July 31, 2020

Consolidated Financial Results for the Three Months Ended June 30, 2020

Company name: FP Corporation
Stock exchange listing: Tokyo Stock Exchange
Stock code: 7947 URL: https://www.fpco.jp/
Representative: Morimasa Sato, Representative Director, President
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): August 6, 2020
Scheduled date for commencement of dividend payments: –
Supplementary documents for quarterly results: Yes
Quarterly results briefing: None

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2020 (April 1, 2020 – June 30, 2020)

(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	%
June 30, 2020	47,225	4.5	3,641	24.5	3,824	24.8	2,464	27.4
June 30, 2019	45,186	2.9	2,924	21.1	3,063	19.3	1,934	16.4

(Note) Comprehensive income: Period ended June 30, 2020: 2,760 million yen (58.1%)
Period ended June 30, 2019: 1,745 million yen (9.4%)

	Net income per share (basic)	Net income per share (diluted)
Period ended	Yen	Yen
June 30, 2020	59.62	–
June 30, 2019	46.78	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
June 30, 2020	243,756	120,366	49.1	2,897.00
March 31, 2020	242,497	119,301	49.0	2,872.14

(Reference) Equity: As of June 30, 2020: 119,761 million yen
As of March 31, 2020: 118,733 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
Year ended March 31, 2020	–	40.00	–	41.00	81.00
Year ending March 31, 2021	–				
Year ending March 31, 2021 (forecast)		40.00	–	20.50	–

(Notes) 1. Revisions to dividend forecasts published most recently: Yes

2. The Company plans to implement a two-for-one stock split of its common stock, effective October 1, 2020. Regarding forecast for the dividend per share for the year ending March 31, 2021, the stock split is not reflected in the forecast for the end of the second quarter while it is factored into the year-end value. The forecast for the annual dividend is not indicated above because a simple sum cannot be obtained due to the stock split. When the stock split is not factored in, the year-end dividend will be 41 yen while the annual dividend will be 81 yen.

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2021 (April 1, 2020 – March 31, 2021)

(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
First six months	94,900	2.2	7,820	10.2	8,110	8.9	5,213	7.7	63.05
Year ending March 31, 2021	190,000	2.0	16,700	7.7	17,400	6.9	11,290	4.8	136.55

(Notes) 1. Revisions to consolidated business performance forecasts published most recently: No

2. The Company plans to implement a two-for-one stock split of its common stock, effective October 1, 2020. The net income per share above reflect the stock split. If the stock split is not factored in, net income per share is 126.10 yen for the first six months and 273.10 yen for the full year.

* 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 shares):
(i) Number of shares outstanding at end of period (including treasury shares)
As of June 30, 2020: 44,284,212 shares
As of March 31, 2020: 44,284,212 shares
(ii) Number of treasury shares at end of period:
As of June 30, 2020: 2,944,405 shares
As of March 31, 2020: 2,944,405 shares
(iii) Average number of shares outstanding during the period (consolidated cumulative period)
Three Months ended June 30, 2020: 41,339,807 shares
Three Months ended June 30, 2019: 41,339,908 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 First Quarter Ended June 30, 2020; (3) Explanation of Information on Future Forecasts, Including the Forecast of Consolidated Results" on page 6 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 First Quarter Ended June 30, 2020

(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, that is, "reliably deliver the most environmentally friendly products of the highest quality at the most competitive prices whenever they are needed." In addition, the Group set "Balance" as the theme for 2020. The Group will aim to achieve both customers' prosperity and the growth of the Company in a well-balanced manner by developing products that cater to customers' needs and making proposals that lead to the solution of customers' issues. At the same time, the Group proceeds with initiatives for achieving a balance between the values in each sector, such as the balance between sales and profits and the balance between quality and productivity.

(Influence of COVID-19)

The Company expresses its condolences to the families of those who have passed away due to COVID-19 and wishes all patients a quick recovery. In addition, it extends its sincere gratitude to medical professionals and everyone working to stop the spread of infections.

While consumption matched with stay-at-home lifestyles was on the rise due to the spread of infection, changes were also seen in consumer behaviors as well, with increased opportunities to eat at home. In supermarkets, shipment of containers, etc. for fresh food such as dressed meat, fresh fish, and others was strong due to the rising demand for cooking and eating at home. In their prepared food sections, demand for containers with fitted lids and others grew due to the shift from the buffet style which involved use of tongs to food items in containers. Restaurants saw growth in demand for takeout and delivered food. Since the declaration of a state of emergency in April 2020, shipments of containers for takeout and delivered food have continued to increase. On the other hand, demand for containers for boxed meals sold at railway stations and those for picnics and events fell sharply due in part to the voluntary ban on inter-prefectural business and holiday trips and the cancellation of events.

