



SEKISUI PLASTICS

***PROVIDING PLASTICS  
as SOLUTIONS***

Annual Report  
**2019**

For the year ended March 31, 2019

# *Providing Plastics as Solutions*

## Management Philosophy

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

## Goal

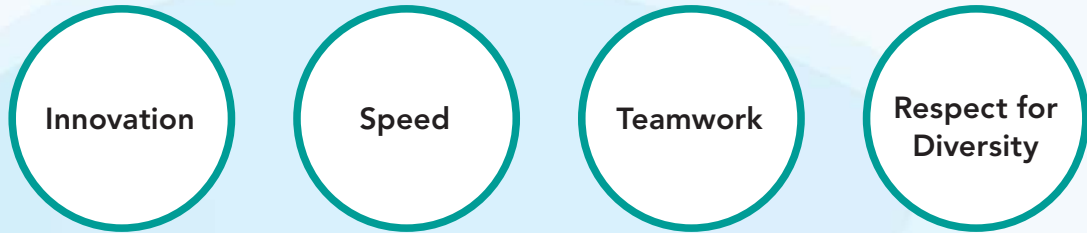
Plastics Solution Company  
Trusted by Customers around the World

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*.”

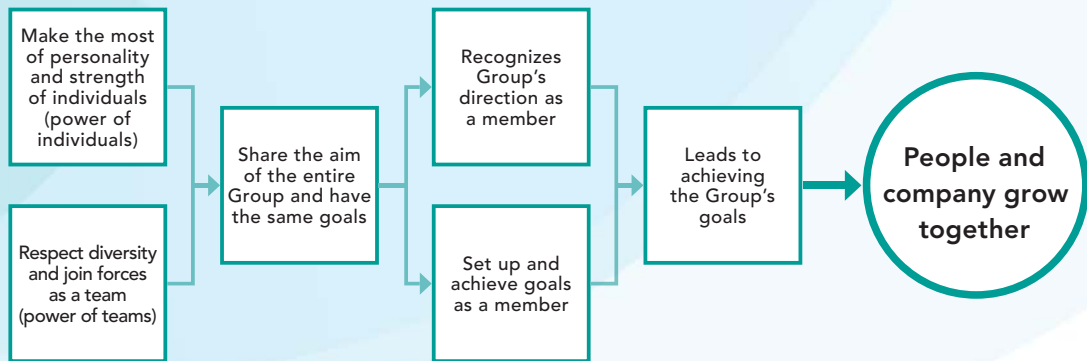
## Zen-in Keiei

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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# Consolidated Financial Highlights

Fiscal Year	2008	2009	2010	2011	2012
For the year:					
Net sales	¥ 96,102	¥ 100,744	¥ 101,418	¥ 101,350	¥ 101,784
Operating income	4,119	5,118	4,876	2,271	1,152
Recurring income	3,881	4,475	4,628	2,107	1,237
Net income attributable to owners of the parent	2,111	2,393	2,306	744	926
Capital expenditures	5,500	3,735	4,561	5,059	6,849
Depreciation and amortization	4,060	3,886	3,814	3,848	3,940
Research and development costs	2,150	2,044	2,237	2,261	1,993
At year-end:					
Total assets	¥ 92,553	¥ 97,008	¥ 99,263	¥ 101,889	¥ 105,562
Total net assets	45,285	46,848	48,165	48,911	50,929
Interest-bearing debt	17,151	17,126	17,175	17,068	18,492

## Amounts per share\*3:

Net income	¥ 43.48	¥ 50.58	¥ 49.08	¥ 15.84	¥ 19.72
Net assets	934.76	977.28	1,005.62	1,021.26	1,063.68
Cash dividends	20.00	20.00	20.00	12.00	8.00

## Key ratios:

Operating income ratio (%)	4.3	5.1	4.8	2.2	1.1
ROE (%)	4.7	5.3	5.0	1.6	1.9
ROA (%)	4.2	4.7	4.7	2.1	1.2
Equity ratio (%)	48.0	47.4	47.6	47.1	47.4
Employees	1,568	1,637	1,719	1,757	1,813

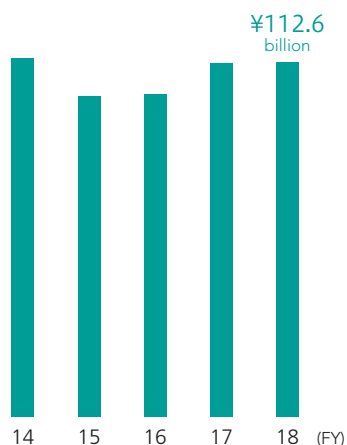
\*1 U.S. dollar amounts represent translations of Japanese yen, for readers' convenience only, at the rate of ¥111.00 = U.S.\$1.00, the prevailing exchange rate at March 31, 2019.

\*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 FY2007, the dividend per share shows as above.

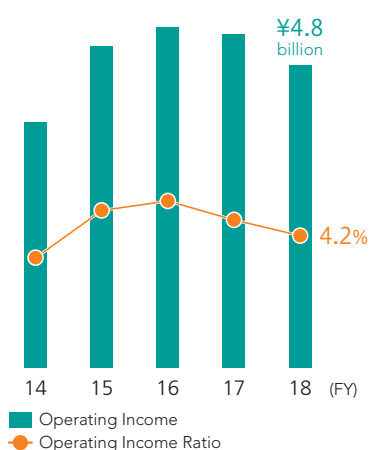
## Net Sales

(Billions of yen)



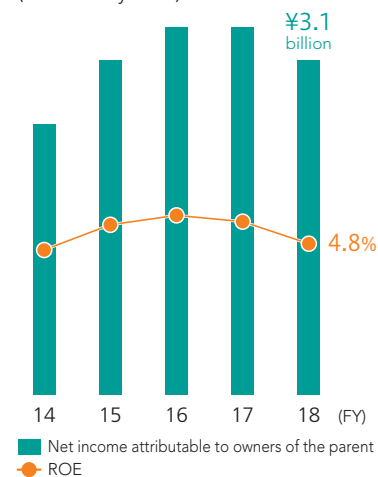
## Operating Income/ Operating Income Ratio

(Billions of yen/%)



## Net income attributable to owners of the parent/ROE

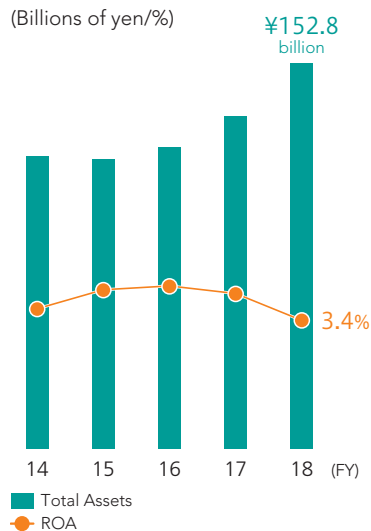
(Billions of yen/%)



2013	2014*2	2015	2016	2017	2018	2018
Millions of yen						Thousands of U.S. dollars*1
¥ 109,923	¥ 113,660	¥ 101,559	¥ 102,398	¥ 112,101	¥ 112,593	\$ 1,014,351
2,124	3,930	5,118	5,401	5,284	4,784	43,099
2,206	4,180	4,862	5,049	5,154	4,776	43,027
1,264	2,530	3,147	3,404	3,448	3,129	28,189
3,434	5,908	4,424	5,836	7,762	7,368	66,378
3,856	3,999	3,937	3,591	4,087	4,517	40,694
1,936	1,877	1,856	1,916	2,104	2,145	19,324
Yen						U.S. dollars*1
¥ 110,687	¥ 116,201	¥ 114,892	¥ 119,670	¥ 131,774	¥ 152,845	\$ 1,376,982
54,036	58,275	58,800	61,363	66,145	66,771	601,541
18,566	19,467	18,274	18,424	19,096	35,229	317,378
Yen						U.S. dollars*1
¥ 26.96	¥ 54.14	¥ 67.34	¥ 73.03	¥ 75.33	¥ 69.09	\$ 0.62
1,136.52	1,231.36	1,243.30	1,322.14	1,444.28	1,439.43	12.97
14.00	18.00	24.00	24.00	27.00	30.00	0.27
1.9	3.5	5.0	5.3	4.7	4.2	
2.5	4.6	5.4	5.7	5.5	4.8	
2.0	3.7	4.2	4.3	4.1	3.4	
48.0	49.5	50.6	50.7	49.6	42.7	
1,833	1,859	1,895	2,011	2,101	3,881	

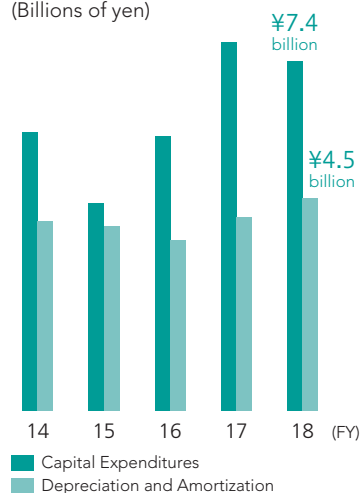
### Total Assets/ROA

(Billions of yen/%)



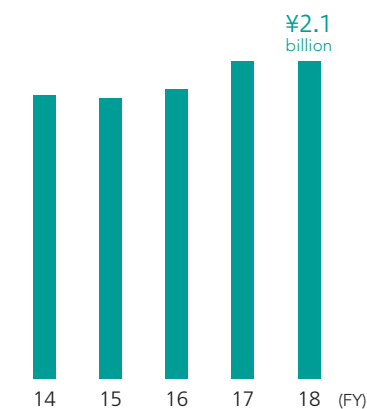
### Capital Expenditure & Depreciation and Amortization

(Billions of yen)



### Research and Development Costs

(Billions of yen)



## A Message from the President



We carry out social responsibility to stakeholders including the global environment and contribute to the sustainable development of the global society.

## Aspirations for the 100th Anniversary of Our Founding

In 2009, the Sekisui Plastics Group established its “Sekisui Plastics Group’s 100th Year Vision,” which looks ahead to the 100th anniversary of its founding and acts as a guide for further development over the next half century. Everyone in the Group shared their aspirational visions, and from among them we adopted “Sekisui Plastics Group, Expanding Our Dreams for People and the Earth” as our CSR Declaration.

Based on this vision and other considerations, the Group believes that it is even more important to fulfill its corporate responsibilities and to contribute to the sustainable development of the global society by solving social issues through business activities. Since the new Mid-term Management Plan starts in the current fiscal year, we have clarified our stance of bringing about a balance between pursuing the convenience of plastics and reducing their impact on the global environment while aiming to contribute to a sustainable society with the slogan, “Aiming to become a Leading Environmental Company.”

## Mid-term Management Plan “Make Innovations Stage-II”

In line with the goals of the “Sekisui Plastics Group’s 100th Year Vision,” we had been promoting the three-year mid-term management plan “*Make Innovations 60*” from FY2016 to the last fiscal year. It was established based on the concepts of promoting “Business Portfolio Transformation” and “Earnings Structure Reform,” under this Plan we had been promoting five high-priority policies, namely “Business portfolio transformation,” “Speed-up of the business model transformation,” “Strengthening of development capabilities by transforming development promotion system,” “Reinforcing of the competitiveness to build a high-profitable structure,” and “Personnel portfolio transformation/human resources development.”

Based on the measures, we had been focusing in particular on expanding business globally and expanding sales of strategic merchandise. At the beginning of the Plan, expansion progressed steadily and achieved certain results, but the market penetration in the target fields did not progress as expected. Since profits were affected by

fluctuations in raw material prices during the period, they stalled from the second half of 2017, and in the end did not reach those envisaged under the Plan.

From FY2019, we have launched the mid-term management plan “*Make Innovations Stage-II*.” Under the new Plan, we will continue with the previous policies, and bring about evolution in “Business Portfolio Transformation” and the “Execution of Strategies to Strengthen Earnings Structure” while implementing new initiatives toward management that newly places a greater emphasis on the environment.

Specifically, in addition to developing business utilizing the M&A projects under the previous Plan and expanding sales of development projects at an early stage, we will work to further promote business portfolio transformation and strengthen the Group’s management foundation. With regard to our environmental efforts, in aiming to contribute to a sustainable society we have taken as our themes the evolution of existing products, the practical application of new materials, and business activities that do not place a burden on society. By reducing the weight of existing products, saving resources by developing and providing thermal insulation products, improving energy efficiency, as new materials finding practical applications for biodegradability and biomass plastics, the further promotion of recycling we will continue to contribute to a sustainable society.

## FY2018 Results

The business environment that encompassed Sekisui Plastics in FY2018 was generally one in which the global economy remained on a recovery trend, primarily in Europe and the United States, but the trade friction between the United States and China led to fears of a slowdown, which increased uncertainty over the economic outlook. The Japanese economy saw a continued moderate recovery trend, driven by a pickup in personal consumption and other factors, but was also affected by a series of natural disasters, including torrential rain, typhoons, and earthquakes. In Japan’s foam plastics industry the Company relates to, raw material prices continued their rise from the beginning of FY2018, and raw fuel prices and logistics costs also rose, resulting in a challenging operating environment.

