January 31, 2024

Consolidated Financial Results for the Nine Months Ended December 31, 2023 <under Japanese GAAP>

Company name: FP CORPORATION
Stock exchange listing: Tokyo Stock Exchange
Stock code: 7947 URL: https://www.fpco.jp/
Representative: Morimasa Sato, Representative Director, Chairman
Contact: Isao Ikegami, Executive Vice President and Director, Executive General Manager of Finance and Accounting Division
Tel. +81-8-4953-1145
Scheduled date to submit the Quarterly Securities Report (Shihanki Houkokusho) February 8, 2024
Scheduled date for commencement of dividend payments: –
Supplementary documents for quarterly results: Yes
Quarterly results briefing: No

(Amounts of less than one million yen are truncated.)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2023 (April 1, 2023 – December 31, 2023)

(1) Consolidated Results of Operations (Percentages show year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Period ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2023	170,760	4.9	13,525	(4.6)	13,882	(5.6)	9,646	(1.7)
December 31, 2022	162,811	7.9	14,173	1.5	14,700	0.4	9,810	1.6

(Note) Comprehensive income: Period ended December 31, 2023 10,125 million yen (3.2%)
Period ended December 31, 2022: 9,815 million yen (2.5%)

	Net income per share (basic)	Net income per share (diluted)
Period ended	Yen	Yen
December 31, 2023	117.84	–
December 31, 2022	119.87	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
December 31, 2023	305,906	146,485	47.7	1,780.67
March 31, 2023	298,623	140,171	46.7	1,703.56

(Reference) Equity As of December 31, 2023: 145,785 million yen
As of March 31, 2023: 139,432 million yen

2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	–	21.50	–	25.50	47.00
Fiscal year ending March 31, 2024	–	21.50	–		
Fiscal year ending March 31, 2024 (forecast)				35.50	57.00

(Note) Revisions to dividend forecasts published most recently: Yes
For details of the revision to the dividend forecasts, please see Notice of Change of Dividend Policy and Revision to Dividend Forecast (Dividend Increase) released today (January 31, 2024).

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(Percentages show year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year ending March 31, 2024	221,300	4.7	17,350	3.9	18,000	3.9	11,808	2.4	144.27

(Note) Revisions to consolidated business performance forecasts published most recently: No

* Notes

(1) Changes in significant subsidiaries during the period
(changes in specified subsidiaries accompanying changes in scope of consolidation): No

(2) Application of particular accounting treatment concerning preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies and accounting estimates, and restatement

(i) Changes in accounting policies accompanying amendments to accounting standards, etc.:	No
(ii) Changes in accounting policies other than (i):	No
(iii) Changes in accounting estimates:	No
(iv) Restatement:	No

(4) Number of shares outstanding (common stock)

(i) Number of shares outstanding at end of period (including treasury shares)

As of December 31, 2023:	84,568,424 shares
As of March 31, 2023:	84,568,424 shares

(ii) Number of treasury shares at the end of the period

As of December 31, 2023:	2,697,023 shares
As of March 31, 2023:	2,720,596 shares

(iii) Average number of shares outstanding during the period (consolidated cumulative period)

Nine Months ended December 31, 2023:	81,861,982 shares
Nine Months ended December 31, 2022:	81,841,966 shares

* Quarterly consolidated financial results are outside the scope of audit procedures by certified public accountants and audit firm.

* Explanations and other special notes concerning the appropriate use of business performance forecasts

(Notes on forward-looking statements)

Descriptions regarding the future, such as the forecast of financial results herein, are calculated based on the information which is available to the Company as of the date hereof. Please note that actual results may be different due to various factors such as subsequent changes in business environment. For assumptions underlying the forecasts and notes to the use of the forecasts, please refer to “1. Qualitative Information Relating to Consolidated Results of Operations for the Nine Months Ended December 31, 2023; (3) Explanation of Information on Future Forecasts, Including the Forecast of Consolidated Results” on page 8 of the “Accompanying Materials.”

(How to obtain supplementary documents for quarterly results)

Documents for financial results are published on the Company’s website as soon as they are announced.

Accompanying Materials – Contents

1. Qualitative Information Relating to Consolidated Results of Operations for the Nine Months Ended December 31, 2023

(1) Explanation of Financial Results

The Group ensures the “Hands-on Approach” and “Customer-First Concept” as its source and practices the three basic pillars of a manufacturer, namely, “reliably deliver the most environmentally friendly products of the highest quality,” “at the most competitive prices,” “whenever they are needed.” In 2024, the Group will strive to achieve further growth by focusing its efforts primarily on “Leaping Forward” using all of the Group’s infrastructure that has been developed to date and new technologies.

(Net sales and profits)

Net sales and profits for the first nine months of the consolidated fiscal year under review (from April 1, 2023 to December 31, 2023) are as follows.