Amid the significant change in the sales composition of products, the Group was able to deliver products without running out of stock by maintaining appropriate inventory levels through the supply chain management system for the timely, centralized management of production, distribution, and forecasts for demand across Japan. To continue supporting safe, secure food lifestyles while reducing the risk of infection, the Group's sales and administrative sections will continue with initiatives such as working from home and staggered commuting. Its production and distribution sections will strive to remain in normal operation while thoroughly implementing necessary infection control measures.

(Net sales)

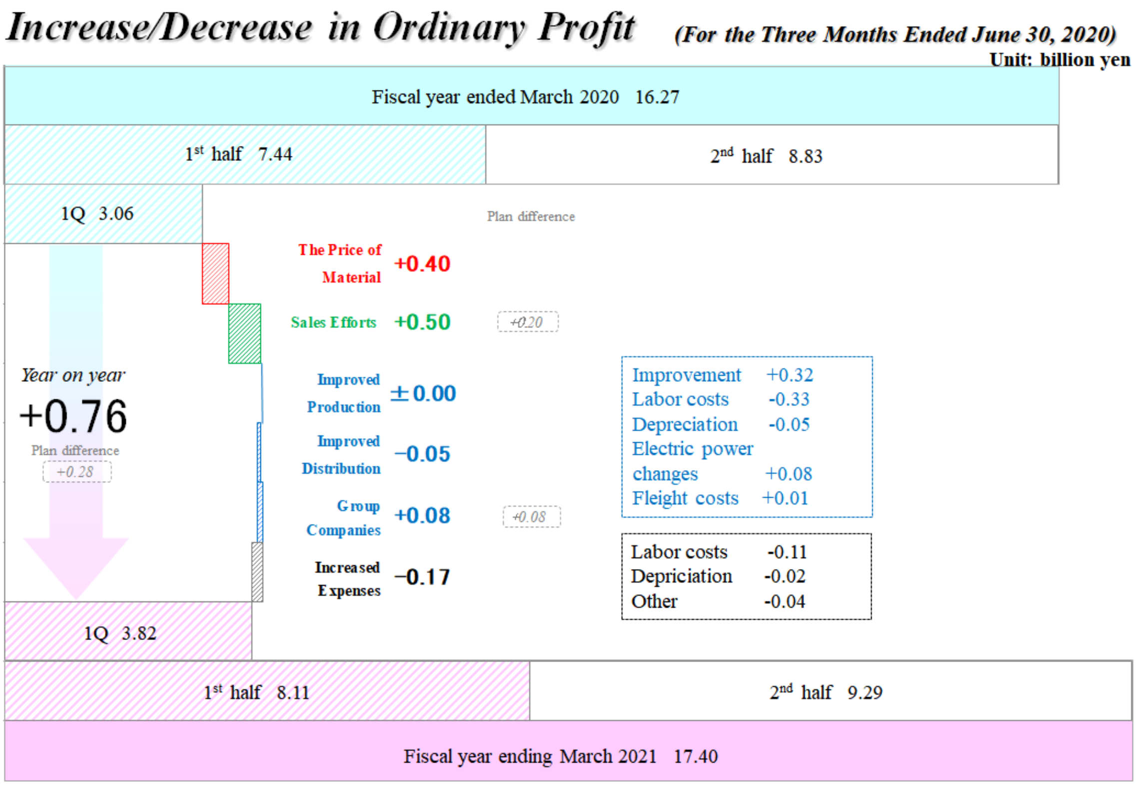
Net sales for the first three months of the consolidated fiscal year under review (from April 1, 2020 to June 30, 2020) stood at 47,225 million yen, up 2,039 million yen or 4.5% year on year, marking a record high. During the first three months of the fiscal year under review, net sales of products manufactured by the Group rose 7.2% year on year to 36,630 million yen, while the sales volume of such products rose 6.8% year on year. Net sales of goods purchased fell 3.9% year on year to 10,594 million yen. Product sales grew steadily due to the widespread move to review the functions of containers from a hygiene perspective in response to COVID-19, expansion of the market for takeout and delivered food from restaurants, and growing demand for eco-friendly products. On the other hand, demand for packaging materials declined partly because restaurants had been requested to shut down during the state of emergency.