In this environment, in FY2018 we squared up to the

final fiscal year of the Sekisui Plastics Group's mid-term management plan "Make Innovations 60," which had run for three years from FY2016, and steadily implemented measures to proceed with "Business Portfolio Transformation" and "Earnings Structure Reform." In addition, with the aim of expanding our business in the Automobile field in Europe, we acquired eight companies, including automotive components supplier Proseat GmbH & Co. KG, which operates manufacturing locations in six European countries. Following the acquisition of the Proseat Group, we acquired a strong customer base for European automakers. As a result, we are strengthening and expanding our business in the Automobile field in Europe, which is currently being developed mainly by Japanese manufacturers. At the same time, the thinking is that we will accelerate the development and supply of new lightweight automotive components that fuse our technologies with the advanced technologies, centered on urethane foam, of the Proseat Group.

In FY2018, the growth of the Industry segment continued, centered on automotive-related, but capital expenditures needed to strengthen development capabilities, and higher expenses, resulted in difficult conditions. In the Human Life segment, a review of less profitable products led to lower sales, and price revisions to reflect the rise in raw material and fuel prices took time to implement. At consolidated subsidiary in Mexico, the impact of political issues led to a delayed start-up, and because we assume that it will take time to recover from the uncertainty of these economic conditions, we recorded an impairment loss for a part of fixed assets.

As a result, in FY2018 the Sekisui Plastics Group



achieved net sales of ¥112.593 billion, edging up 0.4% compared with the previous period; operating income of ¥4.784 billion, a 9.4% decrease compared with the previous period; recurring income of ¥4.776 billion, a year-on-year decrease of 7.3%; and net income attributable to owners of the parent of ¥3.129 billion, down 9.3% compared with the previous period.

### Future Outlook and FY2019 Performance Forecast

In terms of the outlook for FY2019 and beyond, it is anticipated that the Japanese economy will continue its gradual recovery on the back of further improvements in income and employment environments. However, the outlook for the future is expected to remain uncertain due to factors such as the increase in the consumption tax for October 2019, developments in trade issues, including the trade friction between the United States and China, and the impact of Brexit on the EU economy.

Despite being faced with this situation, to further strengthen the transformation implemented in the previous mid-term management plan, the Group will drive forward steadily its newly formulated three-year mid-term management plan, "Make Innovations Stage-II."

For FY2019, the Sekisui Plastics Group is expecting ¥145 billion in net sales, ¥4.9 billion in operating income, ¥4.8 billion in recurring income, and ¥3.2 billion in net income attributable to owners of the parent.

### Shareholder Returns

The Sekisui Plastics Group positions the returning of profits to shareholders as an important management issue. Our basic policy remains to distribute profits in accordance with consolidated financial results as well as in consideration of stability of dividends while strengthening our management structure and securing internal reserves to prepare for future business development. Based on this policy, we will continue to target a consolidated payout ratio of 30% to 40%. In terms of retained earnings, we are giving priority to strategic investments that will lead to further growth and investments aimed at strengthening of the management structure.

Based on these concepts, in FY2018 we executed an annual dividend of ¥30 per share. In FY2019, we are also planning an annual dividend of ¥30 per share.



## ESG Initiatives Centered on Environmental Contributions

Having adopted “Sekisui Plastics Group, Expanding Our Dreams for People and the Earth” as its CSR Declaration under the “Sekisui Plastics Group’s 100th Year Vision,” the Group is committed to fulfilling its social responsibilities to all stakeholders, including the global environment, and contributing to the sustainable development of society on a global basis.

With regard to the “problem of ocean plastic waste”, which has become an international issue in recent years, we will continue to work toward solutions while collaborating with industry associations, such as the Japan Plastics Industry Federation. Our mainstay product, foam plastic, is a resource-saving product that can reduce the amount of raw materials used. The recycling of EPS (expandable polystyrene) foam, which has been carried out over the past 48 years, has now reached the stage at which approximately 90% is being recycled as a result of unified industry efforts. We will also redouble our efforts to, for example, put biodegradable plastics into practical use and work to contribute toward a sustainable society.

Furthermore, in April 2019 we established the Environment and Quality Control Center as an organization for addressing environmental and quality issues throughout the Group. Through activities centered on this organization, we will clarify initiatives for the sustainable development goals (SDGs) and lead to further enhancement of corporate value.

## Enhancing Corporate Value through “Zen-in Keiei” and Human Resource Initiatives

The Sekisui Plastics Group drives forward CSR activities based on its contributions to society through the promotion of business activities. To that end, we believe the capabilities of the Group’s personnel are important.

The Sekisui Plastics Group has defined the image of the employees sought by the Group and summarized this image in the “Zen-in Keiei” card so that each individual employee can fully utilize their specific capabilities, and to share Sekisui Plastics’ culture of “Zen-in Keiei” along with our management philosophy and code of conduct with all Group employees.

To continue to improve corporate value through “Zen-in



Keiei,” we are strengthening efforts geared toward human resources. As part of human resource development and work style reforms, we will formulate a three-year action plan to support the advancement of women and support for raising next generation children while systematically encouraging the promotion of women and support for raising children. As part of those plans, the number of female department heads has increased in the current fiscal year, and even when recruiting new graduate female employees, the recruitment record has exceeded the ratio target of 20% or more, so we believe we have been making a steady progress. We would like to work to promote further the active participation of women and respect diversity.

Despite this steady progress, we are still halfway to achieving our corporate goals. As such, we will continue promoting these activities as a single, unified Group.

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

October 2019

President and Chief Executive Officer

A handwritten signature in black ink that reads "Masato Kashiwabara". The signature is written in a cursive, flowing style.

# 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	Scale Goal
<b>Plastics Solution Company</b> Trusted by Customers around the World	Consolidated Sales <b>¥500.0 billion</b> or more
<b>Corporate Domain</b>	
<b>Sekisui Plastics Group Solutions</b>	
<p><b>Materials</b></p> <p>Plastics based</p>	<p><b>Technologies</b></p> <p>Technology that creates added value</p>
<p><b>Systems</b></p> <p>By systemizing, know-how and providing information</p>	
<b>Contributions to Industry:</b> Contributing to the growth and development of the industry by proposing business solutions to client companies	
<b>Contributions to Lifestyle Transformation:</b> Contributing to the transformation of people's lifestyles	
<b>Contributions to the Global Environment:</b> Simultaneously aiming to improve the global environment	

## 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 founding.



## 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.

# 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 the “Establishment Period.”

Earnings fluctuated with the ebb & flow of Japanese economy in the “Growth to Maturity Period.” In the “Global Development Period,”

we achieved record-high earnings based on new businesses and globalization.

With the launch of our new mid-term management plan “Make Innovations Stage-II” in 2019,

we are now focusing our energies on efforts aimed at solidifying our position as a leading environmental company.

## 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 Elen 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"

From our 60th Year (2019)

### Global Development Period

Years 41 to 59

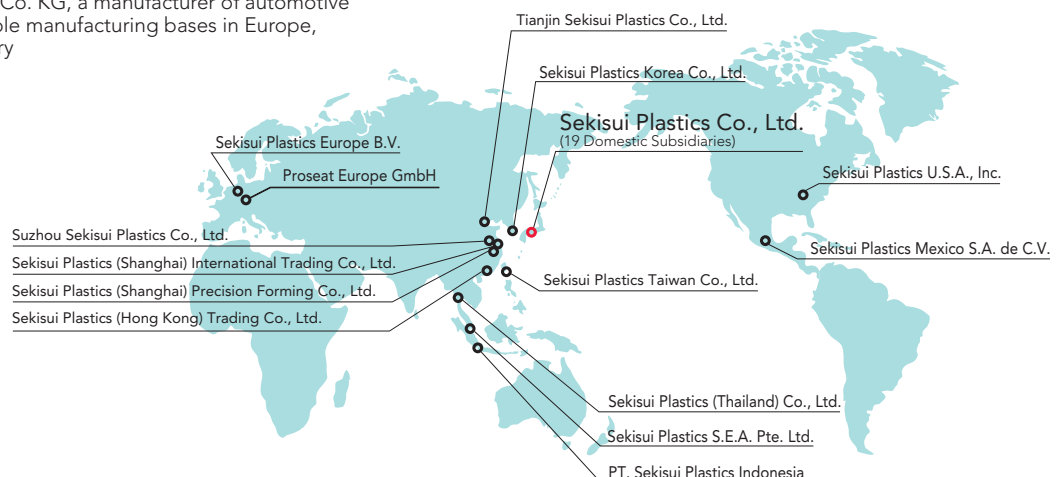
As new businesses including PIOCELAN and TECHPOLYMER began to contribute to earnings, we moved from rebuilding businesses to a return to growth. To build on this growth, we began full-scale global business development, and despite a surge in the price of crude oil and a global recession, we achieved 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
- 2016 Made Yamakyu a consolidated subsidiary
- 2019 Made Proseat GmbH & Co. KG, a manufacturer of automotive components with multiple manufacturing bases in Europe, a consolidated subsidiary

# Make Innovations

## Stage-II

In 2019, the Company's 60th year of operations, we not only advanced the "execution of strategies to strengthen earnings structure" and "business portfolio transformation" goals commenced during our previous mid-term management plan, but also launched as our new mid-term management plan "Make Innovations Stage-II", which features a basic policy aimed at solidifying our position as a leading environmental company.



# Make Innovations

## Stage-II

Promote business portfolio transformation and execution of strategies to strengthen earnings structure while solidifying position as leading environmental company

### “Make Innovations Stage-II” Positioning and Quantitative Targets

Our previous mid-term management plan “*Make Innovations 60*” covered FY2016 to FY2018 and focused on transforming our business portfolio and reforming our earnings structure in line with the goal of transforming our business model and advancing to the next stage of growth as Sekisui Plastics moved into its 60th year of operations.

From FY2019, we believe it vital to strengthen the transformations we have undertaken in the three years covered by the previous mid-term management plan, and in addition to further advancing the “execution of strategies to strengthen earnings structure” and “business portfolio transformation” goals, we have created and are promoting our new three-year mid-term management plan “*Make Innovations Stage-II*,” which contains a basic policy aimed at cementing the Group’s position as a leading company in environmental issues.

#### Make Innovations Stage-II Quantitative Targets

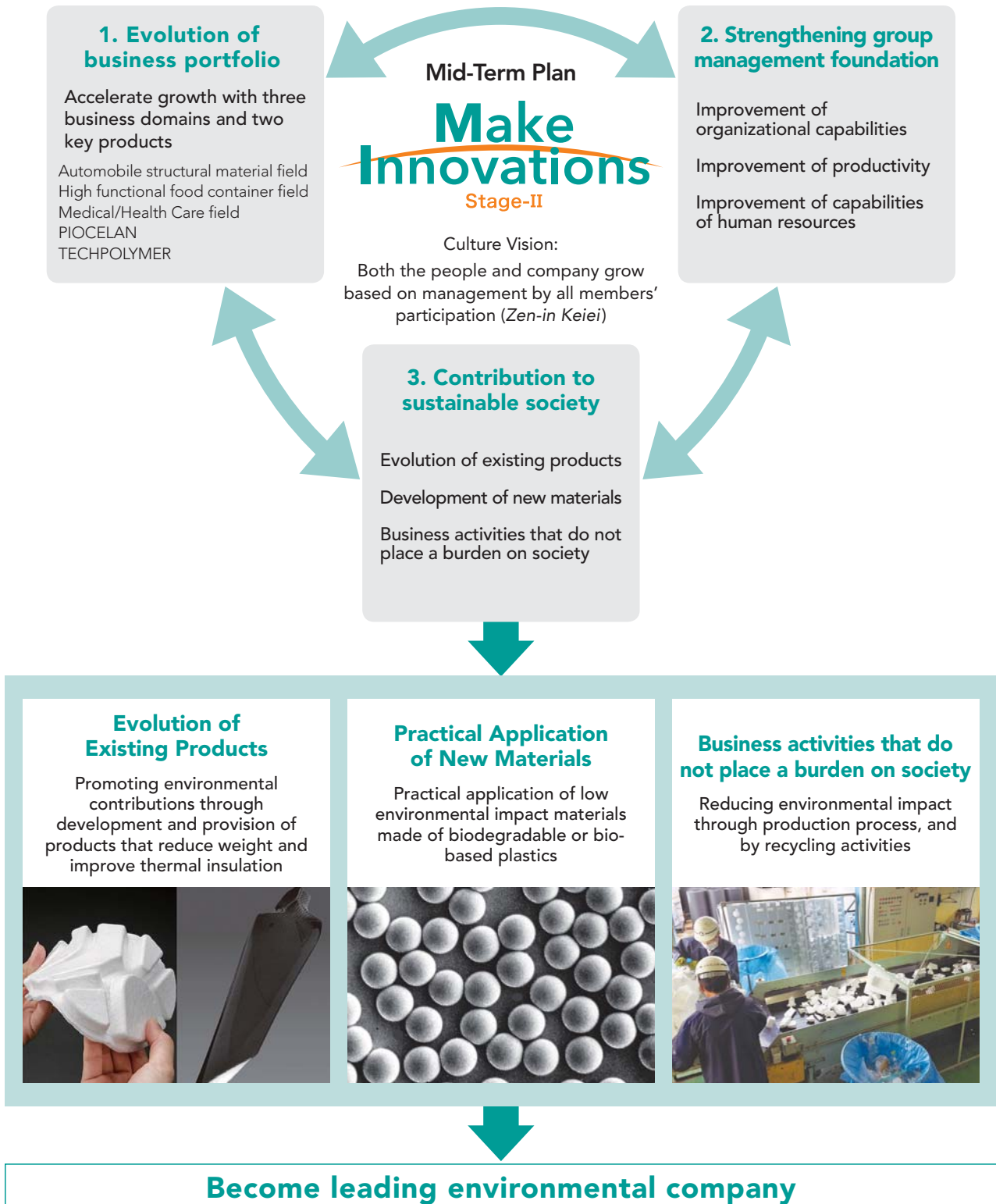
	FY2018 results	FY2019 plan	FY2021 plan	Average annual growth over three years
Net Sales	112.6	145.0	155.0	11%
(Overseas sales) (Overseas sales ratio)	20.4 (18%)	53.5 (37%)	58.0 (37%)	42%
Operating income (Operating income ratio)	4.8 (4.2%)	4.9 (3.4%)	7.8 (5.0%)	18%
Recurring income	4.8	4.8	7.6	17%
Net income attributable to owners of the parent	3.1	3.2	5.0	17%
ROE	4.8%	4.8%	6.8%	

### Key “Make Innovations Stage-II” concepts

- Promote to get contribution from M&A Activities in MI60
- Work to bring about actual results early with MI60 development projects
- Promote further Business Portfolio Transformation
- Strengthen group management foundation and implement efforts that further emphasize the environment

## Priority Policies

Sekisui Plastics Group is promoting three priority policies to achieve medium-term management plan basic policies of “cementing our position as a leading company in environmental issues,” as well as advancing the “business portfolio transformation,” and the “execution of strategies to strengthen our earnings structure.”



