 1.6 Compliance

[Capital Policy that May Harm Shareholder Interests]

With respect to a company's capital policy that results in the change of control or in significant dilution, including share offerings and management buyouts, the board and *kansayaku* should, in order not to unfairly harm the existing shareholders' interests, carefully examine the necessity and rationale from the perspective of their fiduciary responsibility to shareholders, should ensure appropriate procedures, and provide sufficient explanation to shareholders.

If a capital policy has a major impact on shareholder interests, the Company will carefully examine the necessity and rationale through its Board of Directors while considering the opinions of independent external officers, working to ensure the disclosure of information that is necessary and appropriate to shareholders and the explanation of such information through the general meeting of shareholders, results briefings, and other means.

Principle 1.7 Compliance

[Related Party Transactions]

When a company engages in transactions with its directors or major shareholders (i.e., related party transactions), in order to ensure that such transactions do not harm the interests of the company or the common interests of its shareholders and prevent any concerns with respect to such harm, the board should establish appropriate procedures beforehand in proportion to the importance and characteristics of the transaction. In addition to their use by the board in approving and monitoring such transactions, these procedures should be disclosed.

Based on the Companies Act and other regulations, the Company has stipulated in the Rules of the Board of Director and elsewhere that the Company’s officers must not engage in transactions that pose conflicts of interest without the approval of the Board of Directors. Records of such transactions must be appropriately disclosed in a timely manner based on applicable laws and regulations. In addition, for transactions with related parties, prior approval must be obtained for transactions deemed significant based on the standards in the Rules of the Board of Director and other rules. The terms of transactions with related parties are decided in a manner equivalent to the terms of ordinary transactions: that is, by presenting an asking price after considering market prices and total costs and engaging in price negotiations. This is performed each fiscal period.

General Principle 2 Compliance

[Appropriate Cooperation with Stakeholders Other Than Shareholders]

Companies should fully recognize that their sustainable growth and the creation of mid- to long-term corporate value are brought about as a result of the provision of resources and contributions made by a range of stakeholders, including employees, customers, business partners, creditors and local communities. As such, companies should endeavor to appropriately cooperate with these stakeholders. The board and the management should exercise their leadership in establishing a corporate culture where the rights and positions of stakeholders are respected and sound business ethics are ensured.

The Company recognizes its obligation to work to achieve sustainable growth and the creation of mid- to long-term corporate value and to work with its shareholders and all other stakeholders.

To put this into practice, the Board of Directors and management proceed in accordance with the Company’s Group vision—Passionate and Dedicated to Our Partnerships—and work to foster a corporate culture in which the rights and positions of stakeholders are respected and sound business ethics assured.

Principle 2.1 Compliance

[Business Principles as the Foundation of Corporate Value Creation Over the Mid- to Long-Term]

Guided by their position concerning social responsibility, companies should undertake their businesses in order to create value for all stakeholders while increasing corporate value over the mid- to long-term. To this end, companies should draft and maintain business principles that will become the basis for such activities.

The Company has drafted the following Corporate Philosophy based on its Group vision of Passionate and Dedicated to Our Partnerships.

Guided by the words, “We value and nurture people,” the Company’s goals can be stated as follows: We seek to accommodate society’s every change; and We fulfill our social responsibilities by promoting initiatives related to the global environment and other issues. As a company offering total solutions related to packaging, we seek to contribute to societal development and to thriving societies.

Based on this Corporate Philosophy, the Company intends to achieve sustainable corporate growth and increase corporate value over the medium to long term and to fulfill its social responsibilities by contributing to society.

Principle 2.2 Compliance

[Code of Conduct]

Companies should draft and implement a code of conduct for employees in order to express their values with respect to appropriate cooperation with and serving the interests of stakeholders and carrying out sound and ethical business activities. The board should be responsible for drafting and revising the code of conduct, and should ensure its compliance broadly across the organization, including the front line of domestic and global operations.

The Company has established a Corporate Philosophy and Code of Conduct to serve as guidelines for management systems and corporate activities. In July 2022, the Company made a formal declaration of its commitment to building partnerships and will further strengthen its partnerships with suppliers by actively pursuing mutual prosperity and working to prevent unfair transaction terms. The Company works to ensure that executives and employees have an accurate understanding of the Corporate Philosophy and Code of Conduct and put them into practice through their actions.

Supplementary Principle 2.2.1 Compliance

The board should review regularly (or where appropriate) whether or not the code of conduct is being widely implemented. The review should focus on the substantive assessment of whether the company’s corporate culture truly embraces the intent and spirit of the code of conduct, and not solely on the form of implementation and compliance.

Along with the initiatives indicated under Principle 2.2 above, Directors participate in meetings and events held at the Company and directly convey the Company’s management policies and future goals to employees. In addition, the Company confirms the appropriate compliance with management policies through periodic internal audits.

Principle 2.3 Compliance

[Sustainability Issues, Including Social and Environmental Matters]

Companies should take appropriate measures to address sustainability issues, including social and environmental matters.

In its Code of Conduct, the Company has established guidelines for initiatives to address social and environmental problems. The entire company has obtained ISO 14001 certification. Since 1993, through The Pack Forest Environment Fund and in cooperation with the non-profit Eco Future Fund, the Company has contributed 0.5% of sales proceeds from eco-friendly, non-wood-based paper products that it develops and sells to fund tree-planting activities in regions across Japan.

The Company established the Sustainable Business Team in January 2022 and formulated the following Basic Policy on Sustainable Management:

“The Pack Group, under its Group vision of “Passionate and Dedicated to Our Partnerships,” has established a Corporate Purpose to define its reason for existing in society, which is “Mission of bolstering social prosperity and creating satisfaction through packaging,” and it practices sustainable management on this basis. As a company offering total packaging solutions, we will create new value for packaging to help solve the issues facing stakeholders, thereby helping to bring about a sustainable and prosperous society characterized by satisfaction and good cheer. To this end, we will maintain systems that allow us to accommodate whatever changes may emerge in society and grow in a sustainable manner to provide value unique to The Pack Group for the environment, for society, and for the economy.”

On this basis, the Company has defined materiality (priority topics) by organizing social issues and compiling its initiatives for maximizing opportunities and minimizing risk for each issue.

The Company established the Sustainable Committee in January 2023 and is engaged in activities on a broader companywide and continuing basis.

Details on these initiatives are provided in the CSR Report posted on the Company website (<https://www.thepack.co.jp/environment/csr.html>).

Supplementary Principle 2.3.1 Compliance

The board should recognize that dealing with sustainability issues, such as taking care of climate change and other global environmental issues, respect of human rights, fair and appropriate treatment of the workforce including caring for their health and working environment, fair and reasonable transactions with suppliers, and crisis management for natural disasters, are important management issues that can lead to earning opportunities as well as risk mitigation, and should further consider addressing these matters positively and proactively in terms of increasing corporate value over the mid-to long-term.

