May 8, 2019

Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 <under Japanese GAAP>

Company name:	FP Corporation
Stock exchange listing:	Tokyo Stock Exchange
Stock code:	7947 URL: https://www.fpco.jp/
Representative:	Morimasa Sato, Representative Director, President
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Scheduled date for ordinary general meeting of shareholders:	June 26, 2019
Scheduled date of commencement of dividend payment:	June 7, 2019
Scheduled date for filing of securities report:	June 27, 2019
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, 2019 (April 1, 2018 – March 31, 2019)

(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, 2019	181,171	4.4	13,949	8.3	14,861	9.7	9,901	7.9
March 31, 2018	173,580	0.4	12,884	(15.1)	13,548	(13.9)	9,178	(16.2)

(Note) Comprehensive income: Fiscal year ended March 31, 2019: 9,332 million yen (-4.8%)
Fiscal year ended March 31, 2018: 9,806 million yen (-14.3%)

	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, 2019	239.51	–	9.1	6.0	7.7
March 31, 2018	222.01	–	8.9	5.8	7.4

(Reference) Shares of (profit) loss of entities accounted for using equity method: Fiscal year ended March 2019: 17 million yen
Fiscal year ended March 2018: – 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, 2019	249,332	112,198	44.8	2,703.33
March 31, 2018	244,147	106,219	43.4	2,560.18

(Reference) Equity: As of March 31, 2019: 111,755 million yen
As of March 31, 2018: 105,837 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, 2019	25,510	(17,109)	(4,908)	19,151
March 31, 2018	13,974	(23,656)	7,197	15,659

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, 2018	–	40.00	–	41.00	81.00	3,348	36.5	3.3
March 31, 2019	–	40.00	–	41.00	81.00	3,348	33.8	3.1
Fiscal year ending March 31, 2020 (forecast)	–	40.00	–	41.00	81.00		31.6	

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(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	92,000	2.7	7,250	17.7	7,400	14.1	4,950	13.9	119.74
Year ending March 31, 2020	186,000	2.7	15,500	11.1	16,000	7.7	10,600	7.1	256.41

* 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, 2019: 44,284,212 shares
  - As of March 31, 2018: 44,284,212 shares
- (ii) Number of treasury shares at the end of the period:
  - As of March 31, 2019: 2,944,292 shares
  - As of March 31, 2018: 2,944,236 shares
- (iii) Average number of shares outstanding during the period:
  - As of March 31, 2019: 41,339,947 shares
  - As of March 31, 2018: 41,340,077 shares

(Reference) Overview of Non-Consolidated Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 – March 31, 2019)

(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, 2019	145,472	4.0	9,078	11.8	11,614	(10.3)	8,391	(17.0)
March 31, 2018	139,840	1.4	8,121	(17.6)	12,950	25.1	10,113	41.3

	Net income per share (basic)	Net income per share (diluted)
Fiscal year ended	Yen	Yen
March 31, 2019	203.00	–
March 31, 2018	244.65	–

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
March 31, 2019	226,652	91,036	40.2	2,202.15
March 31, 2018	219,505	86,567	39.4	2,094.03

(Reference) Equity: As of March 31, 2019: 91,036 million yen
As of March 31, 2018: 86,567 million yen

* 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, 2019 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 14, 2019 (Tuesday). Presentation materials presented at this briefing session will be posted on the Company’s website promptly after the session.

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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, 2019

1) Overview of Consolidated Results of Operations for the Fiscal Year Ended March 31, 2019

During the fiscal year under review (from April 1, 2018 to March 31, 2019), the Japanese economy continued to see a moderate recovery due to the improvement of the employment and income environments. However, it also continued to see future uncertainties, partly reflecting the uncertainty of overseas economies that is attributed to the impact of the US-China trade conflict and other factors.

In this environment, the Company's original products achieved strong sales, including Multi-FP containers, Multi Solid containers, OPET transparent containers, new transparent PP containers as well as recycled Eco Trays, Eco APET containers and Eco OPET containers. The sales ratio of original products rose from 58% at the end of the previous consolidated fiscal year to 60% at the end of the consolidated fiscal year under review. Among others, Multi FP paved the way for developing unprecedented microwavable products, such as Namakara Sozai, which takes advantage of its characteristic insulation. The containers are being adopted by food retail stores and are contributing to the creation of new selling spaces. The number of companies selling Namakara Sozai has now increased to 128.

Also being adopted increasingly are 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 fixed meals, among others, which the Company proposed as work improvement measures for coping with the labor shortage faced by food retailers.

In response to the raw material prices that have been soaring since the fourth quarter of the fiscal year ended March 31, 2017, the Company strived to improve efficiency in all sectors and obtained the understanding of customers. As a result, the revised prices were implemented in the fiscal year under review.