[Net sales and profits for the first nine months of the consolidated fiscal year under review] (Millions of yen)

	Results for the previous year	Results	YoY change	YoY (%)
Net sales	162,811	170,760	+7,948	104.9%
Sales of products	127,884	132,622	+4,737	103.7%
Sales of goods	34,926	38,137	+3,210	109.2%
Operating profit	14,173	13,525	(647)	95.4%
Ordinary profit (*1)	14,700	13,882	(817)	94.4%
Profit attributable to owners of parent	9,810	9,646	(163)	98.3%
Ordinary profit before depreciation	25,229	25,223	(6)	100.0%

Major factors for increase/decrease of ordinary profit

For the first nine months under review, ordinary profit decreased 817 million yen year on year. For the third quarter under review, ordinary profit decreased 1,643 million yen year on year. The decreases are attributed to a temporary external factor and investments to reinforce the management base for the future.

- Third quarter of the previous consolidated fiscal year (From October 1, 2022 to December 31, 2022)

Profit reached a new record high, increased by the completion of the two product price revisions, which were reflected in the profit, in addition to a temporary decline in the prices of raw materials, such as naphtha and benzene.

- Third quarter of the current consolidated fiscal year (From October 1, 2023 to December 31, 2023)

Factors for the decrease include an increase in labor expenses that resulted from a significant wage increase implemented to secure and retain human resources, as well as an increase in depreciation at Kansai Plant and the Kansai Hub Center that started operating in the previous fiscal year. The Company increased these expenses to invest in reinforcing the management base for the future and developing an even more stable supply structure. As a result, employee turnover has been decreasing and there has been steady progress in the countermeasures against the 2024 problems in logistics.

Sales volume has been trending upward since September 2023. Although the sales volume did not increase enough to offset the increased expenses, sales of eco-friendly products (Eco Tray, Eco APET and Eco OPET) have continued to increase in terms of quantity, and sales of products with high added value, including new low-foamed PS containers and products for prepared food, have remained strong. Partly reflecting the fact that the year-on-year decrease in the sales volume became significant in the fourth quarter of the previous consolidated fiscal year (from January 1, 2023 to March 31, 2023), it is forecast that the sales volume in the fourth quarter of the consolidated fiscal year under review (from January 1, 2024 to March 31, 2024) and going forward will recover steadily.

[Breakdown of the increase/decrease of ordinary profit] (Billions of yen)

	First six months	Third quarter	First nine months
Raw materials prices (including product price revisions)	+3.38	(0.73)	+2.65
Electric power prices	(0.55)	+0.40	(0.15)
Sales efforts	+0.10	+0.10	+0.20
Labor costs	(1.06)	(0.59)	(1.65)
Depreciation	(0.57)	(0.25)	(0.82)
Freight costs / other expenses	(0.48)	(0.57)	(1.05)
Total	+0.82	(1.64)	(0.82)

Of the figures in the above table, the raw materials prices (including product price revisions) figure for the third quarter is attributed to a temporary external factor, namely a temporary price decrease in the third quarter of the previous consolidated fiscal year. Labor expenses, which increased more significantly than in past years, were a result of a significant wage increase and are forecast to return to a moderate level next fiscal year. Further, the increase in depreciation is a temporary increase that resulted from the Kansai Plant and the Kansai Hub Center beginning to operate. Next fiscal year, it is expected that this will have been resolved and depreciation will remain at the same level as this fiscal year. It was not possible for the growth of the sales volume to offset these increases, but the sales volume has already started recovering.

Ordinary profit compared to the projection

Ordinary profit fell slightly short of the projection.

This resulted from a slight increase in the prices of naphtha and benzene in the third quarter under review and a partial acceptance of an increase in raw material purchase prices reflecting the increase in upstream manufacturers' utility costs although the effects of the two product price revisions, which had been implemented by the previous consolidated fiscal year, were maintained.

Further, the growth of the sales volume had been delayed, but it was trending toward recovery while the market is about to start recovering. For example, proposals on salesfloors, which had been delayed because activities to encourage customers to accept price increases were prioritized, began to produce results.