# About Sekisui Plastics

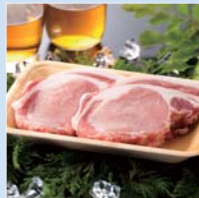
Sekisui Plastics Group aspires to be “a leading environmental company” that proposes group merchandise (products and systems), including eco-friendly products, as solutions in order to bring comfort and convenience to the lives of people.

## Human Life

Light weight, and featuring excellent thermal insulation and shock resistance, these products are used in items that have transformed the lifestyles of consumers and end users.



### Food



**ESLEN Sheet**  
Foamed polystyrene  
food tray



**ESLEN Sheet  
“Laminated”**  
Instant food containers



**CELEPET**  
Microwave/oven safe  
food container



**ESLEN wood folded box**  
Folded box made of  
foamed polystyrene sheet



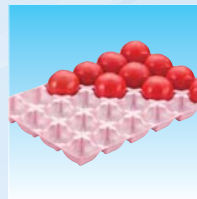
### Agricultural / Fishery



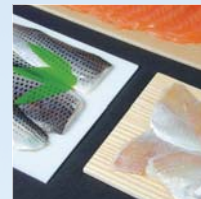
**Fish Box**  
Foamed polystyrene  
fish box



**Farm product box**  
Foamed polystyrene  
farm product box



**Fruit Tray**  
Cushioning material for  
protection



**Fishery products  
mounting board**  
Foamed polystyrene  
cut sheet



### Housing / Civil engineering



**ESLEN Block**  
Block for EPS construc-  
tion method



**Super Soilen System**  
Lightweight greening  
method



**AQUAROAD**  
Underground stormwa-  
ter tank



**TECHEATER**  
PTC ceramic heaters



## Industry

Value has been recognized based on proposed business solutions, including solutions improving customer businesses, operations and efficiency.



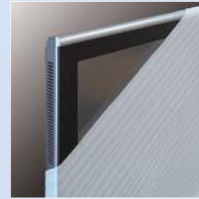
### Home Appliances / IT



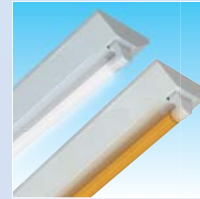
**TECHPOLYMER**  
Fine polymer particles for optical applications



**EPSREM**  
Foamed polystyrene material for cushion packing



**LIGHTLON**  
Polystyrene sheet for protective cushion packing



**TECHTELAS**  
LED lighting equipment



### Automotive / Transportation



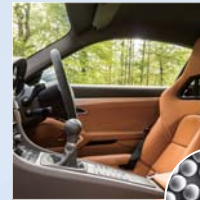
**PIOCELAN**  
Automotive component



**PIOCELAN**  
Packaging material for transporting automobile parts



**Resin Molding**  
Truck roof fairing



**TECHPOLYMER**  
Fine polymer particles for use in coatings



### Medical / Healthcare



**ST-gel**  
Self-adhesive gel pads for Medical / Healthcare use



**TECHPOLYMER**  
Fine polymer particles for cosmetics applications



**SMC Parts**  
Medical equipment cover



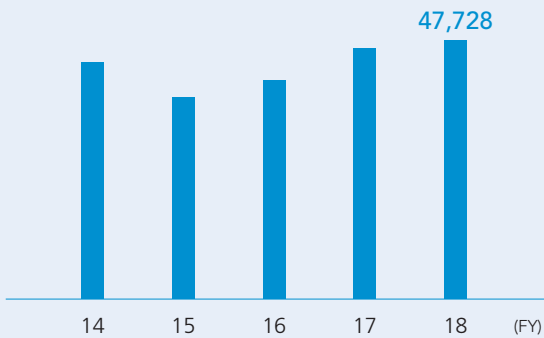
**ELASTIL**  
Elastic / high bounce foam

# Industry



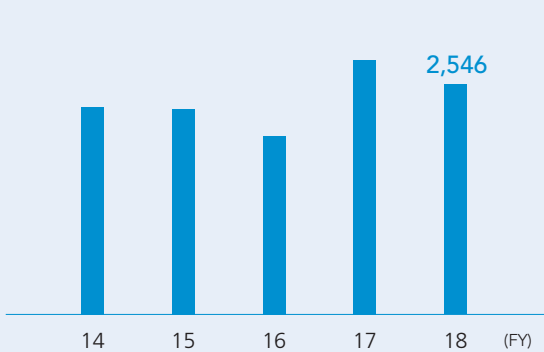
## Net Sales

(Millions of yen)



## Recurring Income

(Millions of yen)



## Market Environment & FY2018 Results

FY2018 net sales in the Industry segment were ¥47.7 billion, an increase of 3.8 (YoY).

In the Home Appliance/IT fields, demand for PIOCELAN (polystyrene/polyolefin hybrid resin foam), which is utilized in LCD panel transportation material applications, and other products was robust primarily in Northeast Asia. In contrast, sales of TECHPOLYMER (organic polymer particles) that are utilized for light diffusion applications, such as liquid crystal panels, were weak due to the impact of inventory adjustments. In the Automotive field, the number of automotive component applications using PIOCELAN and other Company products increased on a global basis. In the Medical/Health Care-related fields, sales of ST-gel (a functional high-polymer gel) used in electrode pads for low-frequency therapeutic devices were steady but remained sluggish from the second half of the fiscal year under review.

Our strategic merchandise ELASTIL (thermoplastic elastomeric bead foam) has been adopted for the midsoles of running shoes released globally as spring/summer 2019 models. Sports shoes require resilience for comfortable running and cushioning for better comfort, and ELASTIL enables the achievement of both these performance requirements. Sekisui Plastics will work to raise performance by improving materials, not only for shoe applications, while continuing to respond to increasingly diverse needs.



### Initiatives of the New Mid-Term Plan & FY2019 Outlook

Under our “*Make Innovations 60*” mid-term management plan, in which the fiscal year under review was the final year, the plan had been to increase the sales ratio in the Industry segment to 50% of that of the Company as a whole, but as the actual result was 42% this has not been achieved. The cause of this was expansion of global sales and sales expansion of strategic merchandise that were later than planned.

In the newly launched mid-term management plan, “*Make Innovations Stage-II*,” we will continue to promote “*Business Portfolio Transformation*,” including the expansion of global sales and sales of priority products. Under this plan, we are aiming to accelerate growth centered on three business domains (the automobile structural materials, functional food container and medical/health care fields, of which the automobile structural materials and medical/health care fields are in the Industry segment) and two priority products (PIOCELAN, TECHPOLYMER).

It is in relation to this that the M&A of the Proseat Group, an automotive parts manufacturer with bases deployed in Europe, is being conducted in 2019. In FY2021, the final year of the mid-term management plan, we are targeting net sales of ¥93.0 billion, and in FY2019 we have our sights set on sales of ¥84.0 billion, including the sales of the Proseat Group.

### TOPIC

### M&A of Proseat Group

The Company has completed the M&A of the Proseat Group, an automotive parts manufacturer with manufacturing bases in six European countries. The Proseat Group is an independent automotive parts manufacturer that supplies automotive parts, such as seat-use cushion material, headrests and armrests, to European automakers. Having brought the Proseat Group under the Sekisui Plastics Group umbrella, we plan to accelerate sales expansion to European automakers and promote Proseat Group products to Japanese automakers alongside our mainline polystyrene/polyolefin composite resin foam products, which include PIOCELAN. We believe that this acquisition will serve as an opportunity for us to increase the sales ratio in the Industry segment and especially in the automotive field.



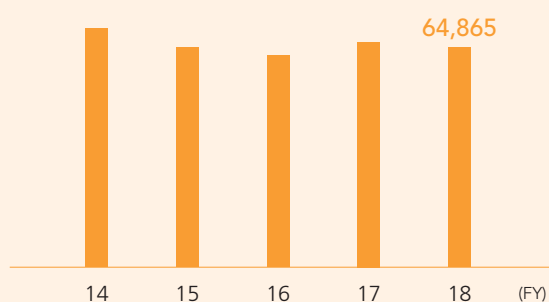
Proseat Group rear seat foam

# Human Life



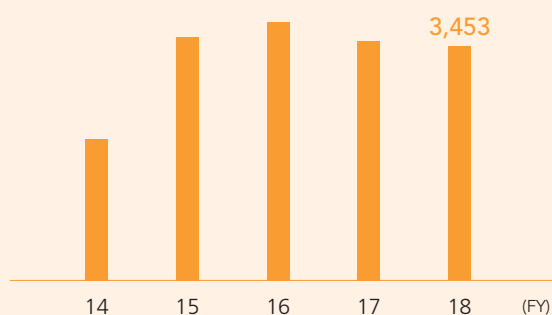
## Net Sales

(Millions of yen)



## Recurring Income

(Millions of yen)



## Market Environment & FY2018 Results

FY2018 net sales in the Human Life segment were ¥64.9 billion, a decrease of 1.9% (YoY).

In food containers, demand for heat-resistant containers associated with the heating of food in microwave ovens continued to be strong, but agriculture/fishery-related demand was affected by a succession of natural disasters in recent years. In addition, a decrease in sales of related purchased products brought about by a review of low-profit products caused a decrease in sales compared with the previous fiscal year.

The sales volume of our mainstay products increased from the previous year for ESLEN Sheet (Foamed Polystyrene Sheet), but decreased from the previous year for ESLEN Beads (Expandable Polystyrene [EPS] Beads). In addition, price revisions designed to counter increases in raw fuel prices mainly in the first half of the fiscal year were delayed and became a cause of a profit deterioration.

In the construction materials and civil engineering-related fields, we acquired projects for sports facilities and their associated construction and road construction. To meet ongoing demand for infrastructure development, primarily in the Tokyo metropolitan area, we will continue to gain projects centered on EPS Slope public works (involving a lightweight embankment method) and AQUAROAD (a resin for underground rain- and stormwater runoff tanks).



### Initiatives of the New Mid-Term Plan & FY2019 Outlook

In the Human Life segment under the “*Make Innovations 60*” mid-term management plan, the final year of which was FY2018, we had been working to improve profits by promoting reviews of low-profit products and passing increases in raw fuel prices onto products.

In the food field, under the newly launched mid-term management plan, “*Make Innovations Stage-II*,” we will work to expand business in new fields and sales channels in addition to expanding existing fields with a focus on functional food containers. In the agriculture/fishery-related field we will work to expand sales, including import and export business, by maintaining freshness technology and logistics efficiency proposals tailored to domestic specialty products. With regard to global expansion, we will target the development of fruit trays and functional food containers. Furthermore, as efforts to improve profitability we will continue to improve productivity and logistics through energy saving and rationalization while continuing to review low-profit businesses. The sales target for FY2021, the final year of the plan, will be ¥62.0 billion, a decrease from the FY2018 results, but we will secure profit growth through the initiatives to improve profitability. For FY2019, sales are planned to be ¥61.0 billion.

### TOPIC

### AQUAROAD™ Adopted at Ichikawa Roadside Station

Responses in the fields of, for example, road flooding countermeasures and rainwater treatment following torrential rain and other events have become an urgent necessity. With regard to underground stormwater storage tanks made of AQUAROAD, which is a flood mitigation product, we received an order from the Metropolitan National Highway Office of the Ministry of Land, Infrastructure, Transport and Tourism’s Kanto Regional Development Bureau for their adoption as a flood countermeasure under the parking lot at the Ichikawa Roadside Station rest area in Chiba Prefecture. Our AQUAROAD product temporarily stores overflowing rainwater when precipitation that exceeds sewage treatment capacity occurs and afterwards allows the now stagnant rainwater runoff to seep into the ground. AQUAROAD has received acclaim for having features that include high strength that permits the passage of large vehicles, high porosity that enables the storage of more than 92% of water per volume, workability that facilitates rapid manual construction, and storability so that sections can be stacked during transportation and storage.



