October 30, 2020

Consolidated Financial Results for the Six Months Ended September 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):	November 5, 2020
Scheduled date for commencement of dividend payments:	November 25, 2020
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 Six Months Ended September 30, 2020 (April 1, 2020 – September 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	%
September 30, 2020	96,395	3.8	8,311	17.1	8,564	15.0	5,653	16.8
September 30, 2019	92,901	3.7	7,094	15.2	7,445	14.8	4,842	11.4

(Note) Comprehensive income: Period ended September 30, 2020: 6,196 million yen (28.3 %)
Period ended September 30, 2019: 4,830 million yen (9.3 %)

	Net income per share (basic)	Net income per share (diluted)
Period ended	Yen	Yen
September 30, 2020	68.37	–
September 30, 2019	58.57	–

(Note) On October 1, 2020, the Company implemented a two-for-one common stock split. Net income per share was calculated assuming that the stock split was implemented at the beginning of the previous consolidated fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
September 30, 2020	245,179	123,850	50.3	1,490.50
March 31, 2020	242,497	119,301	49.0	1,436.07

(Reference) Equity: As of September 30, 2020: 123,264 million yen
As of March 31, 2020: 118,733 million yen

(Note) On October 1, 2020, the Company implemented a two-for-one common stock split. Net assets per share was calculated assuming that the stock split was implemented at the beginning of the previous consolidated fiscal year.

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	–	41.00			
Year ending March 31, 2021 (forecast)			–	21.50	–

(Note) 1. Revisions to dividend forecasts published most recently: Yes
2. On October 1, 2020, the Company implemented a two-for-one common stock split. The amount forecast for the year-end dividend per share for the fiscal year ending March 31, 2021 is the amount after the stock split. 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 43 yen while the annual dividend will be 84 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
Year ending March 31, 2021	195,000	4.6	17,500	12.8	18,200	11.8	11,690	8.5	141.35

(Note) 1. Revisions to consolidated business performance forecasts published most recently: Yes
2. On October 1, 2020, the Company implemented a two-for-one common stock split. The net income per share above reflect the stock split. If the stock split is not taken into account, net income per share is 282.70 yen.

* 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 September 30, 2020:	84,568,424 shares
As of March 31, 2020:	88,568,424 shares

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

As of September 30, 2020:	1,868,810 shares
As of March 31, 2020:	5,888,810 shares

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

Six Months ended September 30, 2020:	82,688,186 shares
Six Months ended September 30, 2019:	82,679,766 shares

(Note) On October 1, 2020, the Company implemented a two-for-one common stock split. The number of shares outstanding at end of period, the number of treasury shares at end of period, and the average number of shares outstanding during the period were calculated assuming that the stock split was implemented at the beginning of the previous consolidated fiscal year.

* 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 Six Months Ended September 30, 2020; (3) Explanation of Information on Future Forecasts, Including the Forecast of Consolidated Results" on page 7 of the "Accompanying Materials."

(How to obtain supplementary documents for quarterly results)

Documents and a video regarding the 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 Six Months Ended September 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.” The Group works to improve quality and productivity by making the health and safety of every individual employee its top priority.

(Influence of COVID-19)

In the first six months (from April 1 to September 30, 2020), consumption matched with stay-at-home lifestyles was on the rise during the state of emergency. After the state of emergency was ended, changes in consumer behavior were seen, including adapting to new lifestyles that assume coexistence with COVID-19.

Regarding containers for supermarkets, the shipment of containers, etc. for fresh food such as dressed meat and fresh fish increased significantly due to increased opportunities to eat at home. While the situation is normalizing presently, shipment has continued to trend upward, partly because customers are switching to the Company’s eco-friendly products.

Containers for convenience stores saw a decline in shipment due to a decrease in sales at stores in business districts, downtown areas, and tourist sites.

Regarding containers for takeout and delivered food from restaurants, shipment increased rapidly in May during the state of emergency. While the temporary growth of demand subsided after the state of emergency was ended, the takeout and delivered food market has been expanding as a new market because major restaurant chains began full-scale initiatives.

Shipments of 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. Demand for these products has yet to recover.

