

Annual Report
2017

For the year ended March 31, 2017



Providing Plastics as Solutions



Providing Plastics as Solutions

Management Philosophy

We, Sekisui Plastics Group,
practice “Zen-in Keiei”
based on mutual respect and trust.
We are always innovating in
our pursuit of “new happiness.”

Goal

Plastics Solution Company
Trusted by Customers around the World

To mark its 50th anniversary, in 2009, Sekisui Plastics Co., Ltd. formulated the Sekisui Plastics Group’s 100th Year Vision to serve as a roadmap for further growth and development in the next half century. On the basis of the founding spirit of Sekisui Plastics and our new management philosophy, we aspire to be “a plastics solution company trusted by customers around the world” by achieving global business development in our segments of Industry, Human Life and Environment/Energy while practicing the group-wide CSR and “Zen-in Keiei.”

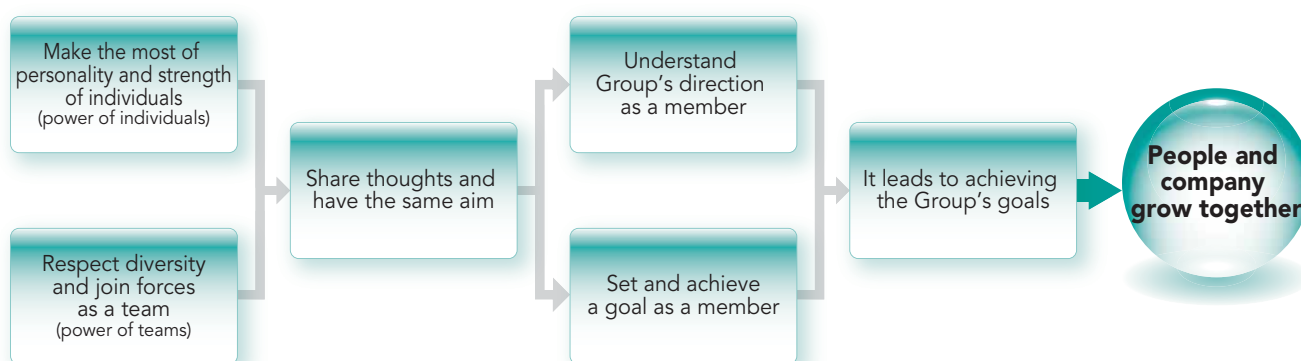
Zen-in Keiei

For the growth of both company and its people

4 keywords for the practice of Zen-in Keiei



Zen-in Keiei



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Business Model

Sekisui Plastics Group develops a wide range of plastics solutions.

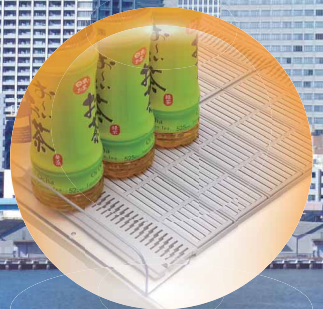
Built about the world-class foam technology, Sekisui Plastics Group provides industries with solutions, and delivers comfort and convenience to the lives of people. Consistent with these endeavors, we manufacture products that contribute to creating a low-carbon society.



Microwave safe food container



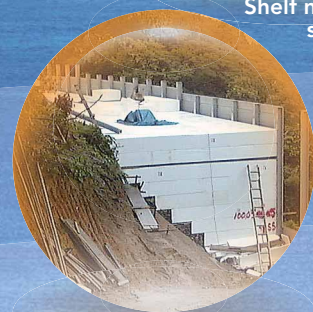
Panel for POPs/displays



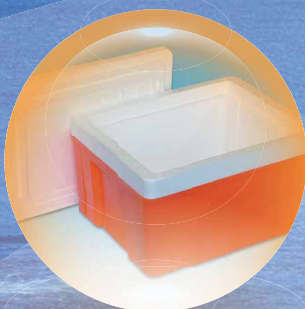
Shelf management system



Fresh fish box



Block for EPS construction method



Food container for delivery

Human Life

Sekisui Plastics Group's products take full advantage of foam plastics properties such as lightweight, thermal insulation and shock absorption. The products can be found in the fields of the thermal insulation and packaging including food containers, and have been used in the everyday items that have served to change the lifestyle of users and consumers.

Our Tech

Business Structure

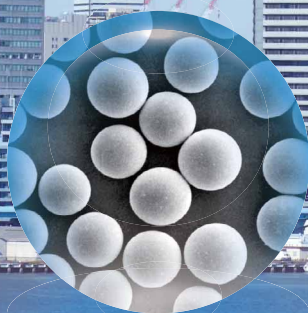
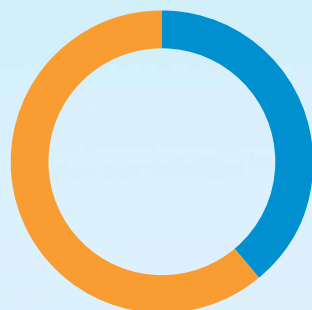
Sekisui Plastics Group's businesses consist of two business segments: Human Life and Industry. In addition to Japan, the Group engages in the businesses in Northeast Asia, Southeast Asia, the Americas and Europe.

Human Life

61%

Industry

39%



Spherical polymer particle



Snow melting panel



Packaging material for transporting automobile parts



Automobile component



Gel for medical use



Wind turbine component

Industry

Sekisui Plastics Group has been garnering immense praise from customers in the "B-to-B" business by "proposing business solutions" that help improve the operations, workability and efficiency of its customers while delivering innovation to client product systems.

nologies

Growth Strategy

Realizing growth with keywords: “global” and “solving problems”

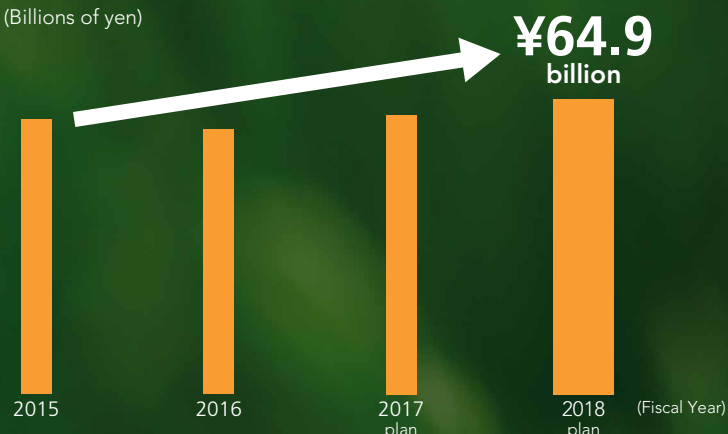
Sekisui Plastics Group has been promoting the growth strategy based on growth in the Industry segment and global expansion in the mid-term management plan “*Make Innovations 60*” for which FY2018 is the final year.



Human Life

In the Human Life segment where Sekisui Plastics Group has been widely known for food containers mainly, we aim to grow by not only producing and supplying containers but also proposing solutions using our technology against specific customers' problems such as freshness preservation during long distance transportation. In addition, by installing processing machines meeting local needs at each production site and undertaking various processing needs of customers, we will increase our share in each customer and lead to further growth.

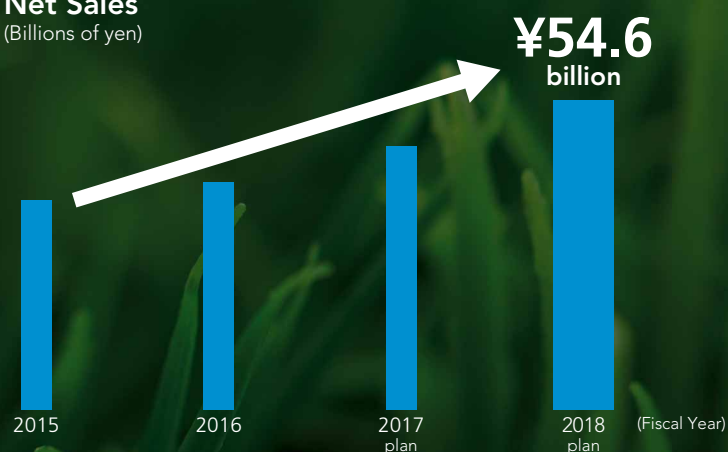
Net Sales
(Billions of yen)



Industry

In the Industry segment; using our value-adding technology of foaming, polymerization, extrusion and molding, our Group aims to grow by proposing solutions, which improve the operations, workability and efficiency of our customers, and products, which is helpful to develop social infrastructure, in the fields of Automobile, Home Appliance/IT and Medical/Health Care. At the same time, we will accelerate growth by developing these products on a global basis.

Net Sales
(Billions of yen)



Consolidated Financial Highlights

Fiscal Year	2006	2007	2008	2009	2010
For the year:					
Net sales	¥ 94,896	¥ 98,561	¥ 96,102	¥ 100,744	¥ 101,418
Operating income	3,174	2,028	4,119	5,118	4,876
Recurring income	2,924	1,463	3,881	4,475	4,628
Net income attributable to owners of the parent	1,868	712	2,111	2,393	2,306
Capital expenditures	4,293	4,281	5,500	3,735	4,561
Depreciation and amortization	3,720	4,050	4,060	3,886	3,814
Research and development costs	1,998	2,034	2,150	2,044	2,237
At year-end:					
Total assets	¥ 94,869	¥ 91,342	¥ 92,553	¥ 97,008	¥ 99,263
Total net assets	48,186	45,551	45,285	46,848	48,165
Interest-bearing debt	11,298	12,196	17,151	17,126	17,175

Amounts per share*3:

Net income	¥ 37.84	¥ 14.50	¥ 43.48	¥ 50.58	¥ 49.08
Net assets	962.38	911.64	934.76	977.28	1,005.62
Cash dividends	16.00	16.00	20.00	20.00	20.00

Key ratios:

Operating income ratio (%)	3.3	2.1	4.3	5.1	4.8
ROE (%)	4.0	1.5	4.7	5.3	5.0
ROA (%)	3.1	1.6	4.2	4.7	4.7
Equity ratio (%)	49.9	48.9	48.0	47.4	47.6
Employees	1,486	1,540	1,568	1,637	1,719

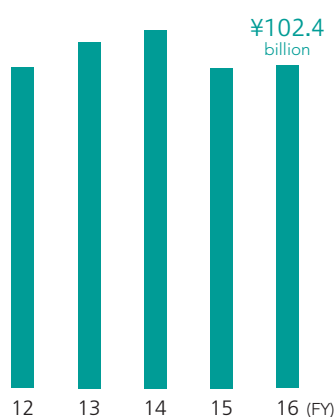
*1 U.S. dollar amounts represent translations of Japanese yen, for readers' convenience only, at the rate of ¥111.38 = U.S.\$1.00, the prevailing exchange rate at March 31, 2017.

*2 In order to synchronize accounting periods of overseas Group companies with the accounting period in Japan beginning in FY2014, the FY2014 results for overseas Group companies are based on a 15-month accounting period.

*3 Sekisui Plastics Co., Ltd. consolidated its common share at the ratio of two shares to one, effective on October 1, 2016. On assumption that the share consolidation was implemented on the beginning of FY2016, the dividend per share shows as above.

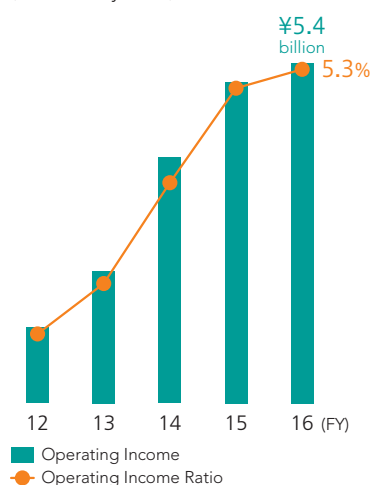
Net Sales

(Billions of yen)



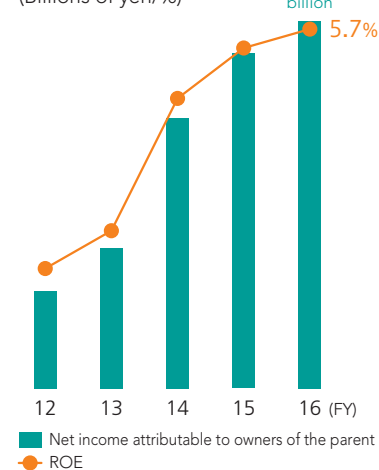
Operating Income/ Operating Income Ratio

(Billions of yen/%)



Net income attributable to owners of the parent/ ROE

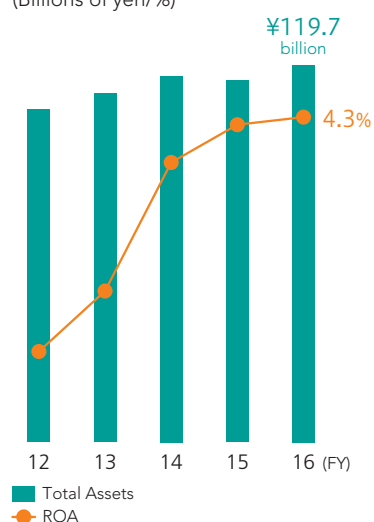
(Billions of yen/%)



2011	2012	2013	2014*2	2015	2016	2016
Millions of yen						Thousands of U.S. dollars*1
¥ 101,350	¥ 101,784	¥ 109,923	¥ 113,660	¥ 101,559	¥ 102,398	\$ 919,357
2,271	1,152	2,124	3,930	5,118	5,401	48,492
2,107	1,237	2,206	4,180	4,862	5,049	45,331
744	926	1,264	2,530	3,147	3,404	30,562
5,059	6,849	3,434	5,908	4,424	5,836	52,397
3,848	3,940	3,856	3,999	3,937	3,591	32,241
2,261	1,993	1,936	1,877	1,856	1,916	17,202
¥ 101,889	¥ 105,562	¥ 110,687	¥ 116,201	¥ 114,892	¥ 119,670	\$ 1,074,430
48,911	50,929	54,036	58,275	58,800	61,363	550,934
17,068	18,492	18,566	19,467	18,274	18,424	165,416
Yen						U.S. dollars*1
¥ 15.84	¥ 19.72	¥ 26.96	¥ 54.14	¥ 67.34	¥ 73.03	\$ 0.66
1,021.26	1,063.68	1,136.52	1,231.36	1,243.30	1,322.14	11.87
12.00	8.00	14.00	18.00	24.00	24.00	0.22
2.2	1.1	1.9	3.5	5.0	5.3	
1.6	1.9	2.5	4.6	5.4	5.7	
2.1	1.2	2.0	3.7	4.2	4.3	
47.1	47.4	48.0	49.5	50.6	50.7	
1,757	1,813	1,833	1,859	1,895	2,011	

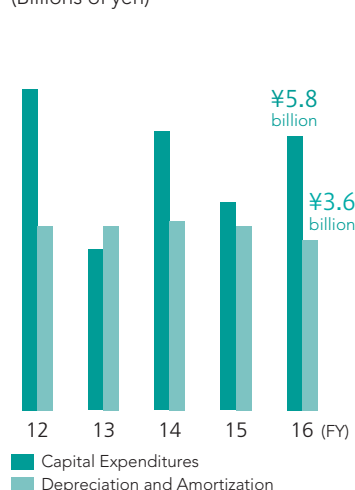
Total Assets/ROA

(Billions of yen/%)



Capital Expenditure & Depreciation and Amortization

(Billions of yen)



Research and Development Costs

(Billions of yen)



A full-page portrait of Masato Kashiwabara, President of Sekisui Plastics Co., Ltd. He is an older man with grey hair and glasses, wearing a dark blue pinstripe suit, a white shirt, and a blue and white striped tie. He is standing in front of a large window with a view of a city skyline. A large, semi-transparent grey circle is overlaid on the bottom left of the image, partially covering the text.