As stated under Principle 2.3, the Company recognizes that addressing issues related to sustainability is an important task of company management. In light of growing societal expectations and concerns with respect to these issues, the Company will deal with these issues in a highly proactive manner.

With respect to climate-related issues prompted by global warming, the Company has categorized and assessed the risks and opportunities through its Sustainable Business Team. It will establish indicators, goals, and specific response measures, thereby helping to establish a carbon-free society.

Principle 2.4 Compliance

[Ensuring Diversity, Including Active Participation of Women]

Companies should recognize that the existence of diverse perspectives and values reflecting a variety of experiences, skills and characteristics is a strength that supports their sustainable growth. As such, companies should promote diversity of personnel, including the active participation of women.

The packaging materials handled by the Company are widely used in the market. The Company works to hire and train diverse personnel without regard for gender or nationality to accommodate the market’s various needs. By deepening interactions among personnel within the company and throughout the Group and promoting understanding of differing perspectives, the Company is working to foster diversity in values.

In accordance with the spirit of the Act on the Promotion of Women’s Active Engagement in Professional Life, the Company has established the Action Plan for Promoting Women in the Workplace. On this basis, it promotes the creation of workplace environments that allow women employees to work with confidence and peace of mind.

<https://www.thepack.co.jp/company/activewomen.html>

Supplementary Principle 2.4.1 Explanation

Companies should present their policies and voluntary and measurable goals for ensuring diversity in the promotion to core human resources, such as the promotion of women, foreign nationals and midcareer hires to middle managerial positions, as well as disclosing their status. In addition, in light of the importance of human resource strategies for increasing corporate value over the mid-to long-term, companies should present its policies for human resource development and internal environment development to ensure diversity, as well as the status of their implementation.

In its Action Plan for Promoting Women in the Workplace, the Company has set the following targets for March 2026:

- (1) Increase the percentage of permanent employees who are women to at least 25%.
- (2) Increase the percentage of newly hired permanent employees (new graduates) who are women to at least 35%.
- (3) Increase the percentage of those in managerial positions who are women (section manager and above) to at least 10%.
- (4) Reduce the gap in average years of continuous service between male and female permanent employees to less than three years.

The Company promotes foreign employees to managerial positions at its local affiliates in the US and in China. For mid-career hires, it makes promotions to managerial positions based on a comprehensive assessment of skills and experience.

Principle 2.5 Compliance

[Whistleblowing]

Companies should establish an appropriate framework for whistleblowing such that employees can report illegal or inappropriate behavior, disclosures, or any other serious concerns without fear of suffering from disadvantageous treatment. Also, the framework should allow for an objective assessment and appropriate response to the reported issues, and the board should be responsible for both establishing this framework, and ensuring and monitoring its enforcement.

The Company has established the C-Line Rules as an internal set of rules related to whistleblowing and set up contact points for whistleblowing within the Human Resources Division, with the Company's lead internal Corporate Auditor, and at the law firm managed by the Company's External Corporate Auditor. Through these measures, the Company works to achieve the early detection and rectification of wrongful actions and to prevent the disadvantageous treatment of whistleblowers.

Supplementary Principle 2.5.1 Compliance

As a part of establishing a framework for whistleblowing, companies should establish a point of contact that is independent of the management (for example, a panel consisting of outside directors⁴ and outside *kansayaku*). In addition, rules should be established to secure the confidentiality of the information provider and prohibit any disadvantageous treatment.

The Company has established a whistleblower contact point (C-Line) independent of management at the law firm managed by the Company's External Corporate Auditor. The C-Line Rules prohibit the disadvantageous treatment of information providers.

Principle 2.6 Compliance

[Roles of Corporate Pension Funds as Asset Owners]

Because the management of corporate pension funds impacts stable asset formation for employees and companies' own financial standing, companies should take and disclose measures to improve human resources and operational practices, such as the recruitment or assignment of qualified persons, in order to increase the investment management expertise of corporate pension funds (including stewardship activities such as monitoring the asset managers of corporate pension funds), thus making sure that corporate pension funds perform their roles as asset owners. Companies should ensure that conflicts of interest which could arise between pension fund beneficiaries and companies are appropriately managed.

The Company utilizes a contract-type corporate pension plan.

Management of corporate pension funds is contracted to a fund management institution with specialized knowledge. The Company works to appropriately manage potential conflicts of interest between pension fund beneficiaries and the company via periodic reports from the contracted institution on the status of fund management, stewardship activities, and other matters.

In addition, for the managers in charge, the Company appoints personnel with appropriate experience and qualifications and works to provide training for such personnel.

General Principle 3 Compliance

[Ensuring Appropriate Information Disclosure and Transparency]

Companies should appropriately make information disclosure in compliance with the relevant laws and regulations, but should also strive to actively provide information beyond that required by law. This includes both financial information, such as financial standing and operating results, and non-financial information, such as business strategies and business issues, risk and governance. The board should recognize that disclosed information will serve as the basis for constructive dialogue with shareholders, and therefore ensure that such information, particularly non-financial information, is accurate, clear and useful.

The Company makes disclosures as required by law. Additionally, it promptly discloses information deemed important to shareholders and other stakeholders, including non-financial information, on the Company website.

The Company works to make the information it discloses accurate, clear, and specific and to ensure it is highly useful for readers.

Principle 3.1 Compliance

[Full Disclosure]

In addition to making information disclosure in compliance with relevant laws and regulations, companies should disclose and proactively provide the information listed below (along with the disclosures specified by the principles of the Code) in order to enhance transparency and fairness in decision-making and ensure effective corporate governance:

- i) Company objectives (e.g., business principles), business strategies and business plans;**

- ii) **Basic views and guidelines on corporate governance based on each of the principles of the Code;**
- iii) **Board policies and procedures in determining the remuneration of the senior management and directors;**
- iv) **Board policies and procedures in the appointment/dismissal of the senior management and the nomination of directors and *kansayaku* candidates; and**
- v) **Explanations with respect to the individual appointments/dismissals and nominations based on iv).**

- i) Business principles and business plans are disclosed on the Company website (<https://www.thepack.co.jp/>).
- ii) This document, “The Pack’s Initiatives Related to the Corporate Governance Code,” is disclosed on the Company website (<https://www.thepack.co.jp/company/corporategovernance.html>).
- iii) Policies related to decisions on remuneration and related matters for officers are disclosed in the annual securities report. Details are provided under Principle 4.2 and Supplementary Principle 4.2.1. Upper limits on total remuneration for all Directors and all Corporate Auditors, respectively, have been decided by resolution of the 58th Annual General Meeting of Shareholders held March 30, 2010. Amounts of remuneration for individual Directors are calculated by established methods based on base remuneration, position, scope of duties, performance, relative achievement of targets, and other factors. They are deliberated on and decided by the discretionary Remuneration Committee under the mandate of the Board of Directors.
- iv) Appointments and dismissals of senior management and nominations of director candidates are determined by the Board of Directors based on deliberations by the discretionary Nomination Committee. Factors considered include whether the candidates possess knowledge and experience for fast and accurate decision-making and their relative contributions to Company performance and raising corporate value. Corporate Auditor candidates are determined by the Board of Directors after obtaining the agreement of Audit and Supervisory Board. Factors taken into consideration include the skills, experience, and knowledge required of Corporate Auditors.
- v) The reasons for electing candidates for Director and Corporate Auditor are stated in the reference documents of the Notice of the Annual General Meeting of Shareholders when an election proposal is on the agenda. To read about the reasons current Directors and Corporate Auditors were nominated as candidates, please refer to Proposal 2 (pp. 8-15) and Proposal 3 (pp. 16-17) of the Notice of the 71st Annual General Meeting of Shareholders.
(<https://www.thepack.co.jp/ir/information.html>)

Supplementary Principle 3.1.1 Compliance

These disclosures, including disclosures in compliance with relevant laws and regulations, should add value for investors, and the board should ensure that information is not boiler-plate or lacking in detail.