Amid the significant change in the sales composition of products caused by changes in consumers’ purchasing behaviors during the COVID-19 pandemic, the Group was able to stably deliver products by maintaining appropriate inventory levels through the supply chain management system for the timely, centralized management of forecasts for demand, production, and distribution across Japan, which was highly acclaimed by business partners. The Group will continue striving to ensure stable supply by thoroughly implementing necessary infection control measures to continue supporting safe, secure food lifestyles.

(Net sales)

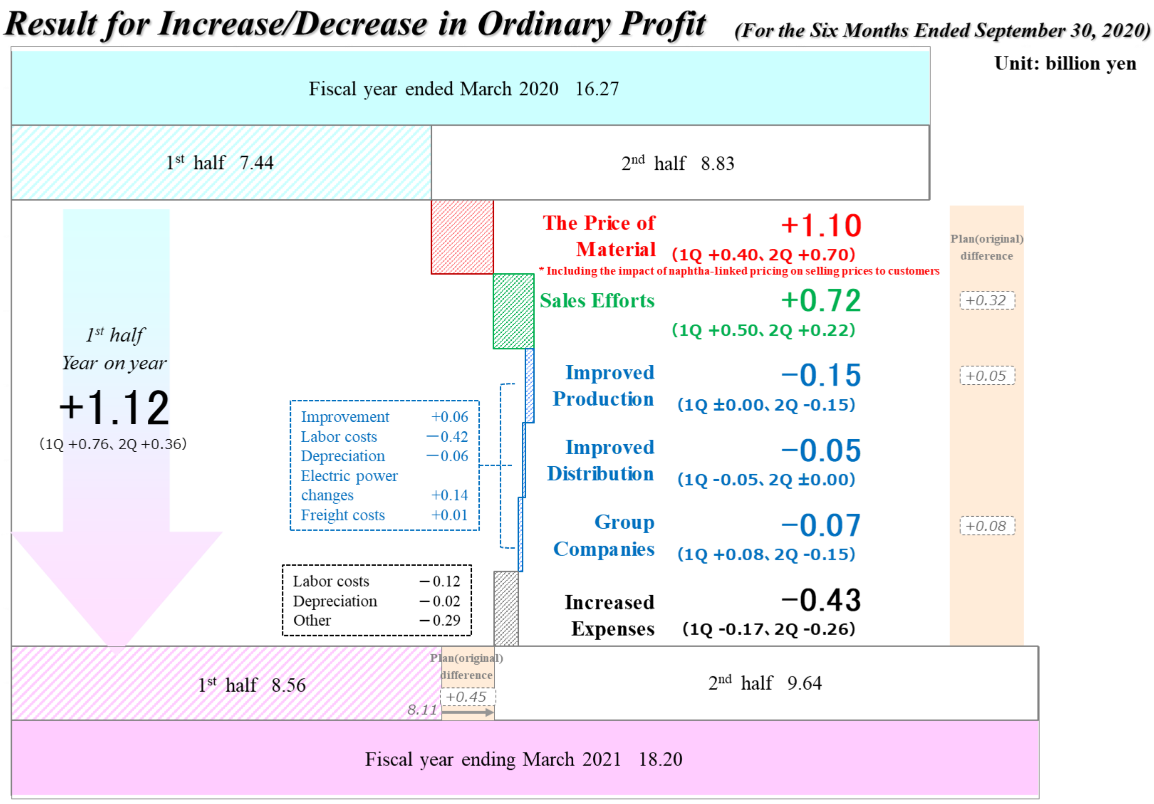
Net sales for the first six months of the consolidated fiscal year under review stood at 96,395 million yen, up 3,493 million yen or 3.8% year on year, marking a record high. Net sales of products manufactured by the Group rose 5.4% year on year to 74,634 million yen while the sales volume of such products rose 5.9% year on year. Net sales of goods purchased fell 1.4% year on year to 21,760 million yen.

(Profits)

For the first six months under review, operating profit increased 1,216 million yen or 17.1% year on year to 8,311 million yen, ordinary profit also increased 1,119 million yen (*1) or by 15.0% year on year to 8,564 million yen, ordinary profit before depreciation and amortization increased 8.8% year on year to 15,386 million yen, and profit attributable to owners of parent increased 16.8% year on year to 5,653 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 profit exceeded the projection at the beginning of the fiscal year by 490 million yen, and ordinary profit by 450 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. The Group focuses on proposing containers that would achieve labor reduction and efficiency improvement for retailers. 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.