A Message from the President

Masato Kashiwabara
President

We will achieve corporate goals of our 100th Year Vision while realizing the growth through the business portfolio transformation.

First of all, we would like to express our deepest gratitude to all the Sekisui Plastics shareholders and investors for the consideration.

To mark the 50th anniversary of foundation in October 2009, we, Sekisui Plastics Group, formulated the Sekisui Plastics Group's 100th Year Vision for further growth and development in the next half century. We have been engaging in various initiatives to be "a plastics solution company trusted by customers around the world."

Under the goal, we are focusing on the business portfolio transformation and the earnings structure reform in our three-year mid-term management plan "*Make Innovations 60*" launched in FY2016. In particular, we have been tackling to increase the sales ratio from 36%, in FY2015 result, to 50% in FY2018 by expanding sales of strategic merchandise having high profit potential. We expect steady growth in the Human Life segment and an expansion in the Industry segment to lead to overall growth in the Group.

In FY2016 which is the first year of the mid-term plan, we could achieve increases in sales and incomes, recording net sales of ¥102.4 billion, operating income of ¥5.4 billion and net income attributable to owners of the parent of ¥3.4 billion as a result of an expansion in automotive-related business in the Industry segment.

Both operating and net incomes hit record highs. Nevertheless, net sales and recurring income were not achieved relative to the initial plan; therefore, we believe that we need to redouble our efforts.

In such circumstances, we have proceeded with expanding global sales bases in Mexico, Taiwan, Thailand, Germany, etc. for expanding sales globally which is one of high-priority policies in the mid-term plan. Furthermore, we realize that we have certainly been advancing in developing high value-added products and accelerating its process that are essential to the reinforcement of our earnings structure, reducing energy consumption and reviewing costs of logistics etc.

Furthermore; turning to the fostering of human resources vital to the company's growth over the medium to long term, we are well prepared for the future by taking necessary measures such as increasing the number of sales/development personnel, improving their skills, streamlining back-office sections, and nurturing next-generation leaders in Japan and overseas.

We believe that we could make steady progress in FY2016 toward the goals set forth in the mid-term management plan.

We once again thank our shareholders and investors for the continued support and encouragement.

September 2017



President and Chief Executive Officer

Creation, Growth, Change, and to a Next “Stage”

Earnings trends to date in Sekisui Plastics can be broadly divided into three periods. Earnings grew in line with the rapid popularity of EPS foam in “Establishment Period.” Earnings fluctuated with the ebb & flow of Japanese economy in “Growth to Maturity Period.” And, in “Rebuilding to Rebirth Period,” we achieved record-high earnings based on new businesses and globalization.

The mid-term management plan “*Make Innovations 60*” was commenced in 2016, and we are moving on a new “stage.”

Establishment Period

Sekisui Plastics’ First 20 years

Sekisui Sponge Industries Co., Ltd. (the current Sekisui Plastics Co., Ltd.) was established in 1959. The following year, we began manufacturing and selling the first EPS (expandable polystyrene) beads using technology developed in Japan.

Our business underwent rapid growth, driven by ELEN Beads and ELEN Sheets, and our shares were listed after five years in business. We overcame the obstacles presented by the 1973 oil crisis and the movement to ban EPS foam, and in 1978 we listed our shares on the First Section of the Tokyo Stock Exchange.

1959 Sekisui Sponge Industries Co., Ltd. established, commenced EPS beads and PVC foam businesses

1961 Kanto Plant (the current Sekisui Plastics Kanto Co., Ltd.) built in Ibaraki Prefecture

1964 Shares listed on the Second Section of the Osaka Securities Exchange

1966 Tenri Plant (the current Sekisui Plastics Tenri Co., Ltd.) built in Nara Prefecture

1969 Company name changed to Sekisui Plastics Co., Ltd. Shiga Plant (the current Sekisui Plastics Shiga Co., Ltd.) built in Shiga Prefecture

1970 Kasahara Kasei Co., Ltd. (the current Sekisui Plastics Toubu Co., Ltd.) established in Ibaraki Prefecture

1973 Shares listed on the Second Section of the Tokyo Stock Exchange

1976 Hokkaido Eslen Co., Ltd. (the current Sekisui Plastics Hokkaido Co., Ltd.) established in Hokkaido

1978 Oita Plant (the current Sekisui Plastics Kyushu Co., Ltd. Oita Plant) built in Oita Prefecture
Assigned to the First Section of the Tokyo Stock Exchange and the Osaka Securities Exchange

Growth to Maturity Period

Years 21 to 40

The Company continued to develop in line with Japan’s economic growth, but with the collapse of the bubble economy, our earnings grew progressively weaker, with consolidated operating losses recorded for four consecutive years from 1995. Against this backdrop, we switched direction from a policy of multifaceted expansion of our existing businesses to one that emphasizes “selection and concentration.” Various measures including withdrawals from businesses and early retirement programs were implemented.

1989 Okayama Plant (the current Sekisui Plastics Tenri Co., Ltd. Okayama Mfg. Department) built in Okayama Prefecture

1994 Ibaraki Shimodate Plant (the current Sekisui Plastics Kanto Co., Ltd., Shimodate Mfg. Group) built in Ibaraki Prefecture
Acquired Giken Kasei Co., Ltd. (the current Sekisui Giken Co., Ltd.)

1995 With land expropriated by Nara City, Nara Plant closed

1996 Sekisui Plastics S.E.A. Pte. Ltd. established in Singapore

To a Next "Stage"

Since 2016

Rebuilding to Rebirth Period

Years 41 to 55

As new businesses including PIOCELAN and TECHPOLYMER began to contribute to earnings, we moved from rebuilding businesses to a return to growth. To build on this growth, we began full-scale global business development, and despite a surge in the price of crude oil and a global recession, we achieved our long-held goal of consolidated net sales of ¥100 billion, with ¥5 billion of consolidated operating income in FY2009.

2004 Sekisui Plastics Yamaguchi Co., Ltd. established in Yamaguchi Prefecture
Sekisui Plastics (Shanghai) International Trading Co., Ltd. and Tianjin Sekisui Plastics Co., Ltd. established in China

2006 Sekisui Plastics U.S.A., Inc. established in the United States

2007 Sekisui Plastics Europe B.V. established in the Netherlands
Suzhou Sekisui Plastics Co., Ltd. established in China
Sekiwoo Plastics Korea Co., Ltd. (the current Sekisui Plastics Korea Co., Ltd.) established in Korea

2008 Taiwan Sekisui Centex Co., Ltd. (the current Sekisui Plastics Taiwan Co., Ltd.) established in Taiwan

2009 Sekisui Plastics Saitama Co., Ltd. established in Saitama Prefecture
Marking 50th anniversary, formulated the Sekisui Plastic Group's 100th Year Vision

2010 Consolidated local manufacturing and sales companies in Kyushu and established Sekisui Plastics Kyushu Co., Ltd. in Fukuoka Prefecture

2012 Consolidated local Group sales offices in Chubu Region and established Sekisui Plastics Chubu Co., Ltd. in Aichi Prefecture
Sekisui Plastics (Thailand) Co., Ltd. established in Thailand
PT. Sekisui Plastics Indonesia established in Indonesia

2013 Sekisui Plastics Tohoku Co., Ltd. established in Miyagi Prefecture

2014 Consolidated Kanto Group offices and established Sekisui Plastics Toubu Co., Ltd.
Consolidated Group companies in Taiwan and established Sekisui Plastics Taiwan Co., Ltd.
Sekisui Plastics (Shanghai) Precision Forming Co., Ltd. established in China

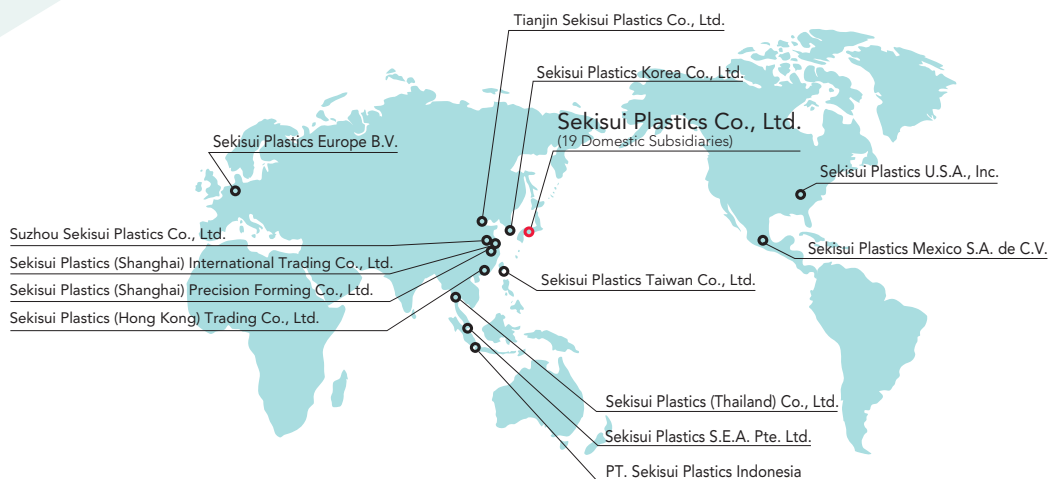
2015 Sekisui Plastics Mexico S.A. de C.V. established in Mexico

Make Innovations 60

—Transforming the business model for our 60th anniversary—

We launched the new mid-term management plan for our 60th anniversary of foundation. In FY2016 which is the first year of the plan, following the previous fiscal year, we marked the highest record in both operating income and net income attributable to owners of the parent.

2016 YAMAKYU Co., Ltd. became our consolidated subsidiary



Sekisui Plastics Group's 100th Year Vision

As Sekisui Plastics Group's corporate goal for the 100th anniversary of foundation (in FY2059), on the basis of the founding spirit of Sekisui Plastics and our new management philosophy, we aspire to be "a plastics solution company trusted by customers around the world" by achieving global business development in our segments of Industry, Human Life and Environment/Energy while practicing the group-wide CSR and "Zen-in Keiei."



Corporate Goal for Our 100th Year Anniversary (in FY2059)

Sekisui Plastics Group aims to gain trust of customers by expanding businesses globally based on plastics and providing solutions.

Situation Goal

Plastics Solution Company
Trusted by Customers around the World

Scale Goal

Consolidated Sales
¥500 billion or more

Corporate Domain

Sekisui Plastics Group Solutions

Materials

Plastics based

Contributions to Industry:

Contributions to Lifestyle Transformation:

Contributions to the Global Environment:

Technologies

Technology that
creates added value

Contributing to the growth and development of the industry
by proposing business solutions to client companies

Contributing to the transformation of people's lifestyles

Simultaneously aiming to improve the global environment

Systems

By systemizing, know-how and
providing information

Business Vision—Develop Globally as a “Plastics Solution Company” in Three Business Segments

Sekisui Plastics Group targets net sales of over ¥250 billion and ¥200 billion in the Industry and Human Life segments respectively, and also will grow the Environment/Energy segment to the ¥50 billion scale in net sales in FY2059, the Group's 100th anniversary of foundation.



CSR Vision—Sekisui Plastics Group, Expanding Our Dreams for People and the Earth

We, Sekisui Plastics Group, carry out social responsibility to stakeholders including the global environment by practicing our management philosophy and contribute to the sustainable development of the global society.

Responsibility to Stakeholders

Stakeholder	Responsibility of Sekisui Plastics Group
Customers	The Company not only supplies safe/reliable products but also bring comfort and convenience to the lives of people by always creating new functions/value and proposing materials/services as solutions for customers.
Group Members	The Company places emphasis on mutual respect and trust, and pursues the happiness of people working for the company. Consequently, we will improve fairness to skill development and rating, and make efforts to create a healthy/safe work environment, and a good balance between work and family.
Local Communities	The Company believes being a safe workplace is the most important to communities. In addition, as a member of local communities, we aim to be a company trusted and loved by the whole community.
Shareholders	The Company meets expectations from shareholders with returns by improving its corporate value. Furthermore, we focus on the active disclosure of our management information and dialogue with shareholders.
Business Partners	The Company builds trust in relationships with business partners through fair, honest business practices with sincerity as our motto. Also, we aim at co-existence and co-prosperity as a better partner for the partners.
Global Environment	The Company actively endeavors to improve environment to protect our precious earth. In particular, we contribute to the low-carbon society and develop the recycling-based society with foam plastics in the community and lowering carbon levels centering on foam plastics which are eco materials.

Culture Vision—Zen-in Keiei

All members, including managements and employees in general, of Sekisui Plastics Group always recognize the 4 keywords, “Innovation,” “Speed,” “Teamwork” and “Respect for Diversity” as starting point of achievement by making the most of strength and improving the weakness.

Mid-Term Management Plan

Make Innovations 60

—Transforming the business model for our 60th anniversary—

Sekisui Plastics Group formulated the Sekisui Plastics Group's 100th Year Vision for further growth and development toward the 100th anniversary of foundation in FY2059. With seven years having passed since its formulation, the vision has been partially revised to reflect changes in the operating environment during that time, but with the continued goal of becoming "a plastics solution company trusted by customers around the world."

We launched our three-year mid-term management plan "Make Innovations 60" in April 2016 and this fiscal year is its second year. We are making a steady progress to further promote the business portfolio transformation and the earnings structure reform.

Concept

Toward the 60th anniversary in FY2019, we, all the Group members, will innovate thought, action and structure, and transform the business model.

Business Model Transformation

To innovate thought, action and structure
by all the Group members



60th Anniversary
(FY2019)

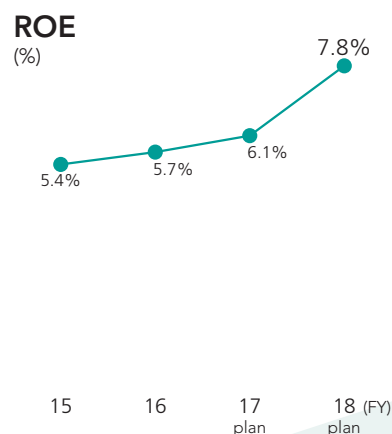
Pursue steady sales growth and strengthen the profitable structure

- For steady expanding sales and strengthening profitability, evolve our solution-proposals more by concentrating management resources in sales activities and development.
- Implement cultivating new markets and reforming sales methods, and restructure the business portfolio by expanding business domains and getting more customers.
- Take a global approach to effectively utilize production sites in each country and flexibly allocate human resources, and share information worldwide to increase business opportunities.
- In addition to transforming the development promotion system, proactively invest in development to further accelerate the commercialization of new products and businesses. Take advantage of M&A and business tie-ups and strengthen and expand business domains.
- Promote cost reductions by reforming manufacturing and logistics and introducing energy-saving activities and further strengthen the earnings structure.
- Further strengthen development of the Group company personnel who implements these measurements.