(Profits)

For the first three months under review, operating profits increased 717 million yen or 24.5% year on year to 3,641 million yen, ordinary profit also increased 760 million yen (*1) or by 24.8% year on year to 3,824 million yen, ordinary profit before depreciation and amortization increased 13.0% year on year to 7,236 million yen, and profit attributable to owners of parent increased 27.4% year on year to 2,464 million yen. All of these are record-high figures. Factors for the increase of profits include the effect of raw material prices and the growth in sales of products in terms of quantity associated with the consumption matched with stay-at-home lifestyles. On the other hand, factors that decreased profits included an increase in costs, including labor expenses and depreciation expenses.

Operating profits exceeded the projection at the beginning of the fiscal year by 300 million yen, and ordinary profit by 280 million yen. These differences are attributed mainly to the growth of demand for cooking and eating at home enjoyed by supermarkets and the expansion of market for takeout and delivered food from restaurants.

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



(Sales activities)

The Group is speeding up the development and widening of lineups of high value-added products matched with consumers' lifestyles and increase product sales and the profit ratio. While food retailers faced a more serious staff shortage, the Group focused on proposing containers that would achieve labor reduction and efficiency improvement. Rectangular trays for shelf stocking, containers suited to container sizes, and securely closed tape-free containers are increasingly being adopted. For Namakara Sozai with microwavable Multi FP containers, retailers and food manufacturers are working to develop seasonal food options in pursuit of a new selling approach that delivers the flavors of fresh ingredients. These containers became a commonly seen product in selling spaces.

(Production)

In the production sector of the Group, improvement efforts were made, including skills improvement of operators, reduction of preparation time, improvement of the performance of manufacturing facilities, and improvement of metal molds and trimming dies. As a result, the number of shots per hour was improved by 15% compared to the level in the fiscal year ended March 31, 2008. The Company's molding plants around the country operate 74 pieces of automated equipment in 43 production process lines for the purpose of labor saving.

In addition, 16 production plants of the Company had acquired FSSC 22000 food safety management certification as of March 31, 2020. The Company will work to obtain this certification for 21 main plants. Further, in the supply chain management system, the Company conducts AI-based sales forecasting for around 5,100 of its approximately 10,000 items. It will endeavor to further improve its accuracy and efficiency.

(Logistics)

The Group has increased the ratio of use of its own trucks and increased the loading efficiency of each truck in an effort to cut logistical expenses.

The Company began introducing unmanned carriers (automatic guided vehicles: AGVs) to streamline operations in the warehouse. As of June 30, 2020, the Company has introduced 29 AGVs to seven locations in Japan. The Company has also introduced two unmanned forklifts (automated guided forklifts) as of June 30, 2020. It will accelerate labor-reducing initiatives. In addition, the Company has increased the productivity of picking operations by introducing a voice picking system. It will proceed with other initiatives to ensure stable supply during peak periods.

With regard to transportation between the Company's locations, all cargo handling operations, including loading and unloading products to and from trucks, were previously carried out manually. The Company began to undertake pallet transportation, or the loading of products placed on pallets onto trucks. This has enabled a significant reduction in the time taken for cargo handling. As of June 30, 2020, pallet transportation has been introduced to five routes. The Company will proceed to expand this method to other routes.

In addition to the above, as part of our Business Continuity Plan (BCP), the Company has installed emergency power-generating equipment and the storage of sufficient fuel to secure an electricity supply for 72 hours, or three days, in all 21 locations nationwide to ensure that operations for warehousing and shipping will be continued even in the event of serious incidents, such as an electricity outage caused by a disaster.

For the purposes of meeting future demand growth and ensuring the stable supply of products, the Company will expand the Kyushu Distribution Center (additional floor area of 3,554 m^2, with the completion expected in September 2020), the Fukuyama Distribution Center (additional floor area of 23,722 m^2, with the completion expected in November 2020) and the Chubu Distribution Center (additional floor area of 27,551 m^2, with the completion expected in July 2021) by constructing additional facilities adjacent to their respective existing logistical facilities. In addition, the Company will be introducing a sorter system to the Chubu Distribution Center. This system will automatically sort products according to their delivery areas. The Company will continue to upgrade its logistical networks.