(Net sales)

Net sales in the fiscal year under review rose 7,591 million yen or 4.4% year on year, to reach a record high of 181,171 million yen. During the fiscal year under review, sales volume of products manufactured by the Group rose 3.2% year on year in terms of the number of cases and 2.8% year on year in terms of the number of products, while net sales rose 6.2% year on year to 137,579 million yen. Sales of goods purchased from outsiders fell by 421 million yen after the reconsideration of unprofitable transactions. Net sales of such goods for the fiscal year under review were 43,592 million yen, down 1.0% year on year.

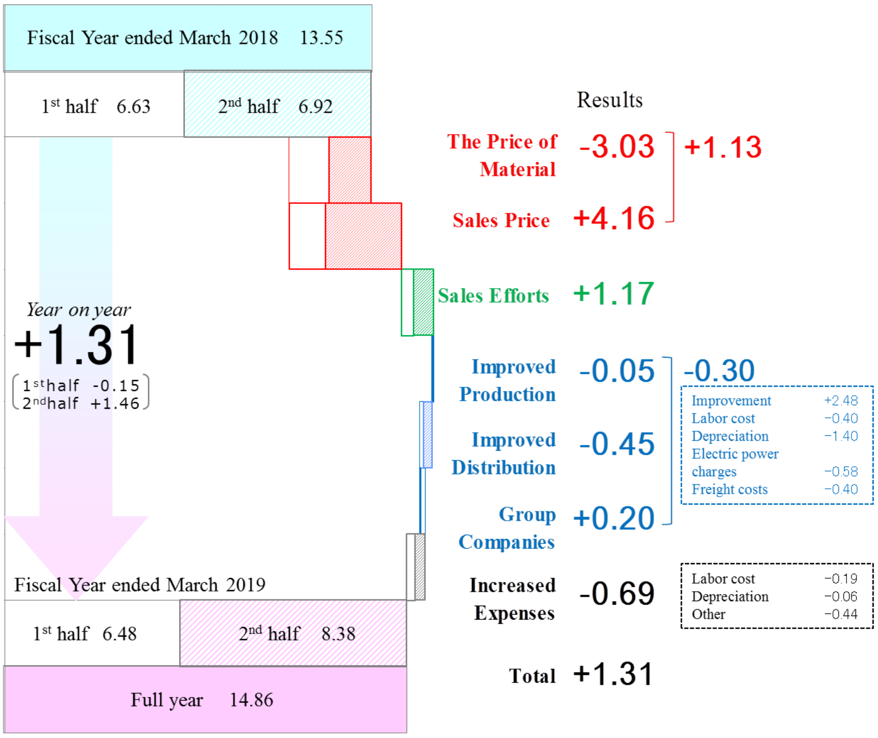
(Profits)

With regard to factors for the increase/decrease of profits for the fiscal year under review, profits increased thanks to the effects of the price revision in addition to the strong sales of our original and new products, while we also saw an increase in costs including the cost of materials, logistics costs, depreciation expenses, labor expenses, and electricity. As a result, operating profit for the fiscal year under review increased 1,064 million yen or 8.3% year on year, to 13,949 million yen. Ordinary profit also increased 1,312 million yen[*1] or 9.7% year on year, to 14,861 million yen. Ordinary profit before depreciation and amortization was 28,031 million yen, up 11.0% year on year. Profit attributable to owners of parent totaled 9,901 million yen, up 7.9% year on year, partly reflecting the posting of extraordinary losses, which are attributed to the enhancement of the retirement benefit program at some consolidated subsidiaries, in addition to the posting of extraordinary income from the sale of real estate of the former head office building of FPCO Miyako Himo Co., Ltd., a consolidated subsidiary, which resulted from the relocation of its head office to the same building as the Company's Tokyo Headquarters, aimed at increasing the synergy from cooperation within the FPCO Group.

Against the projected levels for the full fiscal year announced in the Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 on May 2, 2018, operating profit was 350 million yen (2.5%) below the projected level, while ordinary profit was 61 million yen (0.4%) above the initial plan. The differences are attributed mainly to the additional price increase of imported PET and the application of the revisions to prices, improvement of product mix attributed to growth in sales of original products, productivity improvement in production, soaring transportation unit prices across the country attributed to the heavy rain in Western Japan that occurred in July 2018, and subsidy income for capital investment.

Results for Increase/Decrease in Ordinary Profit *(For the Ended FY March 2019)*

Unit: billion yen



Difference from Outlook			
Outlook Feb 5 2019	Difference	Outlook May 7 2018	Difference
-3.03	±0.00	-2.60	-0.43
+4.16	±0.00	+3.80	+0.36
+1.27	-0.10	+1.00	+0.17
-0.05	±0.00	-0.20	+0.15
-0.45	±0.00	-0.10	-0.35
+0.10	+0.10	+0.10	+0.10
-0.75	+0.06	-0.75	+0.06
+1.25	+0.06	+1.25	+0.06

(Sales activities)

The Group is speeding up the development and widening of lineups of high value-added products matched with consumers' lifestyles and increasing the ratio of its original products in sales in a bid to increase product sales and the profit ratio. In addition, the Company is taking environmental actions for cutting CO_2 emissions, making proposals on improvements for boosting work productivity in response to the labor shortage and endeavors to increase sales of recycled products and general-purpose products.

