May 2, 2018

Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 <under Japanese GAAP>

Company name:	FP Corporation		
Stock exchange listing:	Tokyo Stock Exchange		
Stock code:	7947	URL:	http://www.fpco.co.jp/
Representative:	Morimasa Sato, Representative Director, President		
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Scheduled date for ordinary general meeting of shareholders:	June 27, 2018
Scheduled date of commencement of dividend payment:	June 8, 2018
Scheduled date for filing of securities report:	June 28, 2018
Supplementary documents for financial results:	Yes
Financial results briefing:	Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (April 1, 2017 – March 31, 2018)

(1) Consolidated Results of Operations

(Percentages show year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2018	173,580	0.4	12,884	(15.1)	13,548	(13.9)	9,178	(16.2)
March 31, 2017	172,858	1.5	15,176	14.6	15,742	12.2	10,953	17.8

(Note) Comprehensive income: Fiscal year ended March 31, 2018: 9,806 million yen (-14.3%)
Fiscal year ended March 31, 2017: 11,440 million yen (28.5%)

	Net income per share (basic)	Net income per share (diluted)	Return on equity	Ratio of ordinary profit to total assets	Operating margin
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2018	222.01	–	8.9	5.8	7.4
March 31, 2017	264.86	–	11.5	7.3	8.8

(Reference) Shares of (profit) loss of entities accounted for using equity method: Fiscal year ended March 2018: – million yen
Fiscal year ended March 2017: – million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
March 31, 2018	244,198	106,219	43.3	2,560.18
March 31, 2017	219,481	99,721	45.3	2,403.52

(Reference) Equity: As of March 31, 2018: 105,837 million yen
As of March 31, 2017: 99,361 million yen

(3) Consolidated Cash Flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at year-end
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2018	13,974	(23,656)	7,197	15,659
March 31, 2017	25,912	(21,932)	(924)	18,144

2. Dividends

	Dividend per share					Total Dividend	Dividend payout ratio	Dividend on equity
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2017	–	40.00	–	40.00	80.00	3,307	30.2	3.5
March 31, 2018	–	40.00	–	41.00	81.00	3,348	36.5	3.3
Fiscal year ending March 31, 2019 (forecast)	–	40.00	–	41.00	81.00		33.8	

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(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-month cumulative period	89,000	2.8	6,400	1.8	6,650	0.3	4,460	0.9	107.89
Year ending March 31, 2019	179,000	3.1	14,300	11.0	14,800	9.2	9,900	7.9	239.48

* Notes

(1) Changes of important subsidiaries during the period (change in specific subsidiaries accompanied by a change in the scope of consolidation): No

(2) 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

(3) Number of shares outstanding (common stock):

(i) Number of shares outstanding at the end of the period (including treasury shares)
As of March 31, 2018: 44,284,212 shares
As of March 31, 2017: 44,284,212 shares
(ii) Number of treasury shares at the end of the period:
As of March 31, 2018: 2,944,236 shares
As of March 31, 2017: 2,944,011 shares
(iii) Average number of shares outstanding during the period:
As of March 31, 2018: 41,340,077 shares
As of March 31, 2017: 41,357,025 shares

(Reference) Overview of Non-Consolidated Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (April 1, 2017 – March 31, 2018)

(1) Non-Consolidated Results of Operations

(Percentages show year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2018	139,840	1.4	8,121	(17.6)	12,950	25.1	10,113	41.3
March 31, 2017	137,975	1.9	9,852	5.4	10,353	3.5	7,155	9.9

	Net income per share (basic)	Net income per share (diluted)
Fiscal year ended	Yen	Yen
March 31, 2018	244.65	–
March 31, 2017	173.01	–

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
March 31, 2018	219,505	86,567	39.4	2,094.03
March 31, 2017	199,008	79,216	39.8	1,916.21

(Reference) Equity: As of March 31, 2018: 86,567 million yen
As of March 31, 2017: 79,216 million yen

<Grounds for Difference from Non-Consolidated Results for the Previous Fiscal Year>

In the previous fiscal year, the Company posted dividends from consolidated subsidiaries amounting to 4,190 million yen as non-operating income. This has caused a disparity between the results for the previous fiscal year and those for the fiscal year under review.

Given that the dividends in question were received from consolidated subsidiaries, they have no impact on the consolidated results.

* This summary of financial statements is 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) Overview of Consolidated Results of Operations and Financial Situation for the Fiscal Year Ended March 31, 2018 of 1. Overview of Consolidated Results of Operations, Etc. on page 2.

(How to obtain information presented at a financial results briefing session)

The Company will hold a briefing session for financial analysts and institutional investors on May 7, 2018 (Monday). Presentation materials presented at this briefing session will be posted on the Company’s website promptly after the session.

Accompanying Materials – Contents

1. Overview of Consolidated Results of Operations, Etc.

(1) Overview of Consolidated Results of Operations and Financial Situation for the Fiscal Year Ended March 31, 2018

1) Overview of Consolidated Results of Operations for the Fiscal Year Ended March 31, 2018

During the fiscal year under review (from April 1, 2017 to March 31, 2018), the Japanese economy saw a moderate recovery due to improvements in corporate earnings as well as the employment and income environment. However, the persistent budget-mindedness of consumers continued, mainly due to sluggish growth in real income.