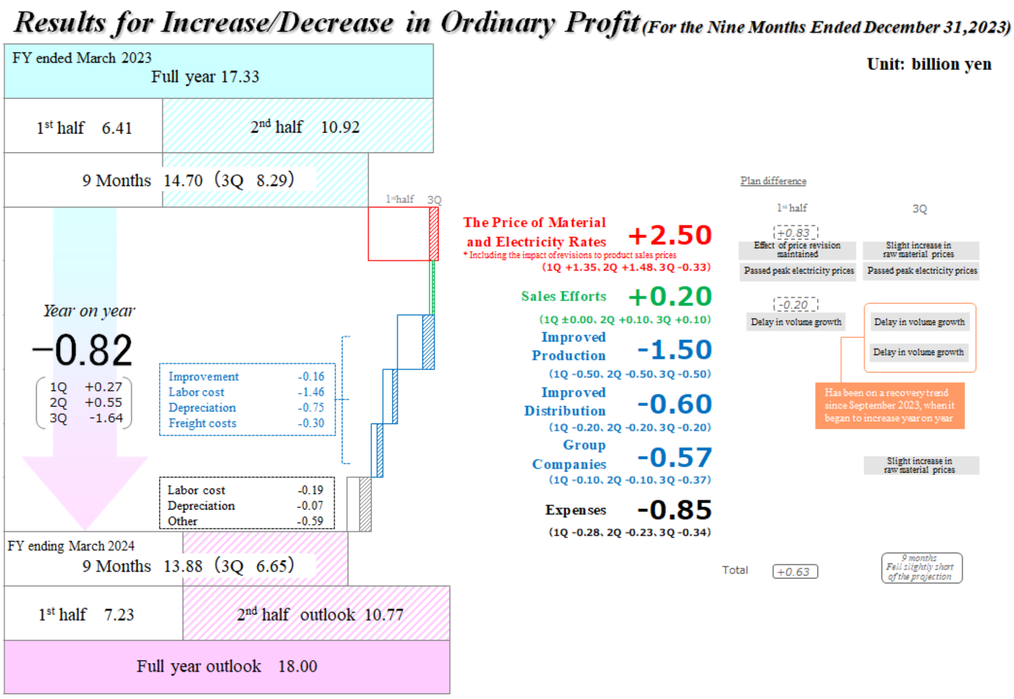
Sales volume of products

The sales volume of products has been trending toward recovery since September 2023, when it began to increase year on year. For the first nine months under review, the sales volume of products decreased slightly, down 0.7% year on year, due to the impact of a decrease in the number of items bought at supermarkets amid the ongoing increase in food prices and a wide range of other goods. However, the sales volume for the third quarter under review increased 0.3% year on year. The monthly sales volume for December decreased 0.5% year on year. This was due to the number of days when products were shipped, which was one fewer than in the previous year. Essentially, it increased year on year.

[Growth rate of products]

	First quarter	Second quarter	Third quarter	First three quarters
YoY change (volume)	98.4%	99.2%	100.3%	99.3%
Compared with FY ended March 2020	108.8%	108.3%	108.0%	108.4%
Average growth over 4 years	2.1%	2.0%	1.9%	2.0%

(*1) Factor for the increase/decrease of ordinary profit



(Sales activities)

The Group aims to contribute to increasing customers' income with proposals focused on functions of containers that help improve customers' productivity and their effects for emphasizing the freshness and volume of food.

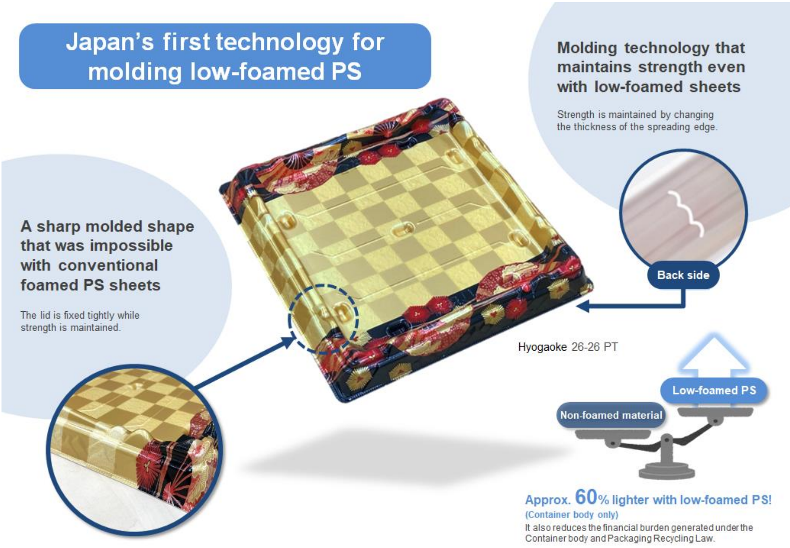
While prices of raw materials, electricity and other goods have been rising, the Group has been proposing new low-foamed PS containers. These are the first low-foamed (weight-reduced) containers in Japan, which feature much lighter weight (use of less plastics) than non-foamed containers. These containers were created by combining the foaming technologies of Sekisui Kasei Co., Ltd. (Headquarters: Kita-ku, Osaka-shi; hereinafter, "Sekisui Kasei") with the Company's proprietary mold design technology based on double-sided vacuum molding. This has made it possible to reduce the weight of the large sushi container (*2) approx. 60% (container only) compared with a non-foamed container while maintaining the same strength and sharp shape as the Company's former non-foamed containers. (The patent application has been filed jointly by the Company and Sekisui Kasei.)

The monthly sales volume of large sushi containers (including non-foamed containers) increased 42% year on year in December, due in part to the effect of reduction of the commission for recycling under the Act on the Promotion of Sorted Collection and Recycling of Containers and Packaging. The Company will continue to release products that use this new technology.

