



HOKKAN GROUP
Fiscal Year 2022-2026 VENTURE-5
Medium-Term Business Rolling Plan
May 12, 2023

Our group has established the VENTURE-5 in May 2022 and we have engaged in achieving the target of the first year. However, though having positive changes such as recovery trend from the COVID-19 pandemic, there were severe business environment changes such as energy cost surge following the prolonged Ukraine issue, and raw material cost surge beyond assumption following the lowering of Japanese Yen, which we cannot overlook this situation. Additionally, our container business segment has discontinued the business of beverage cans and the precondition of the business plan has greatly changed in one year.

Therefore, considering the business performance of fiscal year 2022, we have decided to review our plan for the fiscal year 2023 to 2026.

Though it is forecasted to take a while until the business to recover and meeting the market expectation due to the external business environment downturn, our group will come together to implement our company-wide strategy and achieve the medium-term plan.

Kosuke Ikeda

President and Representative Director

VENTURE-5 Fiscal Year 2022 Review (1) Company-Wide Strategy

In VENTURE-5, we have set global business expansion, restructuring of domestic business, new business development, and optimization of human resources as the major points of the company-wide strategy of our group. In fiscal year 2022 which is the first year of VENTURE-5, we have worked on below measures.

Company-wide strategy	Measures
Global business expansion	<ul style="list-style-type: none">- Decision of establishing new factory of Hokkan Deltapack Industri- Consideration of investment for other overseas business
Restructuring of domestic business	<ul style="list-style-type: none">- Discontinue beverage can business of Hokkai Can and review of business plan- Review business portfolio and reporting segment considering the future of the Group
New business development	<ul style="list-style-type: none">- Research on start-up enterprises for new & related business domain- Research and consideration on different industries
Optimization of human resources	<ul style="list-style-type: none">- Intensify mid-career recruitment- Diversification in human resources- Selective Appointment System of human resource

VENTURE-5 Fiscal Year 2022 Review (2) Business Performance



<Group Consolidated Profit/Loss> (million JPY)

	FY2021 Actual	FY2022 Actual	YoY Difference
Net sales	86,329	93,660	+7,331
Operating profit/loss	1,324	△ 456	△ 1,780
Operating profit ratio	1.5%	-	-
Debt	55,433	43,027	△12,406
Equity	57,029	54,880	△2,149
Debt equity ratio	1.0	0.9	-
ROE	△2.3%	△3.9%	-
Equity to Asset Ratio	37.2%	39.2%	-

<Profit/Loss by segment> (million JPY)

	FY2021 Actual	FY2022 Actual	YoY Difference
Container business	△ 631	△ 1,289	△658
Filling business	3,011	1,652	△1,359
Machinery business	△ 142	△ 27	+115
Global business	791	774	△17
Others	△ 46	92	+138

■ Increment of net sales factor

- COVID-19 activity restriction ease, population flow recovery
- Partial product price increase following material and energy cost increase.

■ Operating profit/loss worsening factor

- Increase of raw material and energy cost

■ Decrease of debt

- Repayment of long-term bank borrowing following property sales of container business

Container Business: Raw material & energy cost surge increase

Filling business: Energy cost increase

Global business: Raw material & energy cost surge increase

VENTURE-5 Fiscal Year 2023 Plan

<Group Consolidated Profit/Loss> (million JPY)

	FY2022 Actual	FY2023 Plan	YoY Difference
Net sales	93,660	95,000	+1,340
Operating profit/loss	△ 456	2,400	+2,856
Operating profit ratio	-	2.5%	-
Debt	43,027	40,000	△ 3,027
Equity	54,880	56,000	+1,120
Debt equity ratio	0.9	0.8	-
ROE	△ 3.9%	2.6%	-
Equity to Asset Ratio	37.2%	40.3%	-

■ Increment of net sales factor

- Increment of global business sales

■ Improvement of Operation Profit factor

- Realization of fair price
- Decrease depreciation due to container business impairment
- Human resource planning for container business, productivity improvement by factory consolidation

<Profit/Loss by segment> (million JPY)

	FY2022 Actual	FY2023 Plan	YoY Difference
Container business	△ 1,289	1,000	+2,289
Filling business	1,652	800	△ 852
Global Business	774	1,400	+626
Others	65	100	+35

Container business: decrease production cost, realize fair price, decrease depreciation cost

Filling business: Energy cost increase

Global business: Firm market recovery, obtaining new customer and new product

※ Machinery business is included in "Others"

VENTURE-5 Fiscal Year 2022-26 Consolidated Numerical Rolling Plan



Considering the fiscal year 2022 result and 2023 budget, we prepared the rolling plan as below.