(Workstyle reform initiatives)

The Group works to create a working environment that is friendly to workers in consideration of tasks in which employees with disabilities can play fulfilling roles, and strives to hire more workers with disabilities with a view to enhancing diversity. As of March 2020, 13.3% of employees had disabilities in the FPCO Group. In association with initiatives to expand women's occupational domains, to help women to remain employed, and to increase the number of women in managerial positions, the Company posted its Positive Action declaration on the Positive Action Portal operated by the Ministry of Health, Labour and Welfare. The Company set the target ratio of female employees for the main career track for 2019 and thereafter at 30% or more and the target number of female managers at 50 by 2022. The Company is implementing a range of initiatives to achieve these targets.

In addition to the above, the Company has put in place a staggered working hour scheme under which the start and finish times may be shifted in a bid to broaden the working hour options and to press ahead with workstyle reform for reducing overtime work by encouraging employees to work intensively in busy time slots on their respective duties and thereby to improve work productivity. In addition, in an effort to invigorate workplaces, the Company began to require each employee to take paid leave of five consecutive days in the fiscal year ended March 2019. Further, in the fiscal year ending March 2021, the Company introduced the ability to take annual paid leave by the hour.

In support for the employees' work environment, the Company provides Pico House No. 1 (Chikusei City, Ibaraki Prefecture; 150 units; completed in January 2017), Pico House No. 2 (Wanouchi Town, Ampachi County, Gifu Prefecture; 102 units; completed in March 2017), and Pico House No. 3 (Koga City, Ibaraki Prefecture; 63 units; completed in March 2020) company dormitories for single employees which have furniture and home appliances. In addition, construction of Pico House No. 4 (to be newly built in Fukuyama City, Hiroshima Prefecture; 18 units; to be completed in October 2020) is in progress. The Company also provides a group home for people with disabilities (20 units; completed in April 2020) to improve the work environment for employees with disabilities.

The Company will continue to proactively invest in human resources in its efforts to improve its corporate value.

(Initiatives aimed at realizing a recycling-based society)

The FPCO Group considers marine plastic waste and climate change as material issues to be tackled, and works to seriously address recycling throughout the Group. In 1990, the Group embarked on circular recycling using the FPCO method with collection boxes at six collection points in supermarkets. Thanks to the understanding and cooperation of consumers, the number of used container collection points exceeded 9,400 as of June 30, 2020. Combined with the system for segregation and collection based on the Act on the Promotion of Sorted Collection and Recycling of Containers and Packaging that was established in 1997, the above voluntary initiative of the Company has taken root as social infrastructure for making effective use of used containers as resources.

To collect more used containers, the Group has created posters to promote recycling, which feature the celebrity LiLiCo. These posters say, “Recycle them after use. Trays can be made into trays!” and “It’s a resource. Stop throwing it away!” As of June 30, 2020, these posters are displayed in 7,347 stores of 211 supermarket companies. In addition, the Group is proactive in organizing tours to recycling plants at recycling bases all over Japan. Every year, around 20,000 people, including consumers and people from business partners, educational institutions, and administrative bodies, are invited to participate in the tours. To control the spread of COVID-19, the tours had been suspended since February 26, 2020. However, on July 3, 2020, some facilities resumed tours while taking thoroughgoing measures to prevent infection. The Group will continue to explain to more consumers that food containers are not disposable but can be recycled as valuable resources.

The percentage of sales of eco-friendly products (Eco Tray, Eco APET container and Eco OPET container) to the product sales of the Group reached 43% in the first three months under review. The percentage of sales of eco-friendly products made from recycled PET materials (APET and OPET containers) reached 99% to sales of PET transparent containers.

To increase sales of Eco APET and Eco OPET containers made from recycled PET materials, the Company took initiatives including initiatives to improve production efficiency. This is expected to result in an increase in the production capacity of recycled PET materials to around 60,000 tons per year in the fiscal year ending March 2021.

Marine plastic waste and other environmental issues cannot be resolved by the activities of a single company. They should be addressed through the concerted efforts of different companies and organizations. Based on this thinking, we launched the FP Corporation Environment Fund (*2) in April 2020 with a view to offering financial support to non-profit organizations and other entities conducting activities with a focus on environmental conservation. For the fiscal year ending March 31, 2021, eligible activities are to be conducted from October 1, 2020 to March 31, 2021, and a maximum of one million yen will be provided per project approved. During the application period from April 1 to June 30, 2020, we received a large number of applications. At present, we are selecting the organizations that we will support.

