

Consolidated Financial Results for the Six Months Ended September 30, 2022

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 Stock exchange listing: Tokyo Stock Exchange
 Stock code: 7947 URL: <https://www.fpco.jp/>
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Scheduled date to submit the Quarterly Securities Report (Shihanki Houkokusho): November 4, 2022

Scheduled date for commencement of dividend payments: November 24, 2022

Supplementary documents for quarterly results: Yes

Quarterly results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2022 (April 1, 2022 – September 30, 2022)

(1) Consolidated Results of Operations

(Percentages show year-on-year changes.)

Period ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2022	102,562	5.3	6,072	(29.0)	6,409	(28.0)	4,131	(28.8)
September 30, 2021	97,367	6.0	8,548	2.9	8,907	4.0	5,803	2.7

(Note) Comprehensive income: Period ended September 30, 2022: 4,061 million yen (-30.3%)

Period ended September 30, 2021: 5,826 million yen (-6.0%)

Period ended	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
September 30, 2022	50.48	–
September 30, 2021	70.93	–

(2) Consolidated Financial Position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
September 30, 2022	300,807	134,434	44.5	1,633.79
March 31, 2022	262,695	132,455	50.2	1,610.11

(Reference) Equity: As of September 30, 2022: 133,722 million yen

As of March 31, 2022: 131,760 million yen

2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
Year ended March 31, 2022	Yen –	Yen 21.50	Yen –	Yen 25.50	Yen 47.00
Year ending March 31, 2023	–	21.50			
Year ending March 31, 2023 (forecast)			–	25.50	47.00

(Note) Revisions to dividend forecasts published most recently: No

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(Percentages show year-on-year changes.)

Year ending	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
March 31, 2023	212,000	8.3	16,400	3.2	17,000	1.8	11,230	0.2	137.23

(Note) Revisions to consolidated business performance forecasts published most recently: No

* Notes

- (1) Changes in significant subsidiaries during the period
(changes in specified subsidiaries accompanying changes in scope of consolidation): No
- (2) Application of particular accounting treatment concerning preparation of quarterly consolidated financial statements: No
- (3) Changes in accounting policies and accounting estimates, and restatement
- | | |
|---|----|
| (i) Changes in accounting policies accompanying amendments to accounting standards, etc.: | No |
| (ii) Changes in accounting policies other than (i): | No |
| (iii) Changes in accounting estimates: | No |
| (iv) Restatement: | No |
- (4) Number of shares outstanding (common stock)
- | | |
|---|-------------------|
| (i) Number of shares outstanding at end of period (including treasury shares) | |
| As of September 30, 2022: | 84,568,424 shares |
| As of March 31, 2022: | 84,568,424 shares |
| (ii) Number of treasury shares at end of period | |
| As of September 30, 2022: | 2,720,559 shares |
| As of March 31, 2022: | 2,735,080 shares |
| (iii) Average number of shares outstanding during the period (consolidated cumulative period) | |
| Six Months ended September 30, 2022: | 81,839,453 shares |
| Six Months ended September 30, 2021: | 81,817,577 shares |

* Quarterly consolidated financial results are outside the scope of audit procedures by certified public accountants and audit firm.

* Explanations and other special notes concerning the appropriate use of business performance forecasts

(Notes on forward-looking statements)

Descriptions regarding the future, such as the forecast of financial results herein, are calculated based on the information which is available to the Company as of the date hereof. Please note that actual results may be different due to various factors such as subsequent changes in business environment. For assumptions underlying the forecasts and notes to the use of the forecasts, please refer to “1. Qualitative Information Relating to Consolidated Results of Operations for the Six Months Ended September 30, 2022; (3) Explanation of Information on Future Forecasts, Including the Forecast of Consolidated Results” on page 7 of the “Accompanying Materials.”

(How to obtain supplementary documents for quarterly results)

Materials used for the presentations of the quarterly financial results and the video of the presentations given at the analyst meeting for the quarter are planned to be posted at the Company’s official website on the following dates.

- Presentation materials: Friday, November 4, 2022

- Video of the presentations given at analyst meeting: Friday, November 11, 2022

Accompanying Materials – Contents

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1. Qualitative Information Relating to Consolidated Results of Operations for the Six Months Ended September 30, 2022

(1) Explanation of Financial Results

The Group ensures the Hands-on Approach and Customer-First Concept as its source and practices the three basic pillars of a manufacturer, that is, “reliably deliver the most environmentally friendly products of the highest quality,” “at the most competitive prices,” “whenever they are needed.” Having celebrated the 60th anniversary of its founding in July 2022, the Group has positioned the year as a “breakthrough” year, aiming to achieve further growth through the use of its diverse infrastructure.