On November 27, 2018, the Company acquired 20% of outstanding shares of APEX Corporation (hereinafter, "APEX"). APEX, as well as FPCO International Package Co., Ltd., FPCO Miyako Himo Co., Ltd., FPCO Ueda Corporation, and FPCO Ishida Co., Ltd., which are consolidated subsidiaries and food packaging material dealers of the Group, will seek to strengthen merchandising further to propose high value-added products reflecting their pursuit of products that meet customer needs. They also aim for a new form of food packaging material dealers with the highest efficiency using the Group's logistics and IT infrastructures.

On March 27, 28 and 29, we held the FPCO Fair 2019. This event attracted around 15,000 visitors from all over Japan, with around 1,000 more food retailers than the previous year. At the FPCO Fair 2019, which was held under the theme of "Going Back to the source for the future," we suggested the use of containers that are coordinated for the entire store, ranging from those for the backyard to those for creating attractive selling spaces, and we provided the latest product information to customers in collaboration with leading food manufacturers under the concept of "Make the backyard efficient and make the selling space attractive, with awareness at the source." We also ensured that customers understood, once again, the properties of the materials of our products and our technological capabilities for low stack height, safe edges, and other advantages, and introduced cases in which we solved issues faced by the food retailing industry by devising a range of creative measures, which were highly evaluated.

(Production)

In the production sector of the Group, patient improvement efforts were accumulated, 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 13% compared to the level in the fiscal year ended March 31, 2008. Further, the Company's molding plants around the country operate 56 pieces of automated equipment in 27 production process lines for the purpose of labor saving and the automation of the production process.

The percentage of eco-friendly products, which are made from recycled PET materials, among APET and OPET containers has reached 97%. This has boosted the advantage of the Company in the industry in terms of raw material costs, due to the difference in price between imported virgin PET materials and recycled PET materials.

(Logistics)

The Company temporarily relaxed its efforts to construct a robust and flexible nationwide logistics network and began introducing unmanned carriers (automatic guided vehicles: AGVs) in August 2017 for the purpose of streamlining operations in the warehouse and to save labor. As of March 2019, the Company had introduced 22 AGVs to six locations in Japan. Further, the Company also introduced a voice picking system to increase the productivity of picking operations. With these and other initiatives, the Company established a stable supply system for future market expansion and peak seasons. As a result, while there was concern over the shortage of transportation capacity attributed to the shortage of drivers in the truck transportation industry during the peak period in December 2018, the Group was able to deliver products and goods to customers without great confusion. On the other hand, transportation unit prices continue to soar all over Japan due to heavy rain in Western Japan, which also caused a rise in the Group's logistics costs.

In addition, as part of our Business Continuity Plan (BCP), the Company has installed emergency power-generating equipment and the storage of sufficient fuel to secure an electricity supply for 72 hours, or three days, in all 21 locations nationwide to ensure that operations for warehousing and shipping will be continued even in the event of serious incidents, such as an electricity outage caused by a disaster. When an electricity outage occurred throughout Hokkaido due to the Hokkaido Iburi Tobu Earthquake, the distribution center in Ishikari, Hokkaido secured power sources using the emergency power-generating equipment until the recovery from the power failure, which was highly evaluated.

(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 association with initiatives to expand women's occupational domains, to help women to remain employed, and to increase the number of women in managerial positions, the Company posted its *Positive Action* declaration on the Positive Action Portal operated by the Ministry of Health, Labour and Welfare. The Company is striving to increase the ratio of female employees on the main career track to 20% or more, as a result of which the ratio increased to 19%. In April 2019, under a new three-year plan, 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 2020. The Company will implement a range of initiatives to achieve these targets.

In addition to the above, the Company has put in place not only the flextime system but also 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, the Company requires each employee to take paid leave of five consecutive days (Smile Leave) in an attempt to help refresh their mental and physical condition and enliven the workplaces.

In support for the employees' work environment, the Company revised the retirement benefit programs of some consolidated subsidiaries in the fiscal year under review. Further, the Company provides Pico House No.1 (Chikusei City, Ibaraki Prefecture; 150 units; completed in January 2017) and Pico House No.2 (Wanouchi Town, Ampachi County, Gifu Prefecture; 102 units; completed in March 2017), company dormitories for single employees which have furniture and home appliances. In addition, the Company is planning to construct Pico House No.3 (to be newly built in Fukuyama City, Hiroshima Prefecture; 48 units) and Piko House No.4 (renovation of a bachelors' dormitory in Koga City, Ibaraki Prefecture; 64 units), both of which are planned to be completed in March 2020.