The Group’s initiatives to tackle environmental issues are highly rated by supermarkets, other users, and dealers of packaging materials. This has accelerated their proactive selection of environmentally friendly packaging materials, including Eco Tray.

Based on the idea that the expansion and promotion of recycling is an effective measure for tackling the marine plastic waste and climate change issues, the Group will continue to surely implement the FPCO method of Tray to Tray and Bottle to Tray recycling, which is based on established recycling technologies and systems for products made of a single material. In addition, the Group released four Bio-HIPS containers and three Bio-PPF containers, which are made from 25% plant-derived materials, in late June 2020 as a measure expanding its lineup of eco-friendly products. These containers conform to the identification labeling standards set forth by the Japan BioPlastics Association and are certified as biomass-based plastic products. The Group will continue collecting information about materials as alternatives to petroleum-derived plastics, such as paper and biomass, and promoting research and development of various recycling methods, such as chemical recycling, by assuming that technologies will continue to progress. At the same time, the Group will develop industry-leading containers in terms of low environmental impact that feature environmentally friendly designs, with the aim of achieving a recycling-based society and building a sustainable society.

(*2) Logo of the Environment Fund

The FP Corp. Environment Fund

(Initiatives on ESG and SDGs)

Measures taken by the Company include enhancement of initiatives related to human rights and governance and disclosure of a wider range of information, in addition to circular recycling using the FPCO method and employment of disabled workers.

As a result of these initiatives, the Company was selected as a constituent of the FTSE4Good Index Series and FTSE Blossom Japan Index, which were developed by FTSE Russell, for the second consecutive year in June 2020. In addition, as of June 2020, the Company has continued to be selected as a constituent of the MSCI Japan Empowering Women (WIN) Select Index, which was established by MSCI Inc.

In addition, on May 29, 2020, the Company began to provide containers for boxed meals and soup to assist children's cafeterias all over Japan, which are supported by *Zenkoku Kodomo Shokudo Shien Center Musubie*, an NPO which supports children's cafeterias all over the country, jointly with Kobe Bussan Co., Ltd. (head office: Kako-gun, Hyogo) and Nestlé Japan Ltd. (head office: Chuo-ku, Kobe-shi), which are business partners of the Company. The Company will continue to take initiatives for achieving Sustainable Development Goals (SDGs).

(2) Explanation of Financial Situation

1) State of assets, liabilities and net assets

Consolidated assets at the end of the first three months under review totaled 243,756 million yen, up 1,259 million yen from the end of the previous fiscal year. That was mainly due to a 1,565 million yen increase in notes and accounts receivable – trade that resulted chiefly from the increase in net sales.

Consolidated liabilities amounted to 123,390 million yen, up 194 million yen from the end of the previous fiscal year. It is attributable chiefly to a 1,206 million yen increase in interest-bearing debt (short-term loans payable, commercial paper, and long-term loans payable), mainly reflecting an increase in spending after the acquisition of non-current assets, and a 1,971 million yen decrease in accounts payable –facilities (included in "Other" among current liabilities).

Consolidated net assets totaled 120,366 million yen, up 1,065 million yen from the end of the previous fiscal year. This was attributable principally to profit attributable to owners of parent amounting to 2,464 million yen and dividends of surplus of 1,694 million yen.

2) State of cash flows

Consolidated cash and cash equivalents (hereinafter "cash") at the end of the first three months under review totaled 19,480 million yen, down 808 million yen from the end of the previous fiscal year.

(Cash flows from operating activities)

Cash provided by operating activities amounted to 5,651 million yen (5,338 million yen in cash was provided a year earlier).

This reflected a cash increase due mainly to profit before income taxes of 3,692 million yen, depreciation of 3,412 million yen and a shrinkage in inventories of 651 million yen as well as a cash decrease following income taxes paid of 2,754 million yen, among others.

(Cash flows from investing activities)

Net cash used in investing activities reached 5,358 million yen (2,446 million yen in cash was used a year earlier).

It was due mainly to the warehouse expansion of the Fukuyama Distribution Center and 5,134 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 1,101 million yen (4,916 million yen in cash was used a year earlier).

This primarily reflected proceeds from long-term loans payable of 8,500 million yen, repayment of long-term loans payable of 7,293 million yen, repayment of lease obligations of 639 million yen and cash dividends paid of 1,668 million yen.

