

Annual Report 2019

for the year ended March 31, 2019



Corporate Profile

The Sekisui Jushi Corporation was incorporated in 1954. Since then, the Company has lived up to its corporate slogan: Creation of New Values – through the development of new materials and the compounding of plastics with other materials such as metals, textiles, woods and glass fibers.

Through original technology and attention to quality, the Company has developed many high value-added products and speciality products, and has grown into a manufacturing enterprise with a wide range of product lines that includes consumer goods and home appliances, as well as industrial and commercial products.

The ubiquitous presence of our products in homes, factories and supermarkets, on farmland and highways, and at construction sites eloquently tells the unique story of the Company's ongoing pioneering efforts.

Contents

Financial Highlights	1
To Our Shareholders.....	2
At a Glance.....	4
Topics	6
Product Information.....	7
Environmental Report	8
Social Initiatives.....	9
Consolidated Balance Sheets.....	10
Consolidated Statements of Income.....	12
Consolidated Statements of Comprehensive Income	13
Consolidated Statements of Changes in Net Assets.....	13
Consolidated Statements of Cash Flows.....	14
Notes to Consolidated Financial Statements	15
Report of Independent Auditors.....	27
Board of Management.....	28
Corporate Data.....	28
Global Network of Sekisui Jushi Group.....	29



Passage Shelter Products

Our New product “Sky Wing”, flat and thin design shelter aluminum profiles, was adopted for an airport facility. Comfortable passage with the wide roofs was well received by travelers.
(Narita International Airport in Chiba prefecture)

Financial Highlights

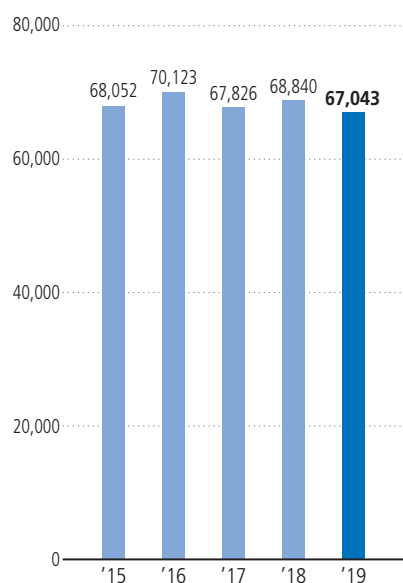
Sekisui Jushi Corporation and Consolidated Subsidiaries
Years ended March 31, 2019, 2018, 2017, 2016, 2015

	Millions of Yen					Thousands of U.S. dollars* ¹
	2015	2016	2017	2018* ²	2019	2019
For the year:						
Net sales	¥68,052	¥70,123	¥67,826	¥68,840	¥67,043	\$604,048
Operating income	9,153	9,665	9,907	10,345	10,083	90,842
Net income attributable to owners of parent	6,209	6,329	6,576	7,217	7,055	63,568
At year-end:						
Total assets	¥112,445	¥111,727	¥119,175	¥125,377	¥129,351	\$1,165,432
Total net assets	80,531	83,262	89,208	95,606	99,761	898,832
	Yen					U.S. dollars* ¹
Per share amounts:						
Net income	¥ 139.76	¥ 142.45	¥ 148.04	¥ 162.46	¥ 158.82	\$ 1.43
Net assets	1,785.63	1,843.67	1,984.03	2,125.71	2,216.41	19.97

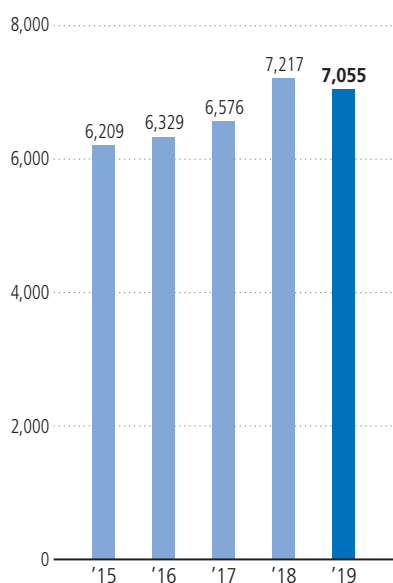
*¹ U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥110.99=\$1.00 (See Note 1)

*² Effective beginning the fiscal year ended March 31, 2019, The company has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting, etc. (ASBJ Guidance no.28 of February 16, 2018)." As a result of adoption, deferred tax assets have been classified in the section of investments and other assets, and deferred tax liabilities have been classified in the section of long-term liabilities. To reflect this change in reporting method, The company has made certain reclassifications to its consolidated financial statements for the fiscal years ended on and March 31, 2018.