(Net sales)

Net sales for the six months of the consolidated fiscal year under review (from April 1, 2022 to September 30, 2022) increased 5,194 million yen, up 5.3% year on year, to 102,562 million yen, a new record high. Net sales of products manufactured by the Group rose 6.7% year on year to 80,442 million yen. Net sales of goods purchased decreased 0.5% year on year to 22,119 million yen.

Sales volume of products for the first six months under review decreased 1.9% year on year (increased 4.4% from the same period of the year before last). Major factors for the decrease are as follows. First, shipments of products for fresh food and others decreased mainly because demand for cooking and eating at home increased in the same period of the previous fiscal year. Second, activities for increasing market shares were suspended while negotiations were underway for the second product price revisions (announced on April 28, 2022) to be made in response to the soaring raw material prices.

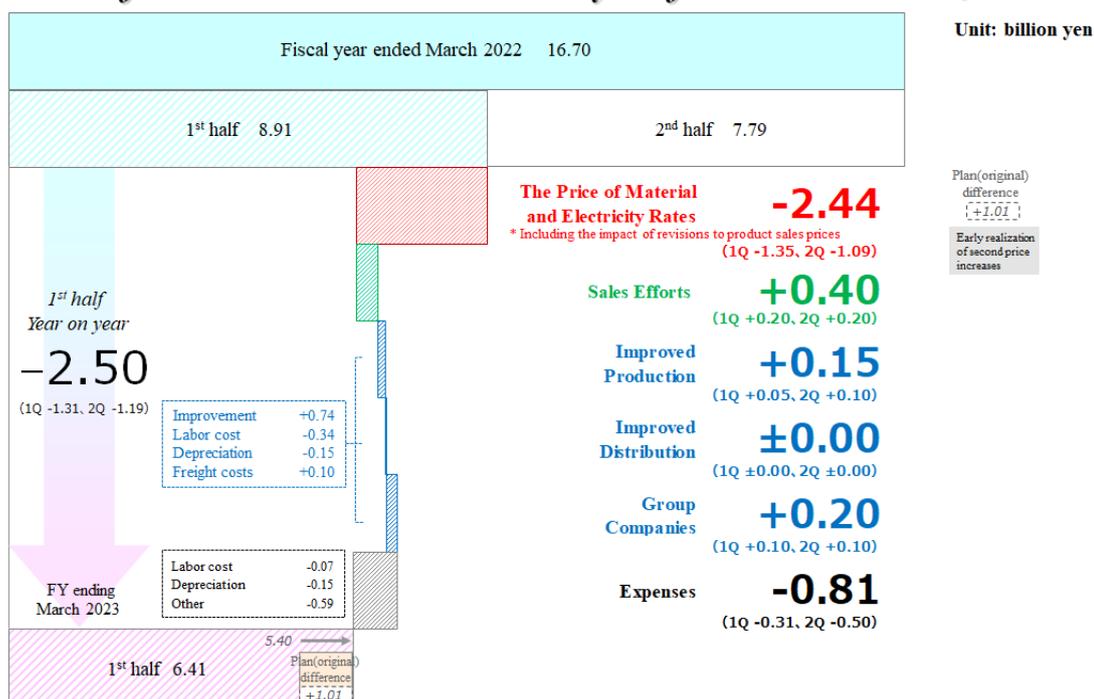
(Profits)

For the first six months under review, operating profit decreased 2,475 million yen or 29.0% year on year to 6,072 million yen, ordinary profit decreased 2,497 million yen (*1) or by 28.0% year on year to 6,409 million yen, ordinary profit before depreciation and amortization decreased 14.0% year on year to 13,437 million yen, and profit attributable to owners of parent decreased 28.8% year on year to 4,131 million yen. Factors for the increase of profits include the effect of product price revisions, which were conducted two times, and the improvement effect of each segment. On the other hand, factors that decreased profits included a rise in raw material prices, higher electricity rates, and an increase in labor expenses.

Ordinary profit exceeded the projection at the beginning of the fiscal year by 1,009 million yen and 18.7% because the effects of the price revisions were reflected earlier than expected and sales of products with high added value such as those for prepared food were strong.

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

Results for Increase/Decrease in Ordinary Profit (For the Six Months Ended September 30, 2022)



(Sales activities)

In sales activities, the Group aims to contribute to increasing customers' income with products that help improve their productivity, environmentally friendly strategies which will help them achieve environmentally friendly operations, proposals for creating sales counters which enable customers' products to sell well, and other initiatives. Specifically, the Group is stepping up initiatives for the demands of existing customers through its marketing activities, discovering new markets such as those for hospital food, nursing care food, and frozen food, and advancing initiatives for promoting its products in the market for takeout and delivered food, including further lineup enhancement of the Pack Market e-commerce site offering packaging materials and measures for improving its visibility, such as Web marketing and corporate communication activities via Instagram, YouTube, LINE, and other social media.