In this environment, we saw a steady increase in sales of our original products (Multi FP, Multi Solid, OPET, and new transparent PP containers, and products using recycled raw materials, such as Eco Tray and Eco APET). The sales ratio of original products rose from 54% at the end of the previous consolidated fiscal year to 58% at the end of the consolidated fiscal year under review. In particular, the Multi FP container is used in many applications including hot pots, soup containers, heated prepared food containers, and chilled lunchboxes, and the possibility of new product development that allows microwave heating is encouraging proposals for the creation of new sales spaces at retailers, and more and more customers are using the product. For transparent containers, we are working on enhancing the lineup of OPET and new transparent PP products to replace conventional OPS transparent containers, contributing to the increase in the use of containers with fitted lids, which are suitable for prepared food such as fried food, as well as prepared food containers for microwave heating and transparent lids for lunchboxes. Eco APET containers are increasingly being adopted as vegetable salad containers and as containers for fresh fruit and vegetables, and as we are heading toward summer, they will be further introduced as containers for summer noodles with inner trays.

Food retailers are enriching their arrays of prepared food with high profitability and shifting from fresh food to prepared food. Sales volumes are growing for containers with lids, which provide a good appearance to food ingredients, and new products that have the effect of revamping fruit selling spaces. In line with the expansion of the home meal replacements market, large food manufacturers are making more extensive efforts to develop prepared food items and other new products. In addition, the restaurant industry is expanding into the home meal replacement market, and more and more major restaurant chains have begun to use containers for take-out food. The Group proposes securely closed tape-free containers, containers for assortments of prepared food items with cassette-like interior structures and containers for meals with fitted lids for work improvement measures in response to the personnel shortage issues facing food retailers.

Meanwhile, sales remained sluggish for seasonal products from August 2017 against the backdrop of bad weather in eastern Japan including Kanto and Tohoku, and began to slow down for prepared food as well due to the damage caused by O157. In addition, fresh fish continued to perform poorly, reflecting increases in fish prices due to a decline in the catch as well as the Anisakis problem. In October, footfall declined due to the unseasonable weather of a long rainy period and the impact of typhoons and, at the end of the year, prices for produce especially leafy vegetables rose. After the start of the new calendar year, vegetable prices remained high due to heavy snowfall and other weather conditions. As a consequence, the sales volume was weak.

Under these circumstances, the prices of raw materials for products manufactured by the Group had been raised one after another since the third quarter of the previous fiscal year (during the period from October 1, 2016 to March 31, 2017). Partly due to these factors, the Group announced revisions to prices for products shipped on or after June 1, 2017. However, with the price of polystyrene showing a slight decline, in July the Group decided to reduce the level of increases and applied the revisions to prices for certain products, with the timing of the pass-through to consumer price slightly delayed. The prices of raw materials subsequently continued to rise, with increases in prices for imported PET resins due to an anti-dumping duty on Chinese-produced PET resins from September 2017 and further rises in prices for polystyrene from January 2018. The Group announced the revision of product prices that would apply to products shipped on and after April 1, 2018 in view of the upward trends regarding expenses for cardboard, plastic bags and other secondary materials, logistical expenses, electricity utility charges and labor expenses.

(Net sales)

Net sales in the fiscal year under review rose 722 million yen or 0.4% year on year, to reach a record high of 173,580 million yen. During the fiscal year under review, sales volume of products manufactured by the Group rose 2.1% year on year in terms of the number of cases and 0.7% year on year in terms of the number of products, while net sales rose 1.3% year on year to 129,566 million yen. Sales of goods purchased from outsiders fell by 2,186 million yen after the reconsideration of unprofitable transactions, although the Group increased the volume of private brand items in an effort to boost its capabilities to procure goods. Net sales of such goods for the fiscal year under review were 44,014 million yen, down 2.0% year on year.

(Profits)

Although we boosted profits by about 1,670 million yen due to the strong sales of our original and new products, material expenses rose around 2,600 million yen from the preceding fiscal year due to a sharp rise in the prices of materials for the Group's products, labor expenses also rose around 410 million yen, due chiefly to a staff increase, depreciation expenses surged around 520 million yen after new bases and equipment came into operation, and electricity utility charges were also revised upwards. The total cost increase reached around 3,860 million yen, and consequently operating profit for the fiscal year under review contracted 2,291 million yen or 15.1% year on year, to 12,884 million yen. Ordinary profit also fell 2,193 million yen or 13.9% year on year, to 13,548 million yen. Ordinary profit before depreciation and amortization was 25,255 million yen, down 6.2% year on year, and profit attributable to owners of parent totaled 9,178 million yen, down 16.2% year on year.