While demand for takeout and delivered food grew rapidly, in July 2020 the Group launched a container featuring a Stack & Connect design that connects containers to each other (*2) so that they can be stacked up with a low possibility of collapsing during transportation, as well as a lunch box with a detachable folding lid that makes it easier to eat the food in it, in addition to the special container for noodles that was launched in October 2019. Shipment of these dedicated containers has been increasing. Further, the Group has been providing a new product brochure and samples of dedicated containers to customers who will begin to provide takeout and delivery services, to enable them to understand the features and advantages of the Group's products.

(*2) When containers featuring the Stack & Connect design are stacked, the bottom of the upper container connects to the lid of the lower container.
The advantage of this design is that the containers are unlikely to collapse during transportation.

(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 78 pieces of automated equipment in 47 production process lines as of September 30, 2020, having reduced the labor necessary by 179 people. A reduction of the labor necessary equivalent to 213 people is expected by March 31, 2021.

In addition, 20 production plants of the Company had acquired FSSC 22000 food safety management certification as of September 30, 2020. 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.

In May 2020, the Group acquired land for a plant (site area: approx. 48,000 m^2) in Ono-shi, Hyogo. The Group is planning to construct a new production plant there to increase production capacity and optimize its production sites, with a focus on eco-friendly products, which have seen demand for them grow recently. In addition, by making this plant a new logistics base for the Kinki Metropolitan Area, the Group expects to hold down delivery times and logistics costs. The Group also believes that the new base will facilitate both business continuity and the enhancement of supply stability in the event of a natural disaster or similar event. Further, the Group is planning to construct a dormitory for single employees in the neighborhood of the plant.

(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.

As of September 30, 2020, the Company had introduced 29 unmanned carriers (automated guided vehicles: AGVs) at seven locations in Japan and two autonomous forklifts (automated guided forklifts), aiming to streamline operations in the warehouse. It will continue to enhance its labor-reducing initiatives. In addition, the Company has introduced a voice picking system to increase the productivity of picking operations. It will proceed with initiatives to ensure the stability of supply during peak periods.

With regard to transportation between the Group'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 September 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 Group 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 expanded the Kyushu Distribution Center (completed in September 2020 with an additional floor area of 3,554 m^2). The Company will also expand 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 27,575 m^2, with the completion expected in September 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 31, 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 published its general employers action plan based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace on the Ministry of Health, Labour and Welfare's database of companies promoting the active participation and career advancement of women. 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.

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. In the fiscal year ending March 2021, the Company introduced the ability to take annual paid leave by the hour. Further, it also introduced special leave for employees participating in disaster recovery activities or activities the FP Corporation Environment Fund finances to support its employees' volunteer activities.

To improve the work environment of employees, the Company proactively invests capital in addition to raising salaries. 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), Pico House No. 3 (Koga City, Ibaraki Prefecture; 63 units; completed in March 2020), and Pico House No. 4 (Fukuyama City, Hiroshima Prefecture; 18 units; completed in October 2020), which are furnished company dormitories for single employees. In addition, 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 to be material issues that must be addressed, and promotes the following initiatives to resolve them.

1) Promotion of recycling

The Group 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 9,600 as of September 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 Group 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 September 30, 2020, these posters are displayed in 7,380 stores of 213 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. At present, some facilities have resumed tours while ensuring that thorough measures are taken to prevent COVID-19 infection. The Group will continue reaching out to greater numbers of consumers to explain that food containers are not disposable, and are valuable resources that can be recycled.

As a percentage of the total sales of the Group, the sales of eco-friendly products made from used trays and used PET bottles (Eco Tray, Eco APET container, and Eco OPET container) reached 47% in the first six months under review. All APET containers (including OPET containers) have been replaced with eco-friendly products.

To increase sales of Eco APET and Eco OPET containers, the Company took steps to increase its production capacity of recycled PET materials. 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 (as compared to 50,000 tons in the fiscal year ended March 2019 and 57,000 tons in the fiscal year ended March 2020).

