FP CORPORATION

Financial Results Briefing for the Six Months Ended September 30, 2024: Q&A (Summary)

(November 6, 2024)

Q: Regarding the sales volume, you revised it up to 102.5%, compared to the 2nd half projection of 100.0%. What is the background behind this revision? Also, has your targeted average annual growth rate of 3% changed?

A: We cannot increase prices as long as we are competing for market share. The expansion of sales was delayed due to the previously implemented second product price revision, but our subsequent sales activities resulted in the achievement of 103.0% in the second quarter. Regarding the second half, we were not able to implement activities to expand sales due to the latest price increase but we expect to maintain the current level of around 103%. In addition, because we will go back to normal sales activities in the second half, we believe that we can achieve further growth next fiscal year. Regarding the average annual growth rate, growth of around 3% is fully possible. We understand that our advantages in materials, technologies, and other areas will stretch our lead over our competitors, and in particular, logistics expenses will be least affected.

Q: While the price of PS increased in January, April, and July, it dropped by 10 to 12 yen per kilogram in October. How will you respond to requests from users to decrease product prices, for example? In the situation where there is a price gap between PS from within Japan and imported PS, do you intend to switch to imported PS?

A: There are various grades of PS, and we cannot switch to imported PS easily. We also think that the decline of the raw material price is not so sharp as to lead to requests that we decrease product prices. Once we decrease a price, it is difficult to increase it again. How we maintain an increased price is very important. We understand that a small decline in the price of a raw material will not lead other companies to engage in price competition.

Q: Regarding raw material prices, the plan does not reflect the expected drop in prices in the second half. Will these be a factor in an increase in profits?

A: In the past, there were moves to switch to cheaper containers in response to product price increases. The impact of this will be made clear by the third quarter results. This is why we did not change our plan for the full year. We believe that the plan is fully achievable.

Q: What are the benefits of the Store to Store recycling initiative for FPCO, such as its impact on sales volume?

A: Demand for eco-friendly products will grow, which is a benefit. Many supermarkets have set CO_2 reduction targets, which led to an increase in sales of eco-friendly products. Next year, the initiative will definitely have more positive impact, which will also be due to the planned increase in the supply of eco-friendly products. The Store to Store recycling initiative is currently implemented at 2,295 stores operated by 80 companies. Some companies are coordinating regarding the declaration of a collaboration, and we expect a further increase in the future.

Q: Regarding automation and mechanization, is there the possibility that FPCO will enter the business of dealing in machines?

A: We do not intend to enter the business of dealing in machines. Which leads to a fair evaluation and introduction of machines. We exhibited 24 units from 17 companies at the FPCO Fair held in April. This was highly valued by the management teams of supermarkets. We also receive positive feedback from the machine manufacturers, who said that our products are very compatible with their machines.

Q: Regarding lightweight products, what is the effect of the reduced use of raw materials on the operating margin?

A: For example, with the Sushi platter containers, we can reduce the use of plastics by approx. 60% and reduce their cost accordingly. On the other hand, this will be gradually reflected in our financial results because we have invested in molds. The important point is whether we have the ability to make investments such as these. We believe that companies which can invest in improving their treatment of their workforces and in long-term growth will survive.