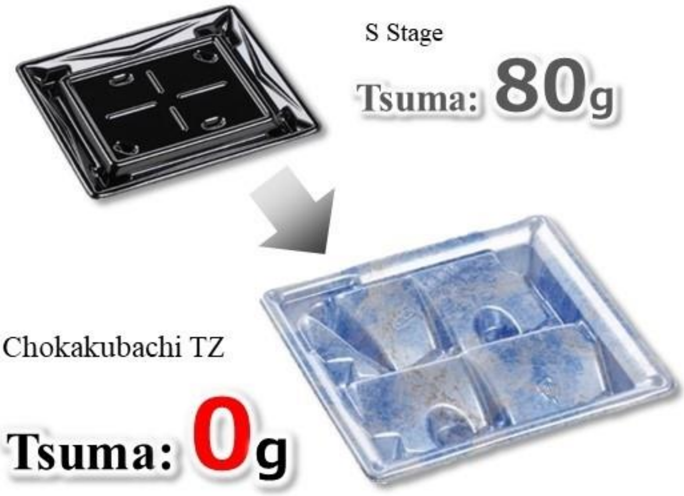
While automation accelerated rapidly in process centers (PCs), where the production and delivery of food is completed in a single location, and at the backroom of supermarkets due to the recent manpower shortage, the Company is developing and proposing products that are compatible with machines, such as automatic tray feeders and top sealing machines. In addition, the sashimi container with a gentle slope on the presentation side (the "Tsuma Zero" container (*3)) has been adopted by an increasing number of customers, mainly due to its ability to streamline work processes, which leads to the elimination of the manpower shortage, in addition to the reduction of customers' costs by reducing the tsuma that is required.

For Pack Market, an e-commerce site for packaging materials, the Group enhanced registered items and carried out sales promotional activities, which has resulted in a larger number of registered members and ongoing growth in sales amounts.

(*2) A large sushi container (new low-foamed PS container) featuring a significant reduction in the use of plastics.



(*3) "Tsuma Zero" container: a sashimi container that enables the reduction of tsuma (sliced radish as garnish).



(Production)

The Group is striving to improve productivity through initiatives that include improvements in capacity utilization and automation. It is also taking steps to further improve product safety by acquiring FSSC 22000 certification. At the same time, it is giving hazard simulation training and other safety education as well.

Regarding automation, the Group has succeeded in reducing workload and saving labor at Chubu Plant 1 and the Kansai Plant by using automated guided vehicles to transport roll stocks, molds and films and arm robots for splicing roll stocks. In addition, the Group raised wages for working-level employees and increased the number of holidays they receive per year in April 2023, in its efforts to secure and retain personnel. These measures have produced certain effects, including a year-on-year decrease in employee turnover.

(Logistics)

The Group has built a logistics network that covers 85% of the total population within a 100 km radius of each of its nine distribution centers all over Japan (Hokkaido, Tohoku, Kanto, Hachioji, Tokai, Chubu, Kansai, Fukuyama and Kyushu).

To reduce logistics expenses, the Group delivers products and goods using a private service, which enables it to reduce transportation costs compared to a route delivery service. The Group also uses pallet transportation and strives to increase the loading efficiency of each truck. The Group has been utilizing automated guided vehicles and automated guided forklift trucks at distribution centers to deal with the labor shortage. It has also increased wages for working-level employees and raising freight rates to secure more personnel and vehicles. Previously, products for the Kansai region were delivered from the Fukuyama Hub Center. They are now delivered from the Kansai Hub Center, which has shortened the delivery time. This leads to the significant reduction of the number of trucks whose drivers spend more than 13 hours at work. The Group will continue to take measures to comply with the regulations on the overtime that drivers can work associated with the Act on the Arrangement of Related Acts to Promote Work Style Reform (the 2024 problem in logistics) and otherwise ensure the more stable supply of products.

(Overseas business)

Regarding Lee Soon Seng Plastic Industries Sdn. Bhd. (Headquarters: Malaysia; hereinafter, "LSSPI"), which became an equity method affiliate in August 2022, the Company is striving to improve its productivity through capital investment, including using the Company's idle equipment and introducing an inventory control system. While the demand for food containers in Southeast Asia is expected to grow due to the population increase and rising income levels, the Company is aiming to improve LSSPI's competitiveness in Southeast Asia and to maximize its profits.

(Initiatives aimed at realizing a recycling-based, sustainable society)

The FPCO Group considers climate change and marine plastic waste to be material issues that must be addressed and promotes the following initiatives to resolve them.

(a) Promotion of recycling

The Group has been forging ahead with the Tray to Tray FPCO method of recycling since it began to collect used containers at six supermarkets in 1990. As of the end of December 2023, the number of collection points exceeded 10,600 and is still increasing. Since 2012, the Group has also been working on Bottle to Transparent Container, a project for recycling used PET bottles (plastic bottles) into transparent containers, such as containers for salad. To drive these Tray to Tray and Bottle to Transparent Container closed loop recycling initiatives, the Company is working to expand Store to Store recycling, in which the trays and PET bottles used and sold at a store are collected at the same store as resources, recycled into food trays and transparent containers, and used actively again by the same store. In November 2022, the Company set environmental targets and began to implement initiatives jointly with Chugoku CGC Co., Ltd. (Headquarters: Asaminami-ku, Hiroshima-shi). This has led to an increase in the amount of trays and PET bottles collected by users and a significant increase in the reduction of CO_2 emissions resulting from use of eco-friendly products. In addition, the Company began to collaborate with EVERY Co., Ltd. (Headquarters: Fukuyama-shi, Hiroshima) in October 2023 and with Kyushu CGC Co., Ltd. (Headquarters: Hakata-ku, Fukuoka) in November 2023. With this and other initiatives, the Company will contribute to reducing environmental impact in each region and promoting the development of a sustainable, recycling-oriented society.