The Company recognizes that the disclosure of information that adds value is essential to sharing its thinking with shareholders and other stakeholders and gaining their understanding.

The Company works to disclose information to stakeholders that is accurate and detailed.

Supplementary Principle 3.1.2 Compliance

Bearing in mind the number of foreign shareholders, companies should, to the extent reasonable, take steps for providing English language disclosures. In particular, companies listed on the Prime Market should disclose and provide necessary information in their disclosure documents in English.

As stated under Supplementary Principle 1.2.4, the Company provides necessary information in its disclosure documents in English. Since fiscal 2022, it has produced an English language version of its annual securities report.

In addition, the Company website is multilingual (English version: <https://www.thepack.co.jp/en/>) and provides financial and non-financial information to foreign investors.

Supplementary Principle 3.1.3 Explanation

Companies should appropriately disclose their initiatives on sustainability when disclosing their management strategies. They should also provide information on investments in human capital and intellectual properties in an understandable and specific manner, while being conscious of the consistency with their own management strategies and issues. In particular, companies listed on the Prime Market should collect and analyze the necessary data on the impact of climate change-related risks and earning opportunities on their business activities and profits, and enhance the quality and quantity of disclosure based on the TCFD recommendations, which are an internationally well-established disclosure framework, or an equivalent framework.

The Company's sustainability initiatives are stated under Principle 2.3.

Regarding human capital, the Company stipulates its strategies in its Medium-Term Management Plan and implements them with a view to the growth and vitalization of individuals and the company. Details are provided in the Company's new Medium-Term Management Plan, which was disclosed on February 27, 2023. (<https://www.thepack.co.jp/ir/report.html>)

The Company also indicates intellectual property as a factor in the growth and financial strategies of its new Medium-Term Management Plan, and actively engages in intellectual property matters as growth investments.

The Company already provides information on its greenhouse gas (CO₂) emissions in its CSR Report. To make new disclosures based on the TCFD framework, governance, strategy, risk management, and CO₂ emissions were calculated and subjected to quantitative analysis within each scope and category. The Company will establish indicators and targets and enhance the quality and quantity of its disclosures.

Principle 3.2 Compliance

[External Auditors]

External auditors and companies should recognize the responsibility that external auditors owe toward shareholders and investors, and take appropriate steps to secure the proper execution of audits.

The Company appropriately accommodates the request that an external accounting auditor conduct appropriate audits.

In addition, the Company's Audit and Supervisory Board and the accounting auditor hold meetings on the annual audit system and audit plan and meetings to implement audits and report on audit findings. Additionally, they work to secure the appropriate execution of audits by exchanging information as needed and appropriate on review results and audit findings.

Supplementary Principle 3.2.1 Compliance

The *kansayaku* board should, at minimum, ensure the following:

- i) Establish standards for the appropriate selection of external auditor candidates and**

proper evaluation of external auditors; and

ii) Verify whether external auditors possess necessary independence and expertise to fulfill their responsibilities.

- i) The Audit and Supervisory Board has created evaluation standards for external accounting auditors and provides evaluation statements. Should it become necessary to replace the external accounting auditor, the Company will make its selection based on these evaluation standards.
- ii) The Audit and Supervisory Board verifies that external accounting auditors have independence and expertise by confirming that policies and procedures for appropriately maintaining independence and policies and procedures related to the appointment and replacement of personnel in charge of auditing have been established, by assuring compliance with these policies and procedures, and by confirming the execution of audit operations by interviewing Corporate Auditors as appropriate on training plans and their implementation.

Supplementary Principle 3.2.2 Compliance

The board and the *kansayaku* board should, at minimum, ensure the following:

- i) Give adequate time to ensure high quality audits;**
- ii) Ensure that external auditors have access, such as via interviews, to the senior management including the CEO and the CFO;**
- iii) Ensure adequate coordination between external auditors and each of the *kansayaku* (including attendance at the *kansayaku* board meetings), the internal audit department and outside directors; and**
- iv) Ensure that the company is constituted in the way that it can adequately respond to any misconduct, inadequacies or concerns identified by the external auditors.**

- i) The external accounting auditor and the Audit and Supervisory Board meet to discuss the annual audit plan and create an audit schedule that allows adequate time for auditing.
- ii) In the audit plan, time is allotted for interviews with the president and the divisional general manager of the Corporate Division. If so requested by the external accounting auditor, time is also provided for interviews with senior management.
- iii) Directors and Corporate Auditors receive briefings and reports on accounting audits and quarterly review plans from the external accounting auditor. A system is in place that allows for coordination and the appropriate exchange of information with External Directors and the Audit Office.
- iv) When the external accounting auditor makes a request for a response or identifies concerns, the Company has a system whereby reports are provided to the Board of Directors and Audit and Supervisory Board and the Board of Directors directs the appropriate managing division to investigate the issue, correct the issue, and report on the results.

General Principle 4 Compliance

[Responsibilities of the Board]

Given its fiduciary responsibility and accountability to shareholders, in order to promote sustainable corporate growth and the increase of corporate value over the mid to long-term and enhance earnings power and capital efficiency, the board should appropriately fulfill its roles and responsibilities, including:

- (1) Setting the broad direction of corporate strategy;**
- (2) Establishing an environment where appropriate risk-taking by the senior management is supported; and**

(3) Carrying out effective oversight of directors and the management (including *shikkoyaku* and so-called *shikkoyakuin*) from an independent and objective standpoint. Such roles and responsibilities should be equally and appropriately fulfilled regardless of the form of corporate organization – i.e., Company with *Kansayaku* Board (where a part of these roles and responsibilities are performed by *kansayaku* and the *kansayaku* board), Company with Three Committees (Nomination, Audit and Remuneration) or Company with Supervisory Committee.

The Company formulates specific business strategies and plans based on management policies through the Board of Directors (nine board members, three of whom are independent External Directors), the body responsible for management decision-making, to ensure efficient systems for management and execution. In addition, the Company works to expedite decision-making and business execution by operating a system of Corporate Officers and by other means.