Work to lay AQUAROAD

# Corporate Governance

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

## Corporate Governance Systems

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.

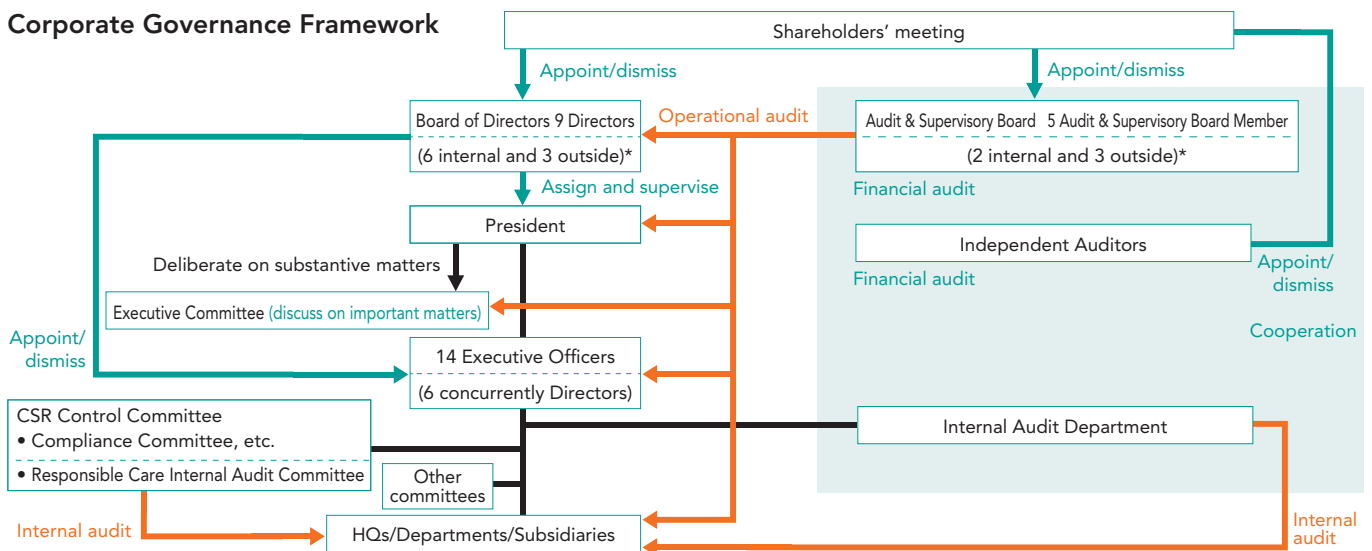
The guidelines are available in Japanese only on our website: <https://www.sekisuiplastics.com/company/outline/governance/>

## Audit & Supervisory Board 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



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

## Director Remuneration

Remuneration in FY2018 totaled ¥152 million for nine directors (including ¥25 million for three outside directors), and ¥60 million for five auditors (including ¥13 million for three 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 one director and one auditor that dismissed within FY2018. Provisions for director bonuses in FY2018 of ¥20 million [including ¥14 million for eight directors (with ¥3 million allotted for three 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 three independent outside directors at the annual shareholders meeting, held on 22 June, 2018, 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 and Outside Auditors, 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.

The full-time auditor provides timely and accurate an explanation to outside auditors. 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.



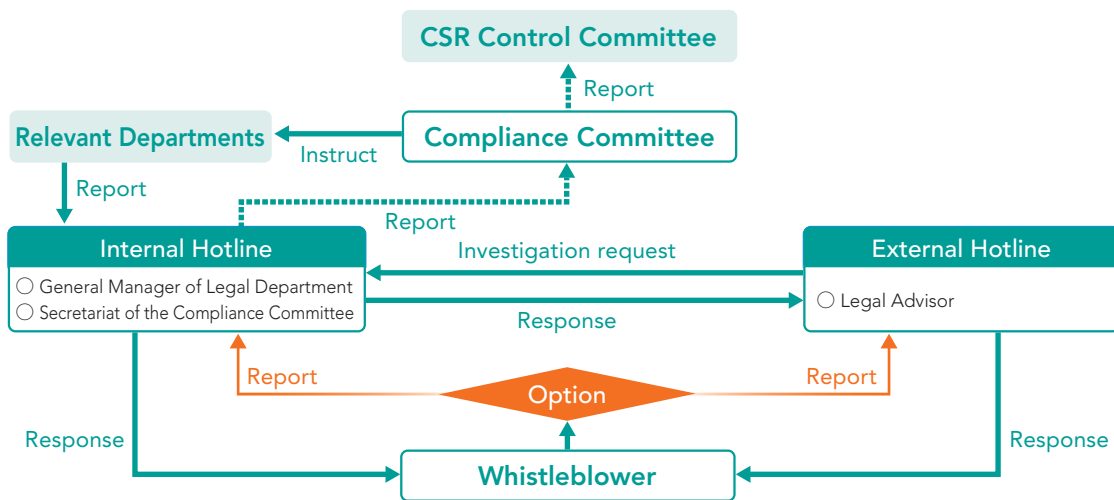
# Compliance / Risk Management

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 and 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 “IT Promotion Committee.” In accordance with

the Basic Policy, the committee enhances information security systems, formulates rules, and prepares operational manuals, 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 founding, 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



(Committee Chairs: Responsible Directors)

## 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. We conducted an in-house campaign to improve quality awareness in fiscal 2018.

### 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.

### Chemical Substance Management

The Sekisui Plastics Group has established a green procurement standard for raw materials and with the goal of providing information on chemical substances in its products, manages all chemical substances under ChemSHERPA (short for chemical information sharing and exchange under reporting partnership in supply chain), a domestic information transfer scheme. In addition, all of our products are labeled according to GHS classifications and their safety data sheets (SDS) are available.

### 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.

### To achieve a sustainable society

Maintaining a particular focus on its foam technologies, the Group has been contributing to the improvement of the global environment through the effective utilization and recycling of limited resources, such as oil, since its founding. Promoting the development of products that are environmentally friendly even during their manufacture and use, we are working to “contribute to a sustainable society”—the evolution of existing products, finding practical applications for new materials, business activities that do not place a burden on society—which is one of the High-Priority Policies of our Mid-Term Management Plan and will open the way to our remaining a leading company in environmental issues.

In April 2019, we established our Environment and Quality Control Center to rapidly respond to environmental issues throughout the Group.

### Evolution of existing products

With regard to existing foam products that are resource- and energy-saving materials during manufacture and use, we are working to improve their functionality—such as by

further reducing the weight by higher foam expansion rates and reducing foam thickness, and making improvements in thermal resistance (heat/cold insulation)—and thereby contribute to the realization of a sustainable society.

### Development of new materials

We are promoting the commercialization of products in which we utilize biodegradable and biomass plastics as well as other materials with low environmental impact. In developing products that improve the environment, such as the “TECHPOLYMER” EF series, we contribute to society.

### Business activities that do not place a burden on society

We are promoting business activities that do not impact the environment through the promotion of energy saving in production activities, the reduction of CO<sub>2</sub> emissions and zero emission activities. In particular, we have been taking the industry lead in the recycling of polystyrene foam for 48 years (since 1971) and recently implemented the collection, recovery and recycling of the foamed polystyrene floats used in aquaculture to deal with the problem of ocean plastic waste in the Shikoku area.

## 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

### Support for Parents

Foam Materials Development Group (Tenri),  
Development Division, R&D Center  
Yuichi Gondo

In raising our children it's been helpful to use the childcare leave system that makes it possible to take time off up until a child reaches age two, and the company's system for taking leave in half-day increments for up to five days per year to care for a child. Thanks to childcare leave I've been able to share lots of time with my kids who are growing up so fast, and it's been possible to have a greater sense of their growth. Together with the childcare leave I took when my third child was born, I was able to be there for the birth of all three of my children, which has been an enormous joy.

More than just offering an ample lineup of systems, though, this is a company where people understand what it takes to raise a small child, like when one of them has a fever or some other problem, my coworkers or supervisor will say “Why don't you go home early and take care of your kid.” I really feel that owing to these systems I've been able to more easily balance work with childcare.



## 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.

### Disaster Assistance Agreements Signed with Local Authorities

In January 2019, three group companies, Sekisui Plastics Kanto, Sekisui Plastics Tenri and Sekisui Plastics Shiga entered into agreements with regard to providing material support in times of disaster to Koga City in Ibaraki Prefecture, Tenri City in Nara Prefecture, and Koka City in Shiga Prefecture, respectively. In the event of a large-scale disaster, the companies will supply local authorities with insulation and cushion materials, as well as simple food containers and other items made using the materials of the Sekisui Plastics Group, thus contributing to local communities.



### Grant Activities through the Sekisui Plastics Fund

With the aim of providing assistance to support biodiversity preservation activities, we established the Sekisui Plastics Fund with a contribution to the "Mirai Fund Ohmi" in 2012, and to expand upon this, we created a new fund with a contribution to the "Mirai Fund Ibaraki." We continue to assist activities conducted by local NPOs, in which Group employees are active and participate as volunteers, and together with that, endeavor at Satoyama Conservation Activities.



## Column

### Hands-on Experience at Creating a Water Conservation Forest to Protect Saba River

Hofu Plant,  
Sekisui Plastics Yamaguchi Co., Ltd.  
Takuya Fujiwara

Every year we participate in hands-on activities to create a water conservation forest that conserves the Saba River in an initiative sponsored by the Yamaguchi Prefecture's Office of Agriculture, Forestry and Fisheries. In November of FY2018 approximately 70 employees from companies that utilize Saba River water participated in these activities, and joining in was a group of 12 led by President Ejiri from the Hofu Plant.

These activities at forest maintenance, such as clearing out brush and pruning trees, helped not only the participants, but all employees, to gain a deeper understanding of the role the forest plays as a crucial source of industrial water to a company's production activities, specifically functions including water source recharging and the prevention of global warming.

Prior to thinning brush and pruning, the forest was thick with an atmosphere of the heavy darkness found deep in the mountains. The completion of that work, however, let the sunshine in and the trees and ground that had been covered in darkness were bathed in sunlight. It felt as though this would foster the growth of trees and new vegetation.

Participation in this activity further elevated an awareness of the environment, and to even in just a small measure contribute to solving the ongoing societal issue of water-borne plastic garbage, we are renewing the resolve that we must also make efforts to collect plastic garbage from within forests and from rivers.



# Consolidated Balance Sheet

Sekisui Plastics Co., Ltd. and Consolidated Subsidiaries  
March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2019	2019
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents (Note 4)	¥ 5,117	¥ 11,271	\$ 101,549
Short-term investments (Note 4)	5	6	54
Notes and accounts receivable (Notes 3 and 4)	33,369	36,457	328,471
Inventories (Note 6)	10,432	13,872	124,984
Other current assets	826	3,279	29,543
Less allowance for doubtful accounts	(71)	(60)	(540)
Total current assets	49,680	64,826	584,070
<b>Property, plant and equipment (Note 20):</b>			
Land (Notes 8, 12 and 15)	20,955	21,176	190,791
Buildings and structures (Notes 8 and 15)	43,806	46,921	422,749
Machinery and equipment	80,633	100,115	902,018
Construction in progress	4,386	2,186	19,695
	149,781	170,400	1,535,273
Less accumulated depreciation	(95,931)	(110,135)	(992,296)
Property, plant and equipment, net	53,849	60,265	542,976
<b>Investments and other assets:</b>			
Investments in unconsolidated subsidiaries and affiliates (Note 4)	595	594	5,351
Investments in securities (Notes 4 and 5)	19,249	17,059	153,698
Deferred income taxes (Note 9)	757	804	7,243
Assets for retirement benefits (Note 10)	5,194	5,163	46,517
Software	641	753	6,784
Other assets	1,233	3,433	30,930
Less allowance for doubtful accounts	(54)	(55)	(495)
Total investments and other assets	27,618	27,753	250,049
<b>Total assets (Note 20)</b>	<b>¥ 131,148</b>	<b>¥ 152,845</b>	<b>\$ 1,377,106</b>

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2019	2019
<b>Liabilities and net assets</b>			
<b>Current liabilities:</b>			
Notes and accounts payable (Notes 3 and 4)	¥ 27,027	¥ 28,288	\$ 254,869
Short-term loans (Notes 4, 7 and 8)	4,946	13,562	122,191
Current portion of long-term loans (Notes 4, 7, 8 and 17)	7,178	4,127	37,183
Accrued expenses	3,012	4,419	39,814
Accrued income and enterprise taxes (Note 9)	1,050	990	8,919
Provision for bonuses to employees	1,023	1,056	9,514
Provision for bonuses to directors and audit and supervisory board members	29	29	261
Other current liabilities (Note 3)	3,202	3,788	34,129
Total current liabilities	47,470	56,264	506,928
<b>Long-term liabilities:</b>			
Long-term loans less current portion (Notes 4, 7, 8 and 17)	6,972	17,540	158,032
Liabilities for retirement benefits (Note 10)	3,011	3,212	28,939
Deferred income taxes (Note 9)	7,043	6,478	58,365
Provision for product warranty	244	190	1,711
Other long-term liabilities	259	2,387	21,506
Total long-term liabilities	17,531	29,809	268,573
<b>Net assets:</b>			
Shareholders' equity (Note 11):			
Common stock:			
Authorized: 124,751,000 shares and 124,751,000 shares at March 31, 2018 and 2019, respectively			
Issued: 46,988,109 shares and 46,988,109 shares at March 31, 2018 and 2019, respectively	16,533	16,533	148,959
Capital surplus	16,544	16,532	148,950
Retained earnings (Note 21)	20,699	22,560	203,261
Less treasury stock, at cost: 1,696,143 shares at March 31, 2018 1,696,864 shares at March 31, 2019	(1,425)	(1,425)	(12,838)
Total shareholders' equity	52,352	54,200	488,332
Accumulated other comprehensive income:			
Net unrealized holding gain on securities (Notes 5 and 13)	10,168	8,799	79,277
Surplus arising from land revaluation (Note 12)	1,479	1,479	13,325
Translation adjustments (Note 13)	235	190	1,711
Retirement benefits liability adjustments (Notes 10 and 13)	1,179	524	4,721
Total accumulated other comprehensive income	13,061	10,992	99,035
Non-controlling interests	731	1,578	14,217
Total net assets	66,145	66,771	601,594
<b>Total liabilities and net assets</b>	<b>¥ 131,148</b>	<b>¥ 152,845</b>	<b>\$ 1,377,106</b>

See notes to consolidated financial statements.