2) Solving environmental problems through the FP Corporation Environment Fund (*3)

Environmental problems, including the marine plastic waste and climate change issues, are major issues caused by diverse factors that are intricately intertwined. The Company launched the FP Corporation Environment Fund in March 2020 to extend financing to organizations acting to address recent global environmental problems from multiple angles. For the fiscal year ending March 31, 2021, the Company solicited and received 72 applications from applicants with eligible activities to be conducted in the six-month period from October 1, 2020 to March 31, 2021. After evaluating the applications, the Company decided to provide funding to ten organizations. For the fiscal year ending March 31, 2022, the Company began soliciting applications on October 1, 2020, for eligible activities being conducted between April 1, 2021 and March 31, 2022. A maximum annual amount of two million yen per project is being made available.

Moving forward, the Company will work together with the organizations receiving funding to tackle environmental issues, through the participation of the Group's employees in their activities and other measures.

(*3) Logo of the Environment Fund

3) 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 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. Further, the Company has begun researching chemical recycling in collaboration with a material manufacturer and a machinery manufacturer. By combining this with FPCO method circular recycling, the Company will advance initiatives to reduce environmental impact.

The Group released four Bio-HIPS containers and three Bio-PPF containers, which are made from 25% plant-derived materials, in June 2020 as a measure to expand 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 promoting the research and studies of recycling methods and collecting information about new materials, such as paper and biomass materials, as alternatives to the use of petroleum-derived plastics, 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, with the aim of achieving a recycling-based society and building a sustainable society.

(Initiatives on ESG and SDGs)

Measures taken by the Group 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, in May 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), Hagoromo Foods Corporation (head office: Suruga-ku, Shizuoka-shi), and Nestlé Japan Ltd. (head office: Chuo-ku, Kobe-shi), which are business partners of the Company. The Company has provided 224,000 sets of containers in total.

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 second quarter under review totaled 245,179 million yen, up 2,681 million yen from the end of the previous fiscal year. That was mainly due to a 2,035 million yen increase in notes and accounts receivable – trade that resulted chiefly from the increase in net sales.

Consolidated liabilities amounted to 121,328 million yen, down 1,867 million yen from the end of the previous fiscal year. This was mainly due to a 2,992 million yen decrease in loans (short-term loans payable and long-term loans payable), which was a result of their repayment, and a 769 million yen increase of accounts payable – trade, which is attributed mainly to an increase in the amount of purchases.

Consolidated net assets totaled 123,850 million yen, up 4,549 million yen from the end of the previous fiscal year. This was attributable principally to profit attributable to owners of parent amounting to 5,653 million yen and dividends of surplus of 1,694 million yen.

The cancellation of treasury shares resulted in the decrease of capital surplus by 440 million yen, retained earnings by 3,019 million yen, and treasury shares by 3,460 million yen.

Regarding dividends, the Company revised the dividends forecast announced on July 31, 2020 to an interim dividend of 41 yen per share and the year-end dividend of 21.5 yen per share. If the stock split is not taken into account, the year-end dividend is 43 yen and the annual dividend is 84 yen. For details, please see the Notification of Revision to the Performance Forecast and Revisions to the Dividends of Surplus (interim dividends) and Forecast Amount of Dividends (increase in dividends) announced on October 30, 2020 (Japanese only).

2) State of cash flows

Consolidated cash and cash equivalents (hereinafter "cash") at the end of the second quarter under review totaled 20,108 million yen, down 179 million yen from the end of the previous fiscal year.

(Cash flows from operating activities)

Cash provided by operating activities amounted to 13,053 million yen (12,906 million yen in cash was provided a year earlier). This reflected a cash increase due mainly to profit before income taxes of 8,347 million yen, depreciation of 6,821 million yen, a shrinkage in inventories of 1,500 million yen, and an increase in notes and accounts payable - trade of 769 million yen, as well as a cash decrease following an increase in notes and accounts receivable – trade of 2,045 million yen and income taxes paid of 2,900 million yen, among other factors.

(Cash flows from investing activities)

Net cash used in investing activities reached 7,321 million yen (5,373 million yen in cash was used a year earlier).

It was due mainly to the warehouse expansion of the Fukuyama Distribution Center and 7,007 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 5,911 million yen (8,824 million yen in cash was used a year earlier).

This primarily reflected proceeds from long-term loans payable of 11,900 million yen, repayment of long-term loans payable of 14,892 million yen, repayment of lease obligations of 1,190 million yen and cash dividends paid of 1,694 million yen.