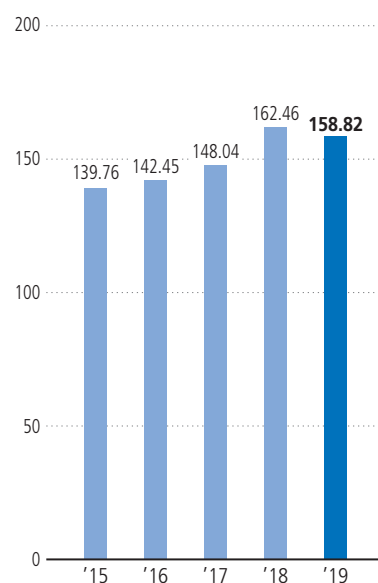
Net sales (Millions of yen)



Net income attributable to owners of parent (Millions of yen)



Net income per share (Yen)





Yaichiro Fukui
Chairman of the Board and CEO



Hiroshi Baba
President and COO

We would like to express our heartfelt gratitude for your continued support and confidence in our business. Before reporting on our performance during the 85th business term, we would like to extend an introduction to each and every one of you.

The Japanese economy during the fiscal year under review was in a moderate recovery trend, backed by improvements in the employment and income environments. However, the outlook for the business climate remained uncertain amid concerns such as rising production and distribution costs owing to the impact of soaring raw materials prices and labor shortages, in addition to the economic impact of natural disasters including major earthquakes, typhoons, and torrential rains, as well as economic uncertainty overseas including the intensifying trade frictions between the United States and China.

In this business climate, the Group is pushing ahead with measures to ensure the execution of its business strategies by fully leveraging the collective strength of the Group with the aim of achieving the goals in the medium-term management plan that ends in the fiscal year ending March 31, 2020.

During the fiscal year under review, we worked to develop new customers by making comprehensive proposals of products designed to solve problems facing our society such as preparedness for natural disasters and extreme weather, and measures against noise in residential areas. We also focused on proposing products for sporting events such as the Tokyo Olympic and Paralympic Games and the 2019 Rugby World Cup in Japan.

Meanwhile, we have implemented purchasing strategies and pricing reforms to address soaring costs of raw materials, energy, parts and materials, transportation,

and others, while pushing forward with business management that gives top priority to profitability, including efforts to streamline production and sales by revising our production and sales systems. Despite these efforts, we faced difficulties as we failed in increasing selling prices as we had planned due to the increasingly uncertain business climate.

During the fiscal year under review, on a consolidated basis, we posted sales of 67,043 million yen (down 2.6% from the previous year), operating income of 10,083 million yen (down 2.5% from the previous year), ordinary income of 10,647 million yen (down 1.3% from the previous year), and net income attributable to owners of the parent of 7,055 million yen (down 2.2% from the previous year). This was mainly due to the saturation of major orders for our noise-barrier wall materials, which were concentrated in the previous fiscal year, widespread natural disasters, and the impact of trade frictions between the United States and China.

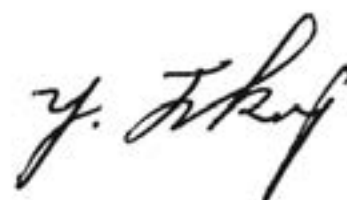
Turning to our year-end dividend for the fiscal year under review, at the meeting of the Board of Directors held on April 24, 2019, we decided to pay an ordinary dividend of 22 yen plus a special dividend of 4 yen to express our gratitude to our shareholders for their continued support as we mark the 65th anniversary of our founding in November this year, for a total of 26 yen per share, in consideration of such factors as consolidated performance and dividend payout ratio. As a result, added to the midterm dividend of 22 yen, the annual dividend paid to shareholders during the fiscal year under review amounts to 48 yen per share, an increase of 4 yen from the previous fiscal year (marking our tenth consecutive term of dividend increases). The consolidated dividend payout ratio was 30.2%, achieving our goal in the medium-term management plan for a second consecutive year.

Uncertainty is expected to continue in the future business climate due to political and economic uncertainty overseas as well as the consumption tax hike scheduled for October 2019, although economic and fiscal policies of the Japanese government and the Bank of Japan and the

economic effects of the Tokyo Olympic and Paralympic Games are expected to underpin the economy. The business climate is also expected to require further corporate efforts to address rising steel prices and transportation costs.

Under these circumstances, the Group will push ahead with measures to meet the diverse needs and requirements of its customers by leveraging its collective strength, which is its greatest asset, and to further streamline and rationalize operations through reorganization of the existing businesses, including subsidiaries and affiliates, and other measures. The Group will also practice ESG (Environment, Social, Governance) management in order to grow sustainably with society, including contributing in solving societal challenges such as protection of the global environment through its business activities.

In conclusion, we would like to express our renewed thanks to all our shareholders and look forward to your continued support and encouragement.



Yaichiro Fukui
Chairman of the Board and CEO



Hiroshi Baba
President and COO



Public sector

■ Traffic and Urban Landscaping Related Products

Sales of noise-barrier wall materials decreased sharply as orders for highways and bullet train facilities concentrated in the previous fiscal year saturated.

Sales of safety fences and railings also dropped inevitably due to a nationwide decline in installation projects. As for electronic system-related products, “OPT Marker,” an electronic signboard that provides information to drivers, reported strong sales because customers bought it for the purposes of detecting road flooding and warning drivers. Sales of road marking materials were also strong, owing to increased demand for temporary lane markers used for road re-routing construction. Sales of passage shelter products grew from the previous fiscal year, due to factors including the adoption at sidewalks and streets around stations and airports of new product “Sky Wing,” which has been highly regarded for its functionality with awareness of barrier-free construction.