(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 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 transparency, achieving the same thermal insulation as the OPS transparent container.
New transparent PP container:	A transparent PP container with a heat resistance temperature of +110ºC, which has achieved the same transparency as OPS transparent container using standard-grade polypropylene raw material.
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).
Eco OPET container:	An OPET transparent container molded from the bi-axially oriented PET sheets, which use the same raw materials as Eco APET container
OPS transparent container:	A conventional transparent container with a heat resistance temperature of +80ºC that is molded from the bi-axially oriented polystyrene sheets.

2) Overview of Financial Situation in the Fiscal Year Ended March 31, 2019

Consolidated assets at the end of the fiscal year under review totaled 249,332 million yen, up 5,185 million yen from the end of the previous fiscal year. This was mainly due to an increase in cash and deposits.

Consolidated liabilities amounted to 137,133 million yen, down 794 million yen from the end of the previous fiscal year. This chiefly reflected a decrease in accounts payable - other related to facilities.

Consolidated net assets reached 112,198 million yen, up 5,979 million yen from the end of the previous fiscal year. This change mainly reflected the profit attributable to owners of parent of 9,901 million yen and dividends of surplus of 3,348 million yen.

It is to be noted that the Partial Amendment to Accounting Standard for Tax Effect Accounting (Statement No. 28 issued by the Accounting Standards Board of Japan on February 16, 2018) and others began to apply at the beginning of the consolidated fiscal year under review, and that the comparison in financial standing is made with the figures at the end of the previous fiscal year after retrospective treatment.

3) Overview of Cash Flows in the Fiscal Year Ended March 31, 2019

Consolidated cash and cash equivalents (hereinafter, “cash”) at the end of the fiscal year under review totaled 19,151 million yen, up 3,492 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 25,510 million yen, up 11,535 million yen from a year earlier.

This primarily reflected a cash increase due mainly to income before income taxes of 14,401 million yen, depreciation of 13,170 million yen, increase in net defined benefit liability of 1,028 million yen, and increase in accrued consumption taxes of 2,232 million yen, while there were some cash decreases due mainly to an increase in notes and accounts receivable - trade of 1,035 million yen and income taxes paid of 3,650 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 17,109 million yen, down 6,547 million yen from the previous fiscal year.

This was due mainly to 16,808 million yen spent on the purchase of property, plant and equipment such as production equipment as well as the construction of the plant for film printing of FPCO Gravure Co., Ltd., a consolidated subsidiary.

(Cash flows from financing activities)

Net cash used in financing activities came to 4,908 million yen (an increase of 12,105 million yen from a year earlier).

This primarily reflected proceeds from long-term loans payable of 17,000 million yen, a net decrease in short-term loans payable of 800 million yen, the repayment of long-term loans payable of 14,858 million yen, the repayment of lease obligations of 2,893 million yen and cash dividends paid of 3,351 million yen.

(2) Projections

The Group set “Source” as the theme for 2019. The Group will ensure the Hands-on Approach and Customer-First Concept as its source and practice the three basic pillars of a manufacturer, that is, “reliably deliver products of the highest quality at the most competitive prices whenever they are needed.”

In the sales sector, the Company will propose its original products such as Namakara Sozai, microwave nabe and securely closed products and new products and distribute information about successful selling spaces. Above all, activities for developing seasonal menus for Namakara Sozai have taken root, practiced by 128 companies. These activities are expected to be expanded further in various parts of Japan.

In addition, the Company will expand its business into the frozen food package market, a new market, by taking advantage of the cold and heat resistance to temperatures between -40ºC and +110ºC and the superior oil and thermal insulation, which are the features of Multi FP containers as one of the Company’s original products.

Among the new products that were introduced at the FPCO Fair 2019 held on March 27, 28 and 29, low-foaming PSP containers, which are lighter in weight while maintaining their attractive appearance, and attractive containers made by using fixed position molding technology were received particularly well.

We anticipate an increasing number of inquiries on proposals, new products, etc. at the FPCO Fair.

In the production sector, the Company will continue the introduction of industrial robots in its efforts to improve productivity further. With regard to recycling plants, in order to respond to the future growth in demand for ECO APET and ECO OPET containers, Nishinihon PET-Bottle Recycle Co., Ltd., a consolidated subsidiary, increased extruders in March 2019 to increase its capacity to produce recycled PET materials by around 5,000 tons per year. The Company is also planning to make a capital investment in Kanto Eco PET Plant to increase its capacity to produce recycled PET materials by around 2,000 tons per year. These capital investments are expected to increase the total capacity to produce recycled PET materials in Japan to around 57,000 tons.