# Consolidated Statement of Income

Sekisui Plastics Co., Ltd. and Consolidated Subsidiaries  
Year ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2019	2019
<b>Net sales</b> (Note 20)	¥ 112,101	¥ 112,593	\$ 1,014,442
<b>Cost of sales</b>	85,479	85,498	770,321
Gross profit	26,622	27,095	244,121
<b>Selling, general and administrative expenses</b> (Note 14)	21,337	22,311	201,018
Operating income	5,284	4,784	43,102
<b>Other income (expenses):</b>			
Interest income (Note 20)	16	4	36
Dividend income	287	305	2,747
Equity in earnings of affiliates (Note 20)	—	0	0
Interest expense (Note 20)	(166)	(164)	(1,477)
Equity in losses of an affiliate (Note 20)	(6)	—	—
Foreign exchange loss, net	(88)	(20)	(180)
Loss on sales or disposal of equipment	(99)	(54)	(486)
Commission paid	(50)	(52)	(468)
Gain on sales of investments in securities (Note 5)	136	603	5,432
Loss on impairment of investments in securities	(52)	(8)	(72)
Loss on disaster	—	(31)	(279)
Loss on impairment of property, plant and equipment (Note 15)	—	(356)	(3,207)
Other, net	(21)	(25)	(225)
Profit before income taxes	5,238	4,983	44,895
<b>Income taxes</b> (Note 9):			
Current	1,461	1,605	14,460
Deferred	324	243	2,189
	1,786	1,848	16,650
Profit	3,451	3,134	28,236
<b>Profit attributable to:</b>			
Non-controlling interests	2	5	45
Owners of parent	¥ 3,448	¥ 3,129	\$ 28,191

See notes to consolidated financial statements.

# Consolidated Statement of Comprehensive Income

Sekisui Plastics Co., Ltd. and Consolidated Subsidiaries  
Year ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2019	2019
<b>Profit</b>	¥ 3,451	<b>¥ 3,134</b>	<b>\$ 28,236</b>
<b>Other comprehensive income</b> (Note 13):			
Net unrealized holding gain (loss) on securities	2,672	(1,368)	(12,325)
Translation adjustments	47	(45)	(405)
Retirement benefits liability adjustments	333	(654)	(5,892)
Total other comprehensive income	3,053	(2,068)	(18,623)
<b>Comprehensive income</b>	¥ 6,505	<b>¥ 1,066</b>	<b>\$ 9,604</b>
<b>Comprehensive income attributable to:</b>			
Owners of parent	¥ 6,502	<b>¥ 1,060</b>	<b>\$ 9,550</b>
Non-controlling interests	2	<b>5</b>	<b>45</b>

See notes to consolidated financial statements.

# Consolidated Statement of Changes in Net Assets

Sekisui Plastics Co., Ltd. and Consolidated Subsidiaries  
Year ended March 31, 2018 and 2019

	Millions of yen			
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost
<b>Balance at April 1, 2017</b>	¥ 16,533	¥ 16,544	¥ 18,351	¥ (802)
Cash dividends	—	—	(1,100)	—
Profit attributable to owners of parent for the year	—	—	3,448	—
Acquisition of treasury stock	—	—	—	(622)
Other changes	—	—	—	—
<b>Balance at April 1, 2018</b>	<b>16,533</b>	<b>16,544</b>	<b>20,699</b>	<b>(1,425)</b>
Cash dividends	—	—	(1,268)	—
Profit attributable to owners of parent for the year	—	—	3,129	—
Decrease due to acquisition of additional shares of consolidated subsidiary	—	(12)	—	—
Acquisition of treasury stock	—	—	—	(0)
Other changes	—	—	—	—
<b>Balance at March 31, 2019</b>	<b>¥ 16,533</b>	<b>¥ 16,532</b>	<b>¥ 22,560</b>	<b>¥ (1,425)</b>

	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
<b>Balance at April 1, 2017</b>	¥ 7,495	¥ 1,479	¥ 187	¥ 845	¥ 729	¥ 61,363
Cash dividends	—	—	—	—	—	(1,100)
Profit attributable to owners of parent for the year	—	—	—	—	—	3,448
Acquisition of treasury stock	—	—	—	—	—	(622)
Other changes	2,672	—	47	333	2	3,056
<b>Balance at April 1, 2018</b>	<b>10,168</b>	<b>1,479</b>	<b>235</b>	<b>1,179</b>	<b>731</b>	<b>66,145</b>
Cash dividends	—	—	—	—	—	(1,268)
Profit attributable to owners of parent for the year	—	—	—	—	—	3,129
Decrease due to acquisition of additional shares of consolidated subsidiary	—	—	—	—	—	(12)
Other changes	(1,368)	—	(45)	(654)	846	(1,222)
<b>Balance at March 31, 2019</b>	<b>¥ 8,799</b>	<b>¥ 1,479</b>	<b>¥ 190</b>	<b>¥ 524</b>	<b>¥ 1,578</b>	<b>¥ 66,771</b>

	Thousands of U.S. dollars (Note 2)			
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost
<b>Balance at April 1, 2018</b>	<b>\$ 148,959</b>	<b>\$ 149,058</b>	<b>\$ 186,494</b>	<b>\$ (12,838)</b>
Cash dividends	—	—	(11,424)	—
Profit attributable to owners of parent for the year	—	—	28,191	—
Decrease due to acquisition of additional shares of consolidated subsidiary	—	(108)	—	—
Acquisition of treasury stock	—	—	—	(0)
Other changes	—	—	—	—
<b>Balance at March 31, 2019</b>	<b>\$ 148,959</b>	<b>\$ 148,950</b>	<b>\$ 203,261</b>	<b>\$ (12,838)</b>

	Thousands of U.S. dollars (Note 2)					
	Net unrealized holding gain on securities	Surplus arising from land revaluation	Translation adjustments	Retirement benefits liability adjustments	Non-controlling interests	Total net assets
<b>Balance at April 1, 2018</b>	<b>\$ 91,611</b>	<b>\$ 13,325</b>	<b>\$ 2,117</b>	<b>\$ 10,622</b>	<b>\$ 6,586</b>	<b>\$ 595,954</b>
Cash dividends	—	—	—	—	—	(11,424)
Profit attributable to owners of parent for the year	—	—	—	—	—	28,191
Decrease due to acquisition of additional shares of consolidated subsidiary	—	—	—	—	—	(108)
Other changes	(12,325)	—	(405)	(5,892)	7,622	(11,010)
<b>Balance at March 31, 2019</b>	<b>\$ 79,277</b>	<b>\$ 13,325</b>	<b>\$ 1,711</b>	<b>\$ 4,721</b>	<b>\$ 14,217</b>	<b>\$ 601,594</b>

See notes to consolidated financial statements.



# Consolidated Statement of Cash Flows

Sekisui Plastics Co., Ltd. and Consolidated Subsidiaries  
Year ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2019	2019
<b>Cash flows from operating activities</b>			
Profit before income taxes	¥ 5,238	¥ 4,983	\$ 44,895
Adjustments for:			
Depreciation and amortization	4,087	4,517	40,697
Amortization of goodwill	21	21	189
Loss on impairment of property, plant and equipment	—	356	3,207
Decrease in allowance for doubtful accounts	(19)	(12)	(108)
Interest and dividend income	(303)	(310)	(2,793)
Interest expense	166	164	1,477
Equity in (earnings) losses of an affiliate	6	(0)	(0)
Increase in provision for bonuses to employees	34	32	288
Decrease in provision for product warranty	(144)	(54)	(486)
Changes in assets and liabilities for retirement benefits, net	(958)	(830)	(7,478)
Gain on sales of investments in securities	(136)	(603)	(5,432)
Loss on impairment of investments in securities	52	8	72
Loss on sales or disposal of equipment, net	75	51	459
(Increase) decrease in notes and accounts receivable	(4,205)	2,419	21,794
Increase in inventories	(827)	(597)	(5,378)
Increase (decrease) in notes and accounts payable	2,804	(2,685)	(24,191)
Other, net	801	1,136	10,235
Subtotal	6,694	8,596	77,448
Interest and dividends received	303	310	2,793
Interest paid	(162)	(184)	(1,657)
Proceeds from casualty insurance claims	10	155	1,396
Income taxes	(1,074)	(1,721)	(15,505)
Net cash provided by operating activities	5,771	7,156	64,474
<b>Cash flows from investing activities</b>			
Increase in short-term investments	—	(1)	(9)
Purchases of property, plant and equipment	(6,127)	(8,077)	(72,772)
Proceeds from sales of property, plant and equipment	74	37	333
Purchases of investments in securities	(4)	(4)	(36)
Proceeds from sales of investments in securities	439	893	8,045
Increase in short-term and long-term loans receivable	(3)	(4)	(36)
Collection of short-term and long-term loans receivable	51	22	198
Purchases of investments in consolidated subsidiaries and affiliates	—	(3,565)	(32,120)
Other, net	(17)	(8)	(72)
Net cash used in investing activities	(5,587)	(10,706)	(96,459)
<b>Cash flows from financing activities</b>			
Net (decrease) increase in short-term loans	(245)	4,714	42,472
Proceeds from long-term loans	5,200	13,675	123,209
Repayment of long-term loans	(4,267)	(7,181)	(64,699)
Purchases of treasury stock	(621)	(0)	(0)
Dividends paid	(1,100)	(1,266)	(11,406)
Dividends paid to non-controlling shareholders	(0)	(2)	(18)
Purchase of shares of subsidiary not resulting in change in scope of consolidation	—	(58)	(522)
Other	(318)	(185)	(1,668)
Net cash used in financing activities	(1,354)	(9,695)	(87,350)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	21	8	72
<b>Net decrease (increase) in cash and cash equivalents</b>	(1,148)	6,154	55,446
<b>Cash and cash equivalents at the beginning of the year</b>	6,266	5,117	46,103
<b>Cash and cash equivalents at the end of the year</b>	¥ 5,117	¥ 11,271	\$ 101,549

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Sekisui Plastics Co., Ltd. and Consolidated Subsidiaries  
March 31, 2019

## 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 ("IFRS"), 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, 2018 to the 2019 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 41 significant consolidated subsidiaries (collectively, the "Group") for the years ended March 31, 2018 and 2019. 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, 2018 and 2019.

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 the estimated period of its effect.

Five overseas consolidated subsidiaries whose fiscal year end is December 31 have been consolidated using provisional financial statements at March 31, 2019.

For nine overseas consolidated subsidiaries whose fiscal year ends on December 31, necessary adjustments have been made for any significant intercompany transactions which took place during the period between the year end of the overseas consolidated subsidiaries and the year end of the Company.

### (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. 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 Defect Compensation**

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**

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 swaps to hedge the risk of interest rate and foreign currency exchange rate fluctuations on long-term debt denominated in foreign currencies.

##### **i) Hedge accounting method**

Interest-rate 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").

##### **ii) Hedging instruments and hedged items**

Hedging instruments: Interest-rate swaps  
Hedged items: Long-term loans denominated in foreign currencies

##### **iii) Hedging policy**

Derivative transactions are used to hedge the risk of interest-rate fluctuation 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 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 21).

#### **(s) Change in Accounting Policy**

(Change in translation method of revenue and expenses of overseas consolidated subsidiaries)

Revenue and expenses of the overseas consolidated subsidiaries had been translated into yen at the rates of exchange in effect at the balance sheet dates of the overseas consolidated subsidiaries. Effective the year ended March 31, 2019, the Company changed the translation method of revenue and expenses of overseas consolidated subsidiaries using the average exchange rates for the fiscal years.

