

Annual Report

2018

For the year ended March 31, 2018



PROVIDING PLASTICS
as SOLUTIONS



Providing Plastics as Solutions

Management Philosophy

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

Goal

Plastics Solution Company
Trusted by Customers around the World

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

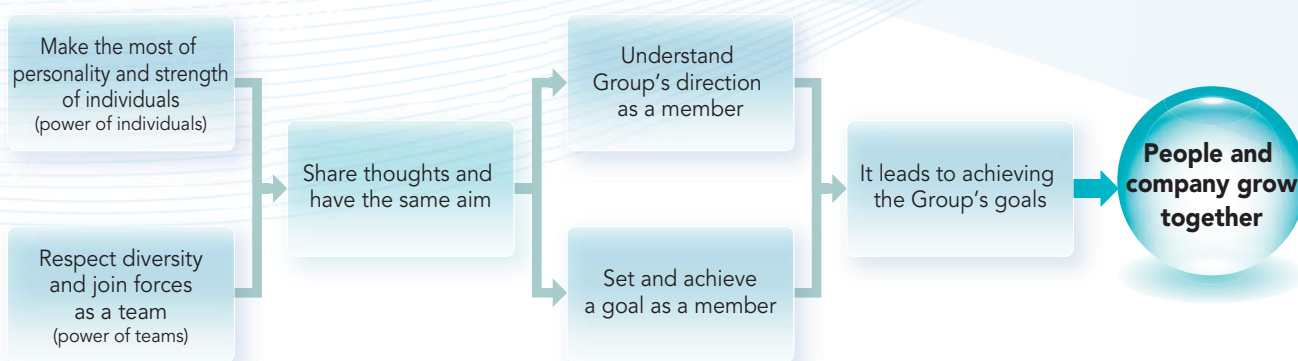
Zen-in Keiei

For the growth of both company and its people

4 keywords for the practice of Zen-in Keiei



Zen-in Keiei



Contents

3	About Sekisui Plastics	21	Corporate Governance
5	Consolidated Financial Highlights	23	Compliance / Risk Management
7	A Message from the President	24	Corporate Social Responsibility (CSR)
11	Creation, Growth, Change, and to a Next "Stage"	27	Financial Section
13	Sekisui Plastics Group's 100th Year Vision	47	Corporate Data
15	Mid-Term Management Plan	47	Investor Information
17	Industry		
19	Human Life		

About Sekisui Plastics

Built around its world-class foaming technologies and using plastics as core materials the Sekisui Plastics Group provides solutions and products that contribute to the realization of a low-carbon society and bring comfort and convenience to the lives of individuals as well as to industry.

Industry

The Sekisui Plastics Group has won recognition for the value it provides by proposing business solutions that help improve operations, workflow, and efficiency at its corporate customers.

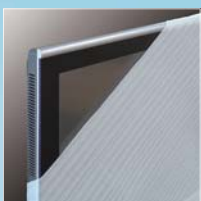
Home Appliance/IT



TECHPOLYMER
Fine polymer particles
optical applications



EPSREM
Foamed polystyrene
material for cushion
packing



Lightlon
Polystyrene sheet for
protective cushion
packing



Neo-Microlon
Polypropylene sheet
for protective cushion
packing



TECHTELAS
LED lighting equipment

Automobiles/transportation



PIOCELAN
Automobile
component



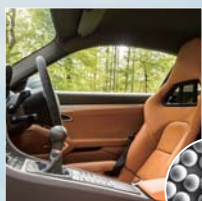
PIOCELAN
Packaging material for
transporting automo-
bile parts



Resin Molding
Truck roof fairing



ST-LAYER
CFRP/foam core
composite



TECHPOLYMER
Fine particle polymer
for use in coatings

Medical/healthcare/cosmetic



ST-gel
Hydrogel for facial
masks



ST-gel
Hydrogel for medical
use



TECHPOLYMER
Fine polymer parti-
cles for cosmetics
applications



Security Pack
UN-standard-compliant
transport container for
infectious material



SMC Parts
Medical equipment
cover

Human Life

Thanks to their lightweight, thermal insulation, and shock absorption properties, products in the Human Life field are used in items that have served to change the lifestyles of end users and consumers.

Food



Eslen sheet
Food trays made of foamed polystyrene



Eslen sheet (laminate)
Used in instant food containers



CELEPET
Microwave/oven safe food container



Eslen Wood Folded Box
Folded box made of foamed polystyrene sheet



Eslen container
Returnable container with superior heat retention properties

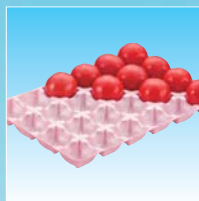
Agricultural/ fishery



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



TECHTELAS
Low-UV LED lighting equipment (low insect-attracting type)

Housing/ civil engineering



ESLEN Block
Block for EPS construction method



Super Soilen System
Lightweight greening method



AQUAROAD
Underground stormwater tank



TECHEATER
PTC ceramic heaters



ES Dan Mat LV
Insulation material made of low VOC beads meth-
od polystyrene foam

Consolidated Financial Highlights

Fiscal Year	2007	2008	2009	2010	2011
For the year:					
Net sales	¥ 98,561	¥ 96,102	¥ 100,744	¥ 101,418	¥ 101,350
Operating income	2,028	4,119	5,118	4,876	2,271
Recurring income	1,463	3,881	4,475	4,628	2,107
Net income attributable to owners of the parent	712	2,111	2,393	2,306	744
Capital expenditures	4,281	5,500	3,735	4,561	5,059
Depreciation and amortization	4,050	4,060	3,886	3,814	3,848
Research and development costs	2,034	2,150	2,044	2,237	2,261
At year-end:					
Total assets	¥ 91,342	¥ 92,553	¥ 97,008	¥ 99,263	¥ 101,889
Total net assets	45,551	45,285	46,848	48,165	48,911
Interest-bearing debt	12,196	17,151	17,126	17,175	17,068
Amounts per share*3:					
Net income	¥ 14.50	¥ 43.48	¥ 50.58	¥ 49.08	¥ 15.84
Net assets	911.64	934.76	977.28	1,005.62	1,021.26
Cash dividends	16.00	20.00	20.00	20.00	12.00
Key ratios:					
Operating income ratio (%)	2.1	4.3	5.1	4.8	2.2
ROE (%)	1.5	4.7	5.3	5.0	1.6
ROA (%)	1.6	4.2	4.7	4.7	2.1
Equity ratio (%)	48.9	48.0	47.4	47.6	47.1
Employees	1,540	1,568	1,637	1,719	1,757

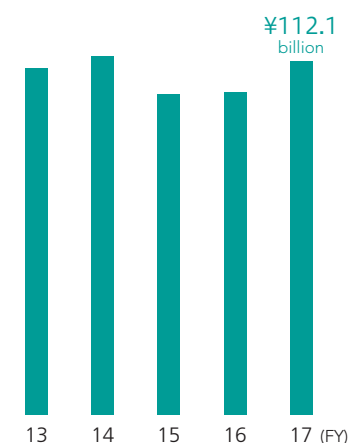
*1 U.S. dollar amounts represent translations of Japanese yen, for readers' convenience only, at the rate of ¥106.26 = U.S.\$1.00, the prevailing exchange rate at March 31, 2018.

*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.

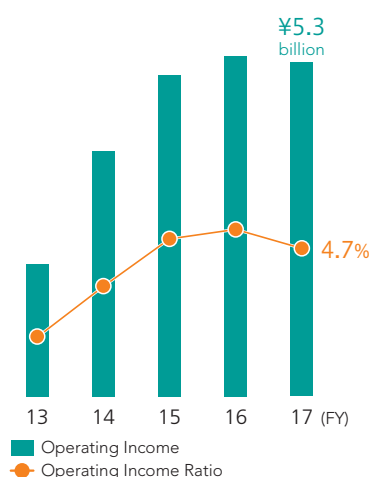
Net Sales

(Billions of yen)



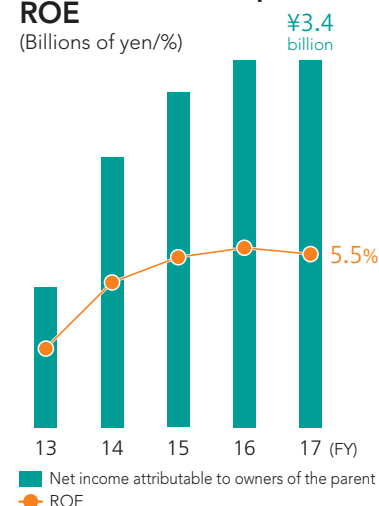
Operating Income/ Operating Income Ratio

(Billions of yen/%)



Net income attributable to owners of the parent/ ROE

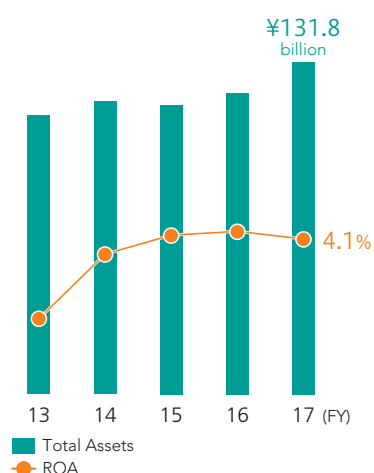
(Billions of yen/%)



2012	2013	2014*2	2015	2016	2017	2017
Millions of yen						Thousands of U.S. dollars*1
¥ 101,784	¥ 109,923	¥ 113,660	¥ 101,559	¥ 102,398	¥112,101	\$ 1,054,969
1,152	2,124	3,930	5,118	5,401	5,284	49,727
1,237	2,206	4,180	4,862	5,049	5,154	48,504
926	1,264	2,530	3,147	3,404	3,448	32,449
6,849	3,434	5,908	4,424	5,836	7,762	73,047
3,940	3,856	3,999	3,937	3,591	4,087	38,462
1,993	1,936	1,877	1,856	1,916	2,104	19,800
¥ 105,562	¥ 110,687	¥ 116,201	¥ 114,892	¥ 119,670	¥131,774	\$ 1,240,109
50,929	54,036	58,275	58,800	61,363	66,145	622,483
18,492	18,566	19,467	18,274	18,424	19,096	179,710
Yen						U.S. dollars*1
¥ 19.72	¥ 26.96	¥ 54.14	¥ 67.34	¥ 73.03	¥75.33	\$ 0.71
1,063.68	1,136.52	1,231.36	1,243.30	1,322.14	1,444.28	13.59
8.00	14.00	18.00	24.00	24.00	27.00	0.25
1.1	1.9	3.5	5.0	5.3	4.7	
1.9	2.5	4.6	5.4	5.7	5.5	
1.2	2.0	3.7	4.2	4.3	4.1	
47.4	48.0	49.5	50.6	50.7	49.6	
1,813	1,833	1,859	1,895	2,011	2,101	

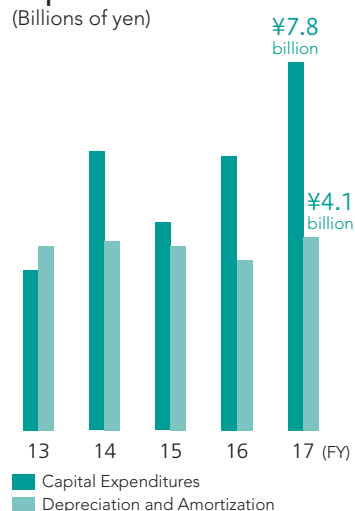
Total Assets/ROA

(Billions of yen/%)



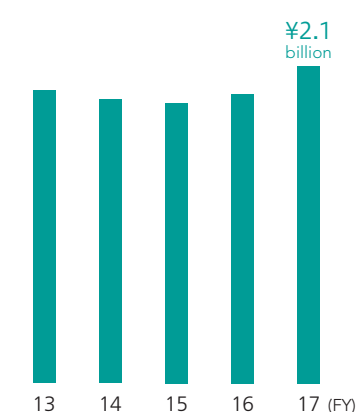
Capital Expenditure & Depreciation and Amortization

(Billions of yen)



Research and Development Costs

(Billions of yen)



A Message from the President



Aspirations for the 100th Anniversary of Our Founding

To mark the 50th anniversary of Sekisui Plastics' founding in October 2009, we, Sekisui Plastics Group, formulated the Sekisui Plastics Group's 100th Year Vision for the sustained growth and development of Sekisui Plastics Group over the next half century. In 2015, we revised part of this Vision based on a review of the changes in the business environment that had occurred since 2009.