(million JPY)

	FY2022 Actual	FY2023 Plan	FY2024 Plan	FY2025 Plan	FY2026 Plan
Net sales	93,660	95,000	98,000	101,000	105,000
Operating profit/loss	△456	2,400	3,500	4,700	6,100
Operating profit ratio	-	2.5%	3.6%	4.7%	5.8%
Debt	43,027	40,000	40,000	40,000	36,000
Equity	54,880	56,000	57,000	59,000	62,000
Debt equity ratio	0.9	0.8	0.8	0.7	0.6
ROE	△3.9%	2.6%	3.8%	5.3%	6.5%
Equity to Asset Ratio	39.2%	40.3%	40.9%	39.7%	42.3%

VENTURE-5 Business Segment Operating Profit Rolling Plan



Considering the fiscal year 2022 result and 2023 budget, we prepared the operating profit rolling plan per each business segment as below.

(million JPY)

	FY2022 Actual	FY2023 Plan	FY2024 Plan	FY2025 Plan	FY2026 Plan
Container business	△ 1,289	1,000	1,200	1,600	1,700
Filling business	1,652	800	1,400	2,000	3,100
Global business	774	1,400	1,600	1,800	1,800
Others	65	100	200	300	400

※Operating profit in each segment includes profit from the group internal transaction.

※Container Business : Hokkai Can, Tohto Molding, Showaseiki

※Filling Business : Nihon Canpack, Kujirai dairy, Maki Food

※Global Business : Nihon Canpack Vietnam, PT.Hokkan Indonesia, PT.Hokkan Deltapack Industri

※Other Business : OS Machinery, KEOS Machinery, Work Service, Cosme Science

※ Machinery business is included in others

VENTURE-5 Business Segment Investment Plan

We have prepared the rolling plan for investment within the period of fiscal year 2026 as per below.

(million JPY)

	Container	Filling	Global	Others	M&A	Total
Rolling Plan	7,000	23,500	4,500	1,000	5,000	41,000
Original Plan	4,500	22,500	3,500	500	5,000	37,000

Increment from original plan: Container business facilities relocation cost

- ※Container Business : Hokkai Can, Tohto Molding, Showaseiki
- ※Filling Business : Nihon Canpack, Kujirai dairy, Maki Food
- ※Global Business : Nihon Canpack Vietnam, PT.Hokkan Indonesia, PT.Hokkan Deltapack Industri
- ※Other Business : OS Machinery, KEOS Machinery, Work Service, Cosme Science
 - ※ Machinery business is included in Other Business.

Operating Profit

FY 2026

6,100

Millions of Yen

Following the former medium-term business plan, our group sees operating profit as the most important Key-Performance-Indicator.

Although operating profit is expected to decline in the first half of the period due to the impact of worsening external environmental factors such as rising energy costs, we will aim for a profit recovery in the second half of the period by steadily implementing company-wide strategy. Additionally, with discontinuing the beverage can business, we seek recovery of operating profit.

Operating Profit Ratio

FY 2026

5% or more

Regarding operating profit ratio, our group sets 5% or higher as the target. By taking measures such as increasing cost competitiveness in the container business, pursuing effective production in the filling business, and enhancing productivity in the global business, our group aims for the higher profit ratio.

Debt to Equity Ratio FY2026 Target

0.6

or lower

Considering the temporary decline of profit-capability, and to maintain financial soundness against future possibility of rise in interest, we have applied the fund from property sales of container business to repayment of bank borrowings. Therefore, we target 0.6 as our numerical target for the DE Ratio.

Return on Equity FY2026 Target

6.5%

Regarding Return-on-Equity ratio for FY2026, our groups sets 6.5% as the target. We will achieve the target by securing the financial soundness and the recovery of operating profit.

Share Related KPI (Additional KPI)

FY 2024

Realization of
dividend increase

FY 2026

Annual dividend
100 JPY or more

In order to improve the value, we will focus on shareholder return more than before.

Specifically, the consolidated dividend payout ratio during VENTURE-5 period shall be equal or more than 35% and the minimum amount of annual dividend shall be 45 Japanese Yen.

Due to the external business environment downturn, it is forecasted to take a while until the business to recover and meeting the market expectation. However, please continue to hold our shares at ease with above policy while we achieve the VENTURE-5 and can realize the raise of dividend on fiscal year 2024 and aim for annual dividend amount 100 Japanese Yen or more on fiscal year 2026.