(Sales activities)

As food retailers and food processing vendors put efforts into expanding the market of home meal replacements, particularly prepared food, the Company's original products that support microwave heating are becoming more widely used. We will also accelerate the development of high value-added products and the enhancement of the product lineup tailored to the lifestyles of consumers, shifting the sales mix to our original products to boost the net sales and profitability of our products. Furthermore, our initiatives include steps to reduce carbon emissions and improve work productivity to respond to the labor shortage, while promoting sales of products using recycled materials and general-purpose products. Apart from those mentioned above, the FPCO Fair 2018 took place on March 28-30, 2018, attracting 14,000 visitors, consisting mainly of food retailers from all over the country. At this event, we provided customers with information on selling spaces across the country and the latest products developed in collaboration with major food manufacturers. Particularly at this recent event, whose main theme was *An Ongoing Shift to Prepared Food and Retailers Countering the Wave of Labor Shortage*, we presented some examples of resolving problems facing food retailers with various ideas, and this presentation was well received.

(Production)

The Kanto Eco PET Plant, which was completed on the site of the Kanto Yachiyo Plant in August 2017, commenced full-scale operation in November with the completion of test operation. As with the Chubu Eco PET Plant (which began operating in March 2016), we will carry out integrated production to promote the FPCO "bottle to tray" recycling method in which we reuse collected transparent PET containers and PET bottles as raw materials to produce Eco APET containers. With the completion of this new plant, the Group's capacity to supply materials for the Eco APET containers is enhanced to the scale of 50,000 tons per year. In addition, with OPET sheet extrusion equipment and product-molding machines installed, the Kanto Yachiyo Plant and the Chubu Eco PET Plant produce OPET transparent containers. For the purpose of increasing the sales of OPET transparent containers, we additionally installed OPET Sheet Extruder No. 4 in the premises of the Chubu Eco PET Plant and put it into full operation in April 2018. We are also pushing ahead with the introduction of industrial robots at all molding plants throughout Japan, aiming for the automation of manufacturing processes to save labor.

(Logistics)

We temporarily relaxed our efforts to construct a robust and flexible nationwide logistics network and ensured the establishment of a stable supply system for future market expansion and peak seasons. We also introduced a voice-activated picking system to improve the productivity of picking operations. In addition, as part of our Business Continuity Plan (BCP), we have installed emergency power-generating equipment and store sufficient fuel to secure an electricity supply for 72 hours, or three days, in all 21 locations nationwide to ensure that our critical business functions will continue to operate even in the event of serious incidents, such as an electricity outage caused by a disaster. Through these measures, we will provide a stable supply and reduce costs throughout the logistics chain up to product delivery to customers.

(Workstyle reform initiatives)

To promote diversity, the Group promotes the employment of disabled workers by thinking about the contents of work in which they are able to take an active role and creating a work environment where they will be able to work easily. In September 2017, for the fourth consecutive year, the Company came top in a ranking of companies that hire workers with disabilities, announced by Toyo Keizai Inc. As for initiatives aimed at broadening participation of women, supporting the continued employment of women and increasing the number of female managers, we posted a “Positive Action” declaration on the portal site of the Ministry of Health, Labour and Welfare and are working to increase the percentage of women on the career track to 20% and the number of female managers to 50.

We have also introduced a flextime system and staggered working hours, and are promoting other workstyle reforms to offer employees more working time options, encouraging them to focus their efforts on the periods that are busy for them and reducing overtime by improving work production efficiency. We also think that a change of pace is important and have lengthened lunch breaks to ensure sufficient rest. We shortened the prescribed working hours to reflect the longer break time and are reducing high levels of overtime through improvement in productivity and the staggered working hours mentioned earlier.

(Explanations of terms)

Multi FP (MFP) container:	A formed PS (polystyrene) container with cold and heat resistance to temperatures between -40ºC and +110ºC and with superior oil and acid resistance and thermal insulation.
Multi Solid (MSD) container:	A non-formed PS (polystyrene) container with a heat resistance temperature of +110ºC that is able to create sharp figures by using scraps of materials from the Multi FP, while maintaining the characteristics of the Multi FP.
OPET transparent container:	A polyethylene terephthalate transparent container with a heat resistance temperature of +80ºC that is molded from bi-axially oriented PET sheets, with superior oil and acid resistance and transparency, achieving the same thermal insulation as the OPS.
New transparent PP container:	A transparent PP container with a heat resistance temperature of +110ºC, which has achieved the same transparency as OPS using standard-grade polypropylene raw material.
OPS transparent container:	A conventional transparent container with a heat resistance temperature of +80ºC that is molded from the bi-axially oriented polystyrene sheets.
Eco Tray:	A recycled expanded polystyrene container for which polystyrene containers collected at supermarket shop counters 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 supermarket shop counters, PET bottles and scrap pieces collected within plants are used as raw materials (sales commenced in 2012).

2) Overview of Financial Situation in the Fiscal Year Ended March 31, 2018

Consolidated assets at the end of the fiscal year under review totaled 244,198 million yen, up 24,717 million yen from the end of the previous fiscal year. This was due mainly to an increase in operating receivables due to the closing date of the consolidated fiscal year under review being a non-business day of financial institutions and due to an increase in property, plant and equipment after capital investment for the Kanto Eco PET Plant.