Regarding its system of oversight, the Company has appointed three External Directors, all three of whom are independent External Directors, and two External Corporate Auditors, both of whom are independent External Corporate Auditors (an attorney and a certified public accountant). Under this system, which the Company continues to strengthen, these independent officers provide oversight and advice on the overall effectiveness of the Board of Directors from an objective and neutral standpoint. In addition, the Company has established the Board of Outside Officers, which is made up of the three independent External Directors and two independent External Corporate Auditors, to further strengthen corporate governance. The board serves as a venue for the independent external officers to exchange information and share their understanding of various matters. It also makes recommendations to management.

Principle 4.1 Compliance

[Roles and Responsibilities of the Board (1)]

The board should view the establishment of corporate goals (business principles, etc.) and the setting of strategic direction as one major aspect of its roles and responsibilities. It should engage in constructive discussion with respect to specific business strategies and business plans, and ensure that major operational decisions are based on the company's strategic direction.

As the body responsible for management decision-making, the Board of Directors formulates specific business strategies and plans based on management policies and makes decisions on how to respond to issues that need addressing.

Supplementary Principle 4.1.1 Compliance

The board should clearly specify its own decisions as well as both the scope and content of the matters delegated to the management, and disclose a brief summary thereof.

As the body responsible for management decision-making, the Board of Directors makes decisions on matters stipulated by laws, regulations, and the Articles of Associations and on important matters of the Company.

Regarding the scope delegated to management, matters resolved by the Board of Directors and the divisions of responsibility of the Representative Director, Directors and business divisions are clarified in the Rules of the Board of Director, Organization and Office Rules, Rules on the Division of Duties, and Rules on Administrative Authority.

Supplementary Principle 4.1.2 Compliance

Recognizing that a mid-term business plan (*chuuki keiei keikaku*) is a commitment to shareholders, the board and the senior management should do their best to achieve the plan. Should the company fail to deliver on its mid-term business plan, the reasons underlying the failure of achievement as well as the company's actions should be fully analyzed, an appropriate explanation should be given to shareholders, and analytic findings should be reflected in a plan for the ensuing years.

On February 27, 2023, the Company formulated a new three-year Medium-Term Management Plan that begins in fiscal 2023. The plan is presented on the Company website (<https://www.thepack.co.jp/ir/report.html>).

This plan is based on evaluations, both quantitative and qualitative, of the preceding Medium-Term Management Plan (FY2020 to FY2022). The targets set these evaluations.

The slogan of the new Medium-Term Management Plan is “Evolution: Start of Purpose-Based Management and Sustainable Management.” Numerical targets for the fiscal year ending December 2025 are consolidated net sales of ¥107.0 billion, operating profit of ¥7.0 billion, ROE of 8% or higher, and ROIC of 8% or higher.

Supplementary Principle 4.1.3 Compliance

Based on the company objectives (business principles, etc.) and specific business strategies, the board should proactively engage in the establishment and implementation of a succession plan for the CEO and other top executives and appropriately oversee the systematic development of succession candidates, deploying sufficient time and resources.

The Company recognizes that the development of officers for senior management and the development of other managerial personnel is a key factor in the sustainable growth of the Company and growth in corporate value over the medium to long term. The Company formulates successor development plans, selects and screens candidates, and works to educate candidates by having them participate in internal and external training programs. Going forward, the Board of Directors will appropriately supervise the implementation of succession plans for succession candidates.

Principle 4.2 Compliance

[Roles and Responsibilities of the Board (2)]

The board should view the establishment of an environment that supports appropriate risk-taking by the senior management as a major aspect of its roles and responsibilities. It should welcome proposals from the management based on healthy entrepreneurship, fully examine such proposals from an independent and objective standpoint with the aim of securing accountability, and support timely and decisive decision-making by the senior management when approved plans are implemented. Also, the remuneration of the management should include incentives such that it reflects mid- to long-term business results and potential risks, as well as promotes healthy entrepreneurship.

The Company recognizes that proposals from management responsible for business execution are indispensable to the Company's vitality and sustained growth, and the Board of Directors receives proposals as the occasion demands. In addition, business division meetings deliberate and decide on measures for enacting the policies decided for execution by the Board of Directors and also review the status of business execution.

With regard to remuneration incentives for management, in fiscal 2015 the Company introduced a stock option scheme as share-based compensation linked to performance and it replaced this scheme in fiscal 2020 with a restricted stock compensation plan.

Supplementary Principle 4.2.1 Compliance

The board should design management remuneration systems such that they operate as a healthy incentive to generate sustainable growth, and determine actual remuneration amounts appropriately through objective and transparent procedures. The proportion of management remuneration linked to mid- to long term results and the balance of cash and stock should be set appropriately.

The Company established a policy related to officer remuneration, etc. by a resolution of its Board of Directors held February 26, 2021. It discloses this information in its annual securities report and other materials.

(<https://www.thepack.co.jp/ir/report.html>)

Remuneration for management consists of base remuneration, bonuses, and a restricted stock compensation plan. Total amounts have been set as follows by a resolution of the general meeting of shareholders.

Total amount of remuneration:	Total annual amount of no more than ¥470 million
Restricted stock compensation plan:	Total annual amount of no more than ¥30 million

The Company has established a discretionary Remuneration Committee. Remuneration amounts, including the restricted stock compensation plan, are finalized based on deliberations by this committee under the mandate of the Board of Directors. Amounts are calculated using a designated calculation method based on base remuneration, position, scope of duties, performance, relative achievement of targets, and other factors.

Supplementary Principle 4.2.2 Compliance

The board should develop a basic policy for the company's sustainability initiatives from the perspective of increasing corporate value over the mid- to long- term. In addition, in light of the importance of investments in human capital and intellectual properties, the board should effectively supervise the allocation of management resources, including such investments, and the implementation of business portfolio strategies to ensure that they contribute to the sustainable growth of the company.

The Company's sustainability initiatives are stated under Principle 2.3.

The Board of Directors effectively supervises the allocation of management resources and execution of business portfolio strategies so that they contribute to the sustainable growth of the Company.

Principle 4.3 Compliance

[Roles and Responsibilities of the Board (3)]

The board should view the effective oversight of the management and directors from an independent and objective standpoint as a major aspect of its roles and responsibilities. It should appropriately evaluate company performance and reflect the evaluation in its assessment of the senior management. In addition, the board should engage in oversight activities in order to ensure timely and accurate information disclosure, and should establish appropriate internal control and risk management systems. Also, the board should appropriately deal with any conflict of interests that may arise between the company and its related parties, including the management and controlling shareholders.

The Board of Directors makes appropriate evaluations of company performance and evaluates and selects the management team on this basis.

In addition, the Company maintains an internal control system so that the Board of Directors is able to supervise the timely acquisition and disclosure of accurate information. Regarding management of conflict of interests, this is stated under Principle 1.7 above.