In October 2023, the cumulative total number of visitors to the recycling plants surpassed 500,000. Since the Company began to accept visitors in 1990, the plants have been visited by more than 20,000 people every year. The Company will continue to push forward with initiatives for expanding recycling in cooperation with its business partners and consumers.

(b) Initiatives to address climate change issues

The Group has set medium- to long-term targets aimed at achieving carbon neutrality by 2050. The Group has disclosed its governance, strategies, and other initiatives for achieving these targets in accordance with the TCFD Recommendations.

The Group is taking steps to reduce CO_2 emissions from its business locations, including the introduction of renewable energy and energy-efficient equipment. At the same time, to reduce CO_2 emissions from the entire supply chain, the Group is promoting sales of eco-friendly products, which effectively reduce CO_2 emissions by 30% compared to petroleum-derived products free of recycled materials.

Regarding the introduction of renewable energy, solar power generation facilities, which have been installed at the Group's plants in Kanto and Chubu regions, have begun operating. The Group also has a plan to introduce solar power generation facilities in the Kansai region in March 2024. This will enable the use of renewable energy for all processes of the manufacturing of recycled materials at the Group's used tray recycling plants and is expected to increase the CO_2 reduction effect of eco trays from 30% to 37%.

(c) Initiatives taken through the FP Corporation Environment Fund

The Company launched The FP Corp. Environment Fund in March 2020 to extend financial support to organizations which engage in activities in the three areas of the protection of the environment, environmental education and research and activities to resolve issues surrounding food and to provide food support. The Company is subsidizing 22 organizations in the fiscal year ending March 31, 2024. In addition, the Company also has Group employees participate in those organizations' activities as part of its efforts to build a sustainable society together with people from local communities.

(d) Research and development of recycling methods and alternative materials

Based on the idea that the expansion and promotion of recycling is an effective measure for tackling the climate change issues and marine plastic waste, the Group will continue to surely implement the FPCO method of Tray to Tray and Bottle to Transparent Container recycling, which is based on established recycling technologies and systems for products made of monomaterial.

The Company is studying dissolution and separation recycling and chemical recycling in collaboration with DIC Corporation (Headquarters: Chuo-ku, Tokyo; hereinafter, “DIC”) for the complete circular recycling of foamed polystyrene containers. These research efforts are aimed at achieving the closed loop recycling of colored and patterned foamed polystyrene containers, which would be recycled into daily necessities, sundry goods and other items, into the Company’s products. Dissolution and separation recycling operations are expected to start at the Yokkaichi Plant of DIC within 2024 (production capacity: 10,000 tons of eco-friendly raw materials/year). This will enable us to increase Eco Tray sales, which are currently 210,000 cases per month on average, approx. 30% to 280,000 cases per month.

The Group will continue expanding the research and studies of recycling methods and collecting information about new materials, such as paper and biomass materials, by assuming that technologies will continue to progress. At the same time, the Group will develop containers with low environmental impact, with the aim of achieving a recycling-based, sustainable society.

(Initiatives on ESG and SDGs)

The Group is implementing initiatives for achieving SDGs, including recycling of resources and promotion of active participation of diverse human resources, and striving to disclose more ESG information.

The Group’s human resources with disabilities engage in core operations, including manufacturing of food containers and sorting of used food containers. As of March 2023, the employment rate for employees with disabilities in the FPCO Group has reached 12.5% according to the calculation method prescribed by Japanese law.

Concerning the promotion of the active participation of women and their career advancement, the Company published its general employers action plan based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace in the Ministry of Health, Labour and Welfare’s database of companies promoting the active participation of women and their career advancement, aiming to expand the occupational domains of female employees, to aid women in remaining employed and to increase the number of women in managerial positions. The Company set the target ratio of general female employees at 30% or more among general employees to be hired from 2022 onwards and the target number of female managers at 50 or more by 2026. The Company has also made it mandatory for eligible male employees to take childcare leave and has set a target of increasing the percentage of childcare leave taken by male employees at 50% or higher by the end of March 2025. The Company is implementing these and a range of other initiatives. As a result, in April 2023, 24% of all round employees who joined the Company were women. As of the end of December 2023, the Company had 57 female managers and 9% of male employees entitled to childcare leave took it during the fiscal year ended March 31, 2023.

To promote good health among employees, the Company strives to improve the workplace environment while also implementing the Workplace Health Promotion Project, in which every initiative and all available information are taken and used to improve health, in its efforts to improve employees’ vitality and productivity.