■ Sports Facilities Related Products

Sales of artificial turf in athletic fields remained strong, reflecting high recognition of its safety and durability. Increased orders for hockey field and our “Viu” system, a watering system that controls heat of the surface of turf, contributed to the strong sales. Sales of our artificial turf for tennis courts also remained robust, and our highly weather-resistant products have been used in private universities and public tennis courts. Peripheral products for athletic fields, including our ball-barrier fence, also posted significant increases in sales.



Private sector

■ Exterior Materials & Building Materials Related Products

Sales of blind fence increased significantly as a result of increased orders for use in replacing concrete-block walls, which could fall in earthquakes, as well as use of soundproof blind fences around daycares, nursery schools and other facilities in residential areas. Sales of mesh fence were strong, and it has been used mainly in factories and logistics centers. Meanwhile, sales of decorative building materials were sluggish due to a decrease in store applications, despite an increase in orders from accommodation facilities in response to the urban redevelopment and increase of foreign visitors to Japan.

■ Material Handling Systems, Supplies and Agriculture-Related Products

Sales of stretch film wrapping machines fell overall from the previous year due to a decline in orders for fully automatic machines, despite strong sales of semi-automatics that automate part of the wrapping process, against a backdrop of labor shortages at factories and distribution facilities. Sales of packaging materials fell due to increased competition against imports resulting from soaring raw materials prices. The performance of agriculture-related products suffered as a result of a decline in demand in both the farming and gardening fields owing to extreme and inclement weather.

■ Group Company Products

Sales of thermal barrier pavement grew, as it was used to alleviate heat island effects in urban areas. Sales of ready-to-assemble system pipes were flat year on year, owing to a decline in orders from the major fields such as automotive, machinery and electronics, although applications we proposed to satisfy customer needs were well-received, including cultivating new customers in the agricultural and housing equipment fields. Sales of aluminum composite panels declined inevitably owing to the slowdown of demand for soundproof panels for building demolition. Sales of automotive part related products were weak, due to decline in sales of new injection molded parts and molding dies.



Joint Development with Panasonic for Heat Prevention System



Silky Fine Mist

Dry mist of ultra-fine particles of 10 micrometers in diameter provides pedestrians with high cooling effect.

Square Shaped Tender Wood

The artificial wood to have high durable has less storage and radiation of heat.

High Corrosion-resistant Coating

The coating is resistant to rust even if it is exposed to the mist.

Air Curtain

A tornado-like air stream maintains a cooled space.

We developed a system to protect people from heatwaves in collaboration with Panasonic Corporation. Based on our advanced shelter technologies and Panasonic's technologies to create cool spots, the system offers a cooling effect and reduces the apparent temperature more effectively.

Support for Victims of Torrential Rains in Western Japan

The Group made a donation to victims of the torrential rains that devastated Western Japan areas in July 2018 to help reconstruct the disaster-hit areas. Officers and employees also made donations.



Three-Star Rating Received from FY2018 Shiga Biodiversity Certification Program



The biodiversity conservation project by our Shiga Plant received a rating of three stars from the FY2018 Shiga Biodiversity Certification Program, which is the highest rating offered by the program.

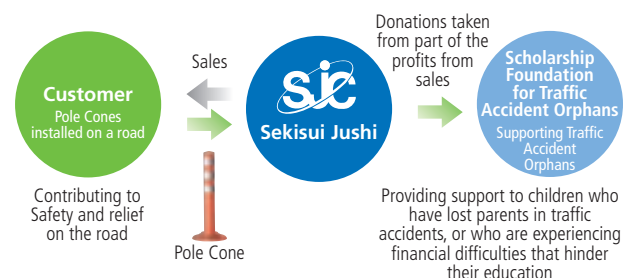


Letter of Appreciation from Japan Committee for the United Nations Decade on Biodiversity



We received a letter of appreciation from the Japan Committee for the United Nations Decade on Biodiversity. We have been working with the Ministry of Environment since 2010 to support the committee for its efforts to contribute to preservation and sustainable use of biodiversity. The letter appreciated our continued supports to the committee.

Ongoing Support for Scholarship Foundation for Traffic Accident Orphans



Since 2011, we have been continuing our program to donate part of our profit from sales of "Pole Cone" traffic lane dividers to the Scholarship Foundation for Traffic Accident Orphans, which supports children who have lost parents in a traffic accident and face financial difficulties in finishing their education. We received a letter of appreciation from the foundation acknowledging our supports. It is the fourth letter of appreciation that we have received from the Scholarship Foundation for Traffic Accident Orphans.

Disaster Prevention and Reduction Measures

Repairing Concrete Block Walls —Proposal for Blind Fences—



Initiatives to remove old concrete-block walls that could be damaged by earthquakes to replace them with blind fences are being undertaken at a national level, and our products are used in many of these projects.