Supplementary Principle 4.3.1 Compliance

The board should ensure that the appointment and dismissal of the senior management are based on highly transparent and fair procedures via an appropriate evaluation of the company's business results.

The Company's discretionary Nomination Committee performs highly transparent and fair evaluations from an independent perspective on the appointment and dismissal of Directors and Corporate Officers based on the company's business results and other factors. The Board of Directors makes decisions that give all due weight to these evaluations.

Supplementary Principle 4.3.2 Compliance

Because the appointment/dismissal of the CEO is the most important strategic decision for a company, the board should appoint a qualified CEO through objective, timely, and transparent procedures, deploying sufficient time and resources.

The term of office of the Company's Directors is prescribed in Article 22 of the Company's Articles of Associations: "The term of office of Directors shall be until the conclusion of the annual general meeting of shareholders for the final fiscal year ending within one year after the appointment."

Based on the fact that appointment of a representative director is the most important decision made by a company, in selecting a representative director, the Company's discretionary Nomination Committee undertakes deliberations. The appointment is then made by the Board of Directors at the board meeting held after the annual general meeting of shareholders.

Supplementary Principle 4.3.3 Compliance

The board should establish objective, timely, and transparent procedures such that a CEO is dismissed when it is determined, via an appropriate evaluation of the company's business results, that the CEO is not adequately fulfilling the CEO's responsibilities.

The Company has established standards for the appointment and dismissal of Directors and other officers. It operates a system whereby the representative director may be dismissed by the Board of Directors if it is deemed appropriate to do so in light of these standards based on deliberations by the discretionary Nomination Committee.

Supplementary Principle 4.3.4 Compliance

The establishment of effective internal control and proactive enterprise risk management systems has the potential to support sound risk-taking. The board should appropriately establish such systems on an enterprise basis and oversee the operational status, besides utilizing the internal audit department.

The Company's Board of Directors makes decisions on important matters concerning management. With regard to compliance, internal control and risk management, it works to establish and maintain related systems and mechanisms while drawing on the knowledge of the Company's independent External Directors.

The Corporate Auditors and Audit Office monitor the status of internal control systems and appropriateness of business processes and report to the Board of Directors as necessary.

Principle 4.4 Compliance

[Roles and Responsibilities of *Kansayaku* and the *Kansayaku* Board]

***Kansayaku* and the *kansayaku* board should bear in mind their fiduciary responsibilities to shareholders and make decisions from an independent and objective standpoint when executing their roles and responsibilities including the audit of the performance of directors' duties, appointment and dismissal of *kansayaku* and external auditors, and the determination of auditor remuneration. Although so-called "defensive functions," such as business and accounting audits, are part of the roles and responsibilities expected of *kansayaku* and the *kansayaku* board, in order to fully perform their duties, it would not be appropriate for *kansayaku* and the *kansayaku* board to interpret the scope of their function too narrowly, and they should positively and proactively exercise their rights and express their views at board meetings and to the management.**

The Company has adopted the legal format of a company with a board of corporate auditors. Two of its four Corporate Auditors are independent External Corporate Auditors.

The Audit and Supervisory Board has established the Audit and Supervisory Board Audit Standards and Standards for Implementing Audits Related to Internal Control Systems and fulfills its duties as Corporate Auditors in accordance with them. Evaluation standards have also been established for making judgments on the appointment or dismissal of the external accounting auditor, and decisions on whether to continue the accounting auditor's contract are made on the basis of these standards.

In addition, each auditor attends meetings of the Board of Directors and other important meetings and provides their opinions as necessary. Recommendations and advice are also actively provided by the Audit and Supervisory Board as the occasion demands.

Supplementary Principle 4.4.1 Compliance

Given that not less than half of the *kansayaku* board must be composed of outside *kansayaku* and that at least one full-time *kansayaku* must be appointed in accordance with the Companies Act, the *kansayaku* board should, from the perspective of fully executing its roles and responsibilities, increase its effectiveness through an organizational combination of the independence of the former and the information gathering power of the latter. In addition, *kansayaku* or the *kansayaku* board should secure cooperation with outside directors so that such directors can strengthen their capacity to collect information without having their independence jeopardized.

Two of the four Corporate Auditors are External Corporate Auditors (an attorney and a certified public accountant). Neither has an interest in the Company. Both are completely independent.

In addition, the External Corporate Auditors exchange information and share their understanding with the External Directors and advise the management team and Directors as necessary through the Board of Outside Officers, which is composed of three independent External Directors and two independent External Corporate Auditors and has been established to further strengthen corporate governance.

Principle 4.5 Compliance

[Fiduciary Responsibilities of Directors and *Kansayaku*]

With due attention to their fiduciary responsibilities to shareholders, the directors, *kansayaku* and the management of companies should secure the appropriate cooperation with stakeholders and act in the interest of the company and the common interests of its shareholders.

The Company's Directors, Corporate Auditors, and management team recognize their respective fiduciary responsibilities to stakeholders and work to ensure they act in the interest of the company and the common interests of its shareholders while securing appropriate cooperation with stakeholders.

Principle 4.6 Compliance

[Business Execution and Oversight of the Management]

In order to ensure effective, independent and objective oversight of the management by the board, companies should consider utilizing directors who are neither involved in business execution nor have close ties with the management.

The Company has appointed three External Directors, none of whom has an interest in the Company. All are completely independent. The External Directors express their opinions from an independent and objective perspective at meetings of the Board of Directors and other meetings based on their knowledge of certified public accounting, certified tax accounting, and management execution.

Principle 4.7 Compliance

[Roles and Responsibilities of Independent Directors]

Companies should make effective use of independent directors, taking into consideration the expectations listed below with respect to their roles and responsibilities:

- i) Provision of advice on business policies and business improvement based on their knowledge and experience with the aim to promote sustainable corporate growth and increase corporate value over the mid- to long-term;**
- ii) Monitoring of the management through important decision-making at the board including the appointment and dismissal of the senior management;**
- iii) Monitoring of conflicts of interest between the company and the management or controlling shareholders; and**
- iv) Appropriately representing the views of minority shareholders and other stakeholders in the boardroom from a standpoint independent of the management and controlling shareholders.**

The Company's External Directors function to enhance the effectiveness of the Company's corporate governance by providing oversight from a neutral and objective perspective. They hold the qualifications of a certified public accountant and certified tax accountant and offer experience in corporate management; they also provide advice based on this knowledge and experience, fulfilling the roles and responsibilities stated in i) to iv) above.

Principle 4.8 Compliance

[Effective Use of Independent Directors]

Independent directors should fulfill their roles and responsibilities with the aim of contributing to sustainable growth of companies and increasing corporate value over the mid-

to long-term. Companies listed on the Prime Market should therefore appoint at least one-third of their directors as independent directors (two directors if listed on other markets) that sufficiently have such qualities. Irrespective of the above, if a company listed on the Prime Market believes it needs to appoint the majority of directors (at least one-third of directors if listed on other markets) as independent directors based on a broad consideration of factors such as the industry, company size, business characteristics, organizational structure and circumstances surrounding the company, it should appoint a sufficient number of independent directors.