In the logistics sector, the rise in logistics expenses attributed to the labor shortage in the transportation industry is expected to continue. The Company will control the further increase in the cost of consolidated cargo services by increasing the ratio of use of its own trucks and improving the loading efficiency of each truck. Further, the Company is saving labor and improving the productivity of operations through measures including the introduction of a voice picking system and the deployment of unmanned carriers (AGVs) and automatic sorter systems. The Company will continue to make logistics investments to strengthen stable supply to customers, in addition to taking measures such as the above to reduce production and logistics costs.

During the long holiday from April 27, 2019 to May 6, 2019, when providers of consolidated cargo services suspended the services or restricted the collection of goods, the Company was able to deliver products and goods to customers without significant disruptions thanks to the preparations it had made for delivery by using its own trucks during this period.

In terms of environmental issues, it will be of growing importance amid the recently mounting attention to the marine plastic waste issue to carry out the 3R (i.e. reduce, reuse and recycle) initiative, including the reduction of plastic waste emissions and recycling.

In 1990, the Group embarked on circular recycling using the FPCO method with collection boxes at six collection points in supermarkets. With the rising awareness of the environment among consumers, the number of used container collection points exceeds 9,200. The Group aims to further promote the FPCO method of Tray to Tray and Bottle to Tray recycling, which are carried out in an integrated manner by four parties -- supermarkets and other users, dealers of packaging materials, and consumers in addition to the Group. For this purpose, the Group has created posters to raise environmental awareness, which feature the celebrity LiLiCo. As of March 31, 2019, these posters are on display at 5,963 stores of 161 companies. With the posters, the Group conveys the messages “We will never say that they are disposable!!” and “Say ‘No!’ to disposal. Recycle them into containers,” to consumers by working together with users, including supermarkets, in its efforts to realize a recycling-based society and thereby build a sustainable society. The Company will also develop containers with the industry’s lowest-class environmental impact incorporating environmentally considered design to carry out a range of actions, including those for reducing waste emissions from business activities and for recycling into resources.

In addition to the above initiatives, the Company will further strengthen its IT infrastructure, logistics infrastructure, and merchandising of packaging materials by FP Trading Co., Ltd. in its efforts to lead the initiatives to strengthen sales to small-scale customers who purchase small lots.

For the consolidated fiscal year ending March 31, 2020, the Group forecasts that it will achieve net sales of 186,000 million yen, up 2.7% year on year, operating profit of 15,500 million yen, up 11.1%, ordinary profit of 16,000 million yen, up 7.7%, and profit attributable to owners of parent of 10,600 million yen, up 7.1%.

(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. As a result, the consolidated payout ratio is 33.8%. 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 31.6%.

2. Management Policy

(1) Management's Basic Principle

Based on the management philosophies of "Hands-on Approach" and "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

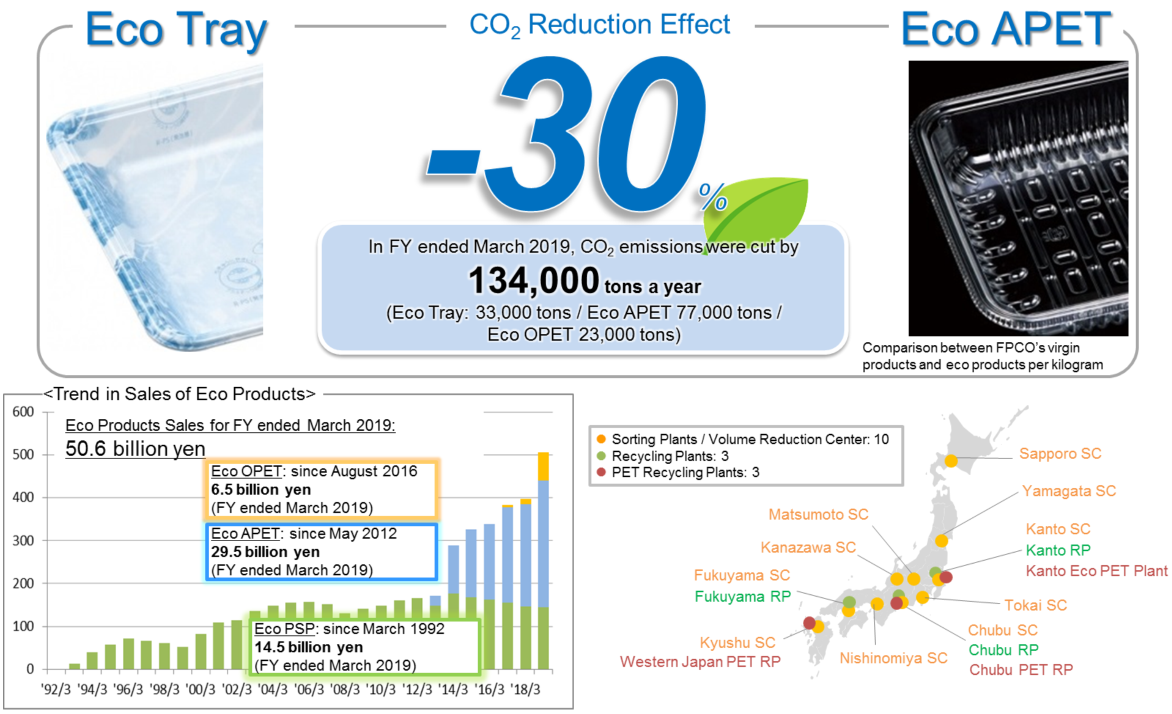
We will work to further enhance our supply chain management (SCM), saving labor and improving work productivity by introducing industrial robots in production and voice-activated picking systems, unmanned carriers (AGVs), and automatic sorter systems in distribution. We will continue to take steps to 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. Under FP Corporation Eco Action 50, we have established a working group under the product, production, logistics, sales, and office sectors. We carry out activities by setting a range of goals voluntarily, taking initiatives aimed at reducing total CO_2 emissions from the FPCO Group.