Anti-Flooding Measures for Torrential Rains

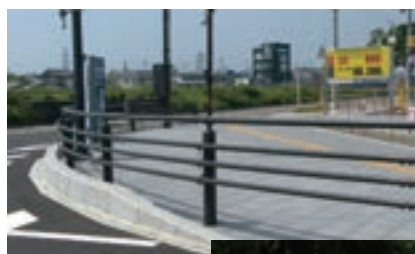
OPT Marker, an electronic signboard, is used to detect road flooding and warn drivers.



Traffic Safety Measures

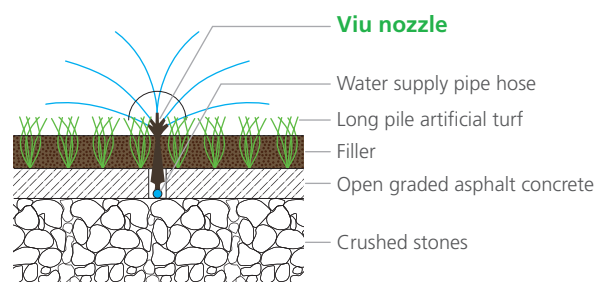
Safety Fences to Protect Pedestrian from Vehicles

Safety measures are being put into place at intersections and along residential roads to prevent tragic traffic accidents involving pedestrians. We offers reinforced safety fences that can be installed even on narrow roads.



Heat Measures

Protecting Players on Sports Fields from Heat —Viu System—



The Viu System has special plastic nozzles installed in artificial turf, which prevent the surface temperature of the turf from rising when exposed to sunlight by spraying a small amount of water over the turf. The system is used to prevent heatstroke.

Thermal Barrier Pavement for Heat Island Effects

Reflective pavement curbs the rise in temperature of road surface by effectively reflecting near-infrared ray. Use of reflective pavement is expected to improve the heat environment of pedestrian spaces and roadsides, alleviating heat island effects.



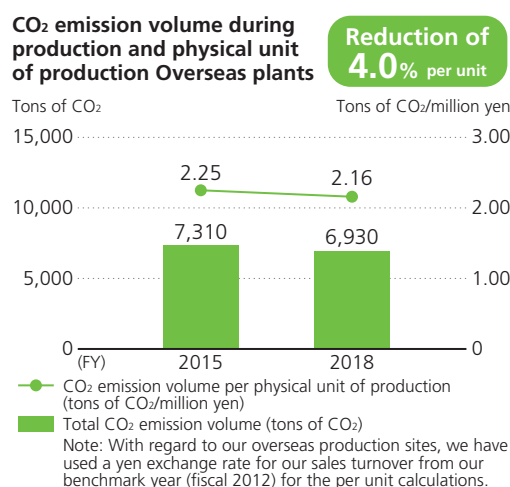
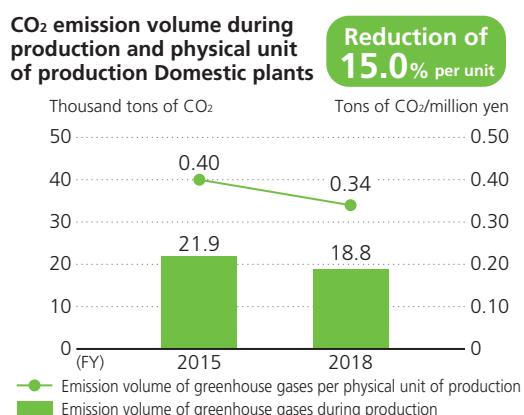
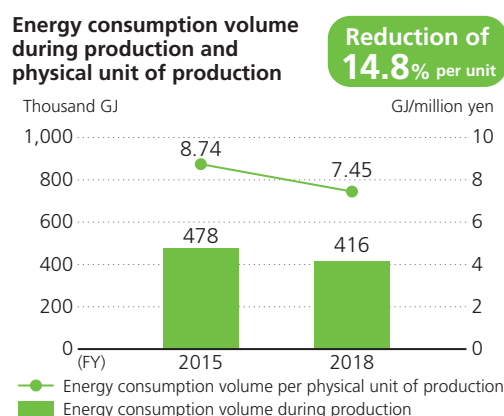
Reducing environmental burden in business activities

We have identified a reduction of our energy usage and emissions of CO₂ and wastes as key challenges for our environmentally friendly business. At production and office divisions, we implement various initiatives to achieve this.