The Company has a total of nine Directors, three of whom are independent External Directors.

The Company's External Directors offer their opinions and make proposals to the Board of Directors based on active discussions with the Directors and Corporate Auditors from a neutral perspective. The Company believes they are adequately fulfilling their roles as External Directors at this time.

Supplementary Principle 4.8.1 Compliance

In order to actively contribute to discussions at the board, independent directors should endeavor to exchange information and develop a shared awareness among themselves from an independent and objective standpoint. Regular meetings consisting solely of independent directors (executive sessions) would be one way of achieving this.

The Company has established the Board of Outside Officers, which is composed of the three independent External Directors and two independent External Corporate Auditors to further strengthen corporate governance. This provides a venue for the independent external officers to exchange information, share their understanding of matters, and make recommendations to management.

Supplementary Principle 4.8.2 Compliance

Independent directors should endeavor to establish a framework for communicating with the management and for cooperating with *kansayaku* or the *kansayaku* board by, for example, appointing the lead independent director from among themselves.

The Company's three independent External Directors actively exchange opinions with management and Corporate Auditors at meetings of the Board of Directors, monthly business division meetings, and other monthly meetings. A sufficient framework for cooperation has been established. The Company sees no need to appoint a lead independent External Director at this time.

Supplementary Principle 4.8.3 Compliance

Companies that have a controlling shareholder should either appoint at least one third of their directors (the majority of directors if listed on the Prime Market) as independent directors who are independent of the controlling shareholder or establish a special committee composed of independent persons including independent director(s) to deliberate and review material transactions or actions that conflict with the interests of the controlling shareholder and minority shareholders.

The Company does not have a controlling shareholder at this time. However, if a controlling shareholder emerges in the future, with regard to transactions with the controlling shareholder, the Company will establish a system for

appropriately deliberating on and reviewing transactions and actions that conflict with the interests of minority shareholders.

Principle 4.9 Compliance

[Independence Standards and Qualification for Independent Directors]

Boards should establish and disclose independence standards aimed at securing effective independence of independent directors, taking into consideration the independence criteria set by securities exchanges. The board should endeavor to select independent director candidates who are expected to contribute to frank, active and constructive discussions at board meetings.

The Company's basic position is to appoint individuals who have the knowledge and experience needed to audit the legal compliance and corporate management of Directors and who are capable of fulfilling their duties as External Directors from a perspective independent of the Company's management team, in accordance with requirements for External Directors established in the Companies Act and the independence standards established by securities exchanges.

Principle 4.10 Compliance

[Use of Optional Approach]

In adopting the most appropriate organizational structure (as stipulated by the Companies Act) that is suitable for a company's specific characteristics, companies should employ optional approaches, as necessary, to further enhance governance functions.

The Company has adopted the legal format of a company with a board of corporate auditors. It believes that governance functions are currently adequately implemented through the Board of Directors, which includes External Directors; the Audit and Supervisory Board, which includes External Corporate Auditors; and the accounting auditor.

In addition, the Company has established the following structures as an optional framework and is working to enhance governance functions:

- (1) System of Corporate Officers and business division meetings
The Company delegates the role of business execution to Corporate Officers and thereby ensures corporate management characterized by agility and high efficiency. Business division meetings are attended by Directors, Corporate Officers, managers at the level of business division general manager and above, and the presidents of Group companies. These monthly meetings are used to review the status of business execution as reported by each responsible division and deliberate and decide on policies for implementing the executive policies decided on by the Board of Directors.
- (2) Discretionary Nomination Committee and Remuneration Committee
These committees are made up of five Directors, including three independent External Directors. They serve to further enhance the Company's corporate governance by ensuring the fairness, transparency, and objectivity of procedures related to the nomination, remuneration, and related matters concerning Directors and Corporate Officers.
- (3) Board of Outside Officers
The Board of Outside Officers is made up of three independent External Directors and two independent External Corporate Auditors. Its purpose is to strengthen corporate governance by providing a venue at which independent external officers can exchange information, share their understanding, and make recommendations to the management team, as necessary.

Supplementary Principle 4.10.1 Compliance

If the organizational structure of a company is either Company with *Kansayaku* Board or Company with Supervisory Committee and independent directors do not compose a majority of the board, in order to strengthen the independence, objectivity and accountability of board functions on the matters of nomination (including succession plan) and remuneration of the senior management and directors, the company should seek appropriate involvement and advice from the committees, including from the perspective of gender and other diversity and skills, in the examination of such important matters as nominations and remuneration by establishing an independent nomination committee and remuneration committee under the board, to which such committees make significant contributions. In particular, companies listed on the Prime Market should basically have the majority of the members of each committee be independent directors, and should disclose the mandates and roles of the committees, as well as the policy regarding the independence of the composition.

The Company is a company with a board of corporate auditors. It has three independent External Directors. While they do not account for the majority of the board, the Company has established discretionary Nomination and Remuneration Committees as of July 1, 2021, to undertake deliberations on important matters related to Director nomination, remuneration, and other matters.

Each committee is made up of two internal Directors and three independent External Directors. Independent External Directors chair both the committees; the Company sees no problems with respect to the independence of the committees.

Principle 4.11 Compliance

[Preconditions for Board and *Kansayaku* Board Effectiveness]

The board should be well balanced in knowledge, experience and skills in order to fulfill its roles and responsibilities, and it should be constituted in a manner to achieve both diversity, including gender, international experience, work experience and age, and appropriate size. In addition, persons with appropriate experience and skills as well as necessary knowledge on finance, accounting, and the law should be appointed as *kansayaku*. In particular, at least one person who has sufficient expertise on finance and accounting should be appointed as *kansayaku*. The board should endeavor to improve its function by analyzing and evaluating effectiveness of the board as a whole.

The Company's Board of Directors is composed of directors with expertise in each of the Company's business areas and three independent External Directors who possess the knowledge of certified public accounting, certified tax accounting, and management execution, thereby allowing it to fulfill the roles and responsibilities required.

The Audit and Supervisory Board is composed of two full-time Corporate Auditors and two External Corporate Auditors who are qualified as a certified public accountant and attorney. The individuals on the board have adequate knowledge of finance and accounting.

Regarding analysis and evaluation of the effectiveness of the Board of Directors, information is provided under Supplementary Principle 4.11.3.

Supplementary Principle 4.11.1 Compliance

The board should identify the skills, etc. that it should have in light of its managing strategies, and have a view on the appropriate balance between knowledge, experience and skills of the

board as a whole, and also on diversity and appropriate board size. Consistent with its view, the board should establish policies and procedures for nominating directors and disclose them along with the combination of skills, etc. that each director possesses in an appropriate form according to the business environment and business characteristics, etc., such as what is known as a “skills matrix.” When doing so, independent director(s) with management experience in other companies should be included.