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

The Group will continue monitoring changing trends in demand for cooking and eating at home and home meal replacement during the COVID-19 pandemic. Ghost restaurants are becoming more common in the restaurant industry, and the takeout and delivered food market is expected to further expand and become established. The Group will leverage its nationwide production and logistics networks to respond flexibly to these market changes in its efforts to ensure stable supply. It will also enhance sales activities targeting restaurants all over the country using the Pack Market e-commerce site providing packaging materials.

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.

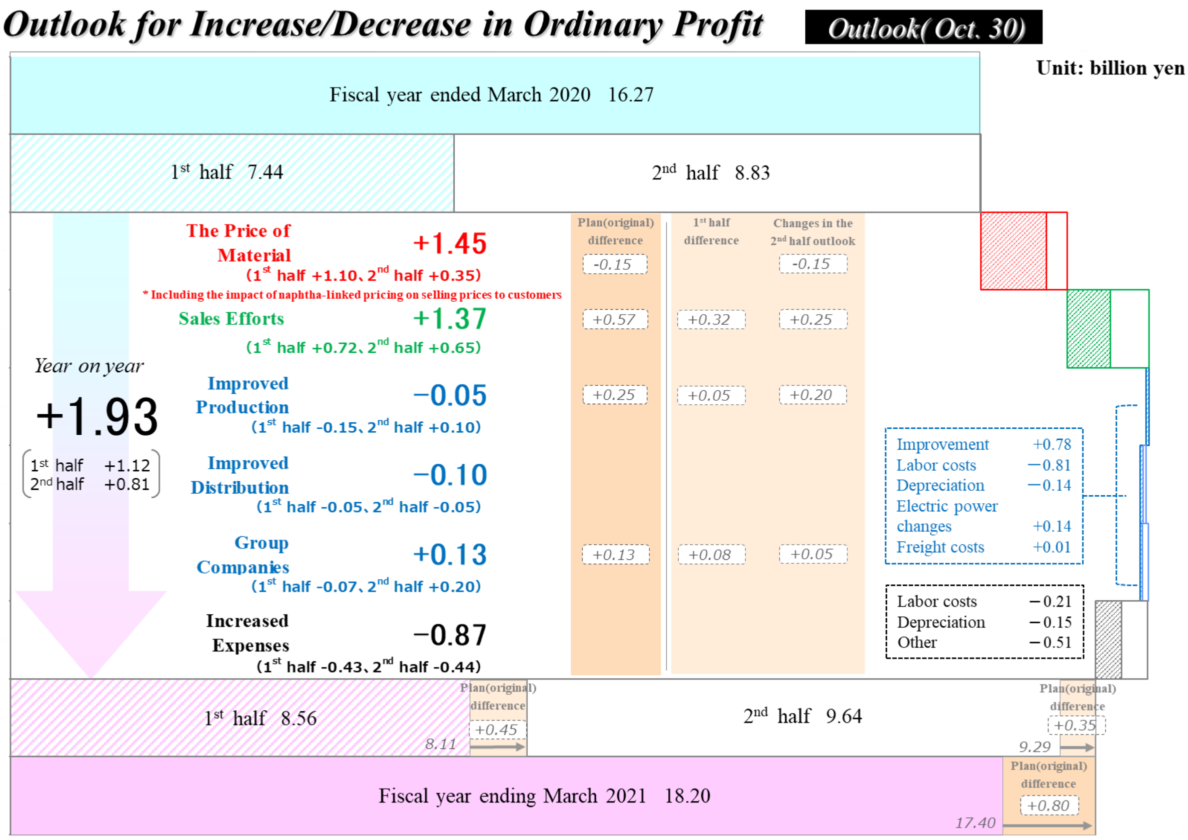
On October 1, 2020, the Group completed the takeover of Sekisui Hinomaru K.K.'s molding business, the business of manufacturing and selling plastic food containers, and accepted 139 employees from the company. This business transfer is expected to result in the enhancement of the Group's lineup of products for fishery products, such as fishcakes, dried-salted fish, and spicy cod roe, and the expansion of a new sales network. Further, the Group will create a lot of synergy from the business transfer, including a reduction of raw material procurement costs enabled by leveraging the benefits of scale, a reduction of production costs and an improvement of capacity utilization to be achieved through the integration of manufacturing technologies, a reduction of logistics costs to be enabled by a shift from the use of consolidated cargo services to the use of its own trucks, and the achievement of stable supply through the integration of the supply chain management systems.