As a result of these initiatives, the Company has been selected as a constituent of the FTSE4Good Index Series, the FTSE Blossom Japan Index, and the FTSE Blossom Japan Sector Relative Index by FTSE Russell, as well as the MSCI Japan Empowering Women (WIN) Select Index by MSCI Inc., and recognized under the 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program (large enterprise category) by the Ministry of Economy, Trade and Industry.

(2) Explanation of Financial Situation

1) State of assets, liabilities and net assets

Consolidated assets at the end of the third quarter under review totaled 305,906 million yen, up 7,283 million yen from the end of the previous fiscal year. That was mainly due to an increase in net sales, a 12,038 million yen increase in notes and accounts receivable – trade that resulted chiefly from the fact that the final day of the third quarter under review was a non-business day for financial institutions, and a 4,743 million yen decrease in property, plant and equipment, mainly reflecting depreciation.

Consolidated liabilities amounted to 159,421 million yen, up 969 million yen from the end of the previous consolidated fiscal year. This was attributable chiefly to a 5,326 million yen increase in notes and accounts payable - trade, mainly reflecting the fact that the final day of the third quarter under review was a non-business day for financial institutions, and a decrease in loans payable (short-term and long-term loans payable) of 4,661 million yen that mainly resulted from repayment.

Consolidated net assets totaled 146,485 million yen, up 6,314 million yen from the end of the previous fiscal year. This was attributable principally to profit attributable to owners of parent amounting to 9,646 million yen and dividends of surplus of 3,847 million yen.

2) State of cash flows

Consolidated cash and cash equivalents (hereinafter "cash") at the end of the first nine months under review totaled 23,936 million yen, up 1,680 million yen from the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 19,415 million yen (9,519 million yen in cash was provided a year earlier). This reflected a cash increase due mainly to profit before income taxes of 14,131 million yen, depreciation of 11,340 million yen, a shrinkage in inventories of 1,839 million yen, and an increase in notes and accounts payable – trade of 3,937 million yen, as well as a cash decrease following an increase in notes and accounts receivable – trade of 11,848 million yen and income taxes paid of 5,767 million yen, among other factors.

(Cash flows from investing activities)

Net cash used in investing activities reached 8,313 million yen (21,216 million yen in cash was used a year earlier).

This was due mainly to the construction of the Kansai Plant and the Kansai Hub Center and 8,414 million yen spent on the purchase of property, plant and equipment in connection with production equipment.

(Cash flows from financing activities)

Net cash used in financing activities came to 9,420 million yen (17,697 million yen in cash was provided a year earlier).

This primarily reflected proceeds from long-term loans payable of 6,000 million yen, repayment of long-term loans payable of 10,674 million yen, repayment of lease obligations of 896 million yen and cash dividends paid of 3,817 million yen.

(3) Explanation of Information on Future Forecasts, Including the Forecast of Consolidated Results

Regarding the forecast of consolidated results, the results forecasts for the full year that were announced in the Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 on April 28, 2023 remain unchanged.

On the sales front, the sales volume is expected to grow, mainly the volume of eco-friendly products and products which use less plastic, against the backdrop of continued rising environmental awareness and the rising prices of everything. Above all, eco-friendly products have continued to grow in volume. In addition, inquiries about the new low-foamed PS containers with reduced weight (reduced use of plastics) are increasing, and the Company is enhancing its product lineup and proposing that customers switch from non-foamed containers. Moreover, the Group will push forward with the productization of new technologies, including the technology to make a high-gloss Multi FP and one to further reduce the weight of PPi-Talc. The Group is stepping up active efforts to expand sales towards the market for takeout and delivered food, which took root under the pandemic, and towards markets for frozen food and for hospital food and nursing care food, where the Group will strive to boost its sales in the future. To increase sales of goods, the Group will propose solutions to its business partners to enable them to improve efficiency by fully leveraging the Group's infrastructure, including its logistics, systems, Pack Market and merchandising functions.

On September 29, 2023, the Company acquired additional shares of APEX Corporation (Headquarters: Chuo-ku, Fukuoka-shi; hereinafter, "APEX"), and made APEX a consolidated subsidiary. Efforts will be made to reduce costs, improve management efficiency, and at the same time, improve services for existing customers using the Group's infrastructure mentioned above. The Company will also work to expand sales of packaging materials and consumables, as well as food containers, aiming to enter markets that it could not cultivate deeply before, by increasing the competitiveness of APEX.

Looking at prices of raw materials, the price of polystyrene is expected to remain high in light of the trends in the prices of raw materials such as naphtha and benzene. On the other hand, regarding recycled PET materials, the market price of bales of PET bottles has been declining and electricity prices have passed their peak and is expected to be lower than in the previous year.

Through such value creation proposals and the creation of new markets combined with the research and development of recycling technologies, M&A, and other initiatives, the Group will aim to achieve sustainable growth.