Quantitative Targets

Sekisui Plastics Group promotes the mid-term management plan with the business model transformation toward the 60th anniversary in FY2019, and aims to achieve the target of ROE 8% in FY2018.

(Billions of yen)	FY2015 results	FY2016 results	FY2017 plan	FY2018 plan
Net Sales	101.6	102.4	112.0	124.0
(Overseas sales)	(15.3)	(17.1)	(19.2)	(23.5)
(Overseas sales ratio)	(15.0%)	(16.7%)	(17.1%)	(19.0%)
Operating income	5.1	5.4	5.8	7.7
(Operating income ratio)	(5.0%)	(5.3%)	(5.2%)	(6.2%)
Recurring income	4.9	5.0	5.7	7.6
Net income attributable to owners of the parent	3.1	3.4	3.8	5.0
ROE	5.4%	5.7%	6.1%	7.8%



Five High-Priority Policies

Sekisui Plastics established five high-priority policies for the promotion of the 100th Year Vision and the mid-term management plan which is based on the vision.

Business portfolio transformation (Expansion of business/customer areas)

- Increase the sales ratio in the Industry segment
- Accelerate the global sales expansion
- Enhance collective capabilities of the Group with M&A synergy effects

Speed-up of the business model transformation

- Build a brand strategy of the Group and centralize information transmissions
- Redevelop solution-proposing sales activities and strengthen multi-stage sales activities
- Enhance group-wide development of fabrication business

Strengthening of development capabilities by transforming development promotion system

- Enhance strategic merchandise development and accelerate market launch and sales expansion
- Intensify information collection for development of next-generation strategic merchandise
- Develop automation technology by using robots

Reinforcing of the competitiveness to build a high-profitable structure

- Adequately respond to raw material price trends
- Thoroughly manage profitability by business units and promote improvement
- Strengthen logistics reform P/T and promote DH and energy-saving activities

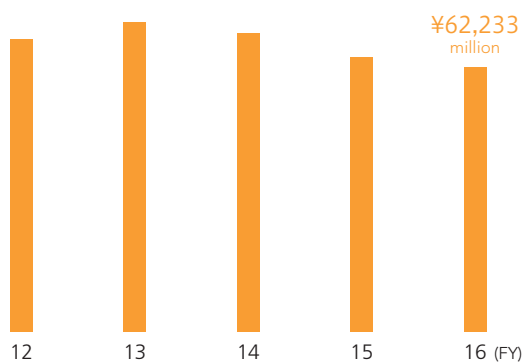
Personnel portfolio transformation/human resource development

- Increase the number of sales/development personnel, improve their skills and streamline back-office sections.
- Share ideal types of Group personnel and nurture next-generation leaders in Japan and overseas
- Review personnel systems including recruitment, trainings and resource exchanges

Human Life

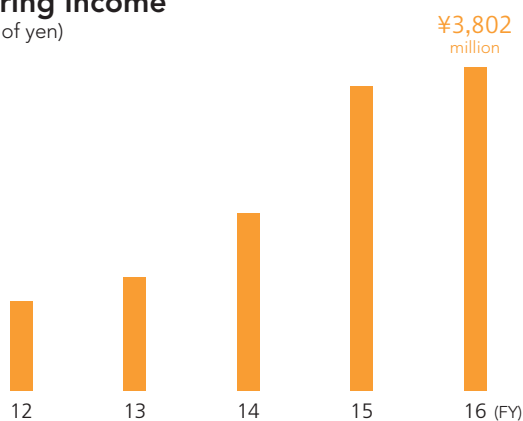
Net Sales

(Millions of yen)



Recurring Income

(Millions of yen)



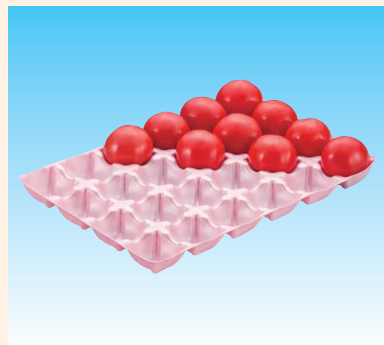
Market Environment & FY2016 Results

FY2016 net sales in the Human Life segment were ¥62.2 billion decreased by 3.6% (YoY). Although sales volumes on mainstay products increased, net sales fell due to a drop in product prices. In spite of the decrease, the segment generated incomes by appropriately responding to raw material price trends and maintaining the spread through effective cost reduction.

Looking at the market environment by demand, agriculture/fishery related demand was weak affected by earthquakes and inclement weather, and food container related demand was strong mainly in food tray applications. In addition, demand on construction materials/civil engineering was stable.

As a result, although sales volume of ESLEN (EPS) Beads and ESLEN (EPS) Sheets, our mainstay products, exceeded the previous fiscal year, net sales fell below due to product price revisions.

In the Human Life segment, we currently aim to expand sales of each product such as sheets and beads as well as strategic merchandise to be developed jointly with customers that may lead to a solution. As part of this initiative, we have been proceeding with new projects such as developing a new container –Flying Fish Box–, which enables to transport fresh seafood as general cargo, using our technology jointly with Nippon Express Co., Ltd.



Initiatives of the Mid-Term Plan & FY2017 Outlook

In FY2017, the second year of the new mid-term management plan “Make Innovations 60,” we are focusing on “earnings structure reform” in the Human Life segment. As one means to achieve this, we will continuously strive for reducing costs in the entire Group by undertaking appropriate price revisions in response to raw materials price fluctuations as well as increasing productivity and reducing logistics costs in order to build a high-profitable structure. Moreover, we will take steps to improve our share at existing customers by enhancing solution proposal for customers’ issues.

Furthermore, we will promote sales expansion of strategic merchandise in the Human Life segment. In addition to the new container “Flying Fish Box” jointly developed with Nippon Express Co., Ltd., we are developing materials coping with long time spans/distances and multiple items/temperatures using our freshness preservation technologies including temperature control. So, we aim to be used in Japanese agricultural export businesses, which have picked up in recent years.

Besides, we are moving forward with business expansion that involves offering total support of aquaculture, processing and sales for the aqua-farming industry mainly through transport material supply as well as support to various types of processing equipment.

In tandem with these initiatives, we aim for a turnaround to net sales growth of ¥65.6 billion in FY2017.

TOPIC

Development with Nippon Express Co., Ltd. of Container to Transport Fresh Seafood Handled as General Cargo

Sekisui Plastics, together with Nippon Express, has developed a high-performance EPS container “Flying Fish Box” that enables fresh seafood to be transported as general cargo. Using this lightweight container featuring superior thermal resistance and shock absorption, Nippon Express is operating its new “Fresh Fish Express” distribution service.

The greatest characteristic of the Flying Fish Box is that air transport as general cargo is now possible rather than chilled transport by improving strength and cold retention capacity by increasing thickness of the container body etc. We aim to expand earnings by developing new high-value-added products such as “Flying Fish Box” to meet customer needs.

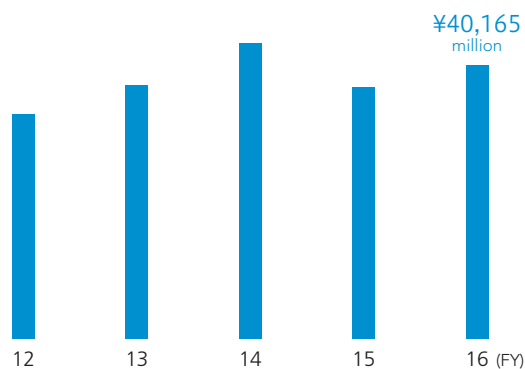


This box enables the transport of fresh seafood as general cargo

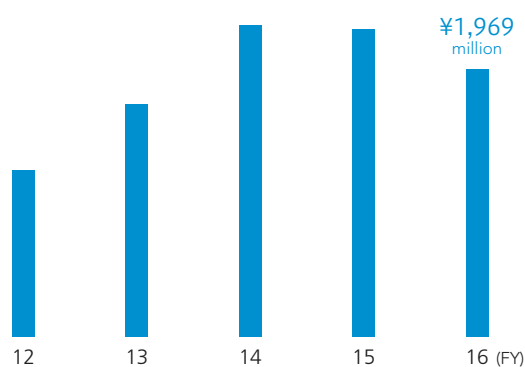
Industry



Net Sales (Millions of yen)



Recurring Income (Millions of yen)



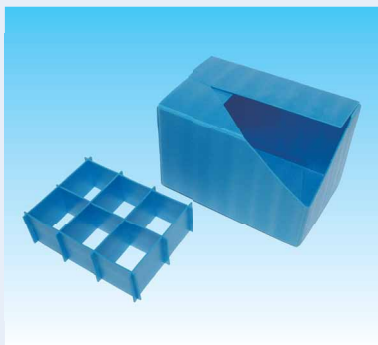
Market Environment & FY2016 Results

FY2016 net sales in the Industry segment were ¥40.2 billion increased by 8.6% (YoY.)

In the home appliance/IT fields, demand on transport materials for LCD panels using PIOCELAN (polystyrene/polyolefin hybrid resin foam) appeared to recover in Taiwan and China but remained sluggish in certain areas in Japan. Customer demand on TECHPOLYMER (organic polymer particles) for light diffusion application such as LCD panels became weak.

In the automotive field, the use of automotive components using PIOCELAN etc. increased significantly, extending from passenger cars to large vehicles such as buses and trucks. Also, demand on transport materials for parts grew in Asia.

As for regional strategies, the Group is engaging in global businesses centered on the Industry field, including automobiles and home appliance/IT, while promoting effective use of the Group's production/processing facilities that have been expanded to date under the mid-term management plan "Make Innovations 60." In FY2016, we increased the capacity of our PIOCELAN production plant in the Netherlands in July 2016 as well as commenced operations of our foam plastics molding/processing plant in Mexico in September 2016 to meet the demand in the automobiles and home appliance/IT fields.



Initiatives of the Mid-Term Plan & FY2017 Outlook

We are in the second year of “*Make Innovations 60,*” and we steadily implement measures to realize “business portfolio transformation” and “earnings structure reform.” To this end, we expand the Industrial segment centered on global growth and promote the business portfolio transformation.

Specifically, we will begin by revamping business expansion initiatives aimed at realizing earnings contributions at an early stage centered on expanding existing businesses. In the automobile field centered on PIOCELAN, we will work to further expand the number of vehicle models and parts that use the materials, while working to increase sales of transport materials for parts.

In addition, we will work to accelerate releases and sales growth of ST-LAYER (CFRP/foam core composites) and ELASTIL (thermoplastic elastomeric bead foam) as new products in the Industry segment.

Along with product strategies, we are pursuing regional strategies that involve enhancing our global bases in Mexico, Taiwan, Thailand, and Germany. We have a plan to begin full-scale operations at our molding/processing plant in Mexico launched in 2016 as well as at our sales/development base in Germany. We are also looking into enhancing our facilities in Taiwan and Thailand to meet the local demand expansion.

In tandem with these initiatives, we target net sales of ¥46.4 billion in FY2017.

TOPIC

YAMAKYU Becomes a Consolidated Subsidiary

The Sekisui Plastics Group has converted YAMAKYU Co., Ltd., which excels in molding technologies, into a consolidated subsidiary. This move has been undertaken with the aim to build uniform molding processing framework extending from sample to mass production of strategic merchandise ST-LAYER (CFRP foam core composites).

The Company aims to increase sales of even higher-performance foamed plastic materials and products as well as expand businesses by commercializing composite products with other materials. As part of this, we will leverage this new subsidiary to accelerate the expansion of businesses that include ST-LAYER, which is used in a wide array fields such as industrial materials, energy, and automobiles owing to it being lightweight and strong features along with its vibration-damping, rigid, thermal-insulation, sound-insulation, and other functions.



YAMAKYU's Niigata plant

Corporate Governance

Sekisui Plastics carries out social responsibility to stakeholders and aspires to be “a plastics solution company trusted by customers around the world.”

With Japan’s Corporate Governance Code having taken effect from June 2015 for companies listed on the Tokyo Stock Exchange, Sekisui Plastics Group has formulated its own “Corporate Governance Guidelines” outlining the Group’s policies and activities regarding corporate governance. These Guidelines form the starting point for the effective functioning of corporate governance, to maintain management transparency and soundness, and establish a management structure that is able to address changes in the operating environment.

Characteristics of Governance Structure

Sekisui Plastics conducts business execution and supervision/audits by the governance organization composed of the organizations below.

The Board of Directors consists of eight directors (including two outside directors) who aim to engage in rational and efficient management decision making. Matters of importance are determined by the Board of Directors as well as by the Board of Managing Directors. The management responsibility of directors is clearly defined, and the term of office of directors has been set at one year for the purpose of developing a management system capable of rapidly responding to changes in the business environment. Furthermore, committees have been established for

each important management matters to promote swift, rational decision making while complementing the divisional system. This structure ensures mutual supervision with respect to compliance, ethics, and other governance-related matters.

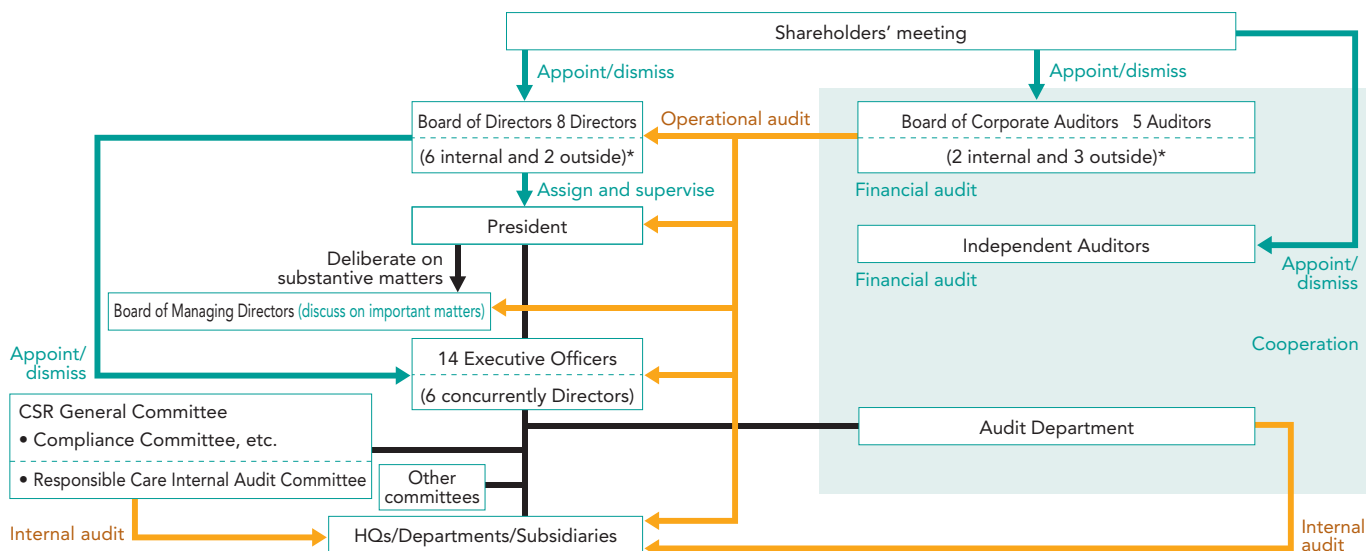
The Company’s outside directors play an important role in the oversight and advisory functions in all aspects of the Company’s management, drawing on a wealth of experience and broad insight as corporate managers. As an information communication system to outside directors, the Corporate Planning Department distributes and explains, in advance, documents for discussion matters at the Board of Directors. At the same time the internal directors provide sufficient explanations on particularly important matters.