The importance of revenue and expenses of the overseas consolidated subsidiaries has increased. In addition, the proportion of revenue and expenses of the overseas consolidated subsidiaries is also expected to increase. Therefore, this change was made in order to reflect the operating results of the overseas consolidated subsidiaries more accurately in the consolidated statement of income in consideration of recent changes in foreign currency exchange rates.

As the effect of this change was immaterial, no adjustment has been made retrospectively.

#### **(t) Accounting Standards Issued but Not Yet Effective**

On March 30, 2018, the Accounting Standards Board of Japan (the "ASBJ") issued "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30).

##### **i) Overview**

The International Accounting Standards Board (the "IASB") and the Financial Accounting Standards Board (the "FASB") in the United States co-developed comprehensive accounting standards for revenue recognition and issued "Revenue from Contracts with Customers" (issued as IFRS 15 by the IASB and Topic 606 by the FASB) in May 2014. The ASBJ developed comprehensive accounting standards on revenue recognition and issued them in conjunction with the implementation guidance based on the fact that IFRS 15 was applied from fiscal years starting on or after January 1, 2018 and Topic 606 was applied from fiscal years starting after December 15, 2017.

As the basic policy in developing accounting standards for revenue recognition, the ASBJ defined the accounting standard starting with incorporating the basic principle of IFRS 15 from a standpoint of comparability between financial statements, which is one benefit of ensuring consistency with IFRS 15. Furthermore, the ASBJ added alternative accounting treatment without impairing comparability when there are matters to be considered related to accounting practices, etc. common in Japan.

##### **ii) Scheduled date of adoption**

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

##### **iii) Impact of the adoption of accounting standard and implementation guidance**

The Company is currently evaluating the effect of the adoption of this accounting standard and implementation guidance on its consolidated financial statements.

#### **(u) Change in Presentation**

(Partial Amendments to Accounting Standard for Tax Effect Accounting) Effective April 1, 2018, "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28 issued on February 16, 2018) has been adopted.

Under ASBJ Statement No.28, deferred income taxes, which were previously classified as current assets and current liabilities, are classified as investments and other assets and long-term liabilities, respectively.

As a result, ¥124 million of ¥750 million of deferred income taxes, which was previously presented under current assets, is included in deferred income taxes under investments and other assets. In addition, ¥625 million of that was offset with deferred income taxes under long-term liabilities.

As a result of offsetting deferred tax assets and deferred tax liabilities of the same taxable entity, total assets decreased by ¥625 million compared with the previously reported amount.

Furthermore, the note to income taxes was changed in accordance with notes 8 and 9 set forth in Articles 3 to 5 of ASBJ Statement

No.28. However, information as of March 31, 2018 was omitted in accordance with the transitional treatment set forth in Article 7 of ASBJ

Statement No.28. (see Note 9)

## 2. 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 ¥110.99 = U.S. \$1.00, the exchange rate prevailing on March 31, 2019. 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.

## 3. Notes and Accounts Receivable, Notes and Accounts Payable and Other Current Liabilities

The balance sheet date for the year ended March 31, 2019 fell on a bank holiday. Consequently, notes receivable of ¥1,062 million (\$9,568 thousand) and notes and accounts payable and other current liabilities of

¥721 million (\$6,496 thousand) with due date of March 31, 2019 were included in the respective balances in the consolidated balance sheet at March 31, 2019 and were settled on the next business day.

## 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 payables, 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. Loans with variable interest rates is exposed to interest-rate fluctuation risk. Interest-rate 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.

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, 2018 and 2019 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					
	2018			2019		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Cash and cash equivalents	¥ 5,117	¥ 5,117	¥ —	¥ 11,271	¥ 11,271	¥ —
Short-term investments	5	5	—	6	6	—
Notes and accounts receivable	33,369	33,369	—	36,457	36,457	—
Investments in securities	19,130	19,130	—	17,007	17,007	—
Total assets	¥ 57,622	¥ 57,622	¥ —	¥ 64,742	¥ 64,742	¥ —
Notes and accounts payable	¥ 27,027	¥ 27,027	¥ —	¥ 28,288	¥ 28,288	¥ —
Short-term loans	4,946	4,946	—	13,562	13,562	—
Long-term loans*	14,150	14,184	33	21,668	21,756	88
Total liabilities	¥ 46,124	¥ 46,157	¥ 33	¥ 63,519	¥ 63,608	¥ 88

	Thousands of U.S. dollars		
	2019		
	Carrying value	Fair value	Difference
Cash and cash equivalents	\$ 101,549	\$ 101,549	\$ —
Short-term investments	54	54	—
Notes and accounts receivable	328,471	328,471	—
Investments in securities	153,230	153,230	—
Total assets	\$ 583,313	\$ 583,313	\$ —
Notes and accounts payable	\$ 254,869	\$ 254,869	\$ —
Short-term loans	122,191	122,191	—
Long-term loans*	195,224	196,017	792
Total liabilities	\$ 572,294	\$ 573,096	\$ 792

\* Includes current portion of long-term loans of ¥7,178 million and ¥4,127 million (\$37,183 thousand) at March 31, 2018 and 2019, 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.

**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.

**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.

Unlisted equity securities in the amount of ¥714 million and ¥645 million (\$5,811 thousand) at March 31, 2018 and 2019, 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, 2018 and 2019.

The redemption schedule at March 31, 2019 for deposits and notes and accounts receivable is summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2019	2019
	Within 1 year	Within 1 year
Deposits	¥ 11,252	\$ 101,378
Notes and accounts receivable	36,457	328,471
Total	¥ 47,709	\$ 429,849

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, 2018 and 2019 were as follows:

	Millions of yen					
	2018			2019		
	Acquisition cost	Carrying value	Unrealized holding gain (loss)	Acquisition cost	Carrying value	Unrealized holding gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	¥ 4,562	¥ 19,130	¥ 14,568	¥ 4,566	¥ 17,007	¥ 12,440
Securities whose acquisition cost exceeds their carrying value:						
Equity securities	0	0	(0)	0	0	(0)
Total	¥ 4,562	¥ 19,130	¥ 14,568	¥ 4,566	¥ 17,007	¥ 12,440

	Thousands of U.S. dollars		
	2019		
	Acquisition cost	Carrying value	Unrealized holding gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	\$ 41,138	\$ 153,230	\$ 112,082
Securities whose acquisition cost exceeds their carrying value:			
Equity securities	0	0	(0)
Total	\$ 41,138	\$ 153,230	\$ 112,082

Unlisted equity securities other than securities of affiliates in the amount of ¥118 million and ¥51 million (\$459 thousand) at March 31, 2018 and 2019 are not included in equity securities in the above table

since it is extremely difficult to determine their fair value at March 31, 2018 and 2019.

The proceeds from sales of, and gross realized gain on investments in securities for the years ended March 31, 2018 and 2019 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2018	2019
Proceeds from sales	¥ 300	\$ 8,063
Gross realized gain	136	5,432

## 6. Inventories

Inventories at March 31, 2018 and 2019 were composed of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Merchandise, finished goods and semi-finished goods	¥ 7,166	¥ 7,937	\$ 71,510
Work in process goods	194	1,840	16,578
Raw materials and supplies	3,071	4,094	36,886
Total	¥ 10,432	¥ 13,872	\$ 124,984

## 7. Short-Term Loans and Long-Term Loans

Short-term loans at March 31, 2018 and 2019 represented loans in the form of deeds and overdrafts at interest rates ranging from 0.11% to 3.4% and from 0.18% to 8.2% per annum, respectively.

Long-term loans at March 31, 2018 and 2019 were composed of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Unsecured loans from banks and insurance companies, payable in Japanese yen, at rates ranging from 0.11% to 3.40%	¥ 12,602	¥ 18,316	\$ 165,023
Unsecured loans from banks, payable in U.S. dollars, at rates ranging from 1.52% to 3.40%	329	1,272	11,460
Unsecured loans from banks, payable in Euro, at a rate of 2.25%	—	1,015	9,144
Unsecured loans from banks, payable in Taiwan dollars, at a rate of 1.40%	219	86	774
Unsecured loans from banks, payable in Baht, at a rate of 2.575%	—	977	8,802
Total	14,150	21,668	195,224
Less current portion	(7,178)	(4,127)	(37,183)
	¥ 6,972	¥ 17,540	\$ 158,032

The aggregate annual maturities of long-term loans subsequent to March 31, 2019 are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
	2019	2019
2020	¥ 4,127	\$ 37,183
2021	4,127	37,183
2022	4,317	38,895
2023	6,871	61,906
2024 and thereafter	2,224	20,037
Total	¥ 21,668	\$ 195,224

## 8. Pledged Assets and Secured Liabilities

Assets pledged as collateral for liabilities as of March 31, 2018 and 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Land	¥ 166	¥ 166	\$ 1,495
Buildings	56	54	486
	¥ 222	¥ 220	\$ 1,982

Liabilities secured by these assets as collateral consist of ¥36 million and ¥31 million (\$279 thousand) of short-term loans and ¥68 million

and ¥37 million (\$333 thousand) of long-term loans at March 31, 2018 and 2019, respectively.

## 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, 2018 and 2019 were, in the aggregate, approximately 30.8% and 30.6%, respectively.

A reconciliation of the statutory and effective tax rate for the years ended March 31, 2018 and 2019 as a percentage of profit before taxes was presented as follows:

	2018	2019
Statutory tax rates	30.8%	30.6%
Non-deductible expenses	2.0	2.3
Impairment loss on property, plant and equipment	—	2.2
Acquisition related cost	—	1.9
Per capita portion of inhabitants' taxes	0.6	0.6
Tax credit of research and development costs	(0.5)	(0.6)
Loss on impairment of investments in securities	0.3	0.1
Other	0.9	0.0
Effective tax rates	34.1%	37.1%

Deferred income taxes reflect the net tax effect of the temporary differences between the carrying amounts of the assets and liabilities for financial reportable purposes and the corresponding amounts for income tax purposes. The significant components of the Group's deferred tax assets and liabilities at March 31, 2018 and 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Deferred tax assets:			
Liabilities for retirement benefits	¥ 434	¥ 190	\$ 1,711
Tax loss carryforwards	625	2,069	18,641
Provision for bonuses to employees	320	334	3,009
Unrealized profit on intercompany transactions	499	507	4,567
Impairment loss on property, plant and equipment	17	119	1,072
Loss on devaluation of inventories	65	75	675
Acquisition related cost of acquired companies	—	93	837
Other	414	459	4,135
Gross deferred tax assets	2,376	3,852	34,705
Valuation allowance for tax loss carryforwards	—	(1,864)	(16,794)
Valuation allowance for temporary differences	—	(377)	(3,396)
Valuation allowance	(559)	(2,242)	(20,200)
Total deferred tax assets	1,816	1,609	14,496
Deferred tax liabilities:			
Differences on land revaluation	(980)	(962)	(8,667)
Surplus arising from land revaluation	(1,596)	(1,596)	(14,379)
Net unrealized holding gain on securities	(4,400)	(3,874)	(34,904)
Gain on marketable securities contributed to employees' retirement benefit trust	(144)	(146)	(1,315)
Assets for retirement benefits	(515)	(230)	(2,072)
Other	(465)	(474)	(4,270)
Total deferred tax liabilities	(8,102)	(7,284)	(65,627)
Net deferred tax liabilities	¥ (6,286)	¥ (5,674)	\$ (51,121)

Note 1: Tax loss carryforwards and related deferred tax assets as of March 31, 2019 will expire as follows:

	Millions of yen		
	2019		
Year ending March 31,	Tax loss carryforwards <sup>(*)</sup>	Valuation allowance for tax loss carryforwards	Deferred tax assets for tax loss carryforwards
2020	¥ 29	¥ (24)	¥ 4
2021	29	(11)	18
2022	43	(37)	6
2023	124	(118)	6
2024	71	(71)	—
2025 and thereafter	1,769	(1,600)	169
Total	¥ 2,069	¥ (1,864)	¥ 205

	Thousands of U.S. dollars		
	2019		
Year ending March 31,	Tax loss carryforwards <sup>(*)</sup>	Valuation allowance for tax loss carryforwards	Deferred tax assets for tax loss carryforwards
2020	\$ 261	\$ (216)	\$ 36
2021	261	(99)	162
2022	387	(333)	54
2023	1,117	(1,063)	54
2024	640	(640)	—
2025 and thereafter	15,938	(14,416)	1,523
Total	\$ 18,641	\$ (16,794)	\$ 1,847

(\*)1) The tax loss carryforwards in the above table are measured using the statutory tax rates.