(Explanations of terms)

Eco Tray:	A recycled, foamed polystyrene (PS) container for which polystyrene containers collected at supermarkets or similar places and scrap pieces collected within plants are used as raw materials (sales commenced in 1992).
Eco APET:	A recycled polyethylene terephthalate (PET) transparent container for which PET transparent containers collected at supermarkets or similar places, PET bottles and scrap pieces collected within plants are used as raw materials. Heat resistance temperature of +60ºC (sales commenced in 2012).
Eco OPET:	A recycled OPET transparent container molded from the bi-axially oriented PET sheets, which use the same raw materials as an Eco APET container. Superior oil resistance and high transparency, with the same thermal insulation as the OPS transparent container (a conventional transparent container molded from the bi-axially oriented polystyrene sheets). Heat resistance temperature of +80ºC (sales commenced in 2016).
Multi FP:	A foamed PS container with cold and heat resistance to temperatures between -40ºC and +110ºC and with superior oil resistance and thermal insulation (sales commenced in 2010).
Cold-resistant PPi-talc:	A container that uses less plastic than conventional cold-resistant PP filler containers while maintaining the strength of the conventional containers (sales commenced in 2022).
FSSC22000:	An international standard for food safety management systems, which is aimed at providing safe food for consumers.
Dissolution and separation recycling:	A method with which black PS pellets produced through material recycling are dissolved and decolored to produce recycled PS materials for food containers. Developed by DIC Corporation, this is the first technology of its kind in the world.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2023)	Third quarter of the current consolidated fiscal year (As of December 31, 2023)
Assets		
Current assets		
Cash and deposits	22,255	24,354
Notes and accounts receivable - trade	42,002	54,041
Merchandise and finished goods	24,711	23,015
Work in process	119	70
Raw materials and supplies	5,024	5,350
Other	7,327	4,795
Allowance for doubtful accounts	(28)	(43)
Total current assets	101,413	111,584
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	99,095	95,633
Machinery, equipment and vehicles, net	34,584	32,092
Land	37,754	37,884
Lease assets, net	1,677	1,393
Other, net	6,181	7,546
Total property, plant and equipment	179,293	174,550
Intangible assets		
Goodwill	224	1,658
Other	1,536	1,453
Total intangible assets	1,760	3,112
Investments and other assets	16,156	16,660
Total non-current assets	197,210	194,322
Total assets	298,623	305,906
Liabilities		
Current liabilities		
Notes and accounts payable - trade	26,530	31,856
Short-term loans payable	14,909	14,955
Commercial papers	18,000	18,000
Income taxes payable	3,241	1,967
Provision for bonuses	3,011	1,612
Provision for directors’ bonuses	167	140
Other	18,024	20,989
Total current liabilities	83,883	89,522
Non-current liabilities		
Long-term loans payable	67,251	62,543
Provision for directors’ retirement benefits	130	141
Provision for executive officers’ retirement benefits	96	93
Net defined benefit liability	5,139	5,401
Other	1,950	1,719
Total non-current liabilities	74,568	69,898
Total liabilities	158,452	159,421

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2023)	Third quarter of the current consolidated fiscal year (As of December 31, 2023)
Net assets		
Shareholders' equity		
Capital stock	13,150	13,150
Capital surplus	15,552	15,573
Retained earnings	115,126	120,924
Treasury shares	(5,531)	(5,483)
Total shareholders' equity	138,298	144,165
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,075	1,404
Foreign currency translation adjustment	(25)	131
Remeasurements of defined benefit plans	84	83
Total accumulated other comprehensive income	1,134	1,619
Non-controlling interests	738	699
Total net assets	140,171	146,485
Total liabilities and net assets	298,623	305,906

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income

(Quarterly Consolidated Statement of Income)

(First three quarters period)

(Million yen)

	First nine-month period of previous fiscal year (April 1, 2022 - December 31, 2022)	First nine-month period of current fiscal year (April 1, 2023 - December 31, 2023)
Net sales	162,811	170,760
Cost of sales	112,007	119,306
Gross profit	50,803	51,453
Selling, general and administrative expenses	36,630	37,928
Operating profit	14,173	13,525
Non-operating income		
Interest income	1	1
Dividends income	108	79
Share of profit of entities accounted for using equity method	64	–
Gain on sales of scraps	151	119
Subsidy income	37	122
Other	369	406
Total non-operating income	732	729
Non-operating expenses		
Interest expenses	98	118
Share of loss of entities accounted for using equity method	–	159
Other	107	94
Total non-operating expenses	205	372
Ordinary profit	14,700	13,882
Extraordinary income		
Gain on sales of non-current assets	–	127
Gain on sales of investment securities	346	–
Gain on step acquisitions	–	207
Total extraordinary income	346	335
Extraordinary losses		
Loss on sales and retirement of non-current assets	638	86
Total extraordinary losses	638	86
Profit before income taxes	14,408	14,131
Income taxes - current	4,691	4,259
Income taxes - deferred	(178)	230
Total income taxes	4,513	4,490
Profit	9,895	9,641
Profit (loss) attributable to non-controlling interests	84	(5)
Profit attributable to owners of parent	9,810	9,646