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 FPCO recycling methods such as “Tray to Tray” and “Bottle to Tray,” and contributes to carbon dioxide emissions reduction by promoting its recycled products (Eco Tray, Eco APET). Compared to non-recycled products, our Eco Tray and Eco APET have realized a 30% reduction in CO2 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.

Diversity Management That Maximizes Abilities

Sorting centers: 10 locations

7 in-house locations
1 location with a contractor
2 locations with business alliance partners

Oribako container assembly and secondary processing: 8 locations

7 in-house locations
1 location with a contractor

Container manufacturing (foamed/transparent): 3 locations

Certification for Employment of People with Disabilities

- Jan.2019 (Ministry of Health, Labor and Welfare)
  FY2018 People with Disabilities Active Company Certification
- Oct.2017 (Toyo Keizai Inc.)
  Employment Rates for Persons with Disabilities
  Ranked 1st for four consecutive years

Award, Certification, Registration for Floor Hockey Activity

- Mar.2019 (Tokyo Metropolitan)
  Barrier-free Minds Support Company Registration
- Dec.2018 (Japan Sports Agency)
  Sports Yell Company Certification
- Nov.2018 (Tokyo Metropolitan)
  Tokyo Sports Promotion Company Certification
- Feb.2018(Tokyo Voluntary Action Center)
  3rd Corporate Volunteer Awards

What is Floor Hockey?

It is one of the events at the Winter Special Olympics.
FPCO has become the main sponsor for two floor hockey competitions: the FPCO Cup All-Japan National Floor Hockey Tournament and the Universal Floor Hockey Chugoku-Shikoku Regional Tournament FPCO Cup. FPCO Group employees are deeply involved in the running of these competitions as volunteer staff.

(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 lunchboxes, 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, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	15,659	19,151
Notes and accounts receivable - trade	*1 37,487	*1 38,512
Merchandise and finished goods	17,828	18,687
Work in process	86	136
Raw materials and supplies	4,021	3,714
Accounts receivable - other	3,807	3,891
Other	524	572
Allowance for doubtful accounts	(20)	(19)
Total current assets	79,395	84,647
Non-current assets		
Property, plant and equipment		
Buildings and structures	128,044	134,538
Accumulated depreciation	(54,633)	(57,735)
Buildings and structures, net	73,411	76,802
Machinery, equipment and vehicles	63,030	69,090
Accumulated depreciation	(31,452)	(35,914)
Machinery, equipment and vehicles, net	31,577	33,175
Lands	33,683	33,072
Lease assets, net	16,783	15,409
Accumulated depreciation	(10,297)	(10,724)
Leased assets, net	6,486	4,685
Construction in progress	3,937	898
Other, net	20,818	21,295
Accumulated depreciation	(16,074)	(16,631)
Other, net	4,743	4,664
Total property, plant and equipment	153,839	153,298
Intangible assets		
Goodwill	1,106	1,255
Other	1,177	1,347
Total intangible assets	2,284	2,602
Investments and other assets		
Investment securities	5,023	4,458
Deferred tax assets	2,500	3,224
Other	1,158	1,151
Allowance for doubtful accounts	(54)	(51)
Total investments and other assets	8,627	8,783
Total non-current assets	164,751	164,684
Total assets	244,147	249,332

(Million yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	21,560	20,954
Short-term loans payable	14,595	15,883
Commercial papers	18,000	18,000
Lease obligations	2,730	2,439
Accounts payable - other	12,245	7,953
Income taxes payable	2,024	3,365
Accrued consumption taxes	385	2,218
Provision for bonuses	2,076	2,191
Provision for directors' bonuses	85	96
Other	3,471	3,751
Total current liabilities	77,174	76,854
Non-current liabilities		
Long-term loans payable	52,401	52,455
Lease obligations	4,263	2,623
Provision for directors’ retirement benefits	581	623
Provision for executive officers’ retirement benefits	24	31
Net defined benefit liability	3,222	4,284
Other	258	260
Total non-current liabilities	60,752	60,279
Total liabilities	137,927	137,133
Net assets		
Shareholders’ equity		
Capital stock	13,150	13,150
Capital surplus	15,860	15,864
Retained earnings	80,175	86,728
Treasury shares	(5,093)	(5,094)
Total shareholders’ equity	104,092	110,648
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,876	1,260
Remeasurements of defined benefit plans	(131)	(154)
Total valuation and translation adjustments	1,745	1,106
Non-controlling interests	381	443
Total net assets	106,219	112,198
Total liabilities and net assets	244,147	249,332