During the first six months under review, the Group focused its efforts on negotiations for the second price revisions, reflecting rising prices of raw materials, electricity, and various other goods. In revising the prices, the Group also made proposals for curbing the rise in purchase prices for customers, such as products made from foam materials with the reduced use of raw materials compared to conventional products made from non-foam materials, as well as transparent lids whose thickness was reduced by applying a new molding technology.

In addition, the Group began to hold a small exhibition in September 2022 at seven locations across Japan, one by one. In addition to exhibiting contents of FPCO Fair held in March 2022, the Group gave proposals to the rapidly expanding market of frozen food. Specifically, the Group proposed products that cater to customer needs, including Multi FP containers featuring cold and heat resistance, Eco OPET containers that are resistant to breakage even when they are subject to shock in a frozen environment, cold-resistant PPi-talc containers that enable the use of less plastic than conventional containers, and flexible packaging (*2) that can be used in combination with containers.

Concerning product supply, the Group has maintained stable supply with almost zero missing items through its supply chain management system while trends in demand have been uncertain in the COVID-19 pandemic. The Group will continue striving to further increase accuracy to support safe, secure food lifestyles.

(*2) Flexible packaging (three-side sealed bag) that can be used in combination with a container



(Production)

The production sector is striving to improve productivity through initiatives that include improvements in capacity utilization and the promotion of automation. As of September 30, 2022, the Company operates 99 pieces of automated equipment on 70 production process lines. In addition, the Group is advancing initiatives for improving quality through the acquisition of certification under FSSC 22000, an international standard on food safety management. The Company also promotes safety training including hazard simulation training.

Regarding Chubu Plant 1, a new plant was completed in May 2022 and began operations. At the new plant, the Group is enhancing its production capacity to meet growing demand in the Chubu region and has introduced the latest equipment, which automates the series of processes from acceptance of raw materials to molding and product warehousing operations, in an effort to save manpower. The Kansai Plant, which will be a new supply base for the Kinki region, a major metropolitan area, is expected to start operating around February 2023. In addition, the Group has constructed Pico House No.5 (140 units), a dormitory for single employees, near the Kansai Plant as part of efforts to secure human resources. Further, the Group acquired new land (site area: 51,819.61 m²) in Bando Inter Industrial Park in Ibaraki in July 2022. The Group is planning to construct a production plant and a distribution center on the land, aiming to secure sufficient production capacity and storage capacity that will ensure stable supply to the Tokyo Metropolitan Area over the medium to long term.

(Logistics)

The Group is increasing the loading efficiency of each truck and switching from regular cargo services to its own trucks, in an effort to cut logistical expenses.

For operations in the warehouse, the Group has continued to bolster its initiatives to save labor and streamline the operations, including the introduction of unmanned carriers (automated guided vehicles: AGVs) and autonomous forklifts (automated guided forklifts) and the use of a voice picking system and pallet transportation.

For Kansai Hub Center, which will be a new supply base for the Kinki region, a major metropolitan area, the Group will install a sorter system that will automatically sort products according to their delivery areas. This facility is expected to start operating around February 2023. In addition, in September 2022, the Group acquired a separate piece of land (site area: 29,136.58 m²) that is approx. 300 meters away from the Kansai Plant and Kansai Hub Center. The Group is planning the construction of a new sorting and distribution center on the property. Along with the start of operations of Kansai Hub Center, this will result in the completion of a logistics network that covers 70% of the total population, including the populations of major cities, within a 150 km radius of each of the distribution centers of the Group's facilities all over Japan (Hokkaido, Tohoku, Kanto, Hachioji, Tokai, Chubu, Kansai, Fukuyama, and Kyushu).

[Overview of the new plants and hub centers]

	Chubu Plant I	Kansai Plant and Kansai Hub Center
Location	Wanouchi-cho, Anpachi-gun, Gifu Pref.	Ono, Hyogo Pref.
Total floor area	20,810.61 m ²	79,511.10 m ²
Start of operation	May 2022	February 2023
Total investment amount	8,530 million yen (After reduction entry 6,301 million yen)	25,261 million yen

(Initiatives aimed at realizing a recycling-based, sustainable society)

The FPCO Group considers climate change and marine plastic waste to be material issues that must be addressed, and promotes the following initiatives to resolve them.