(Quarterly Consolidated Statement of Comprehensive Income)

(First three quarters period)

(Million yen)

	First nine-month period of previous fiscal year (April 1, 2022 - December 31, 2022)	First nine-month period of current fiscal year (April 1, 2023 - December 31, 2023)
Profit	9,895	9,641
Other comprehensive income		
Valuation difference on available-for-sale securities	(224)	328
Remeasurements of defined benefit plans, net of tax	25	(0)
Share of other comprehensive income of entities accounted for using equity method	119	156
Total other comprehensive income	(79)	484
Comprehensive income	9,815	10,125
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,730	10,131
Comprehensive income attributable to non-controlling interests	84	(5)

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	First nine-month period of previous fiscal year (April 1, 2022 - December 31, 2022)	First nine-month period of current fiscal year (April 1, 2023 - December 31, 2023)
Cash flows from operating activities		
Profit before income taxes	14,408	14,131
Depreciation	10,528	11,340
Increase (decrease) in provision for bonuses	(1,291)	(1,411)
Increase (decrease) in provision for directors’ bonuses	(40)	(26)
Increase (decrease) in allowance for doubtful accounts	(51)	(3)
Increase (decrease) in provision for directors’ retirement benefits	(650)	11
Increase (decrease) in provision for executive officers’ retirement benefits	16	(3)
Increase (decrease) in net defined benefit liability	79	191
Interest and dividends income	(109)	(81)
Interest expenses	98	118
Share of loss (profit) of entities accounted for using equity method	(64)	159
Loss (gain) on step acquisitions	–	(207)
Loss (gain) on sales and retirement of non-current assets	628	(48)
Loss (gain) on sales of investment securities	(346)	–
Decrease (increase) in notes and accounts receivable - trade	(16,911)	(11,848)
Decrease (increase) in inventories	(3,409)	1,839
Decrease (increase) in accounts receivable - other	(360)	982
Increase (decrease) in notes and accounts payable - trade	8,509	3,937
Other, net	2,859	6,127
Subtotal	13,892	25,208
Interest and dividend income received	109	81
Interest expenses paid	(81)	(107)
Income taxes paid	(4,401)	(5,767)
Net cash provided by (used in) operating activities	9,519	19,415
Cash flows from investing activities		
Purchase of property, plant and equipment	(14,967)	(8,414)
Proceeds from sales of property, plant and equipment	431	759
Proceeds from sales of investment securities	756	303
Purchase of shares of an associate	(6,955)	(1)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(309)
Other, net	(481)	(650)
Net cash provided by (used in) investing activities	(21,216)	(8,313)
Cash flows from financing activities		
Proceeds from long-term loans payable	33,000	6,000
Repayment of long-term loans payable	(10,389)	(10,674)
Repayments of lease obligations	(1,060)	(896)
Cash dividends paid	(3,817)	(3,817)
Other, net	(34)	(33)
Net cash provided by (used in) financing activities	17,697	(9,420)
Net increase (decrease) in cash and cash equivalents	6,000	1,680
Cash and cash equivalents at beginning of period	19,745	22,255
Cash and cash equivalents at end of period	25,745	23,936

(4) Notes to Quarterly Consolidated Financial Statements

Note to Going Concern Assumption

Not applicable

Notes on Any Significant Change in the Value of Shareholders’ Equity

Not applicable

Revenue Recognition

A breakdown of revenue generated from contracts with customers

The Group has a single segment, the simplified food container business, and the table below shows a breakdown of revenue by product line.

(Million yen)

	First nine-month period of previous fiscal year (April 1, 2022 - December 31, 2022)	First nine-month period of current fiscal year (April 1, 2023 - December 31, 2023)
Products		
Trays	31,549	32,158
Lunchboxes and prepared food containers	93,532	97,558
Other products	2,802	2,905
Subtotal	127,884	132,622
Goods		
Packaging materials	33,387	36,227
Other goods	1,539	1,910
Subtotal	34,926	38,137
Total	162,811	170,760

Important Subsequent Events

Purchase of treasury share

The Company resolved at the meeting of the Board of Directors held on January 31, 2024, to acquire the treasury shares in accordance with the provisions of Article 459, Paragraph 1 of the Companies Act and the provisions of the Articles of Incorporation of the Company.

1. Reason for the acquisition of treasury shares

To increase returns to the shareholders and bolster capital efficiency

2. Details of matters concerning the acquisition

(1) Class of shares to be acquired	Common shares
(2) Total number of shares that can be acquired	1,100,000 shares (upper limit) (1.34% of the total number of shares outstanding (excluding treasury shares))
(3) Total acquisition value of shares	3,000,000,000 yen (upper limit)
(4) Period of acquisition	February 5, 2024 to April 19, 2024
(5) Acquisition method	Market purchase at TSE based on a discretionary transaction contract

(Reference) Status of treasury shares held as of December 31, 2023

Total number of shares outstanding (excluding treasury shares)	81,871,401 shares
Number of treasury shares	2,697,023 shares