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

(Consolidated Statements of Income)

(Million yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales	173,580	181,171
Cost of sales	*2 117,909	*2 122,190
Gross profit	55,670	58,980
Selling, general and administrative expenses	*1 *2 42,786	*1 *2 45,031
Operating profit	12,884	13,949
Non-operating income		
Interest income	1	1
Dividends income	97	106
Share of profit of entities accounted for using equity method	–	17
Subsidy income	240	338
Rent income	85	95
Gain on sales of scraps	126	157
Other	369	520
Total non-operating income	920	1,236
Non-operating expenses		
Interest expenses	129	114
Other	126	211
Total non-operating expenses	255	325
Ordinary profit	13,548	14,861
Extraordinary income		
Gain on sales of non-current assets	–	*3 736
Insurance income	*4 82	–
Total extraordinary income	82	736
Extraordinary losses		
Loss on sales and retirement of non-current assets	*5 159	*5 272
Impairment loss	–	*6 100
Additional retirement benefits for directors and condolence money	*4 144	–
Company funeral-related expenses	*4 92	–
Retirement benefit expenses	–	823
Total extraordinary losses	396	1,196
Profit before income taxes	13,234	14,401
Income taxes - current	3,791	4,875
Income taxes - deferred	243	445
Total income taxes	4,035	4,430
Profit	9,199	9,970
Profit attributable to non-controlling interests	21	69
Profit attributable to owners of parent	9,178	9,901

(Consolidated Statement of Comprehensive Income)

(Million yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit	9,199	9,970
Other comprehensive income		
Valuation difference on available-for-sale securities	559	(615)
Remeasurements of defined benefit plans, net of tax	46	(22)
Share of other comprehensive income of entities accounted for using equity method	–	(0)
Total other comprehensive income	606	(638)
Comprehensive income	9,806	9,332
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,784	9,262
Comprehensive income attributable to non-controlling interests	21	69

(3) Consolidated Statement of Changes in Equity

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 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 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

Fiscal year ended March 31, 2019

(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	80,175	(5,093)	104,092
Changes of items during period					
Dividends of surplus			(3,348)		(3,348)
Profit attributable to owners of parent			9,901		9,901
Purchase of treasury share				(0)	(0)
Purchase of shares of consolidated subsidiaries		3			3
Net changes of items other than shareholders' equity					
Total changes of items during period	–	3	6,552	(0)	6,556
Balance at end of current period	13,150	15,864	86,728	(5,094)	110,648

(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	1,876	(131)	1,745	381	106,219
Changes of items during period					
Dividends of surplus					(3,348)
Profit attributable to owners of parent					9,901
Purchase of treasury share					(0)
Purchase of shares of consolidated subsidiaries					3
Net changes of items other than shareholders' equity	(615)	(22)	(638)	61	(576)
Total changes of items during period	(615)	(22)	(638)	61	5,979
Balance at end of current period	1,260	(154)	1,106	443	112,198

(4) Consolidated Statement of Cash Flows

(Million yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	13,234	14,401
Depreciation	11,706	13,170
Impairment loss	–	100
Increase (decrease) in provision for bonuses	89	105
Increase (decrease) in provision for directors' bonuses	(6)	11
Increase (decrease) in allowance for doubtful accounts	(8)	(4)
Increase (decrease) in provision for directors' retirement benefits	(833)	41
Increase (decrease) in provision for executive officers' retirement benefits	0	6
Increase (decrease) in net defined benefit liability	127	1,028
Interest and dividends income	(98)	(107)
Interest expenses	129	114
Share of loss (profit) of entities accounted for using equity method	–	(17)
Loss (gain) on sales and retirement of non-current assets	158	(477)
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	(5,065)	(1,035)
Decrease (increase) in inventories	(2,813)	(323)
Decrease (increase) in accounts receivable - other	(703)	(401)
Increase (decrease) in notes and accounts payable - trade	2,623	(607)
Increase (decrease) in other assets/liabilities	669	492
Increase (decrease) in accrued consumption taxes	(1,134)	2,232
Other, net	345	438
Subtotal	18,576	29,166
Interest and dividend income received	98	107
Interest expenses paid	(124)	(114)
Proceeds from insurance income	82	–
Additional retirement benefits for directors and condolence money paid	(144)	–
Company funeral-related expenses paid	(92)	–
Income taxes paid	(4,421)	(3,650)
Net cash flows from operating activities	13,974	25,510
Cash flows from investing activities		
Purchase of property, plant and equipment	(23,519)	(16,808)
Proceeds from sales of property, plant and equipment	90	1,537
Purchase of intangible assets	(396)	(636)
Purchase of investment securities	(32)	(302)
Proceeds from sales of investment securities	119	–
Payments for acquisition of businesses	–	(874)
Payments of long-term loans receivable	(35)	(26)
Collection of long-term loans receivable	31	31
Other, net	85	(30)
Net cash flows from investing activities	(23,656)	(17,109)