## 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 consolidated 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, 2018 and 2019

(i) Excluding amounts calculated by the simplified method, the changes in the retirement benefit obligation for the years ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Retirement benefit obligation at the beginning of the year	¥ 9,839	¥ 9,568	\$ 86,205
Service cost	255	258	2,324
Interest cost	35	31	279
Actuarial (gain) loss	(8)	0	0
Retirement benefit paid	(592)	(580)	(5,225)
Other	40	35	315
Increase due to business combination	—	130	1,171
Retirement benefit obligation at the end of the year	¥ 9,568	¥ 9,444	\$ 85,088

(ii) Excluding amounts calculated by the simplified method, the changes in plan assets at fair value for the years ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Plan assets at fair value at the beginning of the year	¥ 13,592	¥ 14,747	\$ 132,867
Expected return on plan assets	272	274	2,468
Actuarial gain (loss)	1,042	(391)	(3,522)
Contributions by the employer	432	409	3,685
Retirement benefit paid	(592)	(580)	(5,225)
Plan assets at fair value at the end of the year	¥ 14,747	¥ 14,459	\$ 130,272

(iii) The changes in liabilities for retirement benefits under the simplified method for the years ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Liabilities for retirement benefits at the beginning of the year	¥ 2,863	¥ 2,995	\$ 26,984
Retirement benefit expense	302	326	2,937
Retirement benefit paid	(140)	(240)	(2,162)
Contribution to defined contribution pension plans	(7)	(7)	(63)
Other	(22)	(10)	(90)
Liabilities for retirement benefit at the end of the year	¥ 2,995	¥ 3,064	\$ 27,606

(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, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Funded retirement benefit obligation	¥ 9,616	¥ 9,501	\$ 85,602
Plan assets at fair value	(14,793)	(14,514)	(130,768)
	(5,177)	(5,012)	(45,157)
Unfunded retirement benefit obligation	2,994	3,061	27,579
Net amount of liabilities and assets recognized in the consolidated balance sheet	(2,183)	(1,951)	(17,578)
Liabilities for retirement benefits	3,011	3,212	28,939
Assets for retirement benefits	(5,194)	(5,163)	(46,517)
Net amount of liabilities and assets recognized in the consolidated balance sheet	¥ (2,183)	¥ (1,951)	\$ (17,578)



(v) The components of retirement benefit expense (credit) for the years ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Service cost	¥ 255	¥ 258	\$ 2,324
Interest cost	35	31	279
Expected return on plan assets	(272)	(274)	(2,468)
Amortization of actuarial gain	(570)	(548)	(4,937)
Retirement benefit expenses calculated by the simplified method	302	326	2,937
Retirement benefit expense (credit)	¥ (250)	¥ (207)	\$ (1,865)

(vi) The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Actuarial (gain) loss	¥ 479	¥ (938)	\$ (8,451)

(vii) The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2018 and 2019 were as following:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Unrecognized actuarial gain	¥ (1,694)	¥ (755)	\$ (6,802)

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

	2018	2019
	Bonds	22%
Equities	47	47
General accounts at life insurance companies	13	13
Cash and deposits	4	4
Other	14	13
Total	100%	100%

The total pension plan assets includes 30% of the retirement benefits trust for the corporate pension fund plans as of March 31, 2018 and 2019.

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, 2018 and 2019 are as follows:

	2018	2019
Discount rates	0.3%	0.3%
Expected long-term rates of return on plan assets	1.9%	1.7%
Rates of salary increase	2.8%	2.8%

(c) Defined contribution pension plans for the years ended March 31, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Contributions to defined contribution pension plans	¥ 10	¥ 10	\$ 90

## 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 (\$12,343 thousand) at March 31, 2018 and 2019, respectively.

## Common stock and treasury stock

Movements in shares of common stock and treasury stock during the years ended March 31, 2017 and 2018 are summarized as follows:

	2018			
	Number of shares			
	April 1, 2017	Increase	Decrease	March 31, 2018
Common stock	46,988,109	—	—	46,988,109
Treasury stock	1,127,225	568,918	—	1,696,143

The increase in treasury stock consists of 568,000 shares due to purchase of shares based on the resolution of the Board of Directors meeting, 222 shares due to the purchase of fractional shares of less than one voting unit, and 696 shares attributable to the Company acquired by its equity-method affiliates.

	2019			
	Number of shares			
	April 1, 2018	Increase	Decrease	March 31, 2019
Common stock	<b>46,988,109</b>	—	—	<b>46,988,109</b>
Treasury stock	<b>1,696,143</b>	<b>721</b>	—	<b>1,696,864</b>

The increase in treasury stock consists of 124 shares due to the purchase of fractional shares of less than one voting unit, and 597 shares attributable to the Company acquired by its equity-method affiliates.

## 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 (\$85,998 thousand) for the purpose of land revaluation exceeded the land's estimated market values by ¥3,587 million and ¥3,554 million (\$32,020 thousand) at March 31, 2018 and 2019, respectively.

## 13. Other Comprehensive Income

Reclassification adjustments and tax effects on components of other comprehensive income for the years ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Net unrealized holding gain (loss) on securities:			
Gain (loss) arising during the year	¥ 3,974	¥ (1,495)	\$ (13,469)
Reclassification adjustments	(133)	(399)	(3,594)
Before tax effect	3,841	(1,894)	(17,064)
Tax effect	(1,168)	525	4,730
Net unrealized holding gain (loss) on securities	2,672	(1,368)	(12,325)
Translation adjustments:			
Gain (loss) arising during the year	47	(45)	(405)
Before tax effect	47	(45)	(405)
Tax effect	—	—	—
Translation adjustments	47	(45)	(405)
Retirement benefits liability adjustments:			
Gain (loss) arising during the year	1,050	(1,487)	(13,397)
Reclassification adjustments	(570)	548	4,937
Before tax effect	479	(938)	(8,451)
Tax effect	(145)	283	2,549
Retirement benefits liability adjustments	333	(654)	(5,892)
Total other comprehensive income	¥ 3,053	¥ (2,068)	\$ (18,632)

## 14. Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2018 and 2019 amounted to ¥2,014 million and ¥2,145 million (\$19,326 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, 2018.

The Group recorded loss on impairment for the following asset groups for the year ended March 31, 2019.

Location	Use	Classification
Mexico	Business Use	Buildings and machinery
China	Business Use	Buildings and machinery

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

For the year ended March 31, 2019, the Company recorded loss on impairment in the amount of ¥356 million (\$3,207 thousand) 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 two consolidated subsidiaries. The loss on impairment consisted of ¥174 million (\$1,568 thousand) for buildings, ¥155 million (\$1,397 thousand) for machinery and ¥26 million (\$234 thousand) for other. The recoverable amounts of this asset group were measured at the estimated value in use, which was calculated based on future cash flows using a discount rate of 10.1%. The net selling value is based on the estimated sales price.

## 16. Cash and Cash Equivalents

As a result of a business combination, the Company acquired eight companies, which consist of Proseat Mladá Boleslav s.r.o, Proseat Sp.zo.o, Proseat GmbH & Co. KG and its subsidiaries and affiliates (the Proseat Group). (see Note 19)

Assets acquired and liabilities assumed of the eight newly consolidated subsidiaries as of the acquisition date due to the acquisition of shares of Proseat Group, related acquisition cost of shares and net expenditure for acquisition of shares for the year ended March 31, 2019 were mainly as follows:

	Millions of yen	Thousands of U.S. dollars
	2019	2019
Current assets	¥ 16,452	\$ 148,230
Property, plant and equipment	4,304	38,776
Investments and other assets	12	111
Goodwill	2,100	18,921
Current liabilities	(15,098)	(136,030)
Long-term liabilities	(3,000)	(27,029)
Non-controlling interests	(592)	(5,354)
Acquisition cost	3,876	34,922
Exchange difference	43	387
Cash and cash equivalents	(355)	(3,198)
Net expenditure for acquisition of shares	¥ 3,565	\$ 32,120

## 17. Derivatives and Hedge Accounting

The estimated fair value of derivative instruments outstanding at March 31, 2018 and 2019 for which hedge accounting has been applied is summarized as follows:

	Millions of yen		
	2018		
	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	—	(*)
	Millions of yen		
	2019		
	Notional amount		
	Total	Maturing after one year	Fair value
Interest-rate swaps hedging long-term loans, accounted for by special treatment:			
Receivable / floating and U.S. dollar			
Payable / fixed and Japanese yen	¥ 977	¥ 855	(*)

Thousands of U.S. dollars

	2019		
	Notional amount		
	Total	Maturing after one year	Fair value
Interest-rate swaps hedging long-term loans, accounted for by special treatment:			
Receivable / floating and U.S. dollar			
Payable / fixed and Japanese yen	\$ 8,802	\$ 7,703	(*)

(\*) Because interest-rate currency swaps and Interest-rate 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.

## 18. Amounts per Share

	Yen		U.S. dollars
	2018	2019	2019
Profit attributable to owners of parent	¥ 75.33	¥ 69.09	\$ 0.62
Net assets	1,444.28	1,439.43	12.96
Cash dividends	27.00	30.00	0.27

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, 2018 and 2019 since neither the Company nor any of the consolidated subsidiaries had any potentially dilutive

shares at March 31, 2018 and 2019.

The amounts per share of net assets have been computed based on the number of shares of common stock outstanding at the year end.

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, 2018 and 2019 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Profit attributable to owners of parent	¥ 3,448	¥ 3,129	\$ 28,191
Adjusted profit attributable to owners of parent available for distribution to common stockholders	¥ 3,448	¥ 3,129	\$ 28,191

	Thousands of shares	
	2018	2019
Weighted-average number of shares of common stock outstanding	45,782	45,291

The financial data used in the computation of net assets per share based on the above method at March 31, 2018 and 2019 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Total net assets	¥ 66,145	¥ 66,771	\$ 601,594
Deductions from total net assets:			
Non-controlling interests	731	1,578	14,217
Total net assets available to owners of parent	¥ 65,414	¥ 65,193	\$ 587,377

	Thousands of shares	
	2018	2019
Number of shares of common stock used in the calculation of net assets per share	45,291	45,291

## 19. Business Combinations

### Business Combinations through acquisitions

#### (a) Outline of the business combination

(i) Names and business of the acquired companies

(1) Names of the acquired companies

Proseat Mladá Boleslav s.r.o.

Proseat Sp.zo.o

Proseat GmbH & Co. KG

Other than the three main companies listed above, there are five other companies, which are located in such countries as the United Kingdom and Spain.

(2) Business description: manufacture of automotive parts

(ii) Objective of the acquisition

Proseat Group, which has manufacturing hubs in six European countries (Germany, France, the United Kingdom, Spain, the Czech Republic, and Poland), is a leading company independent of automotive manufacturers, which provides automotive parts (seat-use cushion material, trim parts such as headrests and armrests, and foamed molding) to European automobile companies.

The acquisition will enable the Company to accelerate the sales of its automotive parts such as Piocelan in European countries and to promote all of the automotive parts of the Proseat Group to Japanese automobile companies through its sales channels.

The acquisition will also enable the Company to integrate the different technologies between the Company and Proseat and to establish a strong partnership with each global automobile company. Consequently, the Group will strengthen its capacities for making proposals, for development, and for providing products to precisely match the needs of customers not only for existing automotive parts,

but also light-weight structural parts for new energy vehicles with the integration and strong partnerships.

(iii) Date of the business combination

Acquisition date: February 19, 2019

Deemed acquisition date: December 31, 2018

(iv) Legal form of business combination

Acquisition of shares by cash

(v) Names of acquired companies after acquisition

No change

(vi) Major reason for determining the acquiring company

The Company is the acquiring company due to the acquisition of stocks by cash.

**(b) Period of the operating results of the acquired companies included in the accompanying consolidated financial statements**

As the acquisition date is deemed to be December 31, 2018, solely the balance sheets the acquired companies of were included in consolidation.

**(c) Acquisition cost of the acquired companies and details of the type of consideration**

	Millions of yen	Millions of U.S. dollars
Consideration for acquisition Cash	¥ 3,876	\$ 34
Acquisition cost	¥ 3,876	\$ 34

**(d) Major acquisition-related costs and nature**

Advisory fees, commissions and other: ¥526 million (\$5 million)

**(e) Amount of goodwill recognized, reason for recognition of goodwill, method of amortization and amortization period**

(i) Amount of goodwill

¥ 2,100 million (\$19 million)

(ii) Reason for recognition

Goodwill is recognized from future excess earning power to be generated from future business operations.

(iii) Amortization of goodwill

Goodwill is amortized by the straight-line method over the estimated period of its effect.

**(f) Amount of assets acquired and liabilities assumed as of the date of business combination**

	Millions of yen	Millions of U.S. dollars
Current assets	¥ 16,452	\$ 148
Property, plant and equipment	4,304	38
Investments and other assets	12	1
Total assets	¥ 20,768	\$ 187
Current liabilities	¥ 15,098	\$ 136
Long-term liabilities	3,300	30
Total liabilities	¥ 18,399	\$ 166

**(g) Estimated impact on the consolidated statement of income for the year ended March 31, 2019 assuming the business combination was completed at the beginning of the year ended March 31, 2019 and the calculation method.**

	Millions of yen	Millions of U.S. dollars
Net sales	¥ 38,451	\$ 346

(Calculation method for estimated impact)

Estimated impact was the difference between the amount of net sales assuming that the business combination was completed at the beginning

of the fiscal year ended March 31, 2019 and the amount of net sales on the consolidated statement of income.

This information is unaudited.