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

The Group will continue monitoring trends in demand for cooking and eating at home and home meal replacement in supermarkets and demand for takeout and delivered food from restaurants, which are associated with the COVID-19 pandemic. The Group will endeavor to stably supply its products with the smallest possible delays using its nationwide production and logistics networks even in the case where any worker at a production plant or a distribution center becomes infected and where business activities at the location are temporarily suspended. In sales activities as well, the Group will propose containers that would achieve labor reduction and efficiency improvement, the theme of FPCO Fair 2020 that was held behind closed doors, while taking measures to control the spread of infection.

With a view to cultivating new markets, the Company is working to expand its business to a market of frozen food containers by taking advantage of the features of its original Multi FP containers such as cold and heat resistance to temperatures between -40°C and +110°C and thermal insulation, in addition to its actions for propagating containers for hospital meals and meals served at nursing care facilities in collaboration with a leading healthcare food service company. In addition, orders from small-sized, small-lot customers, mainly restaurants, have been increasing at the Pack Market e-commerce site offering packaging materials, which is operated by the Group. The Group will continue striving to increase sales through the Pack Market.

The Group has decided to take over Sekisui Hinomaru K.K.'s molding business, the business of manufacturing and selling plastic food containers, with the business transfer date of October 1, 2020. This business transfer is expected to result in the enhancement of the Group's lineup of products for fishery products, such as fishcakes, dried-salted fish, and spicy cod roe, and the expansion of a new sales network. Further, the Group expects a lot of synergy from the business transfer, including a reduction of raw material procurement costs enabled by leveraging the benefits of scale created by the business transfer, a reduction of production costs and an improvement of capacity utilization to be achieved through the integration of manufacturing technologies, and a productivity improvement enabled by the sharing of the Group's expertise in logistics infrastructure and supply chain management.

With respect to raw materials, the Company foresees some impact from the price falls of polystyrene and other main materials for its products and selling prices to customers to whom naphtha-linked pricing applies from the second quarter of the fiscal year ending March 31, 2021 onwards. However, the reverse of crude oil and naphtha price trends has been seen at present, so the Company will continue to monitor the situation.

Meanwhile, the Company will construct company dormitories for single employees, raise the pay level and otherwise enhance the working environment with a view to securing and retaining workers for production plants and distribution centers.

In May 2020, the Company acquired a land for a plant in Ono-shi, Hyogo. With the recently growing demand, the Company is considering the construction of a new production plant to increase production capacity with a focus on eco-friendly products and the optimization of its production sites. In addition, it is believed that the construction of a logistics base annex would reduce the delivery time to the Kinki Metropolitan Area, hold down logistics costs, and permit both business continuity and the enhancement of supply stability in the event of a natural disaster or similar event.

The rapid changes in demand associated with the consumption matched with stay-at-home lifestyles during the first three months under review are being settled. In addition, future raw material price trends are uncertain. Due to these and other factors, consolidated forecasts for the first six months and full year, which were announced in the Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 on April 30, 2020, remain unchanged. The actual financial results and position may be affected by the spread of COVID-19 infections and various other factors. Information that should be disclosed will be announced as soon as it arises.

(Explanations of terms)

Multi FP container:	A formed PS (polystyrene) container with cold and heat resistance to temperatures between -40ºC and +110ºC and with superior oil and thermal insulation (sales commenced in 2010).
Eco Tray:	A recycled expanded polystyrene 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 container:	A recycled PET transparent container for which PET transparent containers collected at supermarkets or similar places, PET (polyethylene terephthalate) bottles and scrap pieces collected within plants are used as raw materials. Heat resistance temperature of +60ºC (sales commenced in 2012).
Eco OPET container:	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).
Bio-HIPS container:	HIPS (non-foamed polystyrene) container containing 25% of plant-derived materials
Bio-PPF container:	PPF (polypropylene with fillers) container containing 25% of plant-derived materials