Measures to reduce energy use and CO₂ emissions at our production sites

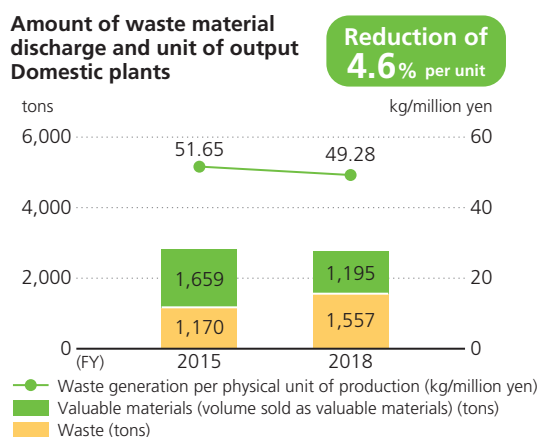
14.8% reduction of energy consumption per physical unit of production, and 15.0% reduction of CO₂ emissions per physical unit of production (compared with FY2015)

We are working to reduce energy consumption and CO₂ emissions during production by actively implementing measures such as improving production processes, updating to energy efficient equipment, and shifting to other forms of energy at our production sites. These efforts led to significant reductions in FY2018, when we succeeded in reducing energy consumption per basic unit by 14.8% and CO₂ emissions per basic unit by 15.0% domestically compared to FY2015. Overseas, CO₂ emissions per basic unit were also reduced by 4.0%. Going forward, we will strive to strengthen our energy-saving activities both in hardware and software, by improving our production processes and introducing energy-saving facilities, as well as by making energy use visible and implementing measures to conserve electricity, etc.



Measures to reduce waste at our production sites

Working to reduce waste containing valuable materials



Since FY2010, we have been implementing measures aimed at reducing waste, setting a target for reduction of waste containing valuable materials.

In FY2018, we reduced waste discharge per unit of production by 4.6% from the FY2015 level by pursuing measures to improve the yield rate and reduce failure rate in our production processes. Going forward, we will work harder than ever to enhance our activities for the 3Rs (reduce, reuse and recycle) as we strive to reduce waste.

Activities to Preserve Biodiversity through Corporate Partnerships

In 2016, four companies launched an organization called the Biodiversity Koto Area Network with the aim of promoting conservation of biodiversity in the Koto area of Shiga prefecture. By 2018, the number of companies participating in the organization

increased to seven, and the conservation area was expanded from the Koto area to Shiga prefecture. Accordingly, the organization was renamed and relaunched as the Biodiversity Lake Biwa Network.

Biodiversity Lake Biwa Network



Dragonfly 100 Campaign

Save the Dragonflies in Shiga!

Founding Companies

- Asahi Kasei Corp.
- Asahi Kasei Jyuko Co., Ltd.
- Sekisui Jushi Corporation
- Daifuku Co., Ltd.

New Member Companies

- OMRON Corporation
- Daihatsu Motor Co., Ltd.
- YANMAR CO., LTD.

Aiming for further expansion, we are working to protect the biodiversity of Shiga prefecture.

Dragonflies are considered to be an “environmental indicator” for wetlands and their surroundings, because they are born in aquatic environments, and live on land as adults. We launched this project with the belief that protecting dragonflies means protecting the natural environment. There are about 200 species of dragonfly in Japan nationwide, and half of them—100 species—have been seen in Shiga. We launched the “Dragonfly 100 Campaign,” and have been engaged in an enjoyable, ongoing conservation activity. A variety of entities, centered on corporations, are partnering to broadly promote conservation of biodiversity in Shiga prefecture.

Announcement of Activities at the International Partnership for the Satoyama Initiative (IPSI) Regular Meeting

At the public forum of the IPSI Regular Meeting, held in Ishikawa in September 2018, we presented the efforts of the Japan Network for Promoting the Satoyama Initiative, of which we are a member, as well as network activities working on “Biodiversity Conservation Activities through Inter-Industry Partnership.”



“Dragonfly 100 Campaign—Save the Dragonflies of Shiga!” An exhibition at Lake Biwa Museum

We held an exhibition at the Shiga Prefectural Lake Biwa Museum for a month starting in January 2019. We informed a large number of people about the current situation of



dragonflies in Shiga prefecture, and communicated the organization’s activities to many visitors to the museum, with the aim of kindling interest in dragonflies, familiar insects in Japan.

Consolidated Balance Sheets

Sekisui Jushi Corporation and Consolidated Subsidiaries
March 31, 2019 and 2018

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Current assets:			
Cash and deposits (Note 12)	¥ 40,879	¥ 38,847	\$ 368,315
Trade notes and accounts receivable (Note 5)	28,269	28,611	254,702
Inventories (Note 6)	7,136	6,767	64,290
Prepaid expenses and other current assets	2,031	1,878	18,302
Less: allowance for doubtful accounts	(25)	(38)	(222)
Total current assets	78,290	76,065	705,387
Investments and other assets:			
Investments in non-consolidated subsidiaries and affiliates	3,032	3,040	27,320
Investments in securities (Note 4)	11,153	12,544	100,491
Long-term time deposits	20,500	17,500	184,701
Long-term loans receivable	161	153	1,453
Deferred tax assets (Note 9)	445	458	4,006
Net defined benefit asset (Note 8)	191	—	1,725
Other	665	683	5,984
Less: allowance for doubtful accounts	(146)	(141)	(1,320)
Total investments and other assets	36,001	34,237	324,360
Property, plant and equipment:			
Land	7,363	7,404	66,336
Buildings and structures	21,121	21,088	190,297
Machinery and equipment	24,101	23,989	217,142
Tools, furniture, fixtures and other	5,565	5,582	50,145
Construction in progress	89	79	800
	58,239	58,142	524,720
Less: accumulated depreciation	(43,179)	(43,067)	(389,035)
Property, plant and equipment, net	15,060	15,075	135,685
Total assets	¥129,351	¥125,377	\$1,165,432