Board of Corporate Auditors and Internal Audits

Sekisui Plastics introduces a corporate auditor system of five auditors (including three outside auditors) and conducts supervision and audits on business execution through the Board of Directors and the Board of Corporate Auditors. The Company strengthens the audit function by building a system of the timely and relevant disclosure of important information to corporate auditors and the Board of Corporate Auditors, and secures the validity, transparency and equity of management decisions.

Furthermore, based on our Basic Policy Regarding the Internal Control System, we have established an internal control structure including an Audit Department which is charged with the responsibility of overseeing the implementation status of internal audits and internal control systems. Sekisui Plastics strives to strengthen functions of management oversight and supervision through a variety of measures such as cooperation between the Audit Department and corporate auditors.

Corporate Governance Framework



*Two Outside Directors and Two Outside Corporate Auditors are appointed as independent officers.

Director Remuneration

Remuneration in FY2016 totaled ¥149 million for ten directors (including ¥18 million for two outside directors), and ¥60 million for six auditors (including ¥13 million for four outside auditors). The total remuneration amount for directors does not include employee salaries for directors who are concurrently serving as company employees. The numbers of directors/auditors and

remuneration above include two directors and one auditor (an outside auditor) that dismissed within FY2016. Provisions for director bonuses in FY2016 of ¥19 million [including ¥13 million for eight directors (with ¥2 million allotted for two outside directors) and ¥6 million for five auditors (with ¥2 million for three outside auditors)] are included.

Outside Directors

With the goal of achieving long-term stable growth and development, Sekisui Plastics appointed two independent outside directors at the annual shareholders meeting, held on 23 June, 2015, to have their specialized knowledge and extensive experience to bolster management of the Company.

The Board of Directors also established our own "standard for judging the independence of outside directors" based on the

requirement for outside directors under the Companies Act and the standards governing independence set by the Tokyo Stock Exchange. Following sufficient discussion, the Board of Directors selects candidates with ample knowledge and experience that can be candid and proactive in advising constructively while showing strength in supervisory roles.

Support System for Outside Directors and Outside Auditors

As an information communication system to outside directors, the Corporate Planning Department distributes and explains, in advance, documents for discussion matters at the Board of Directors. At the same time the internal directors provide sufficient explanations on particularly important matters.

As an information communication system to outside auditors, the full-time auditor provides an explanation to outside auditors on matters to be discussed at the Board of Managing Directors. As required, outside auditors conduct regular audits of business sites alongside the full-time auditors.

The "Zen-in Keiei" card

Sekisui Plastics Group has created the "Zen-in Keiei" card that contains information on the origin of the Group name "Sekisui," management philosophy and code of conduct of Sekisui Plastics, and action guidelines for the "Zen-in Keiei," all in a booklet-sized card. The Group started to hand the card to all Group members in April 2017.



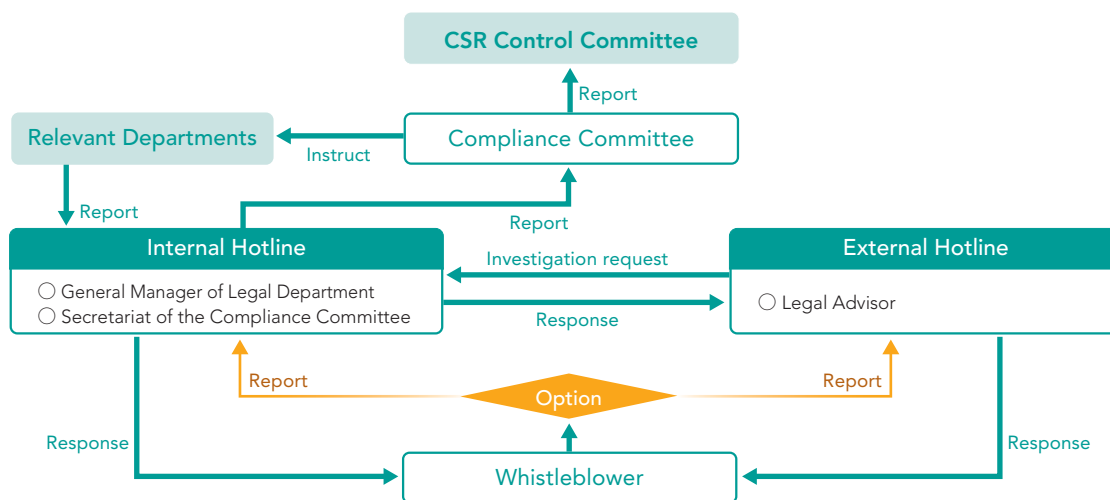
Compliance / Risk Management

Sekisui Plastics Group has been improving compliance by promoting and establishing the corporate ethics, and preventing any acts contrary to legal compliance. Also, for the business risks, we take measures such as improving a control system and promoting awareness-raising activities.

Compliance

Sekisui Plastics has established the Compliance Committee and built a structure to maintain the compliance with laws/regulations. The Committee is held twice a year on a regular basis to deliberate on compliance matters in the Group. And, each Group appoints a responsible person for compliance to cooperate. Moreover, certain-sized Group companies, as well as Sekisui Plastics, have a Compliance Committee. In an effort to fulfill the corporate social responsibility, we set up hotlines

for direct communication to the secretariat of the Compliance Committee and legal advisor and strive to build an equitable and vibrant organization. In addition, the Company has executed an advisory agreement with a legal firm in order to refer for decision making with respect to corporate management and daily operations, so we have a system to receive guidance and advice as required.



Risk Management

Sekisui Plastics Group has formulated rules regarding the quality, safety, environment and information security risks, and respective committees implement risk managements. For other risks, general manages of each department basically take independent measures.

We also established a “Risk Management Manual” and

endeavor to prevent risk occurrences by ensuring that directors and employees understand. In emergency situations, the Emergency Measure HQ, whose head is the president, supervises the risk management according to the emergency response measure procedures.

Information Security

Sekisui Plastics Group has formulated a Basic Policy for Information Security to ensure the security of information assets, and appropriately manages and operate the assets. In order to enhance the Group’s information security, we set up an “Information Security Committee.” The committee formulates

rules according to the basic policy and their operational manual, and also strives to improve knowledge for handling information assets by seminars and e-learning programs for all Group members.

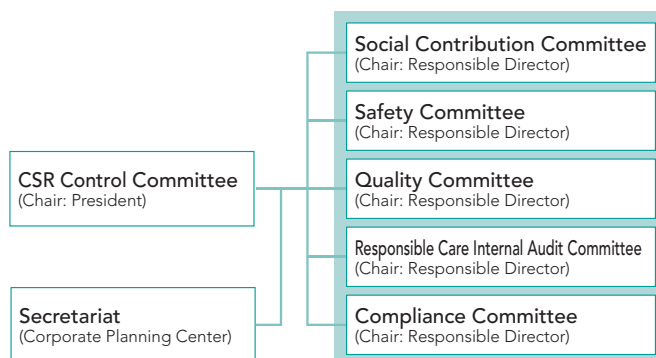
Corporate Social Responsibility (CSR)

Sekisui Plastics Group engages in CSR activities with the aim of becoming a corporate group trusted by stakeholders around the world based on the Sekisui Plastics Group's 100th Year Vision. To achieve this, we promote a variety of initiatives for all stakeholders including global environment.

CSR Promotion

To mark the 50th anniversary of foundation, we formulated the CSR Vision as well as Sekisui Plastics Group's 100th Year Vision. According to the CSR Vision, we set up the CSR Control Committee, whose chair is the president, and actively promote the CSR.

CSR Promotion Structure



Responsibility to Customers

We operate a customer-focused quality assurance system, applied from the development stage to ensure that all products and services meet the expectations of our customers.

Basic Stance on Quality Assurance

The Company's philosophy is that product quality should reflect customer values, not those of the Company, and as such we carry out upstream management (ensuring product quality at the development stage) in an integrated manner throughout the entire Group. In 2016, we provided quality management training, with an emphasis on 4M*, to relevant divisions.

*4M: Man, Machine, Material, Method

Chemical Substance Management

Sekisui Plastics Group has set up the green procurement standard for raw materials, and controls chemical substances by using the MSDSplus and AIS information communication system of the Joint Article Management Promotion Consortium (JAMP).

In addition, all of our products are labeled according to GHS classifications and their safety data sheets (SDS) are available.

Approach to Product Safety

We are committed to developing products that take into consideration the environment, safety and health throughout the entire product life cycle, from the research and development stage to product disposal after use.

Improve Product Quality at Development Stage



Responsibility to Global Environment

To achieve a sustainable society, Sekisui Plastics Group promotes activities that reduce emissions of environmentally hazardous substances generated through business activities, and that preserve biodiversity.

Initiative to Reduce CO₂ Emissions in Production

Sekisui Plastics Group set up the Energy-Saving Promotion Committee and promotes the energy saving through innovations on production process.

In FY2016, in Japan, total energy consumption (basic unit) basis remained same as the previous year, while we reduced CO₂ emissions (basic unit) by 0.8% from the previous fiscal year by converting types of fuel used etc. Overseas, we achieved the targets by applying Japan's knowhow and using plant-derived fuel.

We will endeavor to achieve targets by initiatives such as reducing heat loss, eliminating steam/air leakage, and improving processes in FY2017.

Initiative to Reduce CO₂ Emissions in Distribution

We have been working on CO₂ emissions reduction in distribution from different perspectives. In FY2016, although individual activities achieved improvement results, the entire emission rate deteriorated by increasing volume and shipments to distant locations. From FY2017, we endeavor to reduce CO₂ emissions by organizing a group-wide project on logistics efficiency.

Initiative to Reduce CO₂ Emissions in Offices

We have started energy-saving activities such as turning off unnecessary lights, and installation of energy-saving equipment such as LED lighting and individual air conditioners. In FY2016, we reduced energy consumption on a basic unit per area by 5.3% from the previous fiscal year.

Responsibility to Group Members

Sekisui Plastics Group respects fundamental human rights and takes into consideration that no one is discriminated on any and all factors such as birth, nationality, ethnicity, creed, religion, gender, age, disability.

Initiatives to Respects for Human Right

Sekisui Plastics Group thoroughly informs the thought above, which described in the compliance manual, to all group member. To prevent sexual harassment and power harassment that could occur in the workplace, we appropriately educate employees through several training programs.

In addition, we have set up the SKG (Sekisui Kaseihin [Plastics] Group) Clean Network, an internal whistleblowing system whereby a staff member can directly report human rights abuses to an internal hotline or an outside legal advisor hotline and also address human rights issues.

Column Childcare Leave for Male Employees

Takahiro Asakura
Personnel Department
Administration Headquarters

Last year, I took one week of the childcare leave. The childcare leave is often assumed as a long vacation, but we, at our Company, can take it from one day. Therefore, we can take the leave in line with our work schedule.

During the childcare leave, I was able to take care of my daughter, go shopping with my wife and daughter and do housework. Through helping my wife and understanding that a lot of works required, I started to build a father-mother relationship from husband-wife one. I have currently been growing to be a better father.



Responsibility to Local Communities

In accordance with our CSR Declaration set forth in the Sekisui Plastics Group's 100th Year Vision, we foster a culture of social contribution and actively promote social contribution activities.

With greater importance given to CSR-oriented management, the Social Contribution Committee has formulated the "Social Contribution Action Policy" and promoted activities in an organized manner throughout the Group.

Mirai Fund Ibaraki "Sekisui Plastics Fund"

To expand activities of the "Sekisui Plastics Fund" nationwide, a new fund in the Kanto region was established in May 2016 with a contribution to the "Mirai Fund Ibaraki" operated by the Ibaraki NPO Center Commons.

In FY2016, we supported, with aid and the participation of our Group members, the activities of the NPO "association of the Protecting Rural Nature in Koga," which engages in restoring and protecting abandoned wooded areas.



Mirai Fund Ohmi "Sekisui Plastics Fund"

The Sekisui Plastics Fund was established in July 2012 with a contribution to the "Mirai Fund Ohmi" operated by the NPO Ohmi Culture Promotion Foundation. The fund provides ongoing financial support and assistance via our Group member participation for the activities of the "Koga Environment and Satoyama Vitalization Council," an NPO which works to preserve biodiversity in Lake Biwa and the surrounding environment. From FY2016, we started this activity in the new employee orientation.



Column Preservation Activity Supported by Sekisui Plastics Fund

Mutsuo Makita

Chair of Association of Protecting Rural Nature in Koga
Nonprofit Organization (NPO)

We, Association of Protecting Rural Nature in Koga, work to preserve nature (inamiya forest/Shishigasaki) in Koga, Ibaraki Prefecture. Our goal is to continue protecting the precious nature by activities such as weeding, cutting, planting, removing garbage and maintaining bamboos.

Last year, in addition to regular activities twice a month, we held 9 experiential activities for children (1 time for kindergartners/4 times each for elementary school and middle school students.) They experienced installing hornet traps, releasing snails and loaches into water, picking chestnuts, spreading mushroom spawn, inspecting tree health, cutting/planting, etc. We receive supports from Sekisui Plastics from 2016. We are, of course, thankful for the financial assistance, but we are also absolutely delighted that Sekisui's members participate in our activities.

I hope that Sekisui members continuously participate in our activities and cooperate in making the nature, where has been left as a wasteland, to an oasis for people.