Regarding raw materials, the Company saw the price of polystyrene, a main material for its products, fall in the second quarter of the fiscal year ending March 31, 2021. However, a reversal of the polystyrene price is expected from the third quarter onwards, so the Company will continue to monitor the situation. It is expected to impact selling prices to customers to whom naphtha-linked pricing applies from the third quarter onwards.

In January 2021, the amended Annexes to the Basel Convention will come into effect. One result of this is that approval from the destination country will be necessary when exporting some plastic waste. The Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan are considering the segregation and collection of not only plastic containers and packaging but also plastic products from household plastic waste, provision of incentives to consumers cooperating in voluntary collections managed by business operators, and support for business operators' measures to increase the amount of plastic waste collected, among other initiatives. The Group believe that these changes in domestic and overseas laws and regulations provide momentum to accelerate the domestic recycling of plastics, and will continue working to realize a recycling-based society.

Based on the performance in the first six months of the consolidated fiscal year under review and the current outlook, the Group has revised the consolidated forecasts for the full year, which were announced in the Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 on April 30, 2020 (*4). For details, please see the Notification of Revision to the Performance Forecast and Revisions to the Dividends of Surplus (interim dividends) and Forecast Amount of Dividends (increase in dividends) announced on October 30, 2020 (Japanese only). 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.

(*4) Full year forecasts after revisions to the factors for the increase/decrease of ordinary profit



(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 (sales commenced in 2020).
Bio-PPF container:	PPF (polypropylene with fillers) container containing 25% of plant-derived materials (sales commenced in 2020).

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2020)	Second quarter of the current consolidated fiscal year (As of September 30, 2020)
Assets		
Current assets		
Cash and deposits	20,288	20,108
Notes and accounts receivable - trade	34,223	36,259
Merchandise and finished goods	18,667	17,701
Work in process	107	132
Raw materials and supplies	3,641	3,081
Other	3,414	3,741
Allowance for doubtful accounts	(19)	(22)
Total current assets	80,322	81,003
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	74,735	74,286
Machinery, equipment and vehicles, net	33,345	32,775
Lands	33,327	35,349
Lease assets, net	3,353	2,551
Other, net	6,525	7,622
Total property, plant and equipment	151,289	152,585
Intangible assets		
Goodwill	974	834
Other	1,482	1,448
Total intangible assets	2,456	2,282
Investments and other assets	8,428	9,307
Total non-current assets	162,174	164,175
Total assets	242,497	245,179
Liabilities		
Current liabilities		
Accounts payable - trade	19,309	20,078
Short-term loans payable	21,939	17,237
Commercial papers	18,000	18,000
Income taxes payable	3,011	3,049
Provision for bonuses	2,368	2,637
Provision for directors' bonuses	104	54
Other	14,836	15,193
Total current liabilities	79,569	76,252
Non-current liabilities		
Long-term loans payable	36,760	38,470
Provision for directors' retirement benefits	558	549
Provision for executive officers' retirement benefits	37	40
Net defined benefit liability	4,396	4,555
Other	1,873	1,459
Total non-current liabilities	43,626	45,076
Total liabilities	123,196	121,328

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2020)	Second quarter of the current consolidated fiscal year (As of September 30, 2020)
Net assets		
Shareholders' equity		
Capital stock	13,150	13,150
Capital surplus	15,864	15,487
Retained earnings	94,157	95,096
Treasury shares	(5,095)	(1,616)
Total shareholders' equity	118,077	122,118
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	762	1,232
Remeasurements of defined benefit plans	(106)	(85)
Total accumulated other comprehensive income	656	1,146
Non-controlling interests	567	586
Total net assets	119,301	123,850
Total liabilities and net assets	242,497	245,179

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

(Quarterly Consolidated Statement of Income)

(First half period)

(Million yen)