(a) Promotion of recycling

In 1990, the Group embarked on circular recycling using the FPCO method through the collection of used containers in six supermarkets. Thanks to the understanding and cooperation of consumers, the number of used container collection points exceeded 10,000 as of September 30, 2022. Combined with the system for segregation and collection based on the Act on the Promotion of Sorted Collection and Recycling of Containers and Packaging that was established in 1997, the above voluntary initiative of the Group has taken root as part of the social infrastructure for making effective use of used containers.

Against the backdrop of the recent rise in environmental awareness, labelling (*3) signaling consideration for the environment and contribution to the SDGs is rapidly becoming more widely used in retail spaces. The Group's products also convey, to consumers, through display of the Eco Mark symbol on environmentally friendly products (Eco Tray, Eco APET and Eco OPET) and the printing of the words "Recycled from PET bottles" that used containers are recycled into new ones.

In addition, to mark its 60th anniversary, the Group has introduced its mascot character. The mascot character named Pico-saurus (*4) was selected from among approx. 1,000 characters designed and submitted by employees. It will be fostered as the symbol of the Group's unity. Designed with inspiration from a collection box for used containers, the mascot character will be used mainly in activities for promoting recycling, with the aim of collecting more used containers.

(*3) Messaging about consideration for the environment and the SDGs at sales counters



(*4) Pico-saurus, the FPCO Group's mascot



(b) Initiatives to address climate change issues

The Group has set medium- to long-term targets aimed at achieving carbon neutrality by 2050. The Group has disclosed its governance, strategies, and other initiatives for achieving these targets in accordance with the TCFD Recommendations.

The Group is taking steps to reduce CO2 emissions from its business locations, including the introduction of renewable energy and energy-efficient equipment. At the same time, to reduce CO2 emissions from the entire supply chain, the Group is promoting sales of eco-friendly products, which effectively reduce CO2 emissions by 30% compared to petroleum-derived products.

Regarding the introduction of renewable energy, solar power generation facilities, which have been installed at the Group's plants in Kanto and Chubu regions, have begun operating. Moving forward, solar power generation will also be introduced in the Kansai areas. This will enable the use of renewable energy for all processes of the manufacturing of recycled materials at the Group's used tray recycling plants and is expected to increase the CO2 reduction effect of eco trays from 30% to 37%.

(c) Initiatives taken through the FP Corporation Environment Fund

The Company launched The FP Corp. Environment Fund in March 2020 to extend financing to organizations which engage in activities in the three areas of the protection of the environment, environmental education and research and activities to resolve issues surrounding food and to provide food support, aiming to build a sustainable society together with people from local communities. The Company will subsidize 14 organizations in the fiscal year ending March 31, 2023. In addition, the Group's employees will also participate in those organizations' activities, thus accelerating initiatives to solve environmental problems through partnerships.

(d) Research and development of recycling methods and alternative materials

Based on the idea that the expansion and promotion of recycling is an effective measure for tackling the climate change issues and marine plastic waste, the Group will continue to surely implement the FPCO method of Tray to Tray and Bottle to Tray recycling, which is based on established recycling technologies and systems for products made of a single material.

The Company is studying chemical recycling and dissolution and separation recycling technologies in collaboration with DIC

Corporation for cradle-to-cradle recycling of expanded polystyrene containers. The Company also aims at recycling colored and patterned expanded polystyrene containers, which would be recycled into daily necessities, sundry goods, and other items, into the Company's products.

As part of measures to expand the product lineup, the Company has launched paper trays and bowl-type paper containers in addition to biomass-based plastic products containing 25% of a plant-derived raw material whilst FP CHUPA Corporation has launched paper lunchbox containers (container body and lid). The Company, FP CHUPA Corporation, and FP Trading Co., Ltd. have acquired an FSC® certification (FSC®C163782) at all of their sales offices and plants for manufacturing paper products. The Group will strive to provide its stakeholders with accurate information about characteristics of these alternative materials, their environmental impact, and other aspects.

The Group will continue expanding the research and studies of recycling methods and collecting information about new materials, such as paper and biomass materials, as alternatives to the use of petroleum-derived plastics, by assuming that technologies will continue to progress. At the same time, the Group will develop containers with low environmental impact, with the aim of achieving a recycling-based, sustainable society.

(Initiatives on ESG and SDGs)

The Group is implementing initiatives for achieving SDGs, including recycling of resources and promotion of inclusion, at the core of its businesses, and striving to disclose more ESG information.

The Group drives the employment of human resources with disabilities by considering jobs and work contents for which each can fulfill their potential and creating comfortable workplace environments. As of March 2022, 12.6% of employees had disabilities in the FPCO Group.