Consolidated liabilities amounted to 137,979 million yen, up 18,219 million yen from the end of the previous fiscal year. This was due mainly to an increase in interest-bearing liabilities following the procurement of funds for capital investment.

Consolidated net assets reached 106,219 million yen, up 6,497 million yen from the end of the previous fiscal year. This change mainly reflected the profit attributable to owners of parent of 9,178 million yen and dividends of surplus of 3,307 million yen.

3) Overview of Cash Flows in the Fiscal Year Ended March 31, 2018

Consolidated cash and cash equivalents (hereinafter, “cash”) at the end of the fiscal year under review totaled 15,659 million yen, down 2,485 million yen from the end of the previous fiscal year.

The status of cash flows from the respective activities and the causes are described as follows.

(Cash flows from operating activities)

Net cash provided by operating activities came to 13,974 million yen, down 11,937 million yen from a year earlier.

This primarily reflected a cash increase due mainly to income before income taxes of 13,234 million yen, depreciation of 11,706 million yen and an increase in notes and account payable - trade of 2,623 million yen, while there were some cash decreases due mainly to an increase in notes and accounts receivable - trade of 5,065 million yen, an increase in inventories of 2,813 million yen, and income taxes paid of 4,421 million yen.

Increase in notes and account payable - trade and notes and accounts receivable - trade is chiefly because the closing date of the consolidated fiscal year under review was a non-business day of financial institutions.

(Cash flows from investing activities)

Net cash used in investing activities was 23,656 million yen, up 1,724 million yen from the previous fiscal year.

This was mainly due to spending on the acquisition of property, plant and equipment, including OPET Sheet Extruder No. 4 and others installed in the Kanto Eco PET Plant and the Chubu Eco PET Plant.

(Cash flows from financing activities)

Net cash provided by financing activities came to 7,197 million yen, while 8,122 million yen in cash was provided a year earlier. This primarily reflected total revenues (procured funds) of 35,800 million yen, consisting of proceeds from long-term loans payable of 32,000 million yen, a net increase in commercial papers of 3,000 million yen and a net increase in short-term loans payable of 800 million yen, the repayment of lease obligations of 3,206 million yen and cash dividends paid of 3,301 million yen.

(2) Projections

As to the future outlook, unpredictable conditions, such as consumer trends and increases in raw material costs and electricity charges attributable to the foreign exchange rate and crude oil price fluctuations, are expected to persist in the operating environment that surrounds the Group.

Under this environment, there were two announcements that had an impact on the procurement of the raw materials of Eco PET containers.

The first announcement was made by China in July 2017 to notify the World Trade Organization (WTO) that the country would terminate the import of some types of waste such as waste plastics and paper by the end of the year. Such waste plastics include recycled PET bottles that are exported from Japan to China. The prices for PET bottles recycled in Japan are declining because the supply-demand balance is not being maintained due to the effects of China’s import termination. The Group reuses recycled PET bottles as materials for Eco APET containers. We expect that our supply capacity of reused materials will increase from the current 30,000 tons per year to 50,000 tons due to the operation of the Kanto Eco PET Plant. We also anticipate that the costs for the procurement of raw materials will decrease due to the decline in recycled PET bottle prices.

Subsequently, in August 2017, the Ministry of Finance announced that it would impose a temporary anti-dumping duty on Chinese-produced PET resins that are used mainly for PET bottles for four months from September. In December 2017, the Ministry decided to formally impose an anti-dumping duty for up to five years. The tariff is a maximum of 53%. As a result, with more companies considering changing the import source from China to other Asian countries, the prices for imported PET resins are increasing. Given the start of the operation of the Kanto Eco PET Plant, the Group expects that its use of virgin PET resins will decline 20,000 tons per year from the current level, and its use of imported PET resins is expected to decline due to rising prices.

With prices for recycled PET bottles in Japan falling and the Company using less imported virgin PET resins as explained above, the Company’s competitive advantage in the industry in terms of the cost of raw materials is likely to increase.

Looking at the employment situation, companies in Japan are having difficulties securing human resources with labor costs rising significantly due to a labor shortage and an increase in minimum wages.

The Group is promoting the introduction of industrial robots in production, and a voice-activated picking system and an automatic sorter system in distribution in order to encourage labor savings and improve work productivity. We will continue to take these steps to curb production and distribution costs. In addition, we will develop a corporate structure in which we can achieve stable profits over the medium to long term through measures including the further acceleration of new product development and lineup enhancement, including the Company’s original products, combined with cost control in our nationwide distribution network.

For the consolidated fiscal year ending March 31, 2019, the Group forecasts that it will achieve net sales of 179,000 million yen, up 3.1% year on year, operating profit of 14,300 million yen, up 11.0%, ordinary profit of 14,800 million yen, up 9.2%, and profit attributable to owners of parent of 9,900 million yen, up 7.9%.

(3) Basic Principles of Profit Distribution and Dividends for the Fiscal Year under Review and for the Next Fiscal Year

Providing shareholders with a return on their investment is one of the most important goals of the Group. While aiming to improve profitability and strengthen our financial standing, we will seek to pay consistent dividends, and maintain retained earnings as sources for the flexible strengthening of management and strategic investment in business expansion. According to our dividend policy, we have set a target of achieving a ratio of consolidated dividend payout to profit attributable to owners of parent of the Group of 30%.