In this Vision, our aspiration for the 100th anniversary of our founding, as based on the founding spirit of Sekisui Plastics and our new management philosophy, is to transform the company into "a plastics solution company trusted by customers around the world," which we aim to achieve by expanding business globally in the segments of Industry, Human Life and Environment/Energy, and by putting our "CSR" and "Zen-in Keiei" concepts into practice group-wide.

Mid-term Management Plan "Make Innovations 60"

In line with the goals of the "Sekisui Plastics Group's

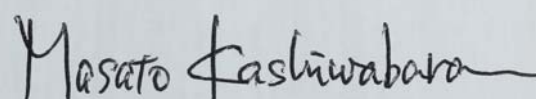
100th Year Vision," since FY2016 we have been advancing the three-year mid-term management plan "Make Innovations 60."

This Plan was established based on the concepts of promoting "Business Portfolio Transformation" and "Earnings Structure Reform." Under this Plan, we have 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."

FY2017 Results

The business environment that encompassed Sekisui Plastics in FY2017 generally saw a robust global economy, with particular strength in the US and Europe. However, it also saw the notable impact of higher crude oil prices and thus greater costs for petrochemicals and other raw materials. Although the Japanese economy saw a gentle recovery, including improved corporate earnings and a better employment situation, Japan continues to face labor

We will achieve our corporate goals
from the 100th Year Vision and realize growth
by transforming our business portfolio and
promoting global expansion.



President and Chief Executive Officer

shortages and rising logistics costs. Looking at the foam plastics industry as related to Sekisui Plastics, the price of raw materials and fuel turned upwards during the second half of the fiscal year, leading to a severe environment that also lacked growth in end-user demand.

Under this environment, the mid-term management plan “*Make Innovations 60*” entered its second year in FY2017, during which time we steadily implemented measures in order to proceed with “Business Portfolio Transformation” and “Earnings Structure Reform.” Specifically, although automotive- and home appliance/IT-related industrial fields grew globally, the impact of higher raw material and fuel prices along with greater logistics costs, as well as capital expenditures and other outlays for the purpose of strengthening our development capability, placed pressure on earnings.

As a result, Sekisui Plastics Group achieved net sales of ¥112.101 billion, a 9.5% increase over the previous period; operating income of ¥5.284 billion, a 2.2% decrease compared with the previous period; and net income attributable to owners of the parent of ¥3.448 billion, a 1.3% increase over the previous period. We recorded the highest recurring income and net income attributable to owners of the company in our history.

Global Expansion

Against the background of Japan’s contracting population and aging society, Sekisui Plastics Group recognizes global expansion as a core issue for growth over the medium- to long-term.

Under the mid-term management plan “*Make Innovations 60*,” we have been driving forward global business expansion with a focus on automobiles, home appliances/IT, and other industrial fields, and pouring our energy into the effective use of the production/processing facilities that have been expanded to date. As a result, in FY2017 we saw positive trends in LCD panels and other home appliance/IT fields in Northeast Asia (China, Taiwan, Korea), and saw positive demand from Thailand, Indonesia, and other countries in Southeast Asia with a particular focus on applications related to packaging materials for transporting automobile parts.

As a whole, we feel that FY2017 was a year of robust global expansion.

Future Outlook and FY2018 Performance Forecast

In terms of the outlook for FY2018 and beyond, the business environment encompassing Sekisui Plastics Group is expected to remain uncertain due to concerns about economic trends in emerging countries such as China, the impact of movements in the US administration, and the rising cost of logistics and expenditures as a result of labor shortages in Japan.



Despite being faced with this situation, Sekisui Plastics Group will move forward with the various measures to fulfill objectives of the mid-term management plan “*Make Innovations 60*,” which has entered its final year this period, without compromising our goal of achieving the Plan’s quantitative targets.

Specifically, in terms of ST-LAYER (CFRP/foam core composites), ELASTIL (thermoplastic elastomeric bead foam), and our other strategic merchandise, we will fully address the detailed needs of our customers, and accelerate market launches and sales expansion. In terms of global business activities, we will advance business expansion measures that link to earnings contributions at an early stage by thoroughly implementing quantitative management. At the same time, we will also build a management system that suits the characteristics of the countries and regions into which we have expanded.

We will also revise product prices appropriately in response to raw material price fluctuations, while at the same time striving tirelessly to reduce costs throughout the Group by reviewing low-performing businesses, improving productivity, and reducing logistics costs in

moving towards building a highly profitable structure.

By driving these measures forward, we are aiming for FY2018 Sekisui Plastics Group results of ¥120 billion in net sales, a 7.0% increase over the previous period; ¥6.8 billion in operating income, a 28.7% increase over the previous period; and ¥4.4 billion in net income attributable to owners of the parent, a 27.6% increase over the previous period.

Shareholder Returns

Sekisui Plastics Group’s basic policy concerning returns to our shareholders is to distribute profits in accordance with consolidated financial results as well as in consideration of stability. Based on this policy, we will continue to target a consolidated payout ratio of 30% to 40%. Also as part of our efforts to reward our shareholders, we are also considering plans to continue with acquisition and retirement of treasury stock. In terms of retained earnings, we are giving priority to strategic investments that lead to further growth and investments aimed at strengthening the management structure.

Based on these concepts, in FY2017 we executed an annual dividend of ¥27 per share. Moreover, we acquired 568,000 treasury shares in February 2018.

Given the outlook for continued growth in FY2018, we plan to increase the dividend by ¥3 for an annual dividend of ¥30 per share.

CSR Initiatives

Sekisui Plastics Group stated “Sekisui Plastics Group, Expanding Our Dreams for People and the Earth” in the “Sekisui Plastics Group’s 100th Year Vision” as our CSR Declaration, whereby we are taking initiatives to meet our social responsibility to all of our stakeholders, including the global environment, and to contribute to the sustainable development of the global society. In particular, we have defined the responsibilities that we hold to each stakeholder, including our customers, Group members and shareholders, and are giving priority to those initiatives that contribute to society through the promotion of our business activities, thereby fulfilling these social responsibilities.

As part of our environmental contribution activities, the entire Group throughout the world has poured its

energies into planting trees on the International Day for Biological Diversity and other such “Green Wave Activities,” which have been broadly called for by Japan’s Ministry of the Environment and other organizations. These activities have been ongoing since 2012, and in March 2018 we were designated as a “Green Wave Official Partner” by the Japan Committee for United Nations Decade on Biodiversity (UNDB-J) in recognition of our activities thus far. Likewise, environmental contribution activities have also taken root as Group-wide initiatives, including a photo contest held as part of the “Green Curtain Activities” advocated by Japan’s Ministry of the Environment.

We also participated in “The Call for a Solution to the Problem of Ocean Plastic Waste” advocated by the Japan Plastics Industry Federation as a way to cooperate in solving the international problem of plastic waste in the ocean.

Meanwhile, in terms of community-based social contribution activities, we have worked to promote Satoyama Conservation Activities, in which Group Members participate through the “Sekisui Plastics Fund” in two locations in East and West Japan.

In addition to these existing activities, in FY2017 we expressed our endorsement of the “Creation of a New Lake Biwa Museum” announced by the Lake Biwa Museum in Shiga Prefecture, where Sekisui Plastics and two Group companies—Sekisui Plastics Shiga and Sekisui Plastics Ohmi—are located, by registering as a renewal supporting company.

Enhancing Corporate Value Through “Zen-in Keiei”

Sekisui Plastics Group believes that the capabilities of the Group’s personnel are essential to powerfully driving forward with our CSR activities, which are centered on contributing to society through the promotion of business activities.

Therefore, 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.

Meanwhile, for our global employees we prepared the “Global Management Handbook,” which defines how to act on-site in consideration of the different cultures and customs of different regions and countries. We believe creating organizations, developing ways of working, and executing management through the use of this handbook will help nurture cultural diversity.

In addition, as a way of creating a worry-free work environment, we offer child-raising support that takes work-life-balance into account and engage in initiatives that consider the physical and mental healthcare of our employees. In terms of diversity, we are undertaking initiatives that support the participation of women, employ those with disabilities and expand global employment.

These initiatives are all based on our founding spirit of “pursuing the happiness of people working for the company.” In this way, we believe the reason that we are making steady progress in our initiatives aimed at achieving the corporate goals in the 100th Year Vision is the spread of the Sekisui Plastics Group culture of “Zen-in Keiei” among all of our employees.

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

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

August 2018

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

Earnings trends to date in Sekisui Plastics can be broadly divided into three periods. Earnings grew in line with the rapid popularity of EPS foam in “Establishment Period.” Earnings fluctuated with the ebb & flow of Japanese economy in “Growth to Maturity Period.” And, in “Rebuilding to Rebirth Period,” we achieved record-high earnings based on new businesses and globalization. The mid-term management plan “*Make Innovations 60*” was commenced in 2016, and we are moving on a new “stage.”