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2020)	First quarter of the current consolidated fiscal year (As of June 30, 2020)
Assets		
Current assets		
Cash and deposits	20,288	19,480
Notes and accounts receivable - trade	34,223	35,789
Merchandise and finished goods	18,667	18,550
Work in process	107	120
Raw materials and supplies	3,641	3,093
Other	3,414	3,647
Allowance for doubtful accounts	(19)	(21)
Total current assets	80,322	80,660
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	74,735	74,166
Machinery, equipment and vehicles, net	33,345	32,480
Lands	33,327	35,346
Lease assets, net	3,353	2,931
Other, net	6,525	6,317
Total property, plant and equipment	151,289	151,243
Intangible assets		
Goodwill	974	904
Other	1,482	1,458
Total intangible assets	2,456	2,362
Investments and other assets	8,428	9,489
Total non-current assets	162,174	163,096
Total assets	242,497	243,756
Liabilities		
Current liabilities		
Accounts payable - trade	19,309	20,067
Short-term loans payable	21,939	24,787
Commercial papers	18,000	12,000
Income taxes payable	3,011	2,087
Provision for bonuses	2,368	1,186
Provision for directors’ bonuses	104	27
Other	14,836	15,390
Total current liabilities	79,569	75,546
Non-current liabilities		
Long-term loans payable	36,760	41,119
Provision for directors’ retirement benefits	558	538
Provision for executive officers’ retirement benefits	37	40
Net defined benefit liability	4,396	4,495
Other	1,873	1,650
Total non-current liabilities	43,626	47,843
Total liabilities	123,196	123,390

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2020)	First quarter of the current consolidated fiscal year (As of June 30, 2020)
Net assets		
Shareholders’ equity		
Capital stock	13,150	13,150
Capital surplus	15,864	15,864
Retained earnings	94,157	94,927
Treasury shares	(5,095)	(5,095)
Total shareholders’ equity	118,077	118,847
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	762	1,010
Remeasurements of defined benefit plans	(106)	(96)
Total accumulated other comprehensive income	656	914
Non-controlling interests	567	604
Total net assets	119,301	120,366
Total liabilities and net assets	242,497	243,756

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

(Quarterly Consolidated Statement of Income)

(First three-month period)

(Million yen)

	First three-month period of previous fiscal year (April 1, 2019 - June 30, 2019)	First three-month period of current fiscal year (April 1, 2020 - June 30, 2020)
Net sales	45,186	47,225
Cost of sales	30,592	31,459
Gross profit	14,594	15,766
Selling, general and administrative expenses	11,670	12,125
Operating profit	2,924	3,641
Non-operating income		
Interest income	0	0
Dividends income	66	63
Share of profit of entities accounted for using equity method	10	8
Gain on sale of scraps	36	29
Other	96	123
Total non-operating income	210	225
Non-operating expenses		
Interest expenses	25	22
Other	44	19
Total non-operating expenses	70	42
Ordinary profit	3,063	3,824
Extraordinary losses		
Loss on sales and retirement of non-current assets	38	123
Loss on valuation of investment securities	87	8
Total extraordinary losses	126	131
Profit before income taxes	2,936	3,692
Income taxes - current	1,425	1,952
Income taxes - deferred	(445)	(761)
Total income taxes	979	1,190
Profit	1,957	2,502
Profit attributable to non-controlling interests	23	37
Profit attributable to owners of parent	1,934	2,464

(Quarterly Consolidated Statement of Comprehensive Income)

(First three-month period)

(Million yen)

	First three-month period of previous fiscal year (April 1, 2019 - June 30, 2019)	First three-month period of current fiscal year (April 1, 2020 - June 30, 2020)
Profit	1,957	2,502
Other comprehensive income		
Valuation difference on available-for-sale securities	(227)	248
Remeasurements of defined benefit plans, net of tax	15	10
Share of other comprehensive income of entities accounted for using equity method	0	(1)
Total other comprehensive income	(211)	257
Comprehensive income	1,745	2,760
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,722	2,722
Comprehensive income attributable to non-controlling interests	23	37