See the accompanying notes to the consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Current liabilities:			
Short-term loans (Note 7)	¥ 1,300	¥ 1,450	\$ 11,713
Trade notes and accounts payable (Note 5)	15,886	15,637	143,130
Accrued expenses	1,349	1,406	12,159
Accrued income taxes	1,977	1,954	17,809
Other current liabilities	5,136	4,974	46,275
Total current liabilities	25,648	25,421	231,086
Long-term liabilities:			
Net defined benefit liability (Note 8)	2,516	2,684	22,672
Deferred tax liabilities (Note 9)	1,191	1,443	10,732
Other long-term liabilities	235	223	2,110
Total long-term liabilities	3,942	4,350	35,514
Total liabilities	29,590	29,771	266,600
Net assets:			
Shareholders' equity (Note 10):			
Common stock			
Authorized — 128,380,000 shares			
Issued — 47,313,598 shares	12,335	12,335	111,132
Capital surplus	13,238	13,213	119,270
Retained earnings	70,991	65,938	639,623
Treasury stock, at cost			
(2,872,090 shares in 2019 and 2,890,919 shares in 2018)	(1,955)	(1,965)	(17,610)
Total shareholders' equity	94,609	89,521	852,415
Accumulated other comprehensive income			
Net unrealized holding gain on securities	3,891	4,849	35,056
Gain on deferred hedges	0	0	1
Foreign currency translation adjustments	30	197	266
Remeasurements of defined benefit plans	(29)	(138)	(263)
Total accumulated other comprehensive income	3,892	4,908	35,060
Non-controlling interests	1,260	1,177	11,357
Total net assets	99,761	95,606	898,832
Total liabilities and net assets	¥129,351	¥125,377	\$1,165,432

Consolidated Statements of Income

Sekisui Jushi Corporation and Consolidated Subsidiaries
Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Net sales	¥67,043	¥68,840	\$604,048
Cost of sales	45,474	46,951	409,716
Gross profit	21,569	21,889	194,332
Selling, general and administrative expenses	11,486	11,544	103,490
Operating income	10,083	10,345	90,842
Other income (expenses):			
Interest and dividends income	335	310	3,021
Interest expenses	(53)	(55)	(480)
Equity in earnings of affiliates	179	140	1,614
Gain on liquidation of subsidiaries	—	74	—
Loss on valuation of investments in subsidiaries and non-consolidated subsidiaries	(156)	(94)	(1,408)
Impairment loss on fixed assets	(50)	(68)	(446)
Loss on sales and disposal of fixed assets	(51)	(50)	(457)
Others-net	104	47	934
	308	304	2,778
Income before income taxes	10,391	10,649	93,620
Income taxes (Note 9):			
Current	3,092	3,299	27,855
Deferred	127	4	1,139
	3,219	3,303	28,994
Net income	7,172	7,346	64,626
Net income attributable to non-controlling interests	(117)	(129)	(1,058)
Net income attributable to owners of parent	¥ 7,055	¥ 7,217	\$ 63,568

	Yen	U.S. dollars (Note 1)
Per share:		
Net income	¥158.82	¥162.46 \$1.43
Cash dividends	48.00	44.00 0.43

Consolidated Statements of Comprehensive Income

Sekisui Jushi Corporation and Consolidated Subsidiaries
Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Net income	¥7,172	¥7,346	\$64,626
Other comprehensive income (Note 11)			
Net unrealized holding gain on securities	(951)	699	(8,574)
Gain on deferred hedges	0	0	1
Foreign currency translation adjustments	(169)	188	(1,529)
Remeasurements of defined benefit plans	114	17	1,025
Share of other comprehensive income in equity method affiliates	(12)	7	(103)
Total other comprehensive income	(1,018)	911	(9,180)
Comprehensive income	¥6,154	¥8,257	\$55,446
Total comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	¥6,038	¥8,118	\$54,405
Comprehensive income attributable to non-controlling interests	116	139	1,041

See the accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Sekisui Jushi Corporation and Consolidated Subsidiaries
Years ended March 31, 2019 and 2018

	Thousands	Millions of yen									
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gain on securities	Gain on deferred hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance at March 31, 2017	47,313	¥12,335	¥13,213	¥60,545	¥(1,962)	¥4,149	¥(0)	¥ 19	¥(161)	¥1,070	¥89,208
Net income attributable to non-controlling parent for the years	—	—	—	7,217	—	—	—	—	—	—	7,217
Cash dividends	—	—	—	(1,824)	—	—	—	—	—	—	(1,824)
Treasury stock	—	—	—	—	(3)	—	—	—	—	—	(3)
Other changes	—	—	—	—	—	700	0	178	23	107	1,008
Balance at March 31, 2018	47,313	¥12,335	¥13,213	¥65,938	¥(1,965)	¥4,849	¥ 0	¥ 197	¥(138)	¥1,177	¥95,606
Net income attributable to non-controlling parent for the years	—	—	—	7,055	—	—	—	—	—	—	7,055
Cash dividends	—	—	—	(2,002)	—	—	—	—	—	—	(2,002)
Treasury stock	—	—	25	—	10	—	—	—	—	—	35
Change in equity owners of parent arising from transactions with non-controlling interests	—	—	0	—	—	—	—	—	—	—	0
Other changes	—	—	—	—	—	(958)	0	(167)	109	83	(933)
Balance at March 31, 2019	47,313	¥12,335	¥13,238	¥70,991	¥(1,955)	¥3,891	¥ 0	¥ 30	¥ (29)	¥1,260	¥99,761