Since the Board of Directors is a body that oversees business and makes important decisions, the Company believes it must be composed of individuals with broad perspectives and high-level skills drawn from broad-ranging experience. The Company has established the following appointment standards:

- (1) The individual is capable of making every effort to bring about the Company’s sustainable growth and increase its corporate value over the medium to long term based on the Group’s Corporate Philosophy and management policies.
- (2) The individual possesses outstanding character and discernment appropriate to a Director, and high ethical standards.
- (3) The individual has the will and ability to faithfully execute the duties of a Director.
- (4) In the case of External Directors, the individual possesses knowledge and extensive experience related to areas such as corporate management, legal affairs and financial accounting and meets the requirements for External Directors stipulated in Article 2.15 of the Companies Act and the independence standards established by the Company.
- (5) In the case of Directors with executive duties (Representative Director, Chairman, President, Vice President, Senior Managing Director and Managing Director), the individual possesses the career background, ability, leadership, medium- to long-term perspective, and high ethical standards appropriate to representing the Company, even among appointed Directors.
- (6) The individual does not meet the grounds for disqualification as a Directors as stipulated in laws and regulations.

Candidates for Director are selected from among individuals who meet the above standards and are decided on by the Board of Directors after deliberations by the discretionary Nomination Committee.

A skills matrix has been disclosed since the Notice of the 70th Annual General Meeting of Shareholders held in March 2022.

Supplementary Principle 4.11.2 Compliance

Outside directors, outside *kansayaku*, and other directors and *kansayaku* should devote sufficient time and effort required to appropriately fulfill their respective roles and responsibilities. Therefore, where directors and *kansayaku* also serve as directors, *kansayaku* or the management at other companies, such positions should be limited to a reasonable number and disclosed each year.

Positions held concurrently by Directors and Corporate Auditors are disclosed in notices of the general meetings of shareholders, annual securities reports, corporate governance reports, and other documents. Both External Directors and External Corporate Auditors serve as external officers at other companies outside the Group; but, as explained in notices of the general meeting shareholders, they attend a high percentage of meetings of the Board of Directors and Audit and Supervisory Board. Thus, the Company deems that they are able to devote themselves to their duties.

Supplementary Principle 4.11.3 Compliance

Each year the board should analyze and evaluate its effectiveness as a whole, taking into consideration the relevant matters, including the self-evaluations of each director. A summary of the results should be disclosed.

The Company administers a questionnaire to each Director every year and analyzes and evaluates the effectiveness of the Board of Directors based on the response. As a result, the Company recognizes that there are no problems in the composition and operation of the Board of Directors with respect to decisions on important company matters or with respect to the oversight of the execution of Director duties and that adequate effectiveness is secured. The Company will undertake analyses and evaluations to continue to increase the effectiveness of the Board of Directors going forward.

Principle 4.12 Compliance

[Active Board Deliberations]

The board should endeavor to foster a climate where free, open and constructive discussions and exchanges of views take place, including the raising of concerns by outside directors.

All Directors, including External Directors, express their opinions freely in their roles on the Board of Directors and engage in constructive discussions at board meetings.

Supplementary Principle 4.12.1 Compliance

The board should ensure the following in relation to the operation of board meetings and should attempt to make deliberations active:

- i) Materials for board meetings are distributed sufficiently in advance of the meeting date;**
- ii) In addition to board materials and as necessary, sufficient information is provided to directors by the company (where appropriate, the information should be organized and/or analyzed to promote easy understanding);**
- iii) The schedule of board meetings for the current year and anticipated agenda items are determined in advance;**
- iv) The number of agenda items and the frequency of board meetings are set appropriately; and**
- v) Sufficient time for deliberations.**

- i) Materials for the Board of Directors are distributed to meeting attendees in advance.
- ii) In addition to board materials, sufficient information is provided to Directors as necessary.
- iii) Directors and Corporate Auditors are informed of the annual schedule of the Board of Directors to ensure it is easy for them to attend meetings.
- iv) The number of agenda items and meeting frequency are appropriately set.
- v) Sufficient time is provided for deliberations.

Principle 4.13 Compliance

[Information Gathering and Support Structure]

In order to fulfill their roles and responsibilities, directors and *kansayaku* should proactively collect information, and as necessary, request the company to provide them with additional information. Also, companies should establish a support structure for directors and

***kansayaku*, including providing sufficient staff. The board and the *kansayaku* board should verify whether information requested by directors and *kansayaku* is provided smoothly.**

When Directors require additional information to make appropriate decisions, related divisions may be requested to provide information and documents.

Regarding Corporate Auditors, requests for information and documents are accommodated in the same way as for Directors and attendance at meetings that the Corporate Auditors deem important. For detailed audits, Corporate Auditors are assisted by the Audit Office. In addition, along with the above, the Corporate Division helps External Directors and External Corporate Auditors obtain information.

Supplementary Principle 4.13.1 Compliance

Directors, including outside directors, should request the company to provide them with additional information, where deemed necessary from the perspective of contributing to transparent, fair, timely and decisive decision-making. In addition, *kansayaku*, including outside *kansayaku*, should collect information appropriately, including the use of their statutory investigation power.

As stated under Principle 4.13

Supplementary Principle 4.13.2 Compliance

Directors and *kansayaku* should consider consulting with external specialists at company expense, where they deem it necessary.

For matters requiring the opinion or assistance of a third party, the Company ensures that external specialists, such as attorneys and certified tax accountants, can be consulted at company expense.

Supplementary Principle 4.13.3 Compliance

Companies should ensure coordination between the internal audit department, directors and *kansayaku* by establishing a system in which the internal audit department appropriately reports directly to the board and the *kansayaku* board in order for them to fulfill their functions. In addition, companies should take measures to adequately provide necessary information to outside directors and outside *kansayaku*. One example would be the appointment of an individual who is responsible for communicating and handling requests within the company such that the requests for information about the company by outside directors and outside *kansayaku* are appropriately processed.

The Audit Office performs audits of the Company and subsidiaries on a regular and as needed basis. The results of internal audits and items for review obtained from these audits are regularly reported to the Directors and Corporate Auditors.

Although the Company does not appoint individuals to handle communication and coordination between External Directors and Corporate Auditors and internal company divisions, the Company maintains a system whereby internal company divisions, internal Directors, and internal Corporate Auditors provide information, cooperation and support for cases in which Directors and Corporate Auditors, including External Directors and auditors, require company information.

Principle 4.14 Compliance

[Director and *Kansayaku* Training]

New and incumbent directors and *kansayaku* should deepen their understanding of their roles and responsibilities as a critical governance body at a company, and should endeavor to acquire and update necessary knowledge and skills. Accordingly, companies should provide and arrange training opportunities suitable to each director and *kansayaku* along with financial support for associated expenses. The board should verify whether such opportunities and support are appropriately provided.