## 20. 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 losses of an affiliate. 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, 2018 and 2019 is as follows:

	Millions of yen				
	2018				
	Reportable segments			Adjustments and eliminations <sup>(*)</sup>	Consolidated
Human Life	Industry	Total			
<b>Sales, income and assets by reportable segments:</b>					
Sales to third parties	¥ 66,128	¥ 45,972	¥ 112,101	¥ —	¥ 112,101
Inter-segment sales and transfers	3,698	1,548	5,247	(5,247)	—
Total	¥ 69,827	¥ 47,521	¥ 117,348	¥ (5,247)	¥ 112,101
Segment income <sup>(*)</sup>	¥ 3,518	¥ 2,805	¥ 6,323	¥ (1,169)	¥ 5,154
Segment assets	¥ 74,015	¥ 42,332	¥ 116,348	¥ 14,800	¥ 131,148
<b>Other items:</b>					
Depreciation and amortization	¥ 1,796	¥ 1,794	¥ 3,590	¥ 497	¥ 4,087
Amortization of goodwill	—	21	21	—	21
Interest income	0	15	15	0	16
Interest expense	830	357	1,188	(1,021)	166
Equity in losses of an affiliate	(6)	—	(6)	—	(6)
Investments in affiliates accounted for by the equity method	347	—	347	—	347
Increase in property, plant and equipment and intangible assets	2,728	4,250	6,978	783	7,762
	Millions of yen				
	2019				
	Reportable segments			Adjustments and eliminations <sup>(*)</sup>	Consolidated
	Human Life	Industry	Total		
<b>Sales, income and assets by reportable segments:</b>					
Sales to third parties	¥ 64,865	¥ 47,728	¥ 112,593	¥ —	¥ 112,593
Inter-segment sales and transfers	3,816	2,651	6,468	(6,468)	—
Total	¥ 68,681	¥ 50,380	¥ 119,062	¥ (6,468)	¥ 112,593
Segment income <sup>(*)</sup>	¥ 3,453	¥ 2,546	¥ 5,999	¥ (1,223)	¥ 4,776
Segment assets	¥ 72,609	¥ 71,375	¥ 143,985	¥ 8,859	¥ 152,845
<b>Other items:</b>					
Depreciation and amortization	¥ 1,939	¥ 2,115	¥ 4,055	¥ 462	¥ 4,517
Amortization of goodwill	—	21	21	—	21
Interest income	0	3	3	0	4
Interest expense	859	424	1,284	(1,119)	164
Equity in earnings of an affiliate	0	—	0	—	0
Investments in affiliates accounted for by the equity method	348	—	348	—	348
Increase in property, plant and equipment and intangible assets	2,202	4,235	6,437	931	7,368

Thousands of U.S. dollars

2019

	Reportable segments			Adjustments and eliminations <sup>(*)</sup>	Consolidated
	Human Life	Industry	Total		
<b>Sales, income and assets by reportable segments:</b>					
Sales to third parties	\$ 584,422	\$ 430,020	\$ 1,014,442	\$ —	\$ 1,014,442
Inter-segment sales and transfers	34,381	23,885	58,275	(58,275)	—
Total	\$ 618,803	\$ 453,914	\$ 1,072,727	\$ (58,275)	\$ 1,014,442
Segment income <sup>(*)</sup>	\$ 31,110	\$ 22,939	\$ 54,049	\$ (11,019)	\$ 43,030
Segment assets	\$ 654,194	\$ 643,075	\$ 1,297,279	\$ 79,818	\$ 1,377,106
<b>Other items:</b>					
Depreciation and amortization	\$ 17,470	\$ 19,055	\$ 36,534	\$ 4,162	\$ 40,697
Amortization of goodwill	—	189	189	—	189
Interest income	0	27	27	0	36
Interest expense	7,739	3,820	11,568	(10,081)	1,477
Equity in earnings of an affiliate	0	—	0	—	0
Investments in affiliates accounted for by the equity method	3,135	—	3,135	—	3,135
Increase in property, plant and equipment and intangible assets	19,839	38,156	57,996	8,388	66,384

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

- (i) Segment income in the amounts of ¥1,169 million and ¥1,223 million (\$11,019 thousand) for the years ended March 31, 2018 and 2019 consisted of elimination of inter-segment transactions in the amounts of ¥(0) million and ¥(0) million (\$0 thousand), and unallocable expenses in the amounts of ¥1,169 million and ¥1,223 million (\$11,019 thousand).
- (ii) Segment assets in the amounts of ¥14,800 million and ¥8,859 million (\$79,818 thousand) for the years ended March 31, 2018 and 2019, respectively, mainly consisted of investments in securities and assets related to administrative departments and the Central R&D Laboratory owned by the Company.
- (iii) Depreciation and amortization in the amounts of ¥497 million and ¥462 million (\$4,162 thousand) for the years ended March 31, 2018 and 2019, 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.
- (iv) 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.
- (v) Increase in property, plant and equipment and intangible assets in the amounts of ¥783 million and ¥931 million (\$8,388 thousand) for the years ended March 31, 2018 and 2019, 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, 2018 and 2019 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Japan	¥ 92,678	¥ 92,230	\$ 830,975
Asia	16,041	16,158	145,580
Other	3,381	4,204	37,877
Total	¥ 112,101	¥ 112,593	\$ 1,014,442

Property, plant and equipment by countries or areas grouped according to geographical classification at March 31, 2018 and 2019 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Japan	¥ 45,701	¥ 48,182	\$ 434,111
Asia	4,711	4,911	44,247
Other	3,437	7,170	64,600
Total	¥ 53,849	¥ 60,265	\$ 542,976

#### (e) Information by major customer

The information by major customer for the years ended March 31, 2018 and 2019 was summarized as follows:

Customer	Related segment	Millions of yen		Thousands of U.S. dollars
		2018	2019	2019
FP Corporation	Human Life	¥ 14,216	¥ 14,964	\$ 134,822

(f) Loss on impairment of property, plant and equipment for the years ended March 31, 2018 and 2019.

Millions of yen				
<b>2019</b>				
	Human life	Industry	Adjustments and eliminations	Consolidated
Loss on impairment of property, plant and equipment	¥ —	¥ 356	¥ —	¥ 356

Thousands of U.S. dollars				
<b>2019</b>				
	Human life	Industry	Adjustments and eliminations	Consolidated
Loss on impairment of property, plant and equipment	\$ —	\$ 3,207	\$ —	\$ 3,207

Loss on impairment of property, plant and equipment was not recorded for the year ended March 31, 2018.

(g) Amortization of goodwill and unamortized balance of goodwill for the years ended and as of March 31, 2018 and 2019.

Millions of yen				
<b>2018</b>				
	Human life	Industry	Adjustments and eliminations	Consolidated
Amortization of goodwill	¥ —	¥ 21	¥ —	¥ 21
Unamortized balance of goodwill	—	73	—	73

Millions of yen				
<b>2019</b>				
	Human life	Industry	Adjustments and eliminations	Consolidated
Amortization of goodwill	¥ —	¥ 21	¥ —	¥ 21
Unamortized balance of goodwill	—	73	—	73

Thousands of U.S. dollars				
<b>2019</b>				
	Human life	Industry	Adjustments and eliminations	Consolidated
Amortization of goodwill	\$ —	\$ 189	\$ —	\$ 189
Unamortized balance of goodwill	—	657	—	657

## 21. 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, 2019 was approved at a shareholders' meeting held on June 21, 2019.

	Millions of yen	Thousands of U.S. dollars
	<b>2019</b>	<b>2019</b>
Cash dividends (¥17 (U.S. \$0.15) per share)	¥ 770	\$ 6,937



# Independent Auditor's Report



## 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, 2019, 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, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### *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 2.

*Ernst & Young Shin Nihon LLC*

June 21, 2019  
Osaka, Japan

A member firm of Ernst & Young Global Limited

## Corporate Data (As of March 31, 2019)

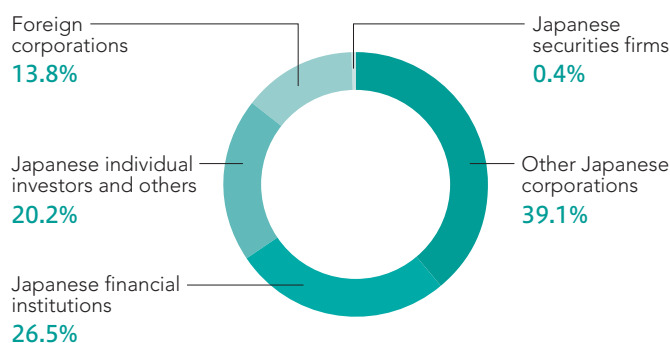
Company name	Sekisui Plastics Co., Ltd.
Founded	October 1, 1959
Paid-in capital	¥16,533 million
Number of employees	3,881 (consolidated)
Osaka Head office	2-4-4, Nishitenma, Kita-ku, Osaka 530-8565, Japan Tel. +81-6-6365-3014
Tokyo Headquarters	2-7-1, Nishishinjuku, Shinjuku-ku, Tokyo 163-0727, Japan Tel. +81-3-3347-9615
URL	<a href="https://www.sekisuiplastics.com/">https://www.sekisuiplastics.com/</a>

## Investor Information (As of March 31, 2019)

### Stock Information

Common stock—authorized	124,751,000 shares
Common stock—issued	46,988,109 shares
Unit of trading	100 shares
Number of shareholders	4,917
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 1,668 thousand shares

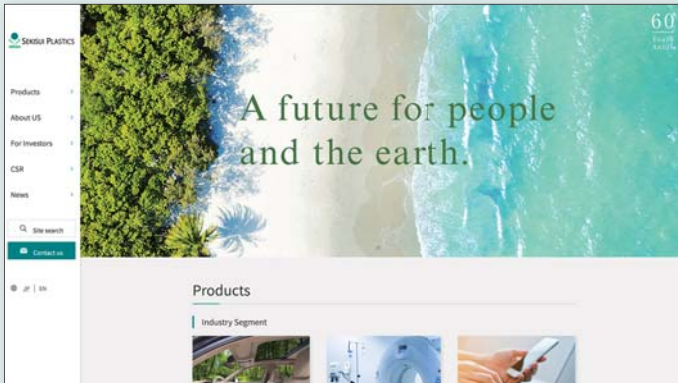
### Major Shareholders

Name	Numbers of shares held (thousands)	Percentage of shares held (%)
Sekisui Chemical Co., Ltd.	9,855	21.74
The Dai-ichi Life Insurance Company, Limited	3,031	6.68
Sekisui Plastics Employee Ownership	1,679	3.70
Japan Trustee Services Bank, Ltd. (Trust account)	1,458	3.21
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG / JASDEC / FIM / LUXEMBOURG FUNDS / UCITS ASSETS	1,440	3.17
Sekisui Jushi Corporation	1,419	3.13
Daido Life Insurance Company	1,418	3.12
FP Corporation	1,348	2.97
MUFG Bank Ltd.	1,327	2.92
Asahi Kasei Corporation	1,250	2.75
Denka Company Limited	1,250	2.75

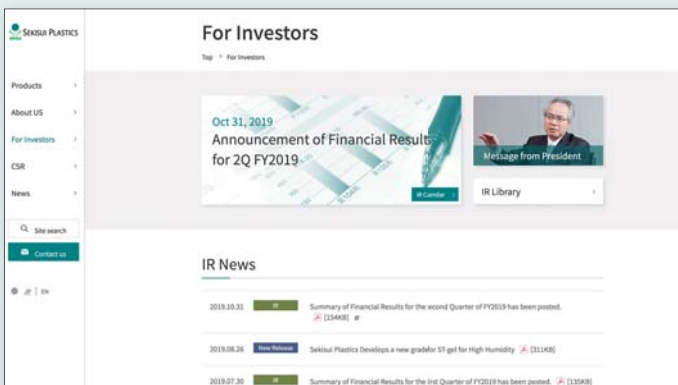
Notes: 1. The Company holds 1,668 thousand treasury stock shares, but is omitted from the above list of major shareholders.  
2. The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its name to MUFG Bank, Ltd., as of April 1, 2018.

## Sekisui Plastics Communications

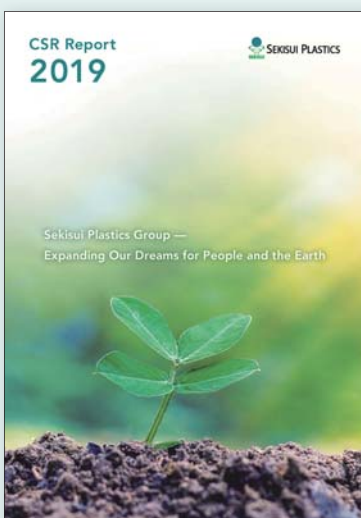
You can find the latest information of corporation, shareholder and investor relations as well as details of our products and green activities on the Website of Sekisui Plastics. For all stakeholders' deeper understanding of the Group's initiatives, we publish CSR Reports since FY2010 in addition to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



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



Investor Relations  
<https://www.sekisuiplastics.com/ir/>



CSR Report  
<https://www.sekisuiplastics.com/csr/csr-report/>

Results forecasts, plans, business strategies, awareness and assessments of facts, and other forward-looking statements concerning the Company or the Group are assumptions that the Company's management believes to be reasonable based on currently available information. Actual outcomes may differ materially from those expressed in these forward-looking statements due to various factors. The Company undertakes no obligation to publish revised forward-looking statements to reflect new events, conditions, or circumstances.

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



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