For the fiscal year under review, we have decided to pay an interim dividend of 40 yen per year and a year-end dividend of 41 yen per share, which results in an annual dividend of 81 yen per share as forecast at the beginning of fiscal year to ensure the continuity of stable dividend payments, although profit attributable to owners of parent for the fiscal year under review was worse than forecast at the beginning of fiscal year. As a result, the consolidated payout ratio is 36.5%.

For the next fiscal year, we will be paying a dividend of 81 yen per share to ensure the continuity of dividend payments similarly to the fiscal year under review, expecting a consolidated payout ratio of 33.8%.

2. Management Policy

(1) Management's Basic Principle

Based on the management philosophy of "Customer First," FP Corporation consistently focuses on the environment, safety, security and health. We operate our businesses to provide products, services and proposals that respond to a broad array of customer and expectations.

To fulfill our social responsibility, we have been promoting our environmental management system, making efforts to spread our FPCO recycling method (Tray-to-Tray and Bottle-to-Tray) to build a recycling-oriented society.

Our Medium- to Long-term Management Strategy is aimed at maximizing our corporate value, and will make active strategic investments to realize this goal. Through these investments, we will aim to become "a corporate group that creates comfortable dietary lives for customers through food containers" and pursue our three basic objectives as a manufacturer: "reliably delivering as needed" "the highest quality products" "at the most competitive price."

We recognize our responsibility as one of the supporters of the dietary environment, and aim to enhance our capacity in material and product development, sales, and distribution, as well as improve quality, productivity, and service. We will continue to reduce total costs and build a solid base for corporate management.

In addition, we will make efforts to maintain positive and open relationships with customers, clients, society, employees, shareholders, and other stakeholders, and aim to sustain growth and improve corporate value in the medium to long term.

(2) Targeted Management Indicators

According to the Group's consolidated management targets, we aim to achieve ordinary profit of 20,000 million yen. For practicing business administration with a focus on shareholders, we will steadily implement different measures in the Group's management plan with a view to increasing corporate value. We have defined the ratio of ordinary profit to consolidated net sales and net profit per share as our management indicators and set their targets at 10% or higher and at 330 yen, respectively. In the dividend policy, we have set the target for the consolidated ratio of dividend payout to profit attributable to owners of parent of the Group at 30%.

(3) Challenges to Be Addressed

(i) Technological innovation and development of new products

We will accelerate the development of products that meet the needs of customers by introducing state-of-the-art production facilities and replacing equipment, and by promoting comprehensive technological innovation by making products lighter and developing new functions and materials to provide customers with high quality and value added products, as well as products with enhanced functions.

(ii) Aiming at becoming a proposal-based (problem solving type) company

An increasing number of people are changing their lifestyles and eating ready-made meals at home instead of dining out or cooking at home. In response to this trend, which can partly be explained by the increase in elderly people and working women, food retailers are seeing an increase in sales of ready-made meals, especially delicatessen items.

We will strive to stay ahead of this change and provide products that meet the needs of our clients, such as microwavable containers, enabling them to differentiate their sales space from others.

We will also support clients taking environmentally friendly actions through the reduction of CO_2 emissions, improving work productivity to deal with labor shortages, or working to cut logistics costs by providing FPCO's logistics network. We aim to provide comprehensive solutions to issues shared within the retail industry.

(iii) Enhancement of supply system

We will work to further enhance our supply chain management (SCM), saving labor and improving work productivity by introducing industrial robots in production and voice-activated picking systems and automatic sorter systems in distribution. We will continue to take steps to curb production and distribution costs, working to create an entire system of procurement, production and logistics with optimized and reduced costs.

In addition, we will make efforts to fully utilize our nationwide logistics network to provide an even more streamlined logistics service and stable supply of products.

(iv) Environmentally friendly operation

We will execute a new Medium-Term Environmental Management Plan, FP Corporation Eco Action 50, as a more advanced version of the Five-Year Environmental Management Plan.

Additionally, the Company, as the leading company in the industry, aims at a sustainable world by achieving a recycling-oriented society through our business activities centering on FP Corporation recycling method such as “Tray to Tray” and “Bottle to Tray,” and contributes to carbon dioxide emissions reduction by promoting our recycled products (Eco Tray, Eco APET). Compared to non-recycled products, our Eco Tray and Eco APET have realized a 30% reduction in CO_2 emissions, respectively.

Furthermore, through the design and development of environment-conscious products with one of the lowest levels of environmental impact in the industry, we will implement various measures such as taking initiatives to reduce and recycle industrial waste created through business activities.

(v) Management emphasizing social responsibility

We understand that positive involvement in disability employment support and the building of trust from local communities form part of management aimed at boosting corporate value.

In order to aid our clients’ business continuity, we will install an emergency power generator to provide power to continue logistics operations in the event of a blackout caused by natural disasters, etc. We will establish a system that will provide 72 hours’ (3 days’) worth of electricity.