Directors and Corporate Auditors regularly participate in outside seminars and other events for the purpose of personal development and for enhancing their capabilities. Expenses are borne by the Company based on internal rules.

For External Directors and External Corporate Auditors, the Company conducts briefings and discussions on management strategy, the details of its business, and internal systems at the time of and following their appointment. It also creates opportunities to visit plants and business sites to deepen their understanding of the Company.

Supplementary Principle 4.14.1 Compliance

Directors and *kansayaku*, including outside directors and outside *kansayaku*, should be given the opportunity when assuming their position to acquire necessary knowledge on the company's business, finances, organization and other matters, and fully understand the roles and responsibilities, including legal liabilities, expected of them. Incumbent directors should also be given a continuing opportunity to renew and update such knowledge as necessary.

As stated in Principle 4.14

Supplementary Principle 4.14.2 Compliance

Companies should disclose their training policy for directors and *kansayaku*.

The Company's basic policy is to continually provide opportunities for the training necessary for Directors and Corporate Auditors to fulfill their roles and responsibilities, thereby positioning them to more effectively engage in personal development and further enhance their capabilities.

Directors and Corporate Auditors actively participate in outside seminars and other events held by associations of which the Company is a member to continue acquiring the necessary and new knowledge to accommodate changes in the business environment. In addition, for External Directors and External Corporate Auditors, the Company conducts briefings and discussions on management strategy, the details of its business, and internal systems at the time of and after their appointment. It also creates opportunities to visit plants and business sites to deepen their understanding of the Company.

General Principle 5 Compliance

[Dialogue with Shareholders]

In order to contribute to sustainable growth and the increase of corporate value over the mid- to long-term, companies should engage in constructive dialogue with shareholders even outside the general shareholder meeting. During such dialogue, senior management and directors, including outside directors, should listen to the views of shareholders and pay due

attention to their interests and concerns, clearly explain business policies to shareholders in an understandable manner so as to gain their support, and work for developing a balanced understanding of the positions of shareholders and other stakeholders and acting accordingly.

The Company actively discloses information even outside the annual general meeting of shareholders to contribute to sustainable growth and to strengthen corporate value over the medium to long term, based on its understanding of the importance of incorporating opinions into its management. Specifically, the Company has established a department in charge of IR and appointed a director. It holds results briefings following annual and interim settlements. The President & CEO presents an overview of the company and details of its financial performance. In addition, the Company hosts tours of its facilities to facilitate a broad understanding of its business activities.

The Company creates opportunities for dialogue with individual investors at various IR fairs and seminars held by securities companies to further deepen understanding of the Company.

The Company meets with institutional investors on a regular basis and actively accommodates requests for individual interviews and information-gathering.

For overseas investors, the Company holds individual meetings and online interviews as appropriate and has put in place a platform for electronically exercising voting rights as of the 70th Annual General Meeting of Shareholders held in March 2022 to further expedite the provision of information.

Principle 5.1 Compliance

[Policy for Constructive Dialogue with Shareholders]

Companies should, positively and to the extent reasonable, respond to the requests from shareholders to engage in dialogue (management meetings) so as to support sustainable growth and increase corporate value over the mid- to long-term. The board should establish, approve and disclose policies concerning the measures and organizational structures aimed at promoting constructive dialogue with shareholders.

The Company appoints a director in charge of IR and has designated the Corporate Planning Department as the department in charge of IR.

The Company holds results briefings for shareholders and investors once every half and holds periodic individual meetings with institutional investors. The Company actively accommodates requests for interviews and information-gathering. For individual investors, the Company holds briefings in Tokyo, Osaka and other cities to further increase understanding.

Supplementary Principle 5.1.1 Compliance

Taking the requests and interests of shareholders into consideration, to the extent reasonable, the senior management, directors, including outside directors, and *kansayaku*, should have a basic position to engage in dialogue (management meetings) with shareholders.

With regard to dialogue with shareholders, the President & CEO or the director in charge of IR engages in dialogue to the extent possible based on the requests and interests of shareholders and investors.

Supplementary Principle 5.1.2 Compliance

At minimum, policies for promoting constructive dialogue with shareholders should include the following:

- i) Appointing a member of the management or a director who is responsible for overseeing and ensuring that constructive dialogue takes place, including the matters stated in items ii) to v) below;**
- ii) Measures to ensure positive cooperation between internal departments such as investor relations, corporate planning, general affairs, corporate finance, accounting and legal affairs with the aim of supporting dialogue;**
- iii) Measures to promote opportunities for dialogue aside from individual meetings (e.g., general investor meetings and other IR activities);**
- iv) Measures to appropriately and effectively relay shareholder views and concerns learned through dialogue to the senior management and the board; and**
- v) Measures to control insider information when engaging in dialogue.**

- i) The Company has designated a director of a department in charge of IR.
- ii) When undertaking IR, the Company holds regular meetings and works to communicate to ensure joint efforts between the Corporate Planning Department, the department in charge of IR, and the finance, legal, and other related divisions.
- iii) As stated under General Principle 5, the Company holds briefings for investors. Presentations are made by the President & CEO and director in charge of IR.
- iv) The results of IR activities and information obtained thereby are reported to the Board of Directors, etc. and feedback is provided to other Directors and Corporate Auditors.
- v) The Company has established regulations concerning the management of insider information and controls information on this basis.

Supplementary Principle 5.1.3 Compliance

Companies should endeavor to identify their shareholder ownership structure as necessary, and it is desirable for shareholders to cooperate as much as possible in this process.

The Company identifies its shareholder ownership structure via its shareholder register as of the end of June and December, and it conducts investigations to identify shareholders as necessary.

Principle 5.2 Compliance

[Establishing and Disclosing Business Strategies and Business Plans]

When establishing and disclosing business strategies and business plans, companies should articulate their earnings plans and capital policies, and present targets for profitability and capital efficiency after accurately identifying the company's cost of capital. Also, companies should provide explanations that are clear and logical to shareholders with respect to the allocation of management resources, such as reviewing their business portfolio and investments in fixed assets, R&D, and human capital, and specific measures that will be taken in order to achieve their plans and targets.

After identifying its capital costs, the Company created a new three-year Medium-Term Management Plan, which begins in fiscal 2023, on February 27, 2023. The Plan is disclosed on its website (<https://www.thepack.co.jp/>).

The slogan for the new Medium-Term Management Plan is “Evolution: Start of Purpose-Based Management and Sustainable Management.” Numerical targets for the fiscal year ending December 2025 are consolidated net sales of ¥107.0 billion, operating profit of ¥7.0 billion, ROE of 8% or higher, and ROIC of 8% or higher.

The Company discloses specific policies for and the amounts of growth investments and shareholder returns to support continuing and efficient growth based on a plan for its use of funds.

Principle 5.2.1 Compliance

In formulating and announcing business strategies, etc., companies should clearly present the basic policy regarding the business portfolio decided by the board and the status of the review of such portfolio.

As stated under Principle 5.2