Concerning active participation and career advancement of women, the Company published its general employers action plan based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace on the Ministry of Health, Labour and Welfare's database of companies promoting the active participation and career advancement of women, aiming to expand occupational domains of female employees, to aid women in remaining employed, and to increase the number of women in managerial positions. The Company set the target ratio of female employees for the main career track at 30% or more among all employees to be hired from 2022 onwards. The Company has also set the target number of female managers at 50 or more and the target percentage of childcare leave taken by male employees at 30% or higher. The Company is implementing a range of initiatives to achieve these targets by 2026.

For health and productivity management, the Company strategically manages employees' health from the viewpoint of business administration, in its efforts to improve employees' vitality and productivity.

As a result of these initiatives, the Company has been selected as a constituent of the FTSE4Good Index Series, the FTSE Blossom Japan Index, and the FTSE Blossom Japan Sector Relative Index by FTSE Russell, as well as the MSCI Japan Empowering Women (WIN) Select Index by MSCI Inc., and recognized under the 2022 Certified Health & Productivity Management Outstanding Organizations Recognition Program (large enterprise category) by the Ministry of Economy, Trade and Industry.

In addition, the Company provides containers to children's cafeterias by working together with its business partners. Since May 2020, the Company has made nine donations totaling 752,280 sets of containers for packed lunches and soup.

The Company will continue to take initiatives for achieving Sustainable Development Goals (SDGs).

(2) Explanation of Financial Situation

1) State of assets, liabilities and net assets

Consolidated assets at the end of the second quarter under review totaled 300,807 million yen, up 38,111 million yen from the end of the previous fiscal year. That was mainly due to an increase in cash and deposits of 9,638 million yen, an increase in property, plant and equipment of 13,315 million yen, which chiefly reflects the rebuilding of Chubu Plant 1 and the construction of the Kansai Plant and the Kansai Hub Center, and an increase in investments and other assets of 7,077 million yen, which mainly reflects purchase of shares of an associate.

Consolidated liabilities amounted to 166,373 million yen, up 36,133 million yen from the end of the previous consolidated fiscal year. This was mainly due to a 25,306 million yen increase in borrowings (short-term loans payable and long-term loans payable), which was mainly attributable to the procurement of funds for capital investment, a 7,822 million yen increase in "Other" among current liabilities, which primarily reflects an increase in accounts payable – facilities.

Consolidated net assets totaled 134,434 million yen, up 1,978 million yen from the end of the previous fiscal year. This was attributable principally to profit attributable to owners of parent amounting to 4,131 million yen and dividends of surplus of 2,086 million yen.

Regarding dividends, the Company decided to pay an interim dividend of 21.5 yen per share in accordance with its already announced basic policy on the distribution of profits. The Company plans to pay a year-end dividend of 25.5 yen per share, making an annual dividend of 47 yen per share.

2) State of cash flows

Consolidated cash and cash equivalents (hereinafter “cash”) at the end of the first six months under review totaled 29,383 million yen, up 9,638 million yen from the end of the previous fiscal year.

(Cash flows from operating activities)

Cash provided by operating activities amounted to 6,785 million yen (9,274 million yen in cash was provided a year earlier).

This reflected a cash increase due mainly to profit before income taxes of 6,137 million yen, depreciation of 7,027 million yen, and an increase in notes and accounts payable – trade of 3,021 million yen, as well as a cash decrease following an increase in notes and accounts receivable – trade of 3,839 million yen, an increase in inventories of 2,532 million yen, and income taxes paid of 2,517 million yen, among other factors.

(Cash flows from investing activities)

Net cash used in investing activities reached 19,615 million yen (9,114 million yen in cash was used a year earlier).

This was due mainly to 12,833 million yen spent on the purchase of property, plant and equipment in connection with the rebuilding of Chubu Plant 1 and the construction of the Kansai Plant and the Kansai Hub Center and 6,800 million yen spent on purchase of shares of an associate.

(Cash flows from financing activities)

Net cash provided by financing activities came to 22,468 million yen (1,535 million yen in cash was provided a year earlier).

This primarily reflected proceeds from long-term loans payable of 33,000 million yen, repayment of long-term loans payable of 7,693 million yen, repayment of lease obligations of 719 million yen and cash dividends paid of 2,084 million yen.

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

While it remains to be seen when the COVID-19 pandemic will come to an end, the business environment is expected to remain uncertain due to the ongoing impacts of the rising raw material prices reflecting the Russian-Ukrainian situation, supply chain disruption, and the weakening of the yen, among other events.