We also believe that intangible value comprises social responsibility. Based on this idea, we will build a cooperative relationship with customers, clients, society, employees, shareholders, and other stakeholders by creating opportunities for further communication. These will include tours of our recycling plants, sorting plants, and plants that have hired disabled workers.

(vi) Enhancement of intellectual property rights

To ensure the uniqueness of the Group and its differentiation advantage in the market, we will apply for patent, utility model right and design registration, to enhance corporate value through the acquisition of intellectual property rights.

(vii) Preparation for expansion of the market for home meal replacements

By combining organization-wide resources and infrastructures that have been nurtured by FP Corporation over the years, including capabilities for development, manufacturing and recycling, resourcefulness and networks for distribution and information, we will get prepared for rapid expansion of the market for home meal replacements.

In addition, we are exploring the possibility of entering the markets of frozen food and the home delivery of food, which are expected to grow further in the future.

(viii) Workstyle reform initiatives

We are aware that providing the Group’s individual employees with an environment that allows them to display their abilities and characteristics to the fullest degree in order to fulfill their roles and feel fulfilled and satisfied while working vigorously is a management issue that leads to enhanced corporate value. On the basis of this notion, our separate departments are working to increase productivity and introduce a program for selectable working time slots and an obligation to take paid leave for five consecutive days in a bid to encourage staff members to think independently about work time management and take actions to optimize their working hours.

3. Basic Approach to Selection of Accounting Standards

The Group has decided to adopt Japanese Accounting Standards for the time being. However, we plan to conform to IFRS (International Financial Reporting Standards) as appropriate upon consideration of domestic developments and the situation in other countries.

4. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	18,151	15,659
Notes and accounts receivable - trade	32,421	37,487
Merchandise and finished goods	15,857	17,828
Work in process	118	86
Raw materials and supplies	3,159	4,021
Deferred tax assets	1,687	1,727
Accounts receivable - other	2,338	3,807
Other	501	524
Allowance for doubtful accounts	(28)	(20)
Total current assets	74,208	81,122
Non-current assets		
Property, plant and equipment		
Buildings and structures	114,713	128,044
Accumulated depreciation	(51,463)	(54,633)
Buildings and structures, net	63,249	73,411
Machinery, equipment and vehicles	50,909	63,030
Accumulated depreciation	(28,018)	(31,452)
Machinery, equipment and vehicles, net	22,891	31,577
Lands	33,371	33,683
Lease assets, net	19,291	16,783
Accumulated depreciation	(10,684)	(10,297)
Leased assets, net	8,607	6,486
Construction in progress	3,282	3,937
Other, net	19,832	20,818
Accumulated depreciation	(15,101)	(16,074)
Other, net	4,731	4,743
Total property, plant and equipment	136,134	153,839
Intangible assets		
Goodwill	1,350	1,106
Other	979	1,177
Total intangible assets	2,330	2,284
Investments and other assets		
Investment securities	4,272	5,023
Deferred tax assets	1,362	824
Other	1,228	1,158
Allowance for doubtful accounts	(54)	(54)
Total investments and other assets	6,808	6,951
Total non-current assets	145,273	163,075
Total assets	219,481	244,198

(Million yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Accounts payable - trade	18,936	21,560
Short-term loans payable	20,587	14,595
Commercial papers	15,000	18,000
Lease obligations	3,046	2,730
Accounts payable - other	6,865	12,245
Income taxes payable	2,758	2,024
Accrued consumption taxes	763	385
Provision for bonuses	1,987	2,076
Provision for directors' bonuses	91	85
Other	3,014	3,471
Total current liabilities	73,051	77,174
Non-current liabilities		
Long-term loans payable	35,702	52,401
Lease obligations	6,214	4,263
Deferred tax liabilities	45	51
Provision for directors’ retirement benefits	1,415	581
Provision for executive officers’ retirement benefits	24	24
Net defined benefit liability	3,094	3,222
Other	211	258
Total non-current liabilities	46,707	60,804
Total liabilities	119,759	137,979
Net assets		
Shareholders' equity		
Capital stock	13,150	13,150
Capital surplus	15,860	15,860
Retained earnings	74,304	80,175
Treasury shares	(5,092)	(5,093)
Total shareholders’ equity	98,223	104,092
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,317	1,876
Remeasurements of defined benefit plans	(178)	(131)
Total valuation and translation adjustments	1,138	1,745
Non-controlling interests	359	381
Total net assets	99,721	106,219
Total liabilities and net assets	219,481	244,198

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Consolidated Statements of Income)