Consolidated Balance Sheet

Sekisui Plastics Co., Ltd. and Consolidated Subsidiaries
March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2017	2017
Assets			
Current assets:			
Cash and cash equivalents (Note 4)	¥ 7,137	¥ 6,266	\$ 55,851
Short-term investments (Note 4)	9	5	44
Notes and accounts receivable (Note 4)	29,432	29,028	258,739
Inventories (Note 6)	9,230	9,589	85,471
Deferred income taxes (Note 9)	1,004	738	6,578
Other current assets	965	1,167	10,401
Less allowance for doubtful accounts	(93)	(89)	(793)
Total current assets	47,687	46,706	416,311
Property, plant and equipment (Note 18):			
Land (Notes 8 and 12)	20,591	20,906	186,344
Buildings and structures (Note 8)	40,728	43,400	386,843
Machinery and equipment	74,833	78,446	699,224
Construction in progress	1,895	1,112	9,911
	138,048	143,864	1,282,324
Less accumulated depreciation	(91,008)	(93,351)	(832,079)
Property, plant and equipment, net	47,040	50,513	450,245
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates	1,092	653	5,820
Investments in securities (Notes 4 and 5)	13,816	15,569	138,773
Deferred income taxes (Note 9)	607	620	5,526
Assets for retirement benefits (Note 10)	2,993	3,768	33,585
Software	541	549	4,893
Other assets	1,202	1,344	11,979
Less allowance for doubtful accounts	(90)	(55)	(490)
Total investments and other assets	20,164	22,450	200,106
Total assets (Note 18)	¥ 114,892	¥ 119,670	\$ 1,066,672

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2017	2017
Liabilities and net assets			
Current liabilities:			
Notes and accounts payable (Note 4)	¥ 22,020	¥ 23,693	\$ 211,186
Short-term loans (Notes 4, 7 and 8)	4,662	5,188	46,242
Current portion of long-term loans (Notes 4, 7, 8 and 16)	2,630	4,263	37,998
Accrued expenses	2,687	2,728	24,315
Accrued income and enterprise taxes (Note 9)	1,044	683	6,087
Provision for bonuses to employees	1,043	988	8,806
Provision for bonuses to directors and audit and supervisory board members	36	35	311
Deferred income taxes (Note 9)	1	—	—
Other current liabilities	1,931	2,086	18,593
Total current liabilities	36,058	39,667	353,569
Long-term liabilities:			
Long-term loans less current portion (Notes 4, 7, 8 and 16)	10,981	8,973	79,980
Liabilities for retirement benefits (Note 10)	2,706	2,878	25,652
Deferred income taxes (Note 9)	5,395	6,005	53,525
Provision for product warranty	549	389	3,467
Other long-term liabilities	399	392	3,494
Total long-term liabilities	20,032	18,639	166,137
Net assets:			
Shareholders' equity (Note 11):			
Common stock:			
Authorized: 249,502,000 shares and 124,751,000 shares at March 31, 2016 and 2017, respectively			
Issued: 95,976,201 shares and 46,988,109 shares at March 31, 2016 and 2017, respectively	16,533	16,533	147,366
Capital surplus	17,261	16,544	147,464
Retained earnings (Note 19)	16,257	18,351	163,570
Less treasury stock, at cost: 2,499,948 shares at March 31, 2016 1,127,225 shares at March 31, 2017	(798)	(802)	(7,148)
Total shareholders' equity	49,253	50,627	451,261
Accumulated other comprehensive income:			
Net unrealized holding gain on securities (Notes 5 and 13)	6,187	7,495	66,806
Surplus arising from land revaluation (Notes 9, 12 and 13)	1,479	1,479	13,182
Translation adjustments	275	187	1,666
Retirement benefits liability adjustments	914	845	7,531
Total accumulated other comprehensive income	8,856	10,007	89,196
Non-controlling interests	691	729	6,497
Total net assets	58,800	61,363	546,956
Total liabilities and net assets	¥ 114,892	¥ 119,670	\$ 1,066,672

See notes to consolidated financial statements.

Consolidated Statement of Income

Sekisui Plastics Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2017	2017
Net sales (Note 18)	¥ 101,559	¥ 102,398	\$ 912,719
Cost of sales	77,386	77,091	687,146
Gross profit	24,173	25,307	225,572
Selling, general and administrative expenses (Note 14)	19,054	19,905	177,422
Operating income	5,118	5,401	48,141
Other income (expenses):			
Interest income (Note 18)	10	8	71
Dividend income	207	271	2,415
Interest expense (Note 18)	(138)	(139)	(1,238)
Equity in earnings (losses) of affiliates (Note 18)	2	(10)	(89)
Foreign exchange loss, net	(107)	(276)	(2,460)
Compensation expenses	(86)	(128)	(1,140)
Gain on sales of investments in securities (Note 5)	80	117	1,042
Gain on cancellation of retirement benefit trusts	448	—	—
Provision for product warranty	(518)	—	—
Loss on disaster	—	(62)	(552)
Loss on impairment of property, plant and equipment (Notes 15 and 18)	(136)	—	—
Loss on withdrawal from welfare pension plans	(110)	—	—
Other, net	(109)	(201)	(1,791)
Profit before income taxes	4,659	4,980	44,388
Income taxes (Note 9):			
Current	1,487	1,232	10,981
Deferred	53	335	2,986
	1,540	1,568	13,976
Profit	3,119	3,412	30,412
Profit attributable to:			
Non-controlling interests	27	7	62
Owners of parent	¥ 3,147	¥ 3,404	\$ 30,341

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Sekisui Plastics Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2017	2017
Profit	¥ 3,119	¥ 3,412	\$ 30,412
Other comprehensive income (loss) (Note 13):			
Net unrealized holding gain on securities	10	1,307	11,649
Surplus arising from land revaluation	94	—	—
Translation adjustments	(648)	(91)	(811)
Retirement benefits liability adjustments	(1,066)	(69)	(615)
Total other comprehensive (loss) income	(1,609)	1,147	10,223
Comprehensive income	¥ 1,510	¥ 4,559	\$ 40,636
Comprehensive income attributable to:			
Owners of parent	¥ 1,538	¥ 4,551	\$ 40,565
Non-controlling interests	(28)	7	62

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Sekisui Plastics Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2016 and 2017

Millions of yen				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost
Balance at April 1, 2015	¥ 16,533	¥ 17,261	¥ 14,091	¥ (796)
Cash dividends	—	—	(981)	—
Profit attributable to owners of parent for the year	—	—	3,147	—
Acquisition of treasury stock	—	—	—	(2)
Other changes	—	—	—	—
Balance at April 1, 2016	16,533	17,261	16,257	(798)
Cash dividends	—	—	(1,215)	—
Profit attributable to owners of parent for the year	—	—	3,404	—
Decrease resulting from exclusion of subsidiaries from consolidation	—	—	(2)	—
Decrease resulting from inclusion of a subsidiary in consolidation	—	—	(92)	—
Acquisition of treasury stock	—	—	—	(720)
Retirement of treasury stock	—	(716)	—	716
Other changes	—	—	—	—
Balance at March 31, 2017	¥ 16,533	¥ 16,544	¥ 18,351	¥ (802)

Millions of yen						
	Net unrealized holding gain on securities	Surplus arising from land revaluation	Translation adjustments	Retirement benefits liability adjustments	Non- controlling interests	Total net assets
Balance at April 1, 2015	¥ 6,176	¥ 1,384	¥ 923	¥ 1,981	¥ 720	¥ 58,275
Cash dividends	—	—	—	—	—	(981)
Profit attributable to owners of parent for the year	—	—	—	—	—	3,147
Acquisition of treasury stock	—	—	—	—	—	(2)
Other changes	10	94	(648)	(1,066)	(28)	(1,637)
Balance at April 1, 2016	6,187	1,479	275	914	691	58,800
Cash dividends	—	—	—	—	—	(1,215)
Profit attributable to owners of parent for the year	—	—	—	—	—	3,404
Decrease resulting from exclusion of subsidiaries from consolidation	—	—	—	—	—	(2)
Decrease resulting from inclusion of a subsidiary in consolidation	—	—	—	—	—	(92)
Acquisition of treasury stock	—	—	—	—	—	(720)
Retirement of treasury stock	—	—	—	—	—	—
Other changes	1,307	—	(87)	(69)	37	1,188
Balance at March 31, 2017	¥ 7,495	¥ 1,479	¥ 187	¥ 845	¥ 729	¥ 61,363

Thousands of U.S. dollars (Note 3)				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost
Balance at April 1, 2016	\$ 147,366	\$ 153,855	\$ 144,905	\$ (7,112)
Cash dividends	—	—	(10,829)	—
Profit attributable to owners of parent for the year	—	—	30,341	—
Decrease resulting from exclusion of subsidiaries from consolidation	—	—	(17)	—
Decrease resulting from inclusion of a subsidiary in consolidation	—	—	(820)	—
Acquisition of treasury stock	—	—	—	(6,417)
Retirement of treasury stock	—	(6,382)	—	6,382
Other changes	—	—	—	—
Balance at March 31, 2017	\$ 147,366	\$ 147,464	\$ 163,570	\$ (7,148)

Thousands of U.S. dollars (Note 3)						
	Net unrealized holding gain on securities	Surplus arising from land revaluation	Translation adjustments	Retirement benefits liability adjustments	Non- controlling interests	Total net assets
Balance at April 1, 2016	\$ 55,147	\$ 13,182	\$ 2,451	\$ 8,146	\$ 6,159	\$ 524,110
Cash dividends	—	—	—	—	—	(10,829)
Profit attributable to owners of parent for the year	—	—	—	—	—	30,341
Decrease resulting from exclusion of subsidiaries from consolidation	—	—	—	—	—	(17)
Decrease resulting from inclusion of a subsidiary in consolidation	—	—	—	—	—	(820)
Acquisition of treasury stock	—	—	—	—	—	(6,417)
Retirement of treasury stock	—	—	—	—	—	—
Other changes	11,649	—	(775)	(615)	329	10,589
Balance at March 31, 2017	\$ 66,806	\$ 13,182	\$ 1,666	\$ 7,531	\$ 6,497	\$ 546,956

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Sekisui Plastics Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2017	2017
Cash flows from operating activities			
Profit before income taxes	¥ 4,659	¥ 4,980	\$ 44,388
Adjustments for:			
Depreciation and amortization	3,937	3,591	32,008
Loss on impairment of property, plant and equipment (Note 15)	136	—	—
Amortization of goodwill	—	10	89
Increase (decrease) in allowance for doubtful account	73	(38)	(338)
Interest and dividend income	(218)	(280)	(2,495)
Interest expense	138	139	1,238
Equity in (earnings) losses of affiliates	(2)	10	89
Increase (decrease) in provision for bonuses to employees	125	(79)	(704)
Changes in liabilities for retirement benefits, net	169	124	1,105
Increase (decrease) in provision for product warranty	446	(160)	(1,426)
Gain on sales of investments in securities	(81)	(117)	(1,042)
Loss on sales or disposal of equipment, net	26	63	561
(Increase) decrease in notes and accounts receivable	(32)	1,528	13,619
Decrease (increase) in inventories	752	(168)	(1,497)
(Decrease) increase in notes and accounts payable	(290)	871	7,763
Other, net	(1,085)	(1,525)	(13,593)
Subtotal	8,755	8,950	79,775
Interest and dividends received	217	281	2,504
Interest paid	(177)	(122)	(1,087)
Proceeds from casualty insurance claims	14	17	151
Income taxes	(1,288)	(1,705)	(15,197)
Net cash provided by operating activities	7,521	7,421	66,146
Cash flows from investing activities			
Increase in short-term investments	(6)	(2)	(17)
Decrease in short-term investments	—	7	62
Purchases of property, plant and equipment	(4,116)	(5,170)	(46,082)
Proceeds from sales of property, plant and equipment	17	113	1,007
Purchases of investments in securities	(3)	(7)	(62)
Proceeds from sales of investments in securities	155	242	2,157
Increase in short-term and long-term loans receivable	(835)	(415)	(3,699)
Collection of short-term and long-term loans receivable	25	32	285
Purchases of investments in consolidated subsidiaries and affiliates	(211)	(258)	(2,299)
Other, net	208	(46)	(410)
Net cash used in investing activities	(4,766)	(5,505)	(49,068)
Cash flows from financing activities			
Net (decrease) increase in short-term loans	(116)	414	3,690
Proceeds from long-term loans	934	1,700	15,152
Repayment of long-term loans	(1,788)	(2,790)	(24,868)
Purchases of treasury stock	(1)	(719)	(6,408)
Dividends paid	(981)	(1,215)	(10,829)
Dividends paid to non-controlling shareholders	(0)	(6)	(53)
Other	(378)	(335)	(2,986)
Net cash used in financing activities	(2,332)	(2,953)	(26,321)
Effect of exchange rate changes on cash and cash equivalents	(315)	5	44
Net increase (decrease) in cash and cash equivalents	106	(1,030)	(9,180)
Cash and cash equivalents at beginning of the year	7,030	7,137	63,615
Increase in cash and cash equivalents from newly consolidated subsidiaries	—	161	1,435
Decrease in cash and cash equivalents resulting from exclusion of a subsidiary from consolidation	—	(1)	(8)
Cash and cash equivalents at the end of the year	¥ 7,137	¥ 6,266	\$ 55,851

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Sekisui Plastics Co., Ltd. and Consolidated Subsidiaries
March 31, 2017

1. Significant Accounting Policies

(a) Basis of Preparation

The consolidated financial statements of Sekisui Plastics Co., Ltd. (the "Company") and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reportable Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2016 to the 2017 presentation. Such reclassification had no effect on consolidated profit.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. Consequently, the totals shown in the consolidated financial statements do not necessarily agree with the sum of the individual yen and U.S. dollar amounts.

(b) Principles of Consolidation and Accounting for Investments in Unconsolidated Subsidiaries Affiliates

The consolidated financial statements include the accounts of the Company and its 31 and 32 significant consolidated subsidiaries (collectively, the "Group") for the years ended March 31, 2016 and 2017, respectively. The Company has applied the equity method to its investment in one significant affiliate for the purpose of the consolidated financial statements for the years ended March 31, 2016 and 2017.

The principles of consolidation are to include significant subsidiaries over which substantial control is exerted either through majority ownership of voting stock and/or by other means. In addition, significant affiliates, over which the Group exercises substantial control in various ways, are accounted for by the equity method.

Other subsidiaries and affiliates are not significant in terms of their total assets, profit or loss, and retained earnings. Accordingly, these other subsidiaries and affiliates have not been consolidated nor are they accounted for by the equity method. Investments in such subsidiaries and affiliates are stated at cost unless there has been a permanent decline in the value of such investments. In such case, the Company is required to write down the investments.

All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

Goodwill arising from the difference between the purchase cost and the underlying equity in net assets at the respective dates of acquisition is amortized by straight-line method over a period of 5 years.

Effective from the year ended March 31, 2017, Yamakyu Co., Ltd. and Sekisui Plastics Mexico S.A. de C.V. were newly included in the scope of consolidation due to the acquisition of shares and an increase in materiality, respectively.

Effective from the year ended March 31, 2017, Sekisui Plastics Industrial Materials (Thailand) Co., Ltd. was excluded from the scope of consolidation due to a decrease in materiality.

Five overseas consolidated subsidiaries, the fiscal year end of which is December 31, have been consolidated using provisional financial statements at March 31, 2017.

(c) Foreign Currency Translation

The financial statements of the overseas consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date except that the components of net assets excluding non-controlling interests are translated at their historical exchange rates. Differences resulting from translating the financial statements of the overseas consolidated subsidiaries are not included in the determination of profit but are reported as translation adjustments and non-controlling interests in net assets in the consolidated balance sheet.

Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into yen at the rates of

exchange in effect at the respective transaction dates.

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date and gain or loss on each translation is credited or charged to income.

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits with banks withdrawable on demand and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

(e) Allowance for Doubtful Accounts

The Group provides an allowance for doubtful accounts at an amount calculated based on their historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific bad debts from customers experiencing financial difficulties.

(f) Inventories

Inventories are stated at lower of cost or net selling value, cost being determined by the moving average method.

(g) Securities

Securities are classified into three categories: trading securities, held-to-maturity debt securities and other securities. Trading securities, consisting of debt and marketable equity securities are stated at fair value. Gain or loss, both realized and unrealized, is credited or charged to income. Held-to-maturity debt securities are stated at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of accumulated other comprehensive income (loss). Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

(h) Property, Plant and Equipment (except for leased assets)

Property, plant and equipment are stated at cost.

Depreciation of buildings and structures is calculated by the straight-line method over the estimated useful lives of the respective assets. Depreciation of other property, plant and equipment is principally computed by the straight-line method, except for certain subsidiaries which compute depreciation by the declining-balance method over the estimated useful lives of the respective assets.