Establishment Period

Sekisui Plastics’ First 20 years

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

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

- 1959 Sekisui Sponge Industries Co., Ltd. established, commenced EPS beads and PVC foam businesses
- 1961 Kanto Plant (the current Sekisui Plastics Kanto Co., Ltd.) built in Ibaraki Prefecture
- 1964 Shares listed on the Second Section of the Osaka Securities Exchange
- 1966 Tenri Plant (the current Sekisui Plastics Tenri Co., Ltd.) built in Nara Prefecture
- 1969 Company name changed to Sekisui Plastics Co., Ltd. Shiga Plant (the current Sekisui Plastics Shiga Co., Ltd.) built in Shiga Prefecture
- 1970 Kasahara Kasei Co., Ltd. (the current Sekisui Plastics Toubu Co., Ltd.) established in Ibaraki Prefecture
- 1973 Shares listed on the Second Section of the Tokyo Stock Exchange
- 1976 Hokkaido 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" Since 2016

Rebuilding to Rebirth Period Years 41 to 55

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

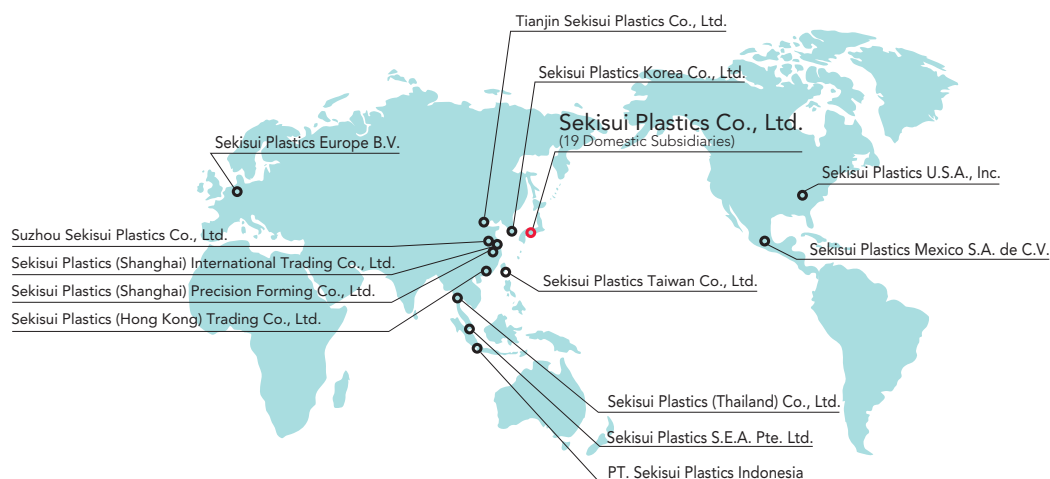
- 2004 Sekisui Plastics Yamaguchi Co., Ltd. established in Yamaguchi Prefecture
Sekisui Plastics (Shanghai) International Trading Co., Ltd. and Tianjin Sekisui Plastics Co., Ltd. established in China
- 2006 Sekisui Plastics U.S.A., Inc. established in the United States
- 2007 Sekisui Plastics Europe B.V. established in the Netherlands
Suzhou Sekisui Plastics Co., Ltd. established in China
Sekiwoo Plastics Korea Co., Ltd. (the current Sekisui Plastics Korea Co., Ltd.) established in Korea
- 2008 Taiwan Sekisui Centex Co., Ltd. (the current Sekisui Plastics Taiwan Co., Ltd.) established in Taiwan
- 2009 Sekisui Plastics Saitama Co., Ltd. established in Saitama Prefecture
Marking 50th anniversary, formulated the Sekisui Plastic Group's 100th Year Vision
- 2010 Consolidated local manufacturing and sales companies in Kyushu and established Sekisui Plastics Kyushu Co., Ltd. in Fukuoka Prefecture
- 2012 Consolidated local Group sales offices in Chubu Region and established Sekisui Plastics Chubu Co., Ltd. in Aichi Prefecture
Sekisui Plastics (Thailand) Co., Ltd. established in Thailand
PT. Sekisui Plastics Indonesia established in Indonesia
- 2013 Sekisui Plastics Tohoku Co., Ltd. established in Miyagi Prefecture
- 2014 Consolidated Kanto Group offices and established Sekisui Plastics Toubu Co., Ltd.
Consolidated Group companies in Taiwan and established Sekisui Plastics Taiwan Co., Ltd.
Sekisui Plastics (Shanghai) Precision Forming Co., Ltd. established in China
- 2015 Sekisui Plastics Mexico S.A. de C.V. established in Mexico

Make Innovations 60

—Transforming the business model for our 60th anniversary—

We launched the new mid-term management plan for our 60th anniversary of foundation. Operating income as well as net income attributable to owners of the parent hit record highs in FY2017.

2016 YAMAKYU Co., Ltd. became our consolidated subsidiary



Sekisui Plastics Group's 100th Year Vision

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



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

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

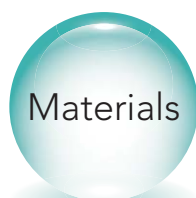
Situation Goal

Plastics Solution Company
Trusted by Customers around the World

Scale Goal

Consolidated Sales
¥500 billion or more

Corporate Domain Sekisui Plastics Group Solutions



Plastics based



Technology that
creates added value



By systemizing, know-how and
providing information

Contributions to Industry:

Contributions to Lifestyle Transformation:

Contributions to the Global Environment:

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

Contributing to the transformation of people's lifestyles

Simultaneously aiming to improve the global environment

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

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



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

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

Responsibility to Stakeholders

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

Culture Vision—Zen-in Keiei

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

Mid-Term Management Plan

Make Innovations 60

—Transforming the business model for our 60th anniversary—

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

This year was the final fiscal year of the Company's three year mid-term management plan, "*Make Innovations 60*," launched in FY2016. As a year in which every effort was made to fully address those issues that the Group has worked in unison to overcome, particular emphasis was placed on promoting business portfolio transformation and earnings structure reform as well as achieving targets.

Concept

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

Business Model Transformation

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



60th Anniversary
(FY2019)

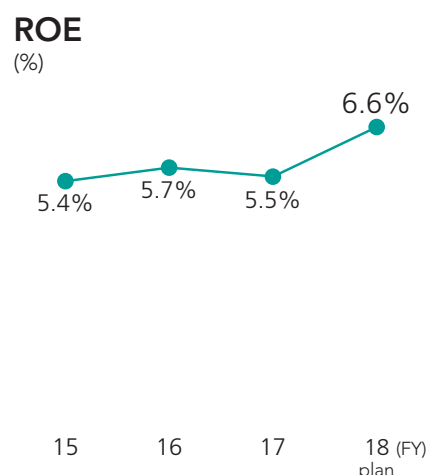
Pursue steady sales growth and strengthen the profitable structure

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

Quantitative Targets

Sekisui Plastics Group promotes the mid-term management plan with the business model transformation toward the 60th anniversary in FY2019, and aims to achieve the target of ROE 6.6% in FY2018.

(Billions of yen)	FY2015 results	FY2016 results	FY2017 results	FY2018 plan
Net Sales	101.6	102.4	112.1	120.0
(Overseas sales)	(15.3)	(17.1)	19.4	21.2
(Overseas sales ratio)	(15.0%)	(16.7%)	17.3%	17.7%
Operating income	5.1	5.4	5.3	6.8
(Operating income ratio)	(5.0%)	(5.3%)	4.7%	5.7%
Recurring income	4.9	5.0	5.2	6.6
Net income attributable to owners of the parent	3.1	3.4	3.4	4.4
ROE	5.4%	5.7%	5.5%	6.6%



Five High-Priority Policies

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

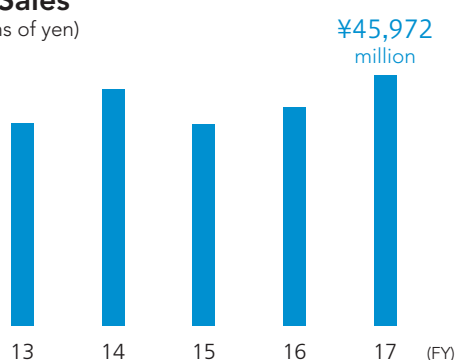
Business portfolio transformation	<ul style="list-style-type: none"> • Increase the sales ratio in the Industry segment • Accelerate the global sales expansion • Enhance collective capabilities of the Group with M&A synergy effects
Speed-up of the business model transformation	<ul style="list-style-type: none"> • Build a brand strategy of the Group and centralize information transmissions • Enhance group-wide development of fabrication business • Redevelop solution-proposing sales activities and strengthen multi-stage sales activities
Strengthening of development capabilities by transforming development promotion system	<ul style="list-style-type: none"> • Transfer theme of New Business Application Development Center • Utilize domestic and foreign exhibitions • Strengthen information gathering for strategic merchandise development
Enhancement of competitiveness to build a high-profitability structure	<ul style="list-style-type: none"> • Adequately respond to raw material price trends • Wide-region logistic • Development of energy saving/productivity
Personnel portfolio transformation/human resource development	<ul style="list-style-type: none"> • Increase the number of sales/development personnel, improve their skills and streamline back-office sections • Human resource development by Sekisui Plastics-Juku • Share ideal types of Group personnel and nurture next-generation leaders in Japan and overseas

Industry



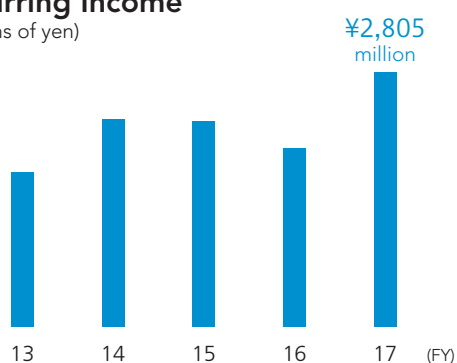
Net Sales

(Millions of yen)



Recurring Income

(Millions of yen)



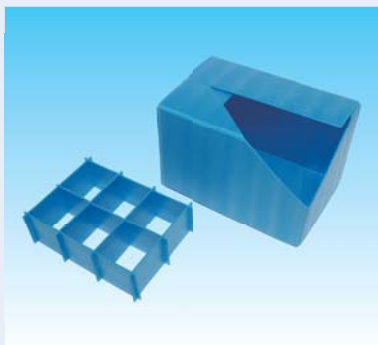
Market Environment & FY2017 Results

FY2017 net sales in the Industry segment were ¥46.0 billion, an increase of 14.5% (YoY).

In the Home Appliance/IT fields, demand for PIOCELAN (polystyrene/polyolefin hybrid resin foam), which is utilized in LCD panel transportation material applications, was robust in Taiwan and China. Customer demand for TECHPOLYMER recovered, and sales of these organic polymer particles that are utilized for light diffusion, for example in LCD panels, improved from the previous fiscal year.

In the Automotive field, automotive component applications using PIOCELAN and other Company products increased significantly, which is partly attributable to increased use of these materials in large vehicles, such as buses and trucks, in addition to passenger cars. In the Medical/Health Care-related fields, the Company expanded its overseas sales, for example of the ST-gel (a functional high-polymer gel) used in electrode pads for low-frequency therapeutic devices. Our strategic merchandise ST-LAYER (CFRP/foam core composites) have been adopted for the components of the latest type of drone that a leading drone service company has launched onto the market. Going forward, we will aim for the adoption of these products in a variety of fields, such as in the structural components of industrial robots and in automotive components, where light weight and high strength are demanded.