<Appendix>

May 2022

Medium-term Business Plan

Venture-5 Extract

Since its birth in Otaru, Hokkaido, Hokkan Holdings Group has been in business for 100 years, and as we enter the next 100 years, we have decided to revamp our mission to express our target more clearly. We have formulated this plan with our thoughts and feelings about what we ourselves have been and what we should be in the future.

Mission: With a frontier spirit, we will enthusiastically continue to take on challenges for growth, and, together with our customers, we will provide products needed by society.

Our mission is the target for the next 100 years and our vision expresses what our group should be like in the year 2030.

1. Strongly in demand by our business partners and society, we will develop and provide products and services with outstanding features that can be clearly stated to be "No. 1 in this respect" in each business field.
2. We will eagerly keep on establishing new business bases so that we can offer our products and services to people around the world.
3. We will continue to be a group that fairly assesses our staff members contributing to our business regardless of nationality, gender, or age.

In order to realize our mission and vision, we have formulated our basic sustainability policy, which expresses our basic corporate stance and principles of action. In order to continue to grow in each of our business field and improve our corporate value over the medium to long term, we are deeply aware that our activities must be sustainable and in harmony with the environment and society, and to put this into practice, we will actively work to resolve various social issues that are directly or indirectly related to our business activities.

We have established a new basic sustainability policy, as well as an environmental policy, a manufacturing safety policy, an occupational health and safety policy, and a sustainability procurement policy, and have set a new climate change action target to achieve carbon neutrality by 2050.

In order to realize our mission and vision, we have formulated a company-wide strategy as a mean to ensure that our group works as one team and implements it.

1. Optimization of human resources

To optimize human resources, which is the company's source of growth, we will establish appropriate personnel and education systems and actively invest in securing human resources that can contribute to value creation.

2. Restructuring of domestic business

We will work to select businesses placing the utmost importance on whether or not we can provide high value to our customers.

3. Global business expansion

We will accelerate business investment in emerging countries, especially in Southeast Asian countries, aiming to expand the scale and profits of our business.

4. New business development

We will actively utilize M&A to expand into new business areas globally where we can take advantage of our group's knowledge and expertise.

【Management Policy】

- Executing new measures in the fields of material, function and business scheme responding to the global trend of transition to decarbonized society.
- Recognizing social issues like “climate change” and “depletion of natural resources” as our critical issues to be solved and proactively taking measures.
- As for food containers, taking measures contributing to “food safety” and “reduction of food loss and waste”. As for non-food containers, providing ones enhancing functionality for supporting everyone’s daily life.

【Business Strategy】

- Maintaining the current sales level through developing new containers and reducing manufacturing cost.
- Taking measures in reduction of green-house gas, increase usage of recycled materials and development of light-weight containers.
- Free from the existing markets and boundaries, sensing needs of rapid changing society and developing new value-market and business schemes.

VENTURE-5 Filling Business/Nihon Canpack Management Policy

【Management Policy】

- Establishing eco-friendly manufacturing structure and aim to become an excellent company accepted by customers, suppliers and local societies responding to the global trend of transition to decarbonized society.
- Establishing a leading position as TOP contract packing company even in the maturing soft-drink market in Japan.

【Business Strategy】

- Eco-friendly : Focusing on reduction of green-house gas and utilizing more clean energy.
- Product Volume : Focusing on increase of volumes through high-effective manufacturing.
- Smart Factory : Realizing a manufacturing line with less man-power through digital solution.
- Human resource : Focusing on staff members' personalities and realizing good work-environment where everyone can work lively.
- New Business : Developing new business by catching needs arising out of changing society.

【Management Policy】

- Our group has been managing filling and container business in Indonesia and Vietnam. Demand in ASEAN market is steadily recovering and will expand strongly in the near future. Consequently, we will continue to invest and set new factories responding to the market growth.

【Business Strategy】

- Our group has been expanding global business in the filling business mainly. From now, in addition to filling business, we will aim for business expansion in the container and the food fields.
- Our group has built factories in ASEAN mainly. From now, we will surely expand in ASEAN and start study in other areas as well.
- Based on our new mission, “with a frontier spirit”, we will pursue business where we can create new market and provide new value, as well as expansion of sales and profit.

Notice

This document is made to inform investors of management and financial status of Hokkan Holdings Group.

Please understand following points.

-Financial forecast is made based on the estimate by our group.

Please understand that the financial result might be different from the estimate.

-Regarding investing, please decide by your own discretion.

-Please be careful that this document might contain misinformation due to inevitable force even though we pay attention to its accuracy.

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