In response to the rising raw material prices and higher electricity rates, the Company announced a request for approval of price revisions (second product price revisions) in April 2022, and negotiations for the revisions have been completed. During the first six months under review, the effects of the price revisions were reflected earlier than expected. They are also expected to be reflected in profits from the third quarter onward. Regarding raw material prices, the price of naphtha as a raw material of the Company’s products is becoming stable after peaking in the second quarter under review. On the other hand, electricity rates are expected to rise further, exceeding the initial forecast. The results forecasts for the full year that were announced in the Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 on April 28, 2022 remain unchanged. (*5)

On the sales front, the Company has been proactive in taking initiatives for expanding sales since September 2022, when the negotiations for the price revisions were almost completed, aiming for further growth in demand for environmentally friendly products and products which use less plastic, against the backdrop of rising environmental awareness, and for further expansion and the firm establishment of the takeout and delivered food market, the frozen food market, and the market for hospital meals and meals served at nursing care facilities, which are new markets. As an initiative to increase sales of products, FP Trading Co., Ltd. (hereinafter, “FP Trading”) was merged with FPCO Miyako Himo Co., Ltd. (hereinafter, “FPCO Miyako Himo”) on July 1, 2022. FPCO Miyako Himo’s sales network with packaging material wholesalers and with users downstream from these wholesalers have been combined with the product merchandising and procurement capabilities of FP Trading, enabling the Group to propose products in accordance with customer needs.

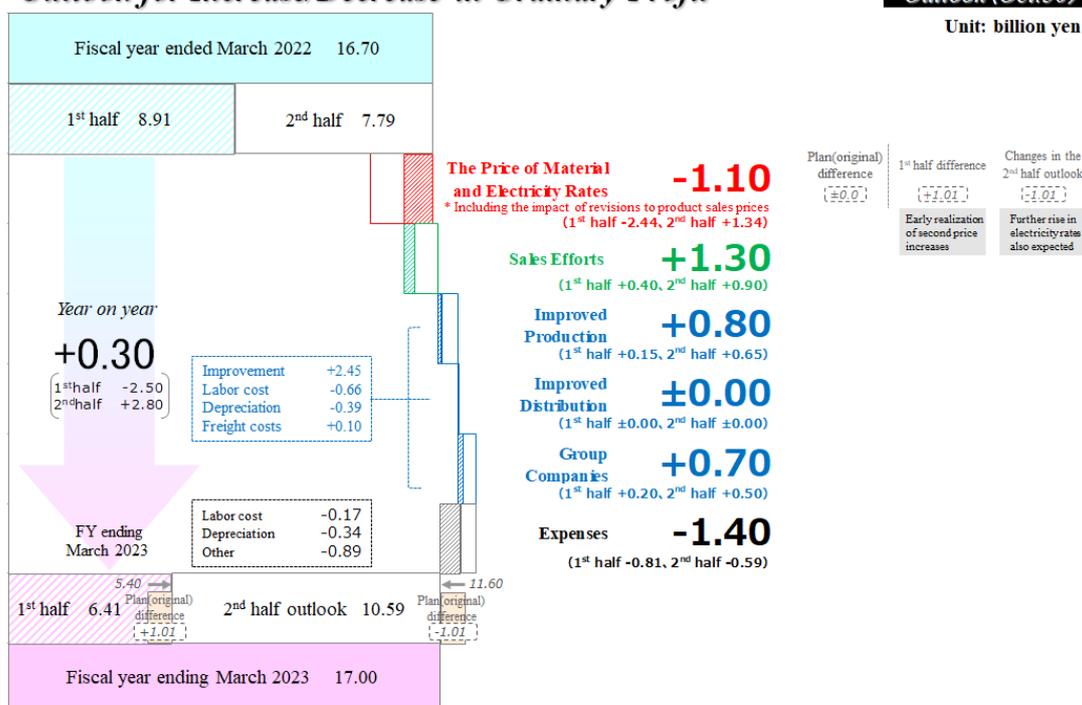
As a measure to expand into overseas markets, Mitsui & Co., Ltd. (Headquarters: Chiyoda-ku, Tokyo; hereinafter, “Mitsui”) and the Company respectively acquired 60% and 40% equity stakes in Lee Soon Seng Plastic Industries Sdn. Bhd. (Headquarters: Malaysia; hereinafter, “LSSPI”), which manufactures and sells simplified food containers mainly in Southeast Asia. The Company made LSSPI an equity method affiliate on August 31, 2022. While the demand for food containers in Southeast Asia is expected to grow due to the population increase and rising income levels, the Company will enhance production capacity by saving labor for manufacturing, shortening the molding cycle, and taking other measures, reduce costs, and develop products

with high added value. Mitsui meanwhile aims to expand sales by utilizing its networks of more than 1,000 investees and partners in the market of Asia. With the above initiatives, the Company will increase LSSPI's competitiveness in Southeast Asia and maximize its profits.

Through such value creation proposals and the creation of new markets combined with the research and development of recycling technologies, M&A, and other initiatives, the Group will aim to achieve sustainable growth.