In addition to completing a product lineup and expanding sales in Japan of TECHEATER, a heater and snow-melting system with a positive temperature coefficient (PTC) thermistor heating element that features higher outputs and temperatures than conventional products, we obtained Underwriters Laboratories (UL) standards certification in the United States and are preparing to expand sales globally.



Initiatives of the Mid-Term Plan & FY2018 Outlook

In the Industry segment in FY2018, which marks the final year of “*Make Innovations 60*”, we are aiming to make progress with “business portfolio transformation” and “earnings structure reform” and to achieve the planned numerical values. Specifically, with regard to our strategic merchandise, such as ST-LAYER and ELASTIL, we will thoroughly respond to finely tuned customer needs and work to speed up product launches and sales expansion.

Regarding the global regions, in addition to promoting the revamping of business expansion initiatives designed to ensure contributions to earnings at an early stage through thorough numerical value management, we will build management structures that are tailored to a country or region. For example, in China and Taiwan we will accelerate developments in the fields of Home Appliances/IT. Also, in Asia, Europe and the United States we plan to promote development in the Automobile field, and in Europe and the Americas in the Medical/Health Care fields.

In addition to these initiatives, with regard to products that include PIOCELAN, TECHPOLYMER and ST-gel, we will also continue efforts geared toward improving our share at existing customers.

In tandem with these initiatives, we are targeting net sales of ¥51.4 billion in FY2018.

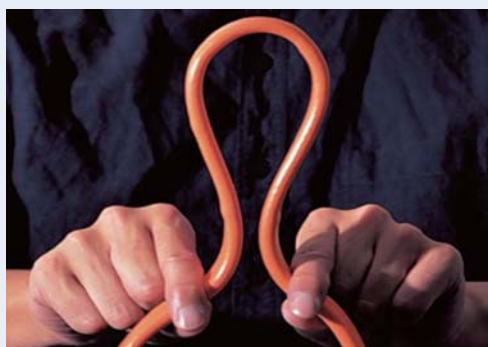
TOPIC

TECHEATER Obtains U.S. UL Standards Certification

A cable heater that can be used for snow-melting, anti-freezing, thermal control and other applications, TECHEATER has obtained UL certification, the product safety standard for electrical products in the United States. Since semiconductive ceramics are used as heating elements, TECHEATER output can be self-controlled according to changes in the ambient temperature.

As thermostats for temperature control are unnecessary, and there is no risk of abnormal overheating or burnouts, TECHEATER garners immense praise for its safety.

Previously, TECHEATER had been widely used in Japan, including for residential, agricultural and industrial purposes, but having obtained this certification, we commenced sales in the United States. We will be promoting sales expansion on a global basis, including in Europe and Asia, in the years ahead.



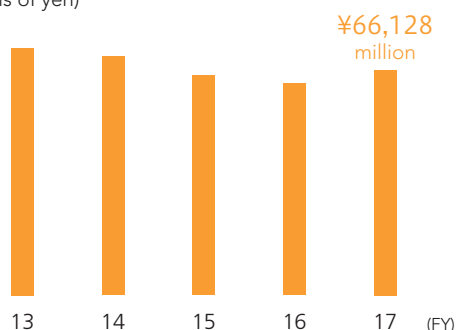
TECHEATER (tape type)

Human Life



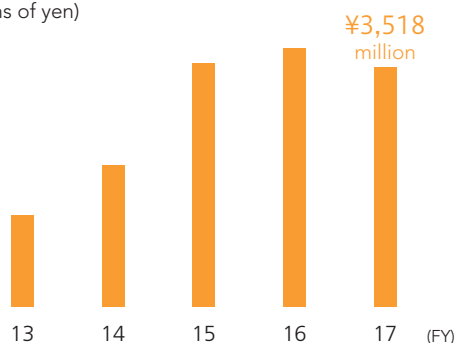
Net Sales

(Millions of yen)



Recurring Income

(Millions of yen)



Market Environment & FY2017 Results

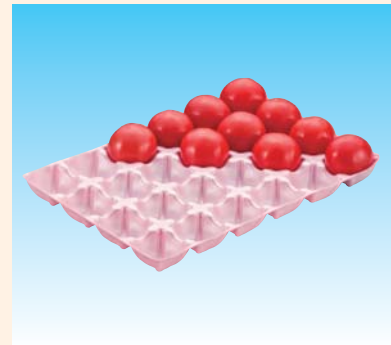
FY2017 net sales in the Human Life segment were ¥66.1 billion, an increase of 6.3% (YoY).

Affected by inclement weather and other factors, agriculture/fishery-related demand remained sluggish, but due to increased customer needs for the heat-resistant containers associated with the heating of food in microwave ovens, container-related demand was strong. Construction materials/civil engineering-related demand was also healthy, driven by private sector projects and increased activity in infrastructure maintenance.

With regard to the sales volume of mainstay products, ESLEN Beads (Expandable Polystyrene Beads) decreased slightly, and ESLEN Sheet (Foamed Polystyrene Sheet) exceeded the previous fiscal year. Sales rose for both of these products compared with the previous fiscal year due to price revisions.

For newly developed products, we launched Flying Fish Box, a container that enables fresh seafood to be transported as general cargo, in collaboration with a leading logistics company. With excellent heat resistance and thermal insulation properties, in addition to their light weight, CELEPET (PET resin foam) containers for in-flight meals were adopted by a major airline, which appreciated these features.

As a disaster countermeasure product, an expressway operator has adopted the EPS Slope that eliminate the steps that can occur on road surfaces following an earthquake, and we are continuing to make progress with sales expansion to national and local public entities. In the years to come, we will work to expand sales of products that can meet customers' needs.



Initiatives of the Mid-Term Plan & FY2018 Outlook

In FY2018, which will be the final year of “Make Innovations 60”, we will focus on “earnings structure reform” in the Human Life segment.

As this is the year for finishing the plan, we will promote each measure while paying particular attention to achieving the planned numerical values.

As one means to achieve this, we will undertake appropriate product price revisions in response to raw material price fluctuations. To build a high-profit structure, we will also review low-profit businesses while continuing to work on cost reductions, including productivity improvements and logistics cost reductions, across the entire group.

In addition to this, we will take steps to improve our share at existing customers for beads and sheets by enhancing proposal sales that lead to solutions to customer issues. In the Human Life segment, we will promote the sales expansion of strategic products, such as functional food containers and freshness preservation materials. Of these, we will aim for the adoption of freshness preservation materials by Japanese agricultural produce export businesses, which have become increasingly active in recent years, by leveraging our freshness preservation technologies, centered on our thermal management technology, and by developing materials that are suitable for logistics involving long timespans and distances as well as multiple items and temperatures.

In tandem with these initiatives, we are targeting net sales of ¥68.6 billion in FY2018, which will mark an increase for a second consecutive year.

TOPIC

CELEPET Food Containers Adopted by Japan Airlines for In-Flight Meal Use

Developed by Sekisui Plastics, CELEPET PET resin foam food containers have been adopted as steam oven-compatible food containers for in-flight meal use on Japan Airlines. Heat resistant up to about 220 degrees C, CELEPET containers also possess thermal insulation, cold resistance and heat retention properties superior to those of existing C-PET containers.

As this container can also be used for cooking with heat on board aircraft, it enables hot food to be provided for a long time as the food does not readily cool down even after it has been taken out of the oven. It is also difficult for the outside of the container to become hot, which leads to improved handling by cabin crew members.

Going forward, we will aim to expand earnings by developing high-value-added products that meet customer needs.



Sample Japan Airlines in-flight meal

Corporate Governance

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

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

Characteristics of Governance Structure

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

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

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

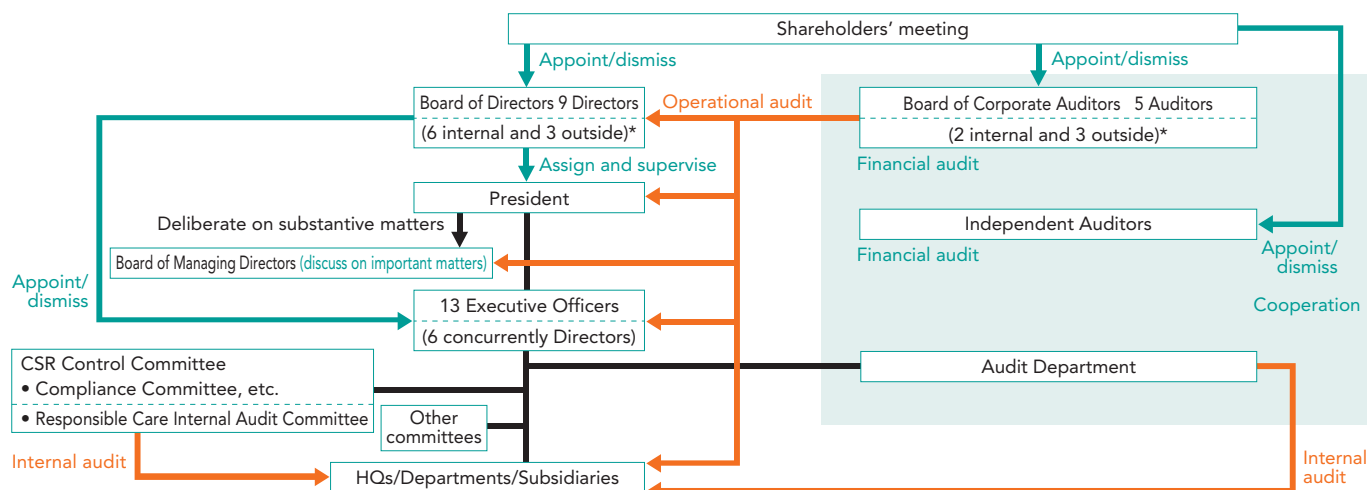
The Company’s outside directors play an important role in the oversight and advisory functions in all aspects of the Company’s management, drawing on a wealth of experience and broad insight as corporate managers. As an information communication system to outside directors, the Corporate Planning Department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

Board of Corporate Auditors and Internal Audits

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

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

Corporate Governance Framework



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

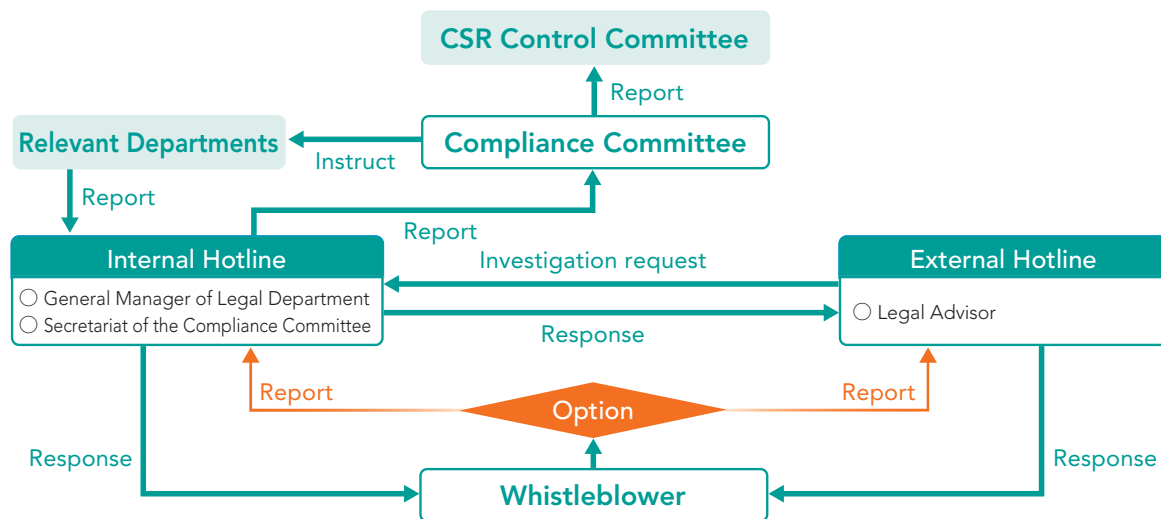
Compliance / Risk Management

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

Compliance

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

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



Risk Management

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

We also established a "Risk Management Manual" and

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

Information Security

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

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

Corporate Social Responsibility (CSR)

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

CSR Promotion

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

CSR Promotion Structure



Responsibility to Customers

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

Basic Stance on Quality Assurance

The Company's philosophy is that product quality should reflect customer values, not those of the Company, and as such we carry out upstream management (ensuring product quality at the development stage) in an integrated manner throughout the entire Group. We conducted an in-house campaign to improve quality awareness in fiscal 2017.