The estimated useful lives of major property, plant and equipment are summarized as follows:

Buildings	principally 31 to 38 years
Machinery	principally 8 years

Significant renewals and additions are capitalized at cost. Maintenance and repairs are charged to income as incurred.

(i) Leased Assets (included in other assets)

Leased assets under finance lease contracts that do not transfer ownership to the lessee are depreciated to a residual value of zero by the straight-line method using the term of the contract as the useful life.

(j) Income Taxes

Income taxes are calculated on taxable income and charged to income on an accrual basis. Certain temporary differences exist between taxable income and income reported for financial statement purposes which enter into the determination of taxable income in a different period. The Group has recognized the tax effect of such temporary differences in the consolidated financial statements.

The Company and certain domestic consolidated subsidiaries have applied the consolidated taxation system, which allows companies to file tax returns based on the combined profits or losses of the parent company and wholly owned domestic subsidiaries.

(k) Provision for Bonuses to Employees

Provision for bonuses to employees is provided at the estimated amount of bonuses to be paid to the employees in the following year which has been allocated to the current fiscal year.

(l) Provision for Bonuses to Directors and Audit and Supervisory Board Members

Provision for bonuses to directors and audit and supervisory board members is calculated based on the estimated amount of bonuses to be paid to directors and audit and supervisory board members in the following year which has been allocated to the current fiscal year.

(m) Provision for Product Warranty

Provision for product warranty is provided based on an estimated amount which is expected to be incurred subsequent to the balance sheet date.

(n) Retirement Benefit Plans

i) Method of attributing expected benefits to each period

The retirement benefit obligation for employees is attributed to each period by the benefit formula method over the estimated years of service of the eligible employees.

ii) Amortization method of actuarial gain or loss and prior service cost

Actuarial gain or loss is amortized from the year following the year in which the gain or loss is recognized by the straight-line method over a period of 5 years, which is within the estimated average remaining years of service of the eligible employees.

(o) Software (except for leased assets)

Expenditures relating to computer software developed for internal use are charged to income when incurred, except if these are deemed to contribute to the generation of future income or cost savings. Such expenditures are capitalized as assets and amortized by the straight-line method over their respective estimated useful lives, generally a period of 5 years.

(p) Research and Development Costs

Research and development costs are charged to income when incurred.

(q) Hedge Accounting

The Company has entered into interest-rate currency swaps to hedge

the risk of interest rate and foreign currency exchange rate fluctuations on long-term debt denominated in foreign currencies. The Company has entered into forward foreign currency exchange contracts to hedge the risk of foreign currency exchange rate fluctuations on accounts receivable denominated in foreign currency.

i) Hedge accounting method

Interest-rate currency swaps that meet special matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income, and the long-term debt hedged by the swap by the swap agreements is translated at the swap contract rate ("special treatment").

Account receivables hedged by forward foreign currency exchange contracts which meet certain conditions are translated at the corresponding foreign exchange contract rates ("allocation method").

ii) Hedging instruments and hedged items

Hedging instruments:	Interest-rate currency swaps
	Forward foreign currency exchange contracts
Hedged items:	Long-term loans denominated in foreign currencies
	Accounts receivable denominated in foreign currencies

iii) Hedging policy

Derivative transactions are used to hedge the risk of interest-rate and foreign currency exchange rate fluctuations in accordance with the Company's risk management policy.

iv) Assessing hedge effectiveness

With regard to interest-rate currency swaps accounted for by the special treatment and forward foreign currency exchange contracts accounted for by allocation method, evaluation of hedge effectiveness is omitted.

(r) Distribution of Retained Earnings

Under the Corporation Law of Japan, the distribution of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period. The accounts for that period do not, therefore, reflect such distributions (see Note 19).

2. Accounting Change

Changes in accounting policy that are difficult to distinguish from changes in accounting estimates

Previously, the Company and most of its domestic consolidated subsidiaries calculated depreciation mainly by the straight-line method for buildings (except for facilities attached to buildings) and the declining-balance method for other items of property, plant and equipment (except for leased assets).

Effective April 1, 2016, the straight-line method is applied for depreciation of all items of property, plant and equipment.

Under the Group's mid-term management plan, "Make Innovations 60," issued in April 2016, for existing property, plant and equipment, the Group made capital investment plans that mainly involve maintaining and updating them in the process of building and reinforcing production structures globally.

As a result of the actions described above, the Group performed a

review to identify the most suitable depreciation method for property, plant and equipment.

Since manufacturing of Eslen beas and Eslen sheet, the Company's flagship product, is expected to contribute to steady operation of facilities in the future, the Group plans to mainly invest to maintain and update the existing property, plant and equipment.

Therefore, since the utilization pattern of property, plant and equipment of the Company and most of domestic consolidated subsidiaries is expected to be steady, the Group concluded that adopting the straight-line method is more appropriate.

As a result of this change, depreciation for the fiscal year ended March 31, 2017 decreased by ¥621 million (\$5,535 thousand) compared to the amount based on the previous method, while operating income, ordinary income and profit before income taxes increased by ¥621 million (\$5,535 thousand), respectively.

3. U.S. Dollar Amounts

The U.S. dollar amounts in the consolidated financial statements have been translated from yen solely for convenience and, as a matter of arithmetic computation only, at ¥112.19 = U.S. \$1.00, the exchange rate prevailing on March 31, 2017. This translation should not be construed

as a representation that the yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

4. Financial Instruments

(a) Status of Financial Instruments

The Group manages fund surpluses only through short-term financial assets. In addition, the Group currently raises capital through bank borrowings. Derivative transactions are not used for speculation, but only used to hedge various risks as addressed below.

In accordance with the internal business management rules of the Company for managing credit risk arising from notes and accounts receivable, each business section and the sales supervisory department monitor credit worthiness of their customers periodically, and monitor due dates and outstanding balances. Subsidiaries of the Company also manage credit risk in accordance with the Company's business management rules.

Investments in securities are exposed to market risk. Those securities are composed of mainly the shares of common stock of other companies with which the Group has business relationships. The accounting department, on a quarterly basis, reviews the fair value of such financial instruments.

Trade payable, such as notes and accounts payable have payment due dates within one year.

Short-term loans are raised mainly in connection with operating activities, and long-term loans are taken out principally for the purpose of making capital investments. Long-term loans with variable interest rates is

exposed to interest-rate fluctuation risk. Interest-rate currency swaps are used to hedge the risk of interest rate and foreign currency exchange rate fluctuations on the Group's long-term loans denominated in foreign currencies. Forward foreign currency exchange contracts are used to hedge the risk of foreign currency exchange rate fluctuations on the Group's accounts receivables denominated in foreign currencies.

Derivative transactions are not used for speculation, but only used to manage various market risks and to reduce those risks.

Further information regarding the method of hedge accounting can be found in Note 1(q).

Trade payables, short-term loans and long-term loans are exposed to liquidity risk. The Company makes efforts to facilitate financing and ensure diverse sources of financing. Each component of the Group also prepares monthly cash flow plans to manage liquidity risk.

(b) Fair Value of Financial Instruments

Carrying value, fair value and the difference between them for financial instruments on the consolidated balance sheets as of March 31, 2016 and 2017 are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value.

Millions of yen						
	2016			2017		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Cash and cash equivalents	¥ 7,137	¥ 7,137	¥ —	¥ 6,266	¥ 6,266	¥ —
Short-term investments	9	9	—	5	5	—
Notes and accounts receivable	29,432	29,432	—	29,028	29,028	—
Investments in securities	13,645	13,645	—	15,400	15,400	—
Total assets	¥ 50,224	¥ 50,224	¥ —	¥ 50,701	¥ 50,701	¥ —
Notes and accounts payable	¥ 22,020	¥ 22,020	¥ —	¥ 23,693	¥ 23,693	¥ —
Short-term loans	4,662	4,662	—	5,188	5,188	—
Long-term loans*	13,611	13,721	110	13,237	13,048	(188)
Total liabilities	¥ 40,482	¥ 40,592	¥ 110	¥ 42,118	¥ 41,930	¥ (188)

Thousands of U.S. dollars						
	2017					
	Carrying value	Fair value	Difference			
Cash and cash equivalents	\$ 55,851	\$ 55,851	\$ —			
Short-term investments	44	44	—			
Notes and accounts receivable	258,739	258,739	—			
Investments in securities	137,267	137,267	—			
Total assets	\$ 451,920	\$ 451,920	\$ —			
Notes and accounts payable	\$ 211,186	\$ 211,186	\$ —			
Short-term loans	46,242	46,242	—			
Long-term loans*	117,987	116,302	(1,675)			
Total liabilities	\$ 375,416	\$ 373,740	\$ (1,675)			

* Includes current portion of long-term loans of ¥2,630 million and ¥4,263 million (\$37,998 thousand) at March 31, 2016 and 2017, respectively.

Methods to determine the estimated fair value of financial instruments and other matters related to securities are as follows:

Assets:

Cash and cash equivalents, short-term investments and notes and accounts receivable:

Since cash and cash equivalents, short-term investments and notes and accounts receivable are settled in a short period of time, their carrying value approximate the fair value.

Investments in securities:

The fair values of other investments in securities are based on quoted market prices. For information on securities classified by purpose of holding, please refer to Note 5.

Liabilities:

Notes and accounts payable and short-term loans:

Since notes and accounts payable and short-term loans are settled in a short period of time, their carrying value approximate the fair value.

Long-term loans:

The fair value of long-term loans are based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new borrowings were entered into. The fair value of long-term loans with variable interest rates hedged with interest-rate swaps which qualify for hedge accounting and meet special

matching criteria is calculated by discounting the sum of principal and interest, including the difference paid or received under the swap agreements, with the rate which would be applied if similar new borrowings were entered into.

Unlisted equity securities of affiliates in the amount of ¥1,263 million and ¥822 million (\$7,326 thousand) at March 31, 2016 and 2017, respectively, are not included in investments in securities in the preceding table since it is extremely difficult to determine their fair value at March 31, 2016 and 2017.

The redemption schedule at March 31, 2017 for deposits and notes and accounts receivable with maturity dates is summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2017	2017
	Within 1 year	Within 1 year
Deposits	¥ 6,243	\$ 55,646
Notes and accounts receivable	29,028	258,739
Total	¥ 35,272	\$ 314,395

The redemption schedule for long-term loans are disclosed in Note 7.

5. Investments in Securities

Marketable securities classified as other securities at March 31, 2016 and 2017 were as follows:

	Millions of yen					
	2016			2017		
	Acquisition cost	Carrying value	Unrealized holding gain	Acquisition cost	Carrying value	Unrealized holding gain
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	¥ 4,789	¥ 13,645	¥ 8,855	¥ 4,673	¥ 15,400	¥ 10,727
Securities whose acquisition cost exceeds their carrying value:						
Equity securities	—	—	—	0	0	(0)
Total	¥ 4,789	¥ 13,645	¥ 8,855	¥ 4,673	¥ 15,400	¥ 10,727

	Thousands of U.S. dollars		
	2017		
	Acquisition cost	Carrying value	Unrealized holding gain
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	\$ 41,652	\$ 137,267	\$ 95,614
Securities whose acquisition cost exceeds their carrying value:			
Equity securities	0	0	(0)
Total	\$ 41,652	\$ 137,267	\$ 95,614

Unlisted equity securities other than securities of affiliates in the amount of ¥171 million and ¥169 million (\$1,506 thousand) at March 31, 2016 and 2017 are not included in equity securities in the above table

since it is extremely difficult to determine their fair value at March 31, 2016 and 2017.

The proceeds from sales of, and gross realized gain on investments in securities for the years ended March 31, 2016 and 2017 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2016	2017
Proceeds from sales	¥ 306	¥ 242
Gross realized gain	81	117

6. Inventories

Inventories at March 31, 2016 and 2017 were composed of the following:

	Millions of yen	Thousands of U.S. dollars
	2016	2017
Merchandise, finished goods and semi-finished goods	¥ 6,814	¥ 6,601
Work in process goods	89	206
Raw materials and supplies	2,326	2,782
Total	¥ 9,230	¥ 9,589

7. Short-Term Loans and Long-Term Loans

Short-term loans at March 31, 2016 and 2017 represented loans in the form of deeds and overdrafts at interest rates ranging from 0.25% to

3.20% and from 0.20% to 6.44% per annum, respectively.

Long-term loans at March 31, 2016 and 2017 was composed of the following:

	Millions of yen	Thousands of U.S. dollars
	2016	2017
Unsecured loans from banks and insurance companies, payable in Japanese yen, at rates ranging from 0.20% to 2.60%	¥ 12,300	¥ 12,342
Unsecured loans from banks, payable in U.S. dollars, at rates ranging from 1.22% to 2.49%	633	471
Unsecured loans from banks, payable in Euro, at a rate of 1.33%	145	68
Unsecured loans from banks, payable in Taiwan dollars, at a rate of 4.25%	460	355
Unsecured loans from banks, payable in Thai baht, at a rate of 4.25%	71	—
Total	13,611	13,237
Less current portion	(2,630)	(4,263)
	¥ 10,981	¥ 8,973
		\$ 83,269
		30,938
		606
		3,164
		—
		117,987
		(37,998)
		\$ 79,980

The aggregate annual maturities of long-term loans subsequent to March 31, 2017 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31,	2017	2017
2018	¥ 4,263	\$ 37,998
2019	6,045	53,881
2020	2,742	24,440
2021	108	962
2022 and thereafter	76	677
Total	¥ 13,237	\$ 117,987

8. Pledged Assets and Secured Liabilities

Assets pledged as collateral for liabilities as of March 31, 2017 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2017	2017
Land	¥ 166	\$ 1,479
Buildings	58	516
	¥ 225	\$ 2,005

Liabilities secured by these assets as collateral consist of ¥41 million (\$365 thousand) of short-term loans and ¥105 million (\$935 thousand) of long-term loans at March 31, 2017.

As there were no corresponding pledged assets as of March 31, 2016, the disclosure was omitted.

9. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries consist of corporation, enterprise and inhabitants' taxes. The statutory tax rates in Japan for the years ended March 31, 2016 and 2017 were, in the aggregate, approximately 33.0% and 30.8%, respectively.

A reconciliation of the statutory and effective tax rates for the years ended March 31, 2016 and 2017 has been omitted because the difference between the statutory tax rates and the Group's effective tax rates for financial reporting purposes was less than 5% of the statutory tax rate.