	Thousands of U.S. dollars (Note 1)									
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gain on securities	Gain on deferred hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance at March 31, 2018	\$111,132	\$119,055	\$594,095	\$(17,708)	\$43,688	\$0	\$1,778	\$(1,244)	\$10,603	\$861,399
Net income attributable to non-controlling parent for the years	—	—	63,568	—	—	—	—	—	—	63,568
Cash dividends	—	—	(18,040)	—	—	—	—	—	—	(18,040)
Treasury stock	—	213	—	98	—	—	—	—	—	331
Change in equity owners of parent arising from transactions with non-controlling interests	—	2	—	—	—	—	—	—	—	2
Other changes	—	—	—	—	(8,632)	1	(1,512)	981	754	(8,408)
Balance at March 31, 2019	\$111,132	\$119,270	\$639,623	\$(17,610)	\$35,056	\$1	\$ 266	\$ (263)	\$11,357	\$898,832

Consolidated Statements of Cash Flows

Sekisui Jushi Corporation and Consolidated Subsidiaries
Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Cash flows from operating activities:			
Income before income taxes	¥10,391	¥10,649	\$ 93,620
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,042	1,034	9,388
Impairment loss on fixed assets	50	68	446
Decrease of accrued bonuses	(12)	(33)	(108)
Increase (Decrease) in allowance for bonus for directors and statutory auditors	(0)	20	(2)
Increase in provision for directors' retirement benefits	5	13	45
Decrease in allowance for doubtful accounts	(8)	(13)	(72)
Decrease in net defined benefit liability	(3)	(23)	(27)
Increase in net defined benefit asset	(191)	—	(1,725)
Interest and dividends income	(335)	(310)	(3,021)
Equity in earnings of affiliates	(179)	(140)	(1,614)
Interest expenses	53	55	480
Unrealized loss (gain) on foreign currency exchange	(12)	10	(112)
Gain on liquidation of subsidiaries	—	(74)	—
Loss on valuation of investments in subsidiaries and non-consolidated subsidiaries	156	94	1,408
Loss on sales and disposal of fixed assets	51	50	458
Decrease (Increase) in trade notes and accounts receivable	319	(1,111)	2,875
Decrease (Increase) in inventories	(444)	493	(4,003)
Increase in trade notes and accounts payable	259	277	2,336
Net increase or decrease in other current assets and liabilities	145	(142)	1,314
Other	(238)	(59)	(2,136)
Subtotal	11,049	10,858	99,550
Interest and dividends income received	337	306	3,038
Interest expenses paid	(53)	(51)	(479)
Income taxes paid	(2,885)	(3,300)	(25,992)
Net cash provided by operating activities	8,448	7,813	76,117
Cash flows from investing activities:			
Payments for purchase of property, plant and equipment	(1,098)	(683)	(9,885)
Proceeds from sales of property, plant and equipment	9	4	83
Payments for purchase of intangible assets	(24)	(15)	(219)
Payments for purchase of investment securities	—	(4)	—
Proceed from sales of investment securities	68	43	609
Net increase in short-term loans receivable	(83)	(250)	(751)
Net increase in long-term loans receivable	(2)	(1)	(19)
Payments for long-term time deposits	(9,000)	(9,500)	(81,088)
Proceeds from long-term time deposits	7,000	9,500	63,069
Other	0	33	0
Net cash provided by investing activities	(3,130)	(873)	(28,201)
Cash flows from financing activities:			
Net decrease in short-term bank loans	(150)	(300)	(1,351)
Payments for purchase of treasury common stock	(1)	(1)	(9)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1)	—	(6)
Cash dividends paid	(1,998)	(1,820)	(18,007)
Other	(46)	(43)	(408)
Net cash used in financing activities	(2,196)	(2,164)	(19,781)
Effect of exchange rate changes on cash and cash equivalents	(90)	107	(813)
Net increase in cash and cash equivalents	3,032	4,883	27,322
Cash and cash equivalents at beginning of year	37,847	32,964	340,993
Cash and cash equivalents at end of year (Note 12)	¥40,879	¥37,847	\$368,315

See the accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

Sekisui Jushi Corporation and Consolidated Subsidiaries

1. Basis of presenting consolidated financial statements

Sekisui Jushi Corporation (the “Company”) and its domestic consolidated subsidiaries maintain their accounts and records in accordance with accounting principles generally accepted in Japan. Its overseas consolidated subsidiaries maintain their accounts and records in conformity with the requirements of their respective countries of domicile.