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.

Initiative to Reduce CO₂ Emissions in Production

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

In fiscal 2017, changes in our production structure involving a shift from raw materials to final products resulted in domestic CO₂ emissions (basic unit) increasing 1.9% from the previous year. Likewise, CO₂ emissions (basic unit) increased 12.5% overseas in line with the launch of full-fledged operations at various mold processing plants.

We are continuing to work to reduce CO₂ emissions in fiscal 2018, by improving processes, eliminating steam/air leakage, and reducing heat loss.

Initiative to Reduce CO₂ Emissions in Distribution

The Sekisui Plastics Group is working to reduce CO₂ emissions by improving efficiency in distribution and organizing projects to reform the distribution system from fiscal 2017. As part of our efforts, we are decentralizing production sites and constructing warehouses in business centers to improve our distribution network. However, with the effects of these efforts yet to manifest, CO₂ emissions in distribution increased in fiscal 2017.

Initiative to Reduce CO₂ Emissions in Offices

We have started energy-saving activities such as turning off unnecessary lights, and installation of energy-saving equipment such as LED lighting and individual air conditioners. In FY2017, we reduced energy consumption on a basic unit per area by 7.0% from the previous fiscal year.

Responsibility to Group Members

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

Initiatives to Respects for Human Right

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

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

Column

Support for Parents

Sekisui Plastics Co., Ltd. The 2nd Business Headquarters Planning Department **Sae Hosoe**
Sekisui Urethane Kako Co., Ltd. Administration Department **Tamotsu Suzuki**

With two children born in consecutive years, we have made use of the company's childcare leave system for two years in a row. Thanks to the flex time system, we have been able after giving birth to align the time we arrive at work and leave work to match that of the nursery school, allowing us to maintain a full-time work schedule without any undue difficulty. Our children are still very young and there are times that they cannot go to the nursery school due to a fever or some other reason, and in those cases we have been able to use the company's system for taking leave to care for a child. This is separate from the usual paid leave and has proven very helpful.

The system makes it much easier to raise a child and contributes to an environment where we as parents can put our full energy into both raising their child and performing their duties at work. It appears there are also a number of male employees taking full advantage of the system to attend school events or to care for their children.

While our co-workers and superiors have been quite understanding of our childcare needs, we are promoting the sharing of work responsibilities so that we can better respond to the sudden need to take time off.



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.

The Action Policy defines two themes in its promotion of social contribution: corporate social contribution activities and support for activities by Group employees.

Following the policy, we have set two activities of "social contribution activity promotion as a company" and "social contribution activity support to the Group members" to promote our activities.

Mirai Fund Ibaraki "Sekisui Plastics Fund"

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

In FY2017, we supported, with aid and the participation of our Group members, the activities of the NPO "association of the Protecting Rural Nature in Koga," which engages in restoring and protecting abandoned wooded areas.



Mirai Fund Ohmi "Sekisui Plastics Fund"

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



Column

Sekisui Plastics Fund provides support for the preservation of woodlands

President of NPO "Koga Environment and Satoyama Vitalization Council" Tadao Fujii

The "Koga Environment and Satoyama Preservation Council" conducts restoration activities aimed at revitalizing the woodlands in Minakuchi-cho, Koga City, Shiga Prefecture, which is located near Lake Biwa. More specifically, our activities include the thinning of the woodlands, the trimming of deadwood and shrubs, weeding and the clearing of dead leaves, the installation and maintenance of stairs and pathways, and the creation of a boardwalk through the wetlands. We have been conducting these activities for about 14 years and the goals of initial restoration plan have almost been reached. We are now moving into the maintenance and utilization stages.

In terms of support from Sekisui Plastics, we are of course grateful for the financial support, and we are especially delighted that these conservation activities are included in the training program for new employees. Our membership is well populated with older citizens and they are especially happy to work with the younger recruits.

Even when the activities associated with the funding come to a close, we are hoping for continued participation in Satoyama preservation activities as well as ongoing cooperation in making the woodlands of Koga a relaxing place for its citizens.



Consolidated Balance Sheet

Sekisui Plastics Co., Ltd. and Consolidated Subsidiaries
March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2017	2018	2018
Assets			
Current assets:			
Cash and cash equivalents (Note 4)	¥ 6,266	¥ 5,117	\$ 48,164
Short-term investments (Note 4)	5	5	47
Notes and accounts receivable (Notes 3 and 4)	29,028	33,369	314,090
Inventories (Note 6)	9,589	10,432	98,192
Deferred income taxes (Note 9)	738	750	7,059
Other current assets	1,167	826	7,774
Less allowance for doubtful accounts	(89)	(71)	(668)
Total current assets	46,706	50,431	474,689
Property, plant and equipment (Note 17):			
Land (Notes 8 and 12)	20,906	20,955	197,242
Buildings and structures (Note 8)	43,400	43,806	412,330
Machinery and equipment	78,446	80,633	758,970
Construction in progress	1,112	4,386	41,283
	143,864	149,781	1,409,836
Less accumulated depreciation	(93,351)	(95,931)	(902,964)
Property, plant and equipment, net	50,513	53,849	506,861
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates (Note 4)	653	595	5,600
Investments in securities (Notes 4 and 5)	15,569	19,249	181,184
Deferred income taxes (Note 9)	620	632	5,948
Assets for retirement benefits (Note 10)	3,768	5,194	48,889
Software	549	641	6,033
Other assets	1,344	1,233	11,605
Less allowance for doubtful accounts	(55)	(54)	(508)
Total investments and other assets	22,450	27,493	258,782
Total assets (Note 17)	¥ 119,670	¥ 131,774	\$ 1,240,342

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2017	2018	2018
Liabilities and net assets			
Current liabilities:			
Notes and accounts payable (Note 3)	¥ 23,693	¥ 27,027	\$ 254,395
Short-term loans (Notes 4, 7 and 8)	5,188	4,946	46,554
Current portion of long-term loans (Notes 4, 7, 8 and 15)	4,263	7,178	67,564
Accrued expenses	2,728	3,012	28,350
Accrued income and enterprise taxes (Note 9)	683	1,050	9,883
Provision for bonuses to employees	988	1,023	9,629
Provision for bonuses to directors and audit and supervisory board members	35	29	272
Other current liabilities (Note 3)	2,086	3,202	30,139
Total current liabilities	39,667	47,470	446,818
Long-term liabilities:			
Long-term loans less current portion (Notes 4, 7, 8 and 15)	8,973	6,972	65,625
Liabilities for retirement benefits (Note 10)	2,878	3,011	28,341
Deferred income taxes (Note 9)	6,005	7,668	72,176
Provision for product warranty	389	244	2,296
Other long-term liabilities	392	259	2,437
Total long-term liabilities	18,639	18,157	170,905
Net assets:			
Shareholders' equity (Note 11):			
Common stock:			
Authorized: 124,751,000 shares and 124,751,000 shares at March 31, 2017 and 2018, respectively			
Issued: 46,988,109 shares and 46,988,109 shares at March 31, 2017 and 2018, respectively			
	16,533	16,533	155,619
Capital surplus	16,544	16,544	155,722
Retained earnings (Note 18)	18,351	20,699	194,832
Less treasury stock, at cost:			
1,127,225 shares at March 31, 2017			
1,696,143 shares at March 31, 2018			
	(802)	(1,425)	(13,413)
Total shareholders' equity	50,627	52,352	492,771
Accumulated other comprehensive income:			
Net unrealized holding gain on securities (Notes 5 and 13)	7,495	10,168	95,707
Surplus arising from land revaluation (Notes 12 and 13)	1,479	1,479	13,921
Translation adjustments (Note 13)	187	235	2,211
Retirement benefits liability adjustments (Notes 10 and 13)	845	1,179	11,097
Total accumulated other comprehensive income	10,007	13,061	122,938
Non-controlling interests	729	731	6,880
Total net assets	61,363	66,145	622,599
Total liabilities and net assets	¥ 119,670	¥ 131,774	\$ 1,240,342

See notes to consolidated financial statements.