(Million yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	800	(800)
Net increase (decrease) in commercial papers	3,000	–
Proceeds from long-term loans payable	32,000	17,000
Repayment of long-term loans payable	(22,092)	(14,858)
Purchase of treasury shares	(1)	(0)
Repayments of lease obligations	(3,206)	(2,893)
Cash dividends paid	(3,301)	(3,351)
Other, net	–	(4)
Net cash provided by (used in) financing activities	7,197	(4,908)
Net increase (decrease) in cash and cash equivalents	(2,485)	3,492
Cash and cash equivalents at beginning of period	18,144	15,659
Cash and cash equivalents at end of period	15,659	19,151

(5) Notes to Consolidated Financial Statements

Note to Going Concern Assumption

Not applicable

Change of Indication Method

(Changes Reflecting Application of the Partial Amendment to Accounting Standard for Tax Effect Accounting and Others)

The Partial Amendment to Accounting Standards for Tax Effect Accounting (Statement No. 28 issued by the Accounting Standards Board of Japan on February 16, 2018) and others began to apply at the beginning of the consolidated fiscal year under review. Accordingly, deferred tax assets are stated in the category of investments and other assets, and deferred tax liabilities are stated in the category of non-current liabilities.

As a result, in the consolidated balance sheet for the previous consolidated fiscal year, deferred tax assets under current assets decreased 1,727 million yen, while deferred tax assets under non-current assets increased 1,676 million yen. In addition, deferred tax liabilities under non-current liabilities decreased 51 million yen.

Deferred tax assets and deferred tax liabilities of the same taxable entity were balanced out. Consequently, total assets decreased 51 million yen and the equity ratio rose 0.1 percentage point after the changes.

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, 2018	As of March 31, 2019
Notes receivable	2,798	2,817

*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, 2018 and 2019 under these agreements is as follows:

(Million yen)

	As of March 31, 2018	As of March 31, 2019
Total of overdraft limit and loan commitments	58,050	58,050
Exercised outstanding	1,164	364
Difference	56,886	57,686

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, 2018	Fiscal year ended March 31, 2019
Promotion expenses	4,319	4,472
Warehousing and carrying charges	15,408	16,429
Remuneration for officers	519	506
Salaries for employees	7,093	7,397
Provision for reserve for bonuses to officers	86	94
Provision for reserve for bonuses	935	1,014
Retirement benefit expenses	411	417
Provision for reserve for officer’s retirement	60	49
Provision for reserve for executive officer’s retirement	9	9
Depreciation and amortization	3,028	3,219
Provision for allowance for doubtful accounts	(7)	(1)

*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, 2018	Fiscal year ended March 31, 2019
1,197	1,159

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

(Million yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Land	–	736
Total	–	736

*4.

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.

Fiscal year ended March 31, 2019

Not applicable

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

(Million yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
(Loss on retirement of non-current assets)		
Buildings and structures	59	98
Machinery, equipment and vehicles	27	63
Other	39	71
Subtotal	126	233
(Loss on sales of non-current assets)		
Buildings and structures	–	20
Machinery, equipment and vehicles	6	0
Land	23	16
Other	2	1
Subtotal	33	39
Total	159	272

*6. Impairment loss

Fiscal year ended March 31, 2018

No impairment loss

Fiscal year ended March 31, 2019

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

Location	Use	Type
Hiroshima, Hiroshima	Sold assets	Land and others

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 the above sold assets was reduced to a recoverable amount, and the reduction is posted as an impairment loss (100 million yen) in extraordinary losses.

The recoverable amount of the sold assets was measured according to their net sales price. The net sales price is the expected sales price under the contract less anticipated expenses for the disposal of the relevant property.

Segment Information

Fiscal year ended March 31, 2018 and fiscal year ended March 31, 2019

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, 2018	Fiscal year ended March 31, 2019
Net assets per share	2,560.18	2,703.33
Net income per share	222.01	239.51

(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, 2018	Fiscal year ended March 31, 2019
Profit attributable to owners of parent (million yen)	9,178	9,901
Amount not attributable to common shareholders (million yen)	–	–
Profit attributable to owners of parent and attributable to common stock (million yen)	9,178	9,901
Average number of shares outstanding during the year (thousands of shares)	41,340	41,339

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" released on May 8, 2019.