	First half period of previous fiscal year (April 1, 2019 - September 30, 2019)	First half period of current fiscal year (April 1, 2020 - September 30, 2020)
Net sales	92,901	96,395
Cost of sales	62,345	63,348
Gross profit	30,556	33,047
Selling, general and administrative expenses	23,461	24,736
Operating profit	7,094	8,311
Non-operating income		
Interest income	0	0
Dividends income	68	64
Share of profit of entities accounted for using equity method	19	19
Subsidy income	137	29
Gain on sale of scraps	76	53
Other	177	173
Total non-operating income	480	341
Non-operating expenses		
Interest expenses	50	44
Other	79	42
Total non-operating expenses	129	87
Ordinary profit	7,445	8,564
Extraordinary losses		
Loss on sales and retirement of non-current assets	98	216
Loss on valuation of investment securities	91	–
Total extraordinary losses	190	216
Profit before income taxes	7,254	8,347
Income taxes ‑ current	2,501	2,977
Income taxes ‑ deferred	(170)	(336)
Total income taxes	2,330	2,641
Profit	4,923	5,706
Profit attributable to non-controlling interests	81	52
Profit attributable to owners of parent	4,842	5,653

(Quarterly Consolidated Statement of Comprehensive Income)

(First half period)

(Million yen)

	First half period of previous fiscal year (April 1, 2019 - September 30, 2019)	First half period of current fiscal year (April 1, 2020 - September 30, 2020)
Profit	4,923	5,706
Other comprehensive income		
Valuation difference on available-for-sale securities	(123)	470
Remeasurements of defined benefit plans, net of tax	31	20
Share of other comprehensive income of entities accounted for using equity method	(0)	(1)
Total other comprehensive income	(92)	489
Comprehensive income	4,830	6,196
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,749	6,143
Comprehensive income attributable to non-controlling interests	81	52

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	First half period of previous fiscal year (April 1, 2019 - September 30, 2019)	First half period of current fiscal year (April 1, 2020 - September 30, 2020)
Cash flows from operating activities		
Profit before income taxes	7,254	8,347
Depreciation	6,702	6,821
Increase (decrease) in provision for bonuses	0	269
Increase (decrease) in provision for directors' bonuses	(48)	(49)
Increase (decrease) in allowance for doubtful accounts	3	13
Increase (decrease) in provision for directors' retirement benefits	(0)	(8)
Increase (decrease) in provision for executive officers' retirement benefits	(0)	3
Increase (decrease) in net defined benefit liability	32	159
Loss (gain) on valuation of investment securities	91	–
Interest and dividends income	(68)	(65)
Interest expenses	50	44
Share of loss (profit) of entities accounted for using equity method	(19)	(19)
Loss (gain) on sales and retirement of non-current assets	92	216
Decrease (increase) in notes and accounts receivable - trade	3,672	(2,045)
Decrease (increase) in inventories	1,040	1,500
Decrease (increase) in accounts receivable - other	678	(65)
Increase (decrease) in notes and accounts payable - trade	(1,840)	769
Other, net	(1,413)	43
Subtotal	16,227	15,933
Interest and dividend income received	68	65
Interest expenses paid	(55)	(45)
Income taxes paid	(3,334)	(2,900)
Net cash provided by (used in) operating activities	12,906	13,053
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,261)	(7,007)
Other, net	(112)	(314)
Net cash provided by (used in) investing activities	(5,373)	(7,321)
Cash flows from financing activities		
Proceeds from long-term loans payable	3,000	11,900
Repayment of long-term loans payable	(8,763)	(14,892)
Repayments of lease obligations	(1,356)	(1,190)
Cash dividends paid	(1,694)	(1,694)
Other, net	(10)	(33)
Net cash provided by (used in) financing activities	(8,824)	(5,911)
Net increase (decrease) in cash and cash equivalents	(1,291)	(179)
Cash and cash equivalents at beginning of period	19,151	20,288
Cash and cash equivalents at end of period	17,860	20,108

(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

Cancellation of treasury shares

On August 18, 2020, the Company cancelled 2,000,000 treasury shares in accordance with a resolution passed at the meeting of the Board of Directors held on July 31, 2020. This resulted in the decrease of capital surplus by 440 million yen, retained earnings by 3,019 million yen, and treasury shares by 3,460 million yen in the first six months of the consolidated fiscal year under review.

Important Subsequent Events

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

Effective on October 1, 2020, the Company split its stock and partially revised its articles of incorporation based on resolutions passed at the meeting of the Board of Directors held on July 31, 2020.

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 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

The impact on per share information has been reflected in the values for net income per share and net assets per share, which are shown in the summary information section.

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 revised 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 has been revised.)

Before the revision	After the 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 did not result in a change of the amount of capital stock.