Consolidated Statement of Income

Sekisui Plastics Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2017	2018	2018
Net sales (Note 17)	¥ 102,398	¥ 112,101	\$ 1,055,167
Cost of sales	77,091	85,479	804,583
Gross profit	25,307	26,622	250,583
Selling, general and administrative expenses (Note 14)	19,905	21,337	200,837
Operating income	5,401	5,284	49,736
Other income (expenses):			
Interest income (Note 17)	8	16	150
Dividend income	271	287	2,701
Interest expense (Note 17)	(139)	(166)	(1,562)
Equity in losses of an affiliate (Note 17)	(10)	(6)	(56)
Foreign exchange loss, net	(276)	(88)	(828)
Loss on sales or disposal of equipment	(64)	(99)	(931)
Compensation expenses	(128)	—	—
Gain on sales of investments in securities (Note 5)	117	136	1,280
Loss on impairment of investments in securities	—	(52)	(489)
Loss on disaster	(62)	—	—
Other, net	(137)	(71)	(668)
Profit before income taxes	4,980	5,238	49,303
Income taxes (Note 9):			
Current	1,232	1,461	13,751
Deferred	335	324	3,049
	1,568	1,786	16,810
Profit	3,412	3,451	32,483
Profit attributable to:			
Non-controlling interests	7	2	18
Owners of parent	¥ 3,404	¥ 3,448	\$ 32,454

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Sekisui Plastics Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2017	2018	2018
Profit	¥ 3,412	¥ 3,451	\$ 32,483
Other comprehensive income (Note 13):			
Net unrealized holding gain on securities	1,307	2,672	25,150
Translation adjustments	(91)	47	442
Retirement benefits liability adjustments	(69)	333	3,134
Total other comprehensive income	1,147	3,053	28,736
Comprehensive income	¥ 4,559	¥ 6,505	\$ 61,229
Comprehensive income attributable to:			
Owners of parent	¥ 4,551	¥ 6,502	\$ 61,201
Non-controlling interests	7	2	18

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Sekisui Plastics Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2017 and 2018

	Millions of yen			
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost
Balance at April 1, 2016	¥ 16,533	¥ 17,261	¥ 16,257	¥ (798)
Cash dividends	—	—	(1,215)	—
Profit attributable to owners of parent for the year	—	—	3,404	—
Decrease resulting from exclusion of subsidiaries from consolidation	—	—	(2)	—
Decrease resulting from inclusion of a subsidiary in consolidation	—	—	(92)	—
Acquisition of treasury stock	—	—	—	(720)
Retirement of treasury stock	—	(716)	—	716
Other changes	—	—	—	—
Balance at April 1, 2017	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	—	—	—	—
Balance at March 31, 2018	¥ 16,533	¥ 16,544	¥ 20,699	¥ (1,425)

	Millions of yen					
	Net unrealized holding gain on securities	Surplus arising from land revaluation	Translation adjustments	Retirement benefits liability adjustments	Non-controlling interests	Total net assets
Balance at April 1, 2016	¥ 6,187	¥ 1,479	¥ 275	¥ 914	¥ 691	¥ 58,800
Cash dividends	—	—	—	—	—	(1,215)
Profit attributable to owners of parent for the year	—	—	—	—	—	3,404
Decrease resulting from exclusion of subsidiaries from consolidation	—	—	—	—	—	(2)
Decrease resulting from inclusion of a subsidiary in consolidation	—	—	—	—	—	(92)
Acquisition of treasury stock	—	—	—	—	—	(720)
Retirement of treasury stock	—	—	—	—	—	—
Other changes	1,307	—	(87)	(69)	37	1,188
Balance at April 1, 2017	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
Balance at March 31, 2018	¥ 10,168	¥ 1,479	¥ 235	¥ 1,179	¥ 731	¥ 66,145

	Thousands of U.S. dollars (Note 2)			
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost
Balance at April 1, 2017	\$ 155,619	\$ 155,722	\$ 172,731	\$ (7,548)
Cash dividends	—	—	(10,353)	—
Profit attributable to owners of parent for the year	—	—	32,454	—
Acquisition of treasury stock	—	—	—	(5,854)
Retirement of treasury stock	—	—	—	—
Other changes	—	—	—	—
Balance at March 31, 2018	\$ 155,619	\$ 155,722	\$ 194,832	\$ (13,413)

	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
Balance at April 1, 2017	\$ 70,547	\$ 13,921	\$ 1,760	\$ 7,953	\$ 6,861	\$ 577,588
Cash dividends	—	—	—	—	—	(10,353)
Profit attributable to owners of parent for the year	—	—	—	—	—	32,454
Acquisition of treasury stock	—	—	—	—	—	(5,854)
Other changes	25,150	—	442	3,134	18	28,765
Balance at March 31, 2018	\$ 95,707	\$ 13,921	\$ 2,211	\$ 11,097	\$ 6,880	\$ 622,599

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Sekisui Plastics Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2017	2018	2018
Cash flows from operating activities			
Profit before income taxes	¥ 4,980	¥ 5,238	\$ 49,303
Adjustments for:			
Depreciation and amortization	3,591	4,087	38,469
Amortization of goodwill	10	21	197
Decrease in allowance for doubtful account	(38)	(19)	(178)
Interest and dividend income	(280)	(303)	(2,852)
Interest expense	139	166	1,562
Equity in losses of an affiliate	10	6	56
(Decrease) increase in provision for bonuses to employees	(79)	34	320
Changes in assets and liabilities for retirement benefits, net	(718)	(958)	(9,017)
Decrease in provision for product warranty	(160)	(144)	(1,355)
Gain on sales of investments in securities	(117)	(136)	(1,280)
Loss on impairment of investments in securities	—	52	489
Loss on sales or disposal of equipment, net	63	75	705
Decrease (increase) in notes and accounts receivable	1,528	(4,205)	(39,580)
Increase in inventories	(168)	(827)	(7,784)
Increase in notes and accounts payable	871	2,804	26,393
Other, net	(682)	801	7,539
Subtotal	8,950	6,694	63,008
Interest and dividends received	281	303	2,852
Interest paid	(122)	(162)	(1,524)
Proceeds from casualty insurance claims	17	10	94
Income taxes	(1,705)	(1,074)	(10,109)
Net cash provided by operating activities	7,421	5,771	54,320
Cash flows from investing activities			
Increase in short-term investments	(2)	—	—
Decrease in short-term investments	7	—	—
Purchases of property, plant and equipment	(5,170)	(6,127)	(57,671)
Proceeds from sales of property, plant and equipment	113	74	696
Purchases of investments in securities	(7)	(4)	(37)
Proceeds from sales of investments in securities	242	439	4,132
Increase in short-term and long-term loans receivable	(415)	(3)	(28)
Collection of short-term and long-term loans receivable	32	51	480
Purchases of investments in consolidated subsidiaries and affiliates	(258)	—	—
Other, net	(46)	(17)	(160)
Net cash used in investing activities	(5,505)	(5,587)	(52,588)
Cash flows from financing activities			
Net increase (decrease) in short-term loans	414	(245)	(2,306)
Proceeds from long-term loans	1,700	5,200	48,945
Repayment of long-term loans	(2,790)	(4,267)	(40,163)
Purchases of treasury stock	(719)	(621)	(5,845)
Dividends paid	(1,215)	(1,100)	(10,353)
Dividends paid to non-controlling shareholders	(6)	(0)	(0)
Other	(335)	(318)	(2,993)
Net cash used in financing activities	(2,953)	(1,354)	(12,744)
Effect of exchange rate changes on cash and cash equivalents	5	21	197
Net decrease in cash and cash equivalents	(1,030)	(1,148)	(10,805)
Cash and cash equivalents at the beginning of the year	7,137	6,266	58,979
Increase in cash and cash equivalents from newly consolidated subsidiaries	161	—	—
Decrease in cash and cash equivalents resulting from exclusion of a subsidiary from consolidation	(1)	—	—
Cash and cash equivalents at the end of the year	¥ 6,266	¥ 5,117	\$ 48,164

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

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

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, 2017 to the 2018 presentation. Such reclassification had no effect on consolidated profit and cash flow.

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 32 significant consolidated subsidiaries (collectively, the "Group") for the years ended March 31, 2017 and 2018. 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, 2017 and 2018.

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

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

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

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

Five overseas consolidated subsidiaries, the fiscal year end of which is December 31, have been consolidated using provisional financial statements at March 31, 2018.

(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 Warranty

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

(n) Retirement Benefit Plans

i) Method of attributing expected benefits to each period

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

ii) Amortization method of actuarial gain or loss

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

(o) Software (except for leased assets)

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

(p) Research and Development Costs

Research and development costs are charged to income when incurred.

(q) Hedge Accounting

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

i) Hedge accounting method

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

ii) Hedging instruments and hedged items

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

iii) Hedging policy

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

iv) Assessing hedge effectiveness

With regard to interest-rate currency swaps accounted for by the special treatment 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 18).

(s) 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 will be applied from fiscal years starting on or after January 1, 2018 and Topic 606 will be 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.

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 ¥106.24 = U.S. \$1.00, the exchange rate prevailing on March 31, 2018. 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 Receivable, Notes and Accounts Payable and Other Current Liabilities

The balance sheet date for the year ended March 31, 2018 fell on a bank holiday. Consequently, notes receivable of ¥925 million (\$8,706 thousand) and notes and accounts payable and other current liabilities

of ¥735 million (\$6,918 thousand) with due date of March 31, 2018 were included in the respective balances in the consolidated balance sheet at March 31, 2018 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. Long-term loans with variable interest rates is exposed to interest-rate fluctuation risk. Interest-rate currency swaps are used to hedge the risk of interest rate and foreign currency exchange rate fluctuations on the Group's long-term loans denominated in foreign currencies.

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, 2017 and 2018 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						
	2017			2018		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Cash and cash equivalents	¥ 6,266	¥ 6,266	¥ —	¥ 5,117	¥ 5,117	¥ —
Short-term investments	5	5	—	5	5	—
Notes and accounts receivable	29,028	29,028	—	33,369	33,369	—
Investments in securities	15,400	15,400	—	19,130	19,130	—
Total assets	¥ 50,701	¥ 50,701	¥ —	¥ 57,622	¥ 57,622	¥ —
Notes and accounts payable	¥ 23,693	¥ 23,693	¥ —	¥ 27,027	¥ 27,027	¥ —
Short-term loans	5,188	5,188	—	4,946	4,946	—
Long-term loans*	13,237	13,048	(188)	14,150	14,184	33
Total liabilities	¥ 42,118	¥ 41,930	¥ (188)	¥ 46,124	¥ 46,157	¥ 33

Thousands of U.S. dollars			
	2018		
	Carrying value	Fair value	Difference
Cash and cash equivalents	\$ 48,164	\$ 48,164	\$ —
Short-term investments	47	47	—
Notes and accounts receivable	314,090	314,090	—
Investments in securities	180,064	180,064	—
Total assets	\$ 542,375	\$ 542,375	\$ —
Notes and accounts payable	\$ 254,395	\$ 254,395	\$ —
Short-term loans	46,554	46,554	—
Long-term loans*	133,189	133,509	310
Total liabilities	\$ 434,149	\$ 434,459	\$ 310

* Includes current portion of long-term loans of ¥4,263 million and 7,178 million (\$67,564 thousand) at March 31, 2017 and 2018, respectively.

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

Assets:

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

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

Investments in securities:

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

Liabilities:

Notes and accounts payable and short-term loans:

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

Long-term loans:

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

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

Unlisted equity securities in the amount of ¥822 million and ¥714 million (\$6,720 thousand) at March 31, 2017 and 2018, 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, 2017 and 2018.

The redemption schedule at March 31, 2018 for deposits and notes and accounts receivable is summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2018	2018
	Within 1 year	Within 1 year
Deposits	¥ 5,092	\$ 47,929
Notes and accounts receivable	33,369	314,090
Total	¥ 38,461	\$ 362,019

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, 2017 and 2018 were as follows:

	Millions of yen					
	2017			2018		
	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	¥ 4,673	¥ 15,400	¥ 10,727	¥ 4,562	¥ 19,130	¥ 14,568
Securities whose acquisition cost exceeds their carrying value:						
Equity securities	0	0	(0)	0	0	(0)
Total	¥ 4,673	¥ 15,400	¥ 10,727	¥ 4,562	¥ 19,130	¥ 14,568

	Thousands of U.S. dollars		
	2018		
	Acquisition cost	Carrying value	Unrealized holding gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	\$ 42,940	\$ 180,064	\$ 137,123
Securities whose acquisition cost exceeds their carrying value:			
Equity securities	0	0	(0)
Total	\$ 42,940	\$ 180,064	\$ 137,123

Unlisted equity securities other than securities of affiliates in the amount of ¥169 million and ¥118 million (\$1,110 thousand) at March 31, 2017 and 2018 are not included in equity securities in the above table

since it is extremely difficult to determine their fair value at March 31, 2017 and 2018.