Deferred income taxes reflect the net tax effect of the temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the corresponding amounts for income tax purposes. The significant components of the Group's deferred tax assets and liabilities at March 31, 2016 and 2017 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Deferred tax assets:			
Liabilities for retirement benefits	¥ 868	¥ 647	\$ 5,767
Tax loss carryforwards	637	748	6,667
Provision for bonuses to employees	330	313	2,789
Unrealized profit on intercompany transactions	506	499	4,447
Loss on impairment of investments in securities	110	45	401
Loss on devaluation of inventories	74	66	588
Other	492	421	3,752
Gross deferred tax assets	3,019	2,741	24,431
Valuation allowance	(568)	(524)	(4,670)
Total deferred tax assets	2,451	2,216	19,752
Deferred tax liabilities:			
Differences on land revaluation	(952)	(985)	(8,779)
Surplus arising from land revaluation	(1,596)	(1,596)	(14,225)
Net unrealized holding gain on securities	(2,668)	(3,231)	(28,799)
Gain on marketable securities contributed to employees' retirement benefit trust	(137)	(126)	(1,123)
Assets for retirement benefits	(399)	(369)	(3,289)
Other	(482)	(554)	(4,938)
Total deferred tax liabilities	(6,236)	(6,863)	(61,173)
Net deferred tax liabilities	¥ (3,784)	¥ (4,646)	\$ (41,411)

10. Retirement Benefit Plans

(a) Outline of adopted retirement benefit plans for employees

The Company and its consolidated subsidiaries adopt plans similar to cash balance pension plans, corporate pension plans (all funded plans) and retirement lump-sum payment plans as defined benefit plans. Further, the Company and its subsidiaries may pay premium benefits to employees on retirement. The Company also has established retirement benefit trusts. Certain consolidated subsidiaries adopt defined contribution plans.

Certain consolidated subsidiaries calculate the liabilities for retirement benefits and retirement benefit expense by using the simplified method which assumes the retirement benefit obligation to be equal to the benefits payable if all eligible employees voluntarily terminated their employment at the fiscal year end for the calculation of liabilities for retirement benefits and retirement benefit expenses.

(b) Defined benefit plans for the years ended March 31, 2016 and 2017

(i) Excluding amounts calculated by the simplified method, the changes in the retirement benefit obligation for the years ended March 31, 2016 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Retirement benefit obligation at a beginning of the year	¥ 9,930	¥ 10,223	\$ 91,122
Service cost	247	261	2,326
Interest cost	62	32	285
Actuarial loss	554	(158)	(1,408)
Retirement benefit paid	(611)	(557)	(4,964)
Other	39	39	347
Retirement benefit obligation at the end of the year	¥ 10,223	¥ 9,839	\$ 87,699

(ii) Excluding amounts calculated by the simplified method, the changes in plan assets at fair value for the years ended March 31, 2016 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Plan assets at fair value at beginning of the year	¥ 14,456	¥ 13,171	\$ 117,399
Expected return on plan assets	267	261	2,326
Actuarial gain	96	271	2,415
Contributions by the employer	453	445	3,966
Retirement benefit paid	(604)	(557)	(4,964)
Decrease due to cancellation of certain retirement benefit trusts	(1,498)	—	—
Plan assets at fair value at the end of the year	¥ 13,171	¥ 13,592	\$ 121,151

(iii) The change in liabilities for retirement benefits under the simplified method for the years ended March 31, 2016 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Liabilities for retirement benefits at beginning of the year	¥ 2,505	¥ 2,661	\$ 23,718
Retirement benefit expense	295	361	3,217
Retirement benefit paid	(155)	(204)	(1,818)
Contribution to defined contribution pension plans	(9)	(21)	(187)
Other	25	67	597
Liabilities for retirement benefit at the end of the year	¥ 2,661	¥ 2,863	\$ 25,519

(iv) Including the amounts presented calculated by the simplified method, the balance of retirement benefit obligation and plan assets at fair value, liabilities and assets recognized in the consolidated balance sheets for the years ended March 31, 2016 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Funded retirement benefit obligation	¥ 10,335	¥ 9,943	\$ 88,626
Plan assets at fair value	(13,314)	(13,685)	(121,980)
	(2,978)	(3,741)	(33,345)
Unfunded retirement benefit obligation	2,691	2,851	25,412
Net amount of liabilities and assets recognized in the consolidated balance sheet	(287)	(890)	(7,932)
Liabilities for retirement benefits	2,706	2,878	25,652
Assets for retirement benefits	(2,993)	(3,768)	(33,585)
Net amount of liabilities and assets recognized in the consolidated balance sheet	¥ (287)	¥ (890)	\$ (7,932)

(v) The components of retirement benefit expense (credit) for the years ended March 31, 2016 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Service cost	¥ 247	¥ 261	\$ 2,326
Interest cost	62	32	285
Expected return on plan assets	(267)	(261)	(2,326)
Amortization of actuarial gain	(1,149)	(531)	(4,733)
Retirement benefit expenses calculated by the simplified method	295	361	3,217
Retirement benefit expense (credit)	¥ (810)	¥ (137)	\$ (1,221)

(vi) The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2016 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Actuarial gain	¥ (1,607)	¥ (99)	\$ (882)

(vii) The components of retirement benefits liability adjustments included in accumulated other comprehensive income before deduction of the tax effect as of March 31, 2016 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Unrecognized actuarial gain	¥ (1,314)	¥ (1,214)	\$ (10,820)

(viii) The plan assets by major category consist of the follows:

	2016	2017
Bonds	38%	24%
Equities	40	44
General accounts at life insurance companies	17	14
Cash and deposits	1	4
Other	4	14
Total	100%	100%

The total pension plan assets includes 24% and 25% of the retirement benefits trust for the corporate pension fund plans as of March 31, 2016 and 2017, respectively.

The expected long-term rates of return on plan assets is determined

as a result of consideration of both the portfolio allocation at present and in the future, and the long-term rate expected rate of return from multiple plan assets at present and in the future.

(ix) The assumptions used in accounting for the defined benefit plans for the years ended March 31, 2016 and 2017 are as follows:

	2016	2017
Discount rates	0.3%	0.4%
Expected long-term rates of return on plan assets	1.9%	2.0%
Rates of salary increase	2.8%	2.8%

(c) Defined contribution pension plans for the years ended March 31, 2016 and 2017 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2016	2017
Contributions to defined contribution pension plans	¥ 5	¥ 7
		\$ 62

11. Shareholders' Equity

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be

made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

Retained earnings include the legal reserve provided in accordance with the provisions of the Corporation Law of Japan. The legal reserve of the Company included in retained earnings amounted to ¥1,370 million and ¥1,370 million (\$12,211 thousand) at March 31, 2016 and 2017, respectively.

Common stock and treasury stock

Movements in shares of common stock and treasury stock during the years ended March 31, 2016 and 2017 are summarized as follows:

	2016		
	Number of shares		
	April 1, 2015	Increase	Decrease
			March 31, 2016
Common stock	95,976,218	—	—
Treasury stock	2,494,902	5,046	—

The increase in treasury stock of 5,046 shares is due to the purchase of 3,059 fractional shares of less than one trading unit and 1,987 shares attributable

to the Company acquired by its affiliates under the equity method.

	2017		
	Number of shares		
	April 1, 2016	Increase	Decrease
			March 31, 2017
Common stock	95,976,218	—	48,988,109
Treasury stock	2,499,948	878,590	2,251,313

The decrease in common stock consists of 47,988,109 shares due to the consolidation of two shares into one share on October 1, 2016, and 1,000,000 shares due to retirement of treasury stock based on the resolution of the Board of Directors meeting.

The increase in treasury stock consists of 875,000 shares due to purchase of shares based on the resolution of the Board of Directors

meeting, 1,483 shares due to the purchase of fractional shares of less than one voting unit, and 2,107 shares attributable to the Company acquired by its equity-method affiliates. The decrease in treasury stock consists of 1,251,313 shares due to the consolidation of two shares into one share and 1,000,000 shares due to retirement of treasury stock based on the solution of the Board of Directors meeting.

12. Land Revaluation

In accordance with the "Law Concerning Revaluation of Land" promulgated on March 31, 1998, land used for business was revalued at March 31, 2002, and the related unrealized gain was reported as "Surplus arising from land revaluation" after deducting the relevant tax effect. The method followed for this revaluation was determined in accordance with the "Land Revaluation Tax Law" as stipulated in the "Enforcement

Act Concerning Land Revaluation" and other regulations.

The carrying values of ¥9,545 million and ¥9,545 million (\$85,078 thousand) for the purpose of land revaluation exceeded the land's estimated market values by ¥3,493 million and ¥3,546 million (\$31,607 thousand) at March 31, 2016 and 2017, respectively.

13. Other Comprehensive Income

Reclassification adjustments and tax effects on components of other comprehensive income for the years ended March 31, 2016 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Net unrealized holding gain on securities:			
Gain arising during the year	¥ 250	¥ 1,950	\$ 17,381
Reclassification adjustments	(3)	(79)	(704)
Before tax effect	247	1,871	16,677
Tax effect	(236)	(563)	(5,018)
Net unrealized holding gain on securities	10	1,307	11,649
Surplus arising from land revaluation:			
Gain arising during the year	—	—	—
Before tax effect	—	—	—
Tax effect	94	—	—
Surplus arising from land revaluation	94	—	—
Translation adjustments:			
Loss arising during the year	(648)	(91)	(811)
Before tax effect	(648)	(91)	(811)
Tax effect	—	—	—
Translation adjustments	(648)	(91)	(811)
Retirement benefits liability adjustments:			
(Loss) gain arising during the year	(458)	431	3,841
Reclassification adjustments	(1,149)	(531)	(4,733)
Before tax effect	(1,607)	(99)	(882)
Tax effect	541	30	267
Retirement benefits liability adjustments	(1,066)	(69)	(615)
Total other comprehensive (loss) income	¥ (1,609)	¥ 1,147	\$ 10,223

14. Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2016 and 2017 amounted

to ¥1,856 million and ¥1,916 million (\$17,078 thousand), respectively.

15. Loss on Impairment of Property, Plant and Equipment

Loss on impairment of property, plant and equipment was not recorded for the year ended March 31, 2017.

The Group recorded loss on impairment the following asset groups for the year ended March 31, 2016.

Location	Use	Classification
Sakura-shi, Chiba	Idle asset	Land
Tianjin, China	Plant	Buildings and machineries

The Group categorizes assets for business use mainly based on the classification for management accounting unit. Idle assets are grouped on an individual basis.

For the year ended March 31, 2016, the Company recorded loss on

impairment in the amount of ¥90 million on land which was classified as an idle asset. Because its fair value had significantly decreased, the net book value was writing down to the respective recoverable amount.

The recoverable amount of land was determined based on an appraisal value by real-estate appraisers.

The Company recorded loss on impairment in the amount of ¥45 million on buildings and machinery within other expenses by writing down the net book value to the recoverable amount of plant assets due to a continuous downturn in the results of business operations of a consolidated subsidiary. The loss on impairment consisted of ¥25 million for buildings, ¥13 million for machinery and ¥5 million for other.

The recoverable amounts of this asset group was measured at the estimated value in use, which was calculated based on future cash flows using a discount rate of 4.03%.

16. Derivatives and Hedge Accounting

The estimated fair value of derivative instruments outstanding at March 31, 2016 and 2017 for which hedge accounting has been applied is summarized as follows:

Millions of yen			
2016			
Notional amount			
	Total	Maturing after one year	Fair value
Interest-rate currency swaps hedging long-term loans, accounted for by special treatment:			
Receivable / floating and U.S. dollar			
Payable / fixed and Japanese yen	¥ 3,000	¥ 3,000	(*1)
Forward foreign currency exchange contracts hedging long-term accounts receivable accounted for by allocation method:			
Selling / Hong Kong dollar	139	—	(*2)
Millions of yen			
2017			
Notional amount			
	Total	Maturing after one year	Fair value
Interest-rate currency swaps hedging long-term loans, accounted for by special treatment:			
Receivable / floating and U.S. dollar			
Payable / fixed and Japanese yen	¥3,000	¥ 3,000	(*1)
Forward foreign currency exchange contracts hedging accounts receivable accounted for by allocation method:			
Selling / Hong Kong dollar	139	—	(*2)
Thousands of U.S. dollars			
2017			
Notional amount			
	Total	Maturing after one year	Fair value
Interest-rate currency swaps hedging long-term loans, accounted for by special treatment:			
Receivable / floating and U.S. dollar			
Payable / fixed and Japanese yen	\$ 26,740	\$ 26,740	(*1)
Forward foreign currency exchange contracts hedging accounts receivable accounted for by allocation method:			
Selling / Hong Kong dollar	1,238	—	(*2)

(*1) Because interest-rate currency swaps accounted for by integral hedge accounting are accounted for applying swap rates to underlying long-term loans, their fair value is included in that of the hedged long-term loans disclosed in Note 4.

(*2) When a forward foreign currency exchange contract meets the criteria for the allocation method, the net amount to be paid or received under the contract is added to or deducted from the amount of the hedged items. The fair value of the forward foreign currency exchange contract accounted for by the allocation method is included in that of the hedged account receivables.

17. Amounts per Share

	Yen		U.S. dollars
	2016	2017	2017
Profit attributable to owners of parent	¥ 67.33	¥ 73.03	\$ 0.65
Net assets	1,243.30	1,322.14	11.78
Cash dividends	12.00	18.00	0.16

Profit attributable to owners of parent per share has been computed based on the profit attributable to owners of parent available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Diluted profit attributable to owners of parent per share has not been presented for the years ended March 31, 2016 and 2017 since neither the Company nor any of the consolidated subsidiaries had any potentially dilutive shares at March 31, 2016 and 2017.

The amounts per share of net assets have been computed based on

the number of shares of common stock outstanding at the year end.

Two shares of common stock were consolidated into one share on October 1, 2016. Net assets per share and profit attributable to owners of parent per share have been computed as if the consolidation of shares was executed on April 1, 2015.

Cash dividends per share represent the cash dividends declared as applicable to the respective years together with the interim cash dividends paid.

The financial data used in the computation of profit attributable to owners of parent per share based on the above method for the years ended March 31, 2016 and 2017 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Profit attributable to owners of parent	¥ 3,147	¥ 3,404	\$ 30,341
Adjusted profit attributable to owners of parent available for distribution to common stockholders	¥ 3,147	¥ 3,404	\$ 30,341

	Thousands of shares	
	2016	2017
Weighted-average number of shares of common stock outstanding	46,739	46,616

Weighted average number of shares of common stock outstanding as of March 31, 2016 was calculated based on the number after consolidation of shares.

The financial data used in the computation of net assets per share based on the above method at March 31, 2016 and 2017 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Total net assets	¥ 58,800	¥ 61,363	\$ 546,956
Deductions from total net assets:			
Non-controlling interests	691	729	6,497
Total net assets available to owners of parent	¥ 58,109	¥ 60,634	\$ 540,458

	Thousands of shares	
	2016	2017
Number of shares of common stock used in the calculation of net assets per share	46,738	45,860

Number of shares of common stock as of March 31, 2016 used above was calculated based on the number after consolidation of shares.

18. Segment Information

(a) Outline of segment information

The Group's business mainly involves the manufacturing and sales of plastic products. The Company has established departments based on product markets or product function for global development in the two fields of "Human Life" and "Industry." Each department has works closely with subsidiaries to plan overall strategies and operate its business.

Accordingly, the Group's reportable segments are "Human Life" and "Industry."

These reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance.

The main products for Human Life Segment are boxes/trays for agricultural/fishery products, food containers, housing and civil engineering

materials, etc., while the main products for Industry Segment are automobile components, digital consumer electronics components, packaging materials, and other related products.

(b) Calculation methods used for sales, income, assets and other items of each reportable segment

The accounting policies of the segments are substantially the same as those described in significant accounting policies in Note 1.

Segment income represents ordinary income, which consists of operating income and non-operating income/expenses. Non-operating income/expenses mainly include interest income, dividend income, interest expense, equity in earnings (losses) of affiliates. Intersegment sales are recorded at the same price used in transactions with third parties.