(Million yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales	172,858	173,580
Cost of sales	115,635	117,909
Gross profit	57,222	55,670
Selling, general and administrative expenses	*1, *2 42,046	*1, *2 42,786
Operating profit	15,176	12,884
Non-operating income		
Interest income	1	1
Dividends income	95	97
Subsidy income	255	240
Rent income	73	85
Gain on sales of scraps	133	126
Other	332	369
Total non-operating income	892	920
Non-operating expenses		
Interest expenses	179	129
Other	146	126
Total non-operating expenses	326	255
Ordinary profit	15,742	13,548
Extraordinary income		
Gain on sales of non-current assets	*3 184	–
Insurance income	–	*4 82
Total extraordinary income	184	82
Extraordinary losses		
Loss on sales and retirement of non-current assets	*5 222	*5 159
Impairment loss	*6 113	–
Additional retirement benefits for directors and condolence money	–	*4 144
Company funeral-related expenses	–	*4 92
Total extraordinary losses	335	396
Profit before income taxes	15,591	13,234
Income taxes - current	4,780	3,791
Income taxes - deferred	(159)	243
Total income taxes	4,620	4,035
Profit	10,971	9,199
Profit attributable to non-controlling interests	17	21
Profit attributable to owners of parent	10,953	9,178

(Consolidated Statement of Comprehensive Income)

(Million yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Profit	10,971	9,199
Other comprehensive income		
Valuation difference on available-for-sale securities	397	559
Remeasurements of defined benefit plans, net of tax	71	46
Total other comprehensive income	469	606
Comprehensive income	11,440	9,806
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,423	9,784
Comprehensive income attributable to non-controlling interests	17	21

(3) Consolidated Statement of Changes in Equity

Fiscal year ended March 31, 2017

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	13,150	15,843	66,453	(4,942)	90,505
Changes of items during period					
Dividends of surplus			(3,102)		(3,102)
Profit (loss) attributable to owners of parent			10,953		10,953
Purchase of treasury share				(0)	(0)
Disposal of treasury shares		0		0	0
Purchase of shares of consolidated subsidiaries		16		(149)	(133)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	16	7,851	(150)	7,718
Balance at end of current period	13,150	15,860	74,304	(5,092)	98,223

(Million yen)

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	919	(249)	669	416	91,591
Changes of items during period					
Dividends of surplus					(3,102)
Profit (loss) attributable to owners of parent					10,953
Purchase of treasury share					(0)
Disposal of treasury shares					0
Purchase of shares of consolidated subsidiaries					(133)
Net changes of items other than shareholders' equity	397	71	469	(56)	412
Total changes of items during period	397	71	469	(56)	8,130
Balance at end of current period	1,317	(178)	1,138	359	99,721

Fiscal year ended March 31, 2018

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	13,150	15,860	74,304	(5,092)	98,223
Changes of items during period					
Dividends of surplus			(3,307)		(3,307)
Profit (loss) attributable to owners of parent			9,178		9,178
Purchase of treasury share				(1)	(1)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	5,870	(1)	5,869
Balance at end of current period	13,150	15,860	80,175	(5,093)	104,092

(Million yen)

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,317	(178)	1,138	359	99,721
Changes of items during period					
Dividends of surplus					(3,307)
Profit (loss) attributable to owners of parent					9,178
Purchase of treasury share					(1)
Net changes of items other than shareholders' equity	559	46	606	21	628
Total changes of items during period	559	46	606	21	6,497
Balance at end of current period	1,876	(131)	1,745	381	106,219

(4) Consolidated Statement of Cash Flows

(Million yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit before income taxes	15,591	13,234
Depreciation	11,183	11,706
Impairment loss	113	–
Increase (decrease) in provision for bonuses	160	89
Increase (decrease) in provision for directors' bonuses	20	(6)
Increase (decrease) in allowance for doubtful accounts	(7)	(8)
Increase (decrease) in provision for directors' retirement benefits	83	(833)
Increase (decrease) in provision for executive officers' retirement benefits	9	0
Increase (decrease) in net defined benefit liability	100	127
Interest and dividends income	(97)	(98)
Interest expenses	179	129
Loss (gain) on sales and retirement of non-current assets	34	158
Insurance income	–	(82)
Additional retirement benefits for directors and condolence money	–	144
Company funeral-related expenses	–	92
Decrease (increase) in notes and accounts receivable - trade	3,296	(5,065)
Decrease (increase) in inventories	(452)	(2,813)
Decrease (increase) in accounts receivable - other	455	(703)
Increase (decrease) in notes and accounts payable - trade	226	2,623
Increase (decrease) in other assets/liabilities	346	669
Increase (decrease) in accrued consumption taxes	(288)	(1,134)
Other, net	431	345
Subtotal	31,390	18,576
Interest and dividend income received	97	98
Interest expenses paid	(180)	(124)
Proceeds from insurance income	–	82
Additional retirement benefits for directors and condolence money paid	–	(144)
Company funeral-related expenses paid	–	(92)
Income taxes paid	(5,394)	(4,421)
Net cash flows from operating activities	25,912	13,974
Cash flows from investing activities		
Purchase of property, plant and equipment	(22,557)	(23,519)
Proceeds from sales of property, plant and equipment	745	90
Purchase of intangible assets	(247)	(396)
Purchase of investment securities	(35)	(32)
Proceeds from sales of investment securities	0	119
Payments of long-term loans receivable	(29)	(35)
Collection of long-term loans receivable	34	31
Other, net	157	85
Net cash flows from investing activities	(21,932)	(23,656)