The proceeds from sales of, and gross realized gain on investments in securities for the years ended March 31, 2017 and 2018 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Proceeds from sales	¥ 242	¥ 300	\$ 2,823
Gross realized gain	117	136	1,280

6. Inventories

Inventories at March 31, 2017 and 2018 were composed of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Merchandise, finished goods and semi-finished goods	¥ 6,601	¥ 7,166	\$ 67,451
Work in process goods	206	194	1,826
Raw materials and supplies	2,782	3,071	28,906
Total	¥ 9,589	¥ 10,432	\$ 98,192

7. Short-Term Loans and Long-Term Loans

Short-term loans at March 31, 2017 and 2018 represented loans in the form of deeds and overdrafts at interest rates ranging from 0.20% to 6.44% and from 0.122% to 7.6363% per annum, respectively.

Long-term loans at March 31, 2017 and 2018 were composed of the following:

	Millions of yen	Thousands of U.S. dollars
	2017	2018
Unsecured loans from banks and insurance companies, payable in Japanese yen, at rates ranging from 0.11% to 2.60%	¥ 12,342	¥ 13,602
Unsecured loans from banks, payable in U.S. dollars, at rates ranging from 1.52% to 2.49%	471	329
Unsecured loans from banks, payable in Euro, at a rate of 1.33%	68	—
Unsecured loans from banks, payable in Taiwan dollars, at a rate of 4.25%	355	219
Total	13,237	14,150
Less current portion	(4,263)	(7,178)
	¥ 8,973	¥ 6,972
		\$ 128,030
		3,096
		—
		2,061
		133,189
		(67,564)
		\$ 65,625

The aggregate annual maturities of long-term loans subsequent to March 31, 2018 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31,	2018	2018
2019	¥ 7,178	\$ 67,564
2020	3,934	37,029
2021	2,664	25,075
2022	45	423
2023 and thereafter	328	3,087
Total	¥ 14,150	\$ 133,189

8. Pledged Assets and Secured Liabilities

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

	Millions of yen	Thousands of U.S. dollars
	2017	2018
Land	¥ 166	¥ 166
Buildings	58	56
	¥ 225	¥ 222
		\$ 1,562
		527
		\$ 2,089

Liabilities secured by these assets as collateral consist of ¥41 million and ¥36 million (\$338 thousand) of short-term loans and ¥105 million

and ¥68 million (\$640 thousand) of long-term loans at March 31, 2017 and 2018, respectively.

9. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries consist of corporation, enterprise and inhabitants' taxes. The statutory

tax rate in Japan for the years ended March 31, 2017 and 2018 was, in the aggregate, approximately 30.8%.

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

	2018
Statutory tax rate	30.8%
Non-deductible expenses	2.0
Per capita portion of inhabitants' taxes	0.6
Tax credit of research and development costs	(0.5)
Loss on impairment of investments in securities	0.3
Other	0.9
Effective tax rate	34.1%

A reconciliation of the statutory and effective tax rate for the year ended March 31, 2017 has been omitted because the difference between

the statutory tax rate and the Group's effective tax rate for financial reportable purposes was less than 5% of the statutory tax rate.

Deferred income taxes reflect the net tax effect of the temporary differences between the carrying amounts of the assets and liabilities for financial 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, 2017 and 2018 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Deferred tax assets:			
Liabilities for retirement benefits	¥ 647	¥ 434	\$ 4,085
Tax loss carryforwards	748	625	5,882
Provision for bonuses to employees	313	320	3,012
Unrealized profit on intercompany transactions	499	499	4,696
Loss on impairment of investments in securities	45	83	781
Loss on devaluation of inventories	66	65	611
Other	421	348	3,275
Gross deferred tax assets	2,741	2,376	22,364
Valuation allowance	(524)	(559)	(5,261)
Total deferred tax assets	2,216	1,816	17,093
Deferred tax liabilities:			
Differences on land revaluation	(985)	(980)	(9,224)
Surplus arising from land revaluation	(1,596)	(1,596)	(15,022)
Net unrealized holding gain on securities	(3,231)	(4,400)	(41,415)
Gain on marketable securities contributed to employees' retirement benefit trust	(126)	(144)	(1,355)
Assets for retirement benefits	(369)	(515)	(4,847)
Other	(554)	(465)	(4,376)
Total deferred tax liabilities	(6,863)	(8,102)	(76,261)
Net deferred tax liabilities	¥ (4,646)	¥ (6,286)	\$ (59,167)

10. Retirement Benefit Plans

(a) Outline of adopted retirement benefit plans for employees

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

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

(b) Defined benefit plans for the years ended March 31, 2017 and 2018

(i) Excluding amounts calculated by the simplified method, the changes in the retirement benefit obligation for the years ended March 31, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Retirement benefit obligation at the beginning of the year	¥ 10,223	¥ 9,839	\$ 92,611
Service cost	261	255	2,400
Interest cost	32	35	329
Actuarial gain	(158)	(8)	(75)
Retirement benefit paid	(557)	(592)	(5,572)
Other	39	40	376
Retirement benefit obligation at the end of the year	¥ 9,839	¥ 9,568	\$ 90,060

(ii) Excluding amounts calculated by the simplified method, the changes in plan assets at fair value for the years ended March 31, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Plan assets at fair value at the beginning of the year	¥ 13,171	¥ 13,592	\$ 127,936
Expected return on plan assets	261	272	2,560
Actuarial gain	271	1,042	9,807
Contributions by the employer	445	432	4,066
Retirement benefit paid	(557)	(592)	(5,572)
Plan assets at fair value at the end of the year	¥ 13,592	¥ 14,747	\$ 138,808

(iii) The changes in liabilities for retirement benefits under the simplified method for the years ended March 31, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Liabilities for retirement benefits at the beginning of the year	¥ 2,661	¥ 2,863	\$ 26,948
Retirement benefit expense	361	302	2,842
Retirement benefit paid	(204)	(140)	(1,317)
Contribution to defined contribution pension plans	(21)	(7)	(65)
Other	67	(22)	(207)
Liabilities for retirement benefit at the end of the year	¥ 2,863	¥ 2,995	\$ 28,190

(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, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Funded retirement benefit obligation	¥ 9,943	¥ 9,616	\$ 90,512
Plan assets at fair value	(13,685)	(14,793)	(139,241)
	(3,741)	(5,177)	(48,729)
Unfunded retirement benefit obligation	2,851	2,994	28,181
Net amount of liabilities and assets recognized in the consolidated balance sheet	(890)	(2,183)	(20,547)
Liabilities for retirement benefits	2,878	3,011	28,341
Assets for retirement benefits	(3,768)	(5,194)	(48,889)
Net amount of liabilities and assets recognized in the consolidated balance sheet	¥ (890)	¥ (2,183)	\$ (20,547)

(v) The components of retirement benefit expense (credit) for the years ended March 31, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Service cost	¥ 261	¥ 255	\$ 2,400
Interest cost	32	35	329
Expected return on plan assets	(261)	(272)	(2,560)
Amortization of actuarial gain	(531)	(570)	(5,365)
Retirement benefit expenses calculated by the simplified method	361	302	2,842
Retirement benefit expense (credit)	¥ (137)	¥ (250)	\$ (2,353)

(vi) The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Actuarial (gain) loss	¥ (99)	¥ 479	\$ 4,508

(vii) The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Unrecognized actuarial gain	¥ (1,214)	¥ (1,694)	\$ (15,945)

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

	2017	2018
Bonds	24%	22%
Equities	44	47
General accounts at life insurance companies	14	13
Cash and deposits	4	4
Other	14	14
Total	100%	100%

The total pension plan assets includes 25% and 30% of the retirement benefits trust for the corporate pension fund plans as of March 31, 2017 and 2018, respectively.

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

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

(ix) The assumptions used in accounting for the defined benefit plans for the years ended March 31, 2017 and 2018 are as follows:

	2017	2018
Discount rates	0.4%	0.3%
Expected long-term rates of return on plan assets	2.0%	1.9%
Rates of salary increase	2.8%	2.8%

(c) Defined contribution pension plans for the years ended March 31, 2017 and 2018 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2017	2018
Contributions to defined contribution pension plans	¥ 7	¥ 10 \$ 94

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 (\$12,895 thousand) at March 31, 2017 and 2018, 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:

	2017			
	Number of shares			
	April 1, 2016	Increase	Decrease	March 31, 2017
Common stock	95,976,218	—	48,988,109	46,988,109
Treasury stock	2,499,948	878,590	2,251,313	1,127,225

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

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

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

	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.

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 (\$89,843 thousand) for the purpose of land revaluation exceeded the land’s estimated market values by ¥3,546 million and ¥3,587 million (\$33,763 thousand) at March 31, 2017 and 2018, respectively.

13. Other Comprehensive Income

Reclassification adjustments and tax effects on components of other comprehensive income for the years ended March 31, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Net unrealized holding gain on securities:			
Gain arising during the year	¥ 1,950	¥ 3,974	\$ 37,405
Reclassification adjustments	(79)	(133)	(1,251)
Before tax effect	1,871	3,841	36,153
Tax effect	(563)	(1,168)	(10,993)
Net unrealized holding gain on securities	1,307	2,672	25,150
Translation adjustments:			
(Loss) gain arising during the year	(91)	47	442
Before tax effect	(91)	47	442
Tax effect	—	—	—
Translation adjustments	(91)	47	442
Retirement benefits liability adjustments:			
Gain arising during the year	431	1,050	9,883
Reclassification adjustments	(531)	(570)	(5,365)
Before tax effect	(99)	479	4,508
Tax effect	30	(145)	(1,364)
Retirement benefits liability adjustments	(69)	333	3,134
Total other comprehensive income	¥ 1,147	¥ 3,053	\$ 28,736

14. Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2017 and 2018

amounted to ¥1,916 million and ¥2,014 million (\$18,957 thousand), respectively.

15. Derivatives and Hedge Accounting

The estimated fair value of derivative instruments outstanding at March 31, 2017 and 2018 for which hedge accounting has been applied is summarized as follows:

	Millions of yen		
	2017		
	Notional amount		Fair value
	Total	Maturing after one year	
Interest-rate currency swaps hedging long-term loans, accounted for by special treatment:			
Receivable / floating and U.S. dollar			
Payable / fixed and Japanese yen	¥ 3,000	¥ 3,000	(*1)
Forward foreign currency exchange contracts hedging long-term accounts receivable accounted for by allocation method:			
Selling / Hong Kong dollar	139	—	(*2)
	Millions of yen		
	2018		
	Notional amount		Fair value
	Total	Maturing after one year	
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	—	(*1)
	Thousands of U.S. dollars		
	2018		
	Notional amount		Fair value
	Total	Maturing after one year	
Interest-rate currency swaps hedging long-term loans, accounted for by special treatment:			
Receivable / floating and U.S. dollar			
Payable / fixed and Japanese yen	\$ 28,237	—	(*1)

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

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

16. Amounts per Share

	Yen		U.S. dollars
	2017	2018	2018
Profit attributable to owners of parent	¥ 73.03	¥ 75.33	\$ 0.70
Net assets	1,322.14	1,444.28	13.59
Cash dividends	18.00	27.00	0.25

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, 2017 and 2018 since neither the Company nor any of the consolidated subsidiaries had any potentially dilutive shares at March 31, 2017 and 2018.