(*5) Outlook for increase/decrease in ordinary profit

Outlook for Increase/Decrease in Ordinary Profit



(Explanations of terms)

- Eco Tray:** A recycled, expanded polystyrene container for which polystyrene containers collected at supermarkets or similar places and scrap pieces collected within plants are used as raw materials (sales commenced in 1992).
- Eco APET container:** A recycled polyethylene terephthalate (PET) transparent container for which PET transparent containers collected at supermarkets or similar places, PET bottles and scrap pieces collected within plants are used as raw materials. Heat resistance temperature of +60°C (sales commenced in 2012).
- Eco OPET container:** A recycled OPET transparent container molded from the bi-axially oriented PET sheets, which use the same raw materials as an Eco APET container. Superior oil resistance and high transparency, with the same thermal insulation as the OPS transparent container (a conventional transparent container molded from the bi-axially oriented polystyrene sheets). Heat resistance temperature of +80°C (sales commenced in 2016).
- Multi FP container:** A formed PS (polystyrene) container with cold and heat resistance to temperatures between -40°C and +110°C and with superior thermal insulation. It can be used for a wide range of purposes, from storage in a freezer to cooking in a microwave (sales commenced in 2010).
- Cold-resistant PPI-talc container:** A container that uses less plastic than conventional cold-resistant PP filler containers while maintaining the strength of the conventional containers (sales commenced in 2022)
- FSC®:** Forest Stewardship Council® (FSC®) is an international non-profit organization established to promote responsible management of forests in the world. FSC sets standards based on principles on responsible forest management, which are supported by the agreement of stakeholders in the environment, social, and economic fields.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2022)	Second quarter of the current consolidated fiscal year (As of September 30, 2022)
Assets		
Current assets		
Cash and deposits	19,745	29,383
Notes and accounts receivable - trade	38,915	42,809
Merchandise and finished goods	20,576	22,139
Work in process	109	112
Raw materials and supplies	3,594	4,560
Other	4,562	6,289
Allowance for doubtful accounts	(27)	(28)
Total current assets	87,477	105,267
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	78,641	100,681
Machinery, equipment and vehicles, net	31,576	30,837
Lands	36,243	37,944
Lease assets, net	1,825	1,775
Other, net	15,545	5,909
Total property, plant and equipment	163,832	177,147
Intangible assets		
Goodwill	413	273
Other	1,215	1,284
Total intangible assets	1,629	1,558
Investments and other assets	9,756	16,833
Total non-current assets	175,218	195,540
Total assets	262,695	300,807
Liabilities		
Current liabilities		
Accounts payable - trade	23,881	26,903
Short-term loans payable	14,134	15,976
Commercial papers	18,000	18,000
Income taxes payable	2,192	1,988
Provision for bonuses	2,768	2,945
Provision for directors' bonuses	166	84
Other	15,663	23,486
Total current liabilities	76,807	89,383
Non-current liabilities		
Long-term loans payable	46,031	69,496
Provision for directors' retirement benefits	776	120
Provision for executive officers' retirement benefits	73	84
Net defined benefit liability	5,191	5,268
Other	1,359	2,019
Total non-current liabilities	53,432	76,990
Total liabilities	130,239	166,373

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2022)	Second quarter of the current consolidated fiscal year (As of September 30, 2022)
Net assets		
Shareholders' equity		
Capital stock	13,150	13,150
Capital surplus	15,545	15,552
Retained earnings	107,443	109,487
Treasury shares	(5,561)	(5,531)
Total shareholders' equity	130,577	132,659
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,283	1,111
Foreign currency translation adjustment	–	34
Remeasurements of defined benefit plans	(100)	(83)
Total accumulated other comprehensive income	1,182	1,062
Non-controlling interests	695	712
Total net assets	132,455	134,434
Total liabilities and net assets	262,695	300,807

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statement of Income)
(First half period)

(Million yen)

	First half period of previous fiscal year (April 1, 2021 - September 30, 2021)	First half period of current fiscal year (April 1, 2022 - September 30, 2022)
Net sales	97,367	102,562
Cost of sales	65,635	72,047
Gross profit	31,731	30,514
Selling, general and administrative expenses	23,183	24,441
Operating profit	8,548	6,072
Non-operating income		
Interest income	0	1
Dividends income	71	62
Share of profit of entities accounted for using equity method	27	39
Gain on sales of scraps	73	103
Other	270	267
Total non-operating income	443	474
Non-operating expenses		
Interest expenses	32	58
Other	52	78
Total non-operating expenses	84	137
Ordinary profit	8,907	6,409
Extraordinary income		
Insurance income	* 2,362	–
Total extraordinary income	2,362	–
Extraordinary losses		
Loss on sales and retirement of non-current assets	191	271
Loss on tax purpose reduction entry of non-current assets	* 2,229	–
Fire loss	* 61	–
Retirement benefit expenses	232	–
Total extraordinary losses	2,714	271
Profit before income taxes	8,554	6,137
Income taxes - current	2,850	2,361
Income taxes - deferred	(146)	(404)
Total income taxes	2,704	1,956
Profit	5,850	4,181
Profit attributable to non-controlling interests	46	50
Profit attributable to owners of parent	5,803	4,131