(Million yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,886)	800
Net increase (decrease) in commercial papers	–	3,000
Proceeds from long-term loans payable	21,500	32,000
Repayment of long-term loans payable	(13,549)	(22,092)
Purchase of treasury shares	(0)	(1)
Repayments of lease obligations	(3,829)	(3,206)
Cash dividends paid	(3,102)	(3,301)
Other, net	(56)	–
Net cash provided by (used in) financing activities	(924)	7,197
Net increase (decrease) in cash and cash equivalents	3,054	(2,485)
Cash and cash equivalents at beginning of period	15,089	18,144
Cash and cash equivalents at end of period	18,144	15,659

(5) Notes to Consolidated Financial Statements

Note to Going Concern Assumption

Not applicable

Consolidated Balance Sheet

1. Bills that matured on the closing date of the consolidated fiscal year

The accounting treatment of bills that matured on the closing date of the consolidated fiscal year was processed on the date of bill clearance. Given that the closing date of the consolidated fiscal year under review was a non-business day of financial institutions, the balance as of the closing date of the consolidated fiscal year includes bills that will mature on the closing date of the next consolidated fiscal year.

(Million yen)

	As of March 31, 2017	As of March 31, 2018
Notes receivable	–	2,798

2. Overdraft agreements and agreements for loan commitments

The Company has concluded overdraft agreements and agreements for loan commitments for the effective procurement of operating funds. The unexercised outstanding of loans as of the end of March 31, 2017 and 2018 under these agreements is as follows:

(Million yen)

	As of March 31, 2017	As of March 31, 2018
Total of overdraft limit and loan commitments	58,050	58,050
Exercised outstanding	364	1,164
Difference	57,686	56,886

Consolidated Statement of Income

*1. Of selling, general and administrative expenses, the major expense items and their amounts are as follows:

(Million yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Promotion expenses	4,146	4,319
Warehousing and carrying charges	15,328	15,408
Remuneration for officers	527	519
Salaries for employees	6,923	7,093
Provision for reserve for bonuses to officers	93	86
Provision for reserve for bonuses	895	935
Retirement benefit expenses	353	411
Provision for reserve for officer’s retirement	87	60
Provision for reserve for executive officer’s retirement	10	9
Depreciation and amortization	2,839	3,028
Provision for allowance for doubtful accounts	(4)	(7)

*2. Total research and development costs included in selling, general and administrative expenses as well as manufacturing costs

(Million yen)

Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
1,223	1,197

*3. Details of gain on sales of non-current assets are as follows:

(Million yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Buildings and structures	34	–
Land	69	–
Other	81	–
Total	184	–

*4. Fiscal year ended March 31, 2017:

Not applicable

Fiscal year ended March 31, 2018:

This reflects an insurance benefit received from the life insurance company, additional retirement benefits for a director and condolence money paid, and expenses related to the company funeral following the death of Yasuhiro Komatsu, founder of the Company and former Chairman and CEO, on May 23, 2017.

*5. Details of loss on sales and retirement of non-current assets are as follows:

(Million yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
(Loss on retirement of non-current assets)		
Buildings and structures	103	59
Machinery, equipment and vehicles	77	27
Other	39	39
Subtotal	220	126
(Loss on sales of non-current assets)		
Machinery, equipment and vehicles	1	6
Land	–	23
Other	0	2
Subtotal	2	33
Total	222	159

*6. Impairment loss

Fiscal year ended March 31, 2017

The Group posted an impairment loss in the asset groups below.

Location	Use	Type
Fukuyama, Hiroshima	Leased assets	Land
Sukagawa, Fukushima	Leased assets	Land

In principle, the Group's business assets are grouped according to region of plants. As for the Group's idle assets and leased assets, each property is a unit of grouping.

In the consolidated fiscal year under review, the book value of asset groups of leased assets whose market value declined significantly are reduced to a recoverable amount, and the aggregate of reductions are posted as an impairment loss (113 million yen) in extraordinary losses.

The recoverable amount of an asset group is measured according to value in use. The future cash flow is calculated at a discount rate of 2.13%.

Fiscal year ended March 31, 2018

No impairment loss

Segment Information

Fiscal year ended March 31, 2017 and fiscal year ended March 31, 2018

As the Group has a single segment of the simplified food container business, the description is omitted.

Per Share Information

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net assets per share	2,403.52	2,560.18
Net income per share	264.86	222.01

(Notes)

1. Diluted net income per share was not presented because there was no dilution for the fiscal year.
2. The basis for estimating net income per share is as follows:

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Profit (loss) attributable to owners of parent (million yen)	10,953	9,178
Amount not attributable to common shareholders (million yen)	–	–
Profit (loss) attributable to owners of parent and attributable to common stock (million yen)	10,953	9,178
Average number of shares outstanding during the year (thousands of shares)	41,357	41,340

Important Subsequent Events

Not applicable

Omission of Notes

As the necessity of disclosing other notes to consolidated financial statements in these consolidated financial results is considered insignificant, the disclosure is omitted.

5. Other

(1) Change in Officers

Please refer to “Notice Regarding Changes in Officers and Executive Officers” released on May 2, 2018.