(c) Information on sales, income, assets and other items of each reportable segment

Information by reportable segment for the years ended March 31, 2016 and 2017 is as follows:

	Millions of yen				
	2016				
	Reportable segments			Adjustments and eliminations ⁽¹⁾	Consolidated
	Human Life	Industry	Total		
Sales, income and assets by reportable segments:					
Sales to third parties	¥ 64,589	¥ 36,969	¥ 101,559	¥ —	¥ 101,559
Inter-segment sales and transfers	3,397	1,593	4,991	(4,991)	—
Total	¥ 67,987	¥ 38,562	¥ 106,550	¥ (4,991)	¥ 101,559
Segment income ⁽²⁾	¥ 3,575	¥ 2,260	¥ 5,836	¥ (974)	¥ 4,862
Segment assets	¥ 69,749	¥ 33,236	¥ 102,986	¥ 11,905	¥ 114,892
Other items:					
Depreciation and amortization	¥ 1,865	¥ 1,633	¥ 3,498	¥ 438	¥ 3,937
Amortization of goodwill	—	—	—	—	—
Interest income	0	7	7	2	10
Interest expense	817	263	1,080	(941)	138
Equity in earnings of affiliates	2	—	2	—	2
Loss on impairment of property, plant and equipment	90	45	136	—	136
Investments in affiliates accounted for by the equity method	367	—	367	—	367
Increase in property, plant and equipment and intangible assets	1,665	2,263	3,929	494	4,424

Millions of yen

2017

	Reportable segments			Adjustments and eliminations ^(*)	Consolidated
	Human Life	Industry	Total		
Sales, income and assets by reportable segments:					
Sales to third parties	¥ 62,233	¥ 40,165	¥ 102,398	¥ —	¥ 102,398
Inter-segment sales and transfers	2,467	1,874	4,342	(4,342)	—
Total	¥ 64,701	¥ 42,039	¥ 106,741	¥ (4,342)	¥ 102,398
Segment income ^(*)	¥ 3,802	¥ 1,969	¥ 5,771	¥ (722)	¥ 5,049
Segment assets	¥ 68,339	¥ 39,468	¥ 107,808	¥ 11,862	¥ 119,670
Other items:					
Depreciation and amortization	¥ 1,579	¥ 1,606	¥ 3,186	¥ 405	¥ 3,591
Amortization of goodwill	—	10	10	—	10
Interest income	0	5	5	3	8
Interest expense	845	348	1,193	(1,054)	139
Equity in losses of affiliates	(10)	—	(10)	—	(10)
Loss on impairment of property, plant and equipment	—	—	—	—	—
Investments in affiliates accounted for by the equity method	354	—	354	—	354
Increase in property, plant and equipment and intangible assets	2,394	2,861	5,255	581	5,836

Thousands of U.S. dollars

2017

	Reportable segments			Adjustments and eliminations ^(*)	Consolidated
	Human Life	Industry	Total		
Sales, income and assets by reportable segments:					
Sales to third parties	\$ 554,710	\$ 358,008	\$ 912,719	\$ —	\$ 912,719
Inter-segment sales and transfers	21,989	16,703	38,702	(38,702)	—
Total	\$ 576,709	\$ 374,712	\$ 951,430	\$ (38,702)	\$ 912,719
Segment income ^(*)	\$ 33,888	\$ 17,550	\$ 51,439	\$ (6,435)	\$ 45,004
Segment assets	\$ 609,136	\$ 351,796	\$ 960,941	\$ 105,731	\$ 1,066,672
Other items:					
Depreciation and amortization	\$ 14,074	\$ 14,315	\$ 28,398	\$ 3,609	\$ 32,008
Amortization of goodwill	—	89	89	—	89
Interest income	0	44	44	26	71
Interest expense	7,531	3,101	10,633	(9,394)	1,238
Equity in losses of affiliates	(89)	—	(89)	—	(89)
Loss on impairment of property, plant and equipment	—	—	—	—	—
Investments in affiliates accounted for by the equity method	3,155	—	3,155	—	3,155
Increase in property, plant and equipment and intangible assets	21,338	25,501	46,840	5,178	52,018

(*)1 Adjustments and eliminations in the preceding tables were as follows:

- Segment income in the amounts of ¥974 million and ¥722 million (\$6,435 thousand) for the years ended March 31, 2016 and 2017 consisted of elimination of inter-segment transactions in the amounts of ¥8 million and ¥(8) million (\$71 thousand), unallocable expenses in the amounts of ¥965 million and ¥729 million (\$6,497 thousand) and unrealized gain on property, plant and equipment in the amounts of ¥(0) million and ¥1 million (\$8 thousand), respectively.
- Segment assets in the amounts of ¥11,905 million and ¥11,862 million (\$105,731 thousand) for the years ended March 31, 2016 and 2017, respectively, mainly consisted of investments in securities and assets related to administrative departments and the Central R&D Laboratory owned by the Company.
- Depreciation and amortization in the amounts of ¥438 million and ¥405 million (\$3,609 thousand) for the years ended March 31, 2016 and 2017, respectively, include amortization of long-term prepaid expenses. In addition, these amounts mainly consisted of depreciation of assets related to administrative departments and the Central R&D Laboratory owned by the Company.
- Interest expenses were the difference between allocated internal interest expenses and actual interest expenses. The Company allocates internal interest to each reportable segment according to the amount of assets of each reportable segment.
- Increase in property, plant and equipment and intangible assets in the amounts of ¥494 million and ¥581 million (\$5,178 thousand) for the years ended March 31, 2016 and 2017, respectively, mainly consisted of assets related to the Central R&D Laboratory owned by the Company.

(*)2 Segment income was adjusted for the ordinary income as described in "(b) Calculation methods used for sales, income, assets and other items of each reportable segment."

(d) Geographical information

Sales to third parties by countries or areas grouped according to geographical classification for the years ended March 31, 2016 and 2017 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Japan	¥ 86,280	¥ 85,344	\$ 760,709
Asia	12,138	14,211	126,669
Other	3,140	2,842	25,332
Total	¥ 101,559	¥ 102,398	\$ 912,719

Property, plant and equipment by countries or areas grouped according to geographical classification at March 31, 2016 and 2017 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Japan	¥ 40,219	¥ 42,862	\$ 382,048
Asia	4,088	3,973	35,413
Other	2,732	3,677	32,774
Total	¥ 47,040	¥ 50,513	\$ 450,245

(e) Information by major customer

The information by major customer for the years ended March 31, 2016 and 2017 was summarized as follows:

		Millions of yen		Thousands of U.S. dollars
Customer	Related segment	2016	2017	2017
FP Corporation	Human Life	¥ 13,569	¥ 13,670	\$ 121,846

(f) Loss on impairment of property, plant and equipment for the years ended March 31, 2016 and 2017.

Millions of yen			
2016			
Human life	Industry	Adjustments and eliminations	Consolidated
¥ 90	¥ 45	¥ —	¥ 136

Loss on impairment of property, plant and equipment was not recorded for the year ended March 31, 2017.

(g) Amortization of goodwill and unamortized balance of goodwill for the years ended and as of March 31, 2016 and 2017.

Amortization of goodwill and unamortized balance of goodwill were not recorded for the year ended and as of March 31, 2016.

	Millions of yen			
	2017			
	Human life	Industry	Adjustments and eliminations	Consolidated
Amortization of goodwill	¥ —	¥ 10	¥ —	¥ 10
Unamortized balance of goodwill	—	94	—	94

	Thousands of U.S. dollars			
	2017			
	Human life	Industry	Adjustments and eliminations	Consolidated
Amortization of goodwill	\$ —	\$ 89	\$ —	\$ 89
Unamortized balance of goodwill	—	837	—	837

(h) Items Related to Reporting Segment Change

As described in Note 2, previously, the Company and most of its domestic consolidated subsidiaries mainly used the straight-line method for buildings (except for facilities attached to buildings) and the declining-balance method for other items of property, plant and equipment (except for leased assets).

Effective April 1, 2016, the straight-line method is applied for depreciation of all items of property, plant and equipment.

As a result of this change, segment income for the year ended March 31, 2017, increased by ¥392 million (\$3,494 thousand) in Human Life Segment, ¥175 million (\$1,559 thousand) in Industry Segment and ¥53 million (\$472 thousand) in Adjustments and eliminations.

19. Subsequent Event

Cash dividends

The following distribution of retained earnings of the Company, which has not been reflected in the consolidated financial statements for the year ended March 31, 2017 was approved at a shareholders' meeting held on June 23, 2017.

	Millions of yen	Thousands of U.S. dollars
	2017	2017
Cash dividends (¥12.00 (U.S. \$0.10) per share)	¥ 550	\$ 4,902

Independent Auditor's Report



Ernst & Young ShinNihon LLC

Independent Auditor's Report

The Board of Directors
Sekisui Plastics Co., Ltd.

We have audited the accompanying consolidated financial statements of Sekisui Plastics Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2017, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sekisui Plastics Co., Ltd. and its consolidated subsidiaries as at March 31, 2017, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 2, "Accounting Change," to the consolidated financial statements, which describes that, effective April 1, 2016, Sekisui Plastics Co., Ltd. and certain domestic subsidiaries changed their depreciation method for all items of property, plant and equipment to the straight-line method from the declining-method, which had been mainly used to calculate depreciation of property, plant and equipment, except for buildings (except for facilities attached to buildings) acquired on or after April 1, 1998 and leased assets.

Our opinion is not qualified in respect of this matter.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

June 23, 2017
Osaka, Japan

Ernst & Young ShinNihon LLC

A member firm of Ernst & Young Global Limited

Corporate Data (As of March 31, 2017)

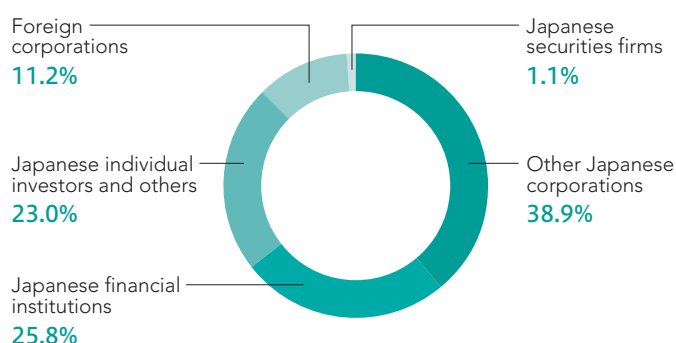
Company name	Sekisui Plastics Co., Ltd.
Founded	October 1, 1959
Paid-in capital	¥16,533 million
Number of employees	2,011 (consolidated)
Osaka Head office	2-4-4, Nishitenma, Kita-ku, Osaka 530-8565, Japan Tel. +81-6-6365-3014
Tokyo Headquarters	2-7-1, Nishishinjuku, Shinjuku-ku, Tokyo 163-0727, Japan Tel. +81-3-3347-9615
URL	http://www.sekisuiplastics.com

Investor Information (As of March 31, 2017)

Stock Information

Common stock—authorized	124,751,000 shares
Common stock—issued	46,988,109 shares
Unit of trading	100 shares
Number of shareholders	4,691
Securities code	4228
Listings	First Section, Tokyo Stock Exchange
Transfer agent	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo

Shareholdings by Type of Shareholder



Note: Calculated after deducting treasury stock holdings of 1,100 thousand shares

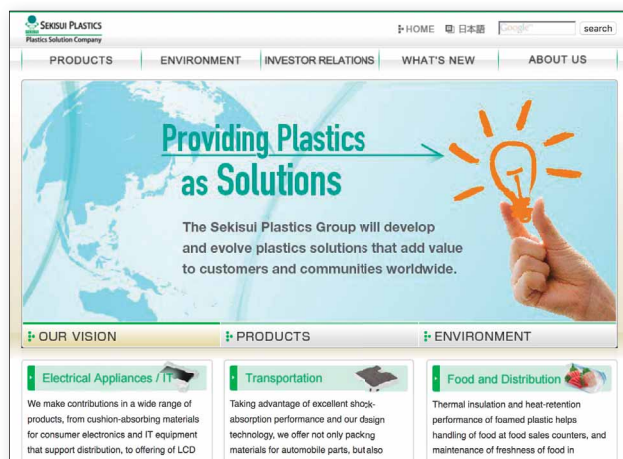
Major Shareholders

Name	Numbers of shares held (thousands)	Percentage of shares held (%)
Sekisui Chemical Co., Ltd.	9,978	21.74
The Dai-ichi Life Insurance Company, Limited	3,031	6.60
Employees' Shareholding	1,887	4.11
Sekisui Jushi Corporation	1,419	3.09
Daido Life Insurance Company	1,418	3.09
FP Corporation	1,348	2.93
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,327	2.89
Asahi Kasei Chemicals Corporation	1,250	2.72
Denka Company Limited	1,250	2.72
Japan Trustee Services Bank, Ltd. (Trust Account)	1,117	2.43

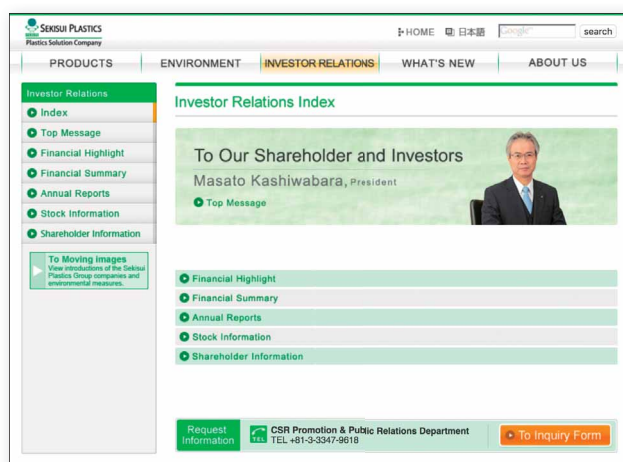
Note: The Company holds 1,100 thousand treasury stock shares, but is omitted from the above list of major shareholders.

Sekisui Plastics Communications

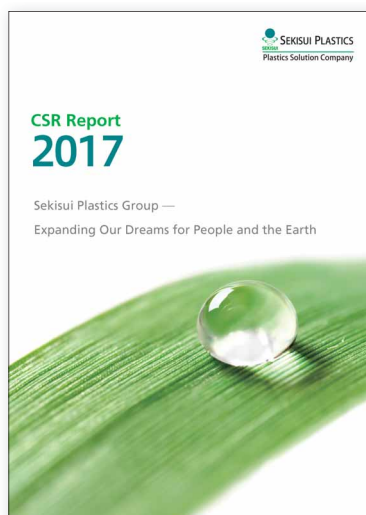
You can find the latest information of corporation, shareholder and investor relations as well as details of our products and green activities on the Website of Sekisui Plastics. For all stakeholders' deeper understanding of the Group's initiatives, we publish CSR Reports since FY2010 in addition to the conventional Environmental Reports.



Sekisui Plastics Corporate Website
<http://www.sekisuiplastics.com>



Investor Relations
<http://www.sekisuiplastics.com/ir/index/>



CSR Report
<http://www.sekisuiplastics.com/ir/csr/index.html>

Sekisui Plastics Co., Ltd.
<http://www.sekisuiplastics.com>