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	First three-month period of previous fiscal year (April 1, 2019 - June 30, 2019)	First three-month period of current fiscal year (April 1, 2020 - June 30, 2020)
Cash flows from operating activities		
Profit before income taxes	2,936	3,692
Depreciation	3,340	3,412
Increase (decrease) in provision for bonuses	(1,091)	(1,182)
Increase (decrease) in provision for directors' bonuses	(77)	(77)
Increase (decrease) in allowance for doubtful accounts	5	15
Increase (decrease) in provision for directors' retirement benefits	(30)	(19)
Increase (decrease) in provision for executive officers' retirement benefits	(4)	3
Increase (decrease) in net defined benefit liability	(0)	99
Loss (gain) on valuation of investment securities	87	8
Interest and dividends income	(66)	(63)
Interest expenses	25	22
Share of loss (profit) of entities accounted for using equity method	(10)	(8)
Loss (gain) on sales and retirement of non-current assets	38	123
Decrease (increase) in notes and accounts receivable - trade	298	(1,579)
Decrease (increase) in inventories	246	651
Decrease (increase) in accounts receivable - other	1,310	(44)
Increase (decrease) in notes and accounts payable - trade	245	757
Other, net	1,192	2,552
Subtotal	8,446	8,364
Interest and dividend income received	66	63
Interest expenses paid	(22)	(21)
Income taxes paid	(3,153)	(2,754)
Net cash provided by operating activities	5,338	5,651
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,337)	(5,134)
Other, net	(108)	(223)
Net cash provided by (used in) investing activities	(2,446)	(5,358)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	–	6,000
Net increase (decrease) in commercial papers	–	(6,000)
Proceeds from long-term loans payable	–	8,500
Repayment of long-term loans payable	(2,566)	(7,293)
Repayments of lease obligations	(685)	(639)
Cash dividends paid	(1,664)	(1,668)
Other, net	(0)	–
Net cash provided by (used in) financing activities	(4,916)	(1,101)
Net increase (decrease) in cash and cash equivalents	(2,025)	(808)
Cash and cash equivalents at beginning of period	19,151	20,288
Cash and cash equivalents at end of period	17,126	19,480

(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

Important Subsequent Events

Cancellation of treasury shares

The Company resolved at the meeting of the Board of Directors held on July 31, 2020, to cancel a part of the treasury shares it holds in accordance with the provisions of Article 178 of the Companies Act.

1. Reason for the cancellation of treasury shares

The Company intends to cancel treasury shares to increase its shareholders' profit by reducing the total number of shares outstanding.

2. Content of the cancellation of treasury shares

(1) Type of shares to be cancelled	Common stock of the Company
(2) Total number of shares to be cancelled	2,000,000 shares
(Percent of the total number of shares outstanding before cancellation: 4.52%)	
(3) Planned date of cancellation	August 18, 2020

(Reference)

Total number of shares outstanding after the cancellation	42,284,212 shares
Number of treasury shares after the cancellation	934,405 shares (*)

* Calculated based on the number of treasury shares as of July 31, 2020

Stock split and partial revision to the Articles of Incorporation associated with the stock split

The Company resolved at the meeting of the Board of Directors held on July 31, 2020, to split its stock and partially revise its articles of incorporation.

1. Purpose of the stock split

The Company intends to reduce the amount per investment unit of its stock and increase its liquidity by splitting the stock, aiming to further increase the number of investors.

2. Overview of the stock split

(1) Method of split

The Company will split the shares of the stock owned by the shareholders listed or recorded on the final register of shareholders as of Wednesday, September 30, 2020, the record date, in the proportion of two shares for one share.

(2) Number by which shares will increase due to the stock split

Total number of shares outstanding before the stock split	42,284,212 shares
Number by which shares will increase as a result of the split	42,284,212 shares
Total number of shares outstanding after the stock split	84,568,424 shares
Total number of authorized shares after the stock split	240,000,000 shares

(3) Schedule of the split

Date of announcement of the record date	Tuesday, September 15, 2020
Record date of the split	Wednesday, September 30, 2020
Date when the split will come into effect	Thursday, October 1, 2020

(4) Impact on per share information

Values for per share information are as follows if it is assumed that the said stock split was carried out in the beginning of the previous consolidated fiscal year.

Item	First three-month period of previous fiscal year (April 1, 2019 - June 30, 2019)	First three-month period of current fiscal year (April 1, 2020 - June 30, 2020)
Net income per share	23.39 yen	29.81 yen

(Note) Net income per share (diluted) is not indicated because diluted shares do not exist.

3. Partial revision to the articles of incorporation associated with the stock split

(1) Reason for the revision to the articles of incorporation

In response to the above stock split, the Company intends to revise the total number of authorized shares described in Article 6 of its articles of incorporation as of Thursday, October 1, 2020, in accordance with the provisions of paragraph (2), Article 184 of the Companies Act.

(2) Contents of the revision

(The underlined part will be revised.)

Current articles of incorporation	Suggested revision
(Total number of authorized shares) Article 6: Total number of the Company's authorized shares shall be <u>120,000,000.</u>	(Total number of authorized shares) Article 6: Total number of the Company's authorized shares shall be <u>240,000,000.</u>

(3) Schedule of the revision to the articles of incorporation

Effective date of the revision Thursday, October 1, 2020

4. Others

The above stock split will not result in a change to the amount of capital stock.