(Quarterly Consolidated Statement of Comprehensive Income)
(First half period)

(Million yen)

	First half period of previous fiscal year (April 1, 2021 - September 30, 2021)	First half period of current fiscal year (April 1, 2022 - September 30, 2022)
Profit	5,850	4,181
Other comprehensive income		
Valuation difference on available-for-sale securities	26	(172)
Remeasurements of defined benefit plans, net of tax	(51)	17
Share of other comprehensive income of entities accounted for using equity method	0	34
Total other comprehensive income	(24)	(120)
Comprehensive income	5,826	4,061
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,779	4,011
Comprehensive income attributable to non- controlling interests	46	50

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	First half period of previous fiscal year (April 1, 2021 - September 30, 2021)	First half period of current fiscal year (April 1, 2022 - September 30, 2022)
Cash flows from operating activities		
Profit before income taxes	8,554	6,137
Depreciation	6,725	7,027
Increase (decrease) in provision for bonuses	(136)	176
Increase (decrease) in provision for directors' bonuses	(67)	(82)
Increase (decrease) in allowance for doubtful accounts	(9)	(53)
Increase (decrease) in provision for directors' retirement benefits	54	(655)
Increase (decrease) in provision for executive officers' retirement benefits	9	10
Increase (decrease) in net defined benefit liability	335	77
Interest and dividends income	(72)	(63)
Interest expenses	32	58
Share of loss (profit) of entities accounted for using equity method	(27)	(39)
Loss (gain) on sales and retirement of non-current assets	181	263
Loss on tax purpose reduction entry of non-current assets	2,229	–
Insurance income	(2,362)	–
Fire loss	61	–
Decrease (increase) in notes and accounts receivable - trade	(2,903)	(3,839)
Decrease (increase) in inventories	(688)	(2,532)
Decrease (increase) in accounts receivable - other	(274)	176
Increase (decrease) in notes and accounts payable - trade	1,832	3,021
Other, net	(972)	(391)
Subtotal	12,501	9,292
Interest and dividend income received	72	63
Interest expenses paid	(32)	(52)
Proceeds from insurance income	2,190	–
Payments for fire loss	(323)	–
Income taxes paid	(5,133)	(2,517)
Net cash provided by (used in) operating activities	9,274	6,785
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,985)	(12,833)
Purchase of shares of an associate	–	(6,800)
Other, net	(129)	18
Net cash provided by (used in) investing activities	(9,114)	(19,615)
Cash flows from financing activities		
Proceeds from long-term loans payable	14,000	33,000
Repayment of long-term loans payable	(9,672)	(7,693)
Repayments of lease obligations	(795)	(719)
Cash dividends paid	(1,963)	(2,084)
Other, net	(33)	(34)
Net cash provided by (used in) financing activities	1,535	22,468
Net increase (decrease) in cash and cash equivalents	1,695	9,638
Cash and cash equivalents at beginning of period	17,884	19,745
Cash and cash equivalents at end of period	19,580	29,383

(4) Notes to Quarterly Consolidated Financial Statements

Note to Going Concern Assumption

Not applicable

Notes on Any Significant Change in the Value of Shareholders' Equity

Not applicable

Quarterly Consolidated Statement of Income

* Fire loss, insurance claim income, and loss on tax purpose reduction entry of non-current assets

Fire loss and insurance claim income are a loss caused by a fire at the Company's Chubu Plant 1 in November 2020 and an insurance claim related to the fire, respectively. Loss on tax purpose reduction entry of non-current assets is related to a new plant built to replace the plant burned by the fire.

Revenue Recognition

A breakdown of revenue generated from contracts with customers

The Group has a single segment, the simplified food container business, and the table below shows a breakdown of revenue by product line.

	(Million yen)	
	First half period of previous fiscal year (April 1, 2021 - September 30, 2021)	First half period of current fiscal year (April 1, 2022 - September 30, 2022)
Products		
Trays	19,559	19,785
Lunchboxes and prepared food containers	54,237	58,691
Other products	1,566	1,964
Subtotal	75,364	80,442
Goods		
Packaging materials	20,995	21,127
Other goods	1,008	992
Subtotal	22,003	22,119
Total	97,367	102,562

Important Subsequent Events

Not applicable