The amounts per share of net assets have been computed

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

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

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, 2017 and 2018 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Profit attributable to owners of parent	¥ 3,404	¥ 3,448	\$ 32,454
Adjusted profit attributable to owners of parent available for distribution to common stockholders	¥ 3,404	¥ 3,448	\$ 32,454

	Thousands of shares	
	2017	2018
Weighted-average number of shares of common stock outstanding	46,616	45,782

The financial data used in the computation of net assets per share based on the above method at March 31, 2017 and 2018 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Total net assets	¥ 61,363	¥ 66,145	\$ 622,599
Deductions from total net assets:			
Non-controlling interests	729	731	6,880
Total net assets available to owners of parent	¥ 60,634	¥ 65,414	\$ 615,719

	Thousands of shares	
	2017	2018
Number of shares of common stock used in the calculation of net assets per share	45,860	45,291

Number of shares of common stock as of March 31, 2017 used above was calculated based on the number after consolidation of shares.

17. 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, 2017 and 2018 is as follows:

	Millions of yen				
	2017				
	Reportable segments			Adjustments and eliminations ⁽¹⁾	Consolidated
	Human Life	Industry	Total		
Sales, income and assets by reportable segments:					
Sales to third parties	¥ 62,233	¥ 40,165	¥ 102,398	¥ —	¥ 102,398
Inter-segment sales and transfers	2,467	1,874	4,342	(4,342)	—
Total	¥ 64,701	¥ 42,039	¥ 106,741	¥ (4,342)	¥ 102,398
Segment income ⁽²⁾	¥ 3,802	¥ 1,969	¥ 5,771	¥ (722)	¥ 5,049
Segment assets	¥ 68,339	¥ 39,468	¥ 107,808	¥ 11,862	¥ 119,670
Other items:					
Depreciation and amortization	¥ 1,579	¥ 1,606	¥ 3,186	¥ 405	¥ 3,591
Amortization of goodwill	—	10	10	—	10
Interest income	0	5	5	3	8
Interest expense	845	348	1,193	(1,054)	139
Equity in losses of an affiliate	(10)	—	(10)	—	(10)
Investments in affiliates accounted for by the equity method	354	—	354	—	354
Increase in property, plant and equipment and intangible assets	2,394	2,861	5,255	581	5,836

Millions of yen

2018

	Reportable segments			Adjustments and eliminations ^(*)	Consolidated
	Human Life	Industry	Total		
Sales, income and assets by reportable segments:					
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 ^{(*)2}	¥ 3,518	¥ 2,805	¥ 6,323	¥ (1,169)	¥ 5,154
Segment assets	¥ 74,758	¥ 42,581	¥ 117,339	¥ 14,434	¥ 131,774
Other items:					
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

Thousands of U.S. dollars

2018

	Reportable segments			Adjustments and eliminations ^(*)	Consolidated
	Human Life	Industry	Total		
Sales, income and assets by reportable segments:					
Sales to third parties	\$ 622,439	\$ 432,718	\$ 1,055,167	\$ —	\$ 1,055,167
Inter-segment sales and transfers	34,807	14,570	49,388	(49,388)	—
Total	\$ 657,257	\$ 447,298	\$ 1,104,555	\$ (49,388)	\$ 1,055,167
Segment income ^{(*)2}	\$ 33,113	\$ 26,402	\$ 59,516	\$ (11,003)	\$ 48,512
Segment assets	\$ 703,670	\$ 400,800	\$ 1,104,471	\$ 135,862	\$ 1,240,342
Other items:					
Depreciation and amortization	\$ 16,905	\$ 16,886	\$ 33,791	\$ 4,678	\$ 38,469
Amortization of goodwill	—	197	197	—	197
Interest income	0	141	141	0	150
Interest expense	7,812	3,360	11,182	(9,610)	1,562
Equity in losses of an affiliate	(56)	—	(56)	—	(56)
Investments in affiliates accounted for by the equity method	3,266	—	3,266	—	3,266
Increase in property, plant and equipment and intangible assets	25,677	40,003	65,681	7,370	73,060

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

- (i) Segment income in the amounts of ¥722 million and ¥1,169 million (\$11,003 thousand) for the years ended March 31, 2017 and 2018 consisted of elimination of inter-segment transactions in the amounts of ¥(8) million and ¥0 million (\$0 thousand), unallocable expenses in the amounts of ¥729 million and ¥1,169 million (\$11,003 thousand), respectively and unrealized gain on property, plant and equipment in the amount of ¥1 million for the years ended March 31, 2017.
- (ii) Segment assets in the amounts of ¥11,862 million and ¥14,434 million (\$135,862 thousand) for the years ended March 31, 2017 and 2018, 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 ¥405 million and ¥497 million (\$4,678 thousand) for the years ended March 31, 2017 and 2018, 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 ¥581 million and ¥783 million (\$7,370 thousand) for the years ended March 31, 2017 and 2018, 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, 2017 and 2018 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Japan	¥ 85,344	¥ 92,678	\$ 872,345
Asia	14,211	16,041	150,988
Other	2,842	3,381	31,824
Total	¥ 102,398	¥ 112,101	\$ 1,055,167

Property, plant and equipment by countries or areas grouped according to geographical classification at March 31, 2017 and 2018 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Japan	¥ 42,862	¥ 45,701	\$ 430,167
Asia	3,973	4,711	44,342
Other	3,677	3,437	32,351
Total	¥ 50,513	¥ 53,849	\$ 506,861

(e) Information by major customer

The information by major customer for the years ended March 31, 2017 and 2018 was summarized as follows:

Customer	Related segment	Millions of yen		Thousands of U.S. dollars
		2017	2018	2018
FP Corporation	Human Life	¥ 13,670	¥ 14,216	\$ 133,810

(f) Amortization of goodwill and unamortized balance of goodwill for the years ended and as of March 31, 2017 and 2018.

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

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

	Thousands of U.S. dollars			
	2018			
	Human life	Industry	Adjustments and eliminations	Consolidated
Amortization of goodwill	\$ —	\$ 197	\$ —	\$ 197
Unamortized balance of goodwill	—	687	—	687

18. 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, 2018 was approved at a shareholders' meeting held on June 22, 2018.

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Cash dividends (¥15 (U.S. \$0.14) per share)	¥ 679	\$ 6,391

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, 2018, 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, 2018, 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 22, 2018
Osaka, Japan

A member firm of Ernst & Young Global Limited

Corporate Data (As of March 31, 2018)

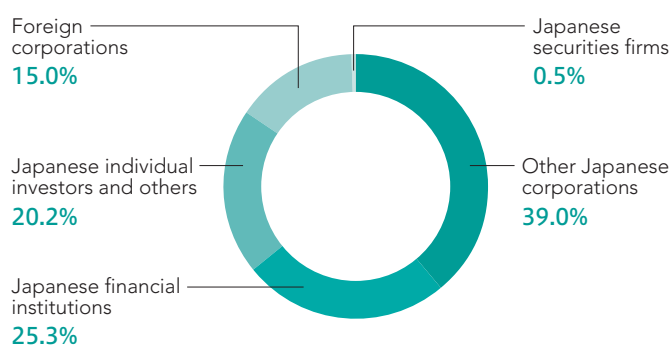
Company name	Sekisui Plastics Co., Ltd.
Founded	October 1, 1959
Paid-in capital	¥16,533 million
Number of employees	2,101 (consolidated)
Osaka Head office	2-4-4, Nishitenma, Kita-ku, Osaka 530-8565, Japan Tel. +81-6-6365-3014
Tokyo Headquarters	2-7-1, Nishishinjuku, Shinjuku-ku, Tokyo 163-0727, Japan Tel. +81-3-3347-9615
URL	http://www.sekisuiplastics.com

Investor Information (As of March 31, 2018)

Stock Information

Common stock—authorized	124,751,000 shares
Common stock—issued	46,988,109 shares
Unit of trading	100 shares
Number of shareholders	5,012
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
Employees' Shareholding	1,727	3.81
Sekisui Jushi Corporation	1,419	3.13
Daido Life Insurance Company	1,418	3.12
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG / JASDEC / FIM / LUXEMBOURG FUNDS / UCITS ASSETS	1,400	3.08
FP Corporation	1,348	2.97
MUFG Bank, Ltd.	1,327	2.92
Asahi Kasei Chemicals 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.

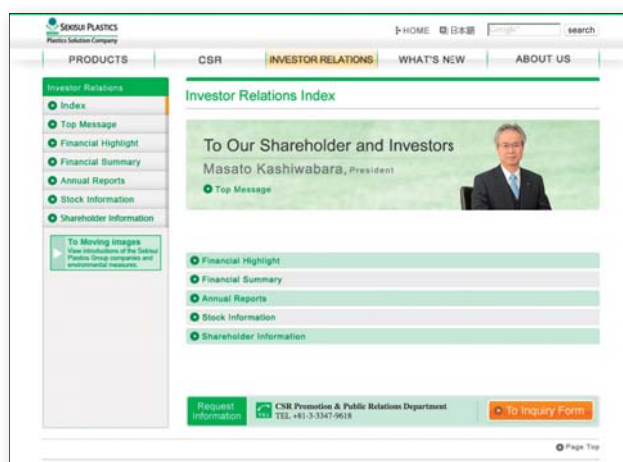
2. The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its name to MUFG Bank, Ltd., as of April 1, 2018.

Sekisui Plastics Communications

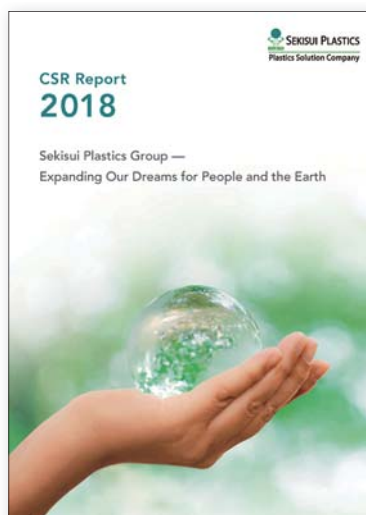
You can find the latest information of corporation, shareholder and investor relations as well as details of our products and green activities on the Website of Sekisui Plastics. For all stakeholders' deeper understanding of the Group's initiatives, we publish CSR Reports since FY2010 in addition to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



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



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



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

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.
<http://www.sekisuiplastics.com>