The accompanying consolidated financial statements have been 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 Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued in Japan in order to present them in a format which is more familiar to readers outside Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of the readers, using the exchange rate prevailing at March 31, 2019, which was ¥110.99 to US\$1.00. These convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of significant accounting policies

(a) Consolidation principles

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries (collectively, the “Group”) over which substantial control is exerted through either majority ownership of voting stock and/or by other means. In addition, significant affiliates over which substantial control is significantly affected by the consolidated group in various ways have been accounted for by the equity method. All significant intercompany balances and transactions have been eliminated in consolidation.

The balance sheet date of 6 consolidated subsidiaries is December 31. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from January 1 through March 31 have been adjusted, if necessary.

Goodwill is amortized over a five-year period on a straight-line method.

Negative goodwill is recognized as a gain in the statement of income on the acquisition date after reassessing whether it

has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

(b) Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rate of exchange in effect at the balance sheet date, except for those hedged by forward foreign exchange contracts which are translated at the contracted rates. Resulting translation gains or losses are charged to income in the year in which they are incurred. Revenue and expenses are translated at the rates of exchange prevailing when transactions are recorded.

Assets and liabilities of overseas subsidiaries are translated into Japanese yen at the exchange rates in effect at the respective balance sheet dates. The components of net assets are translated at the historical exchange rate. Revenue and expenses are translated at the average rates of exchange prevailing during each fiscal year. Translation adjustments resulting from translation of foreign currency financial statements are reported as “Foreign currency translation adjustments” in a separate component of net assets.

(c) Cash and cash equivalents

Cash and cash equivalents are comprised of cash in hand, deposits held at call with banks, net of overdrafts and all highly liquid investments with maturities within three months.

(d) Short-term investments and investments in securities

Investment securities are classified and accounted for in accordance with management’s intent.

Marketable other securities, which are not classified as either trading securities or held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of net assets. Non-marketable other securities are stated at cost.

The cost of other securities sold is determined by the moving-average method.

The Group classified all securities as other securities.

(e) Inventories

Inventories are valued at cost determined by the moving-average method (with book values written down on the balance sheet based on decreased profitability of assets).

(f) Property, plant and equipment (excluding leased assets)

Property, plant and equipment are stated at cost. Depreciation of the Company and consolidated domestic subsidiaries are computed primarily by the declining-balance method based on the estimated useful lives of assets. However, the straight-line method is used for buildings acquired on or after April 1, 1998 (excluding facilities attached to buildings) and facilities attached to buildings or structures acquired on or after April 1, 2016.

Overseas consolidated subsidiaries depreciate property and equipment using the straight-line method on their estimated useful lives.

The principal estimated useful lives are as follows:

Buildings and structures	3 to 47 years
Machinery and equipment	4 to 10 years

(g) Leased assets

Financial leases other than those that are deemed to transfer the ownership of leased assets to the lessees are accounted for in a similar way to purchases and depreciation for leased assets is computed under the straight-line method with zero residual value over the lease term.

(h) Allowance for doubtful accounts

Allowances for doubtful accounts are provided in amounts sufficient to cover possible losses on collection. Allowances for doubtful accounts of the Company and its consolidated domestic subsidiaries are calculated based on the companies' past credit loss experience or on estimates of the individual uncollectible amounts. Allowances for doubtful accounts of consolidated overseas subsidiaries are calculated based on estimates of the individual uncollectible amounts.

(i) Retirement Benefits

The retirement benefit obligations are attributed to each period by the benefit formula method.

Actuarial gain or loss is amortized by the straight-line method over a certain period within the average remaining years of service of the eligible employees.

(j) Research and development costs

Research and development costs are charged to income as incurred.

(k) Income taxes

Deferred income taxes are recognized by the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on the difference between financial reporting and the tax basis of the assets and liabilities.

(l) Per share information

Net income per share is computed based on the average number of shares outstanding during each fiscal year.

Diluted net income per share is not presented since there are no residual securities with dilutive effect upon exercise into common stock.

Cash dividends per share are dividends applicable to the respective years including dividends to be paid after the end of the year.

(m) Consumption tax

Consumption tax is not included in the stated amounts of net sales and cost of sales.

3. Changing the in presentation

Effective beginning the fiscal year ended March 31, 2019, The company has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.(ASBJ Guidance no.28 of February 16,2018)." As a result of adoption, deferred tax assets have been classified in the section of investments and other assets, and deferred tax liabilities have been classified in the section of long-term liabilities. To reflect this change in reporting method, The company has made certain reclassifications to its consolidated financial statements for the fiscal years ended on and March 31, 2018.

4. Short-term investments and investments in securities

Other securities with market prices at March 31, 2019 and 2018 were as follows:

	Millions of yen			Thousands of U.S. dollars		
	2019			2019		
	Acquisition costs	Amount recorded in the balance sheets	Difference	Acquisition costs	Amount recorded in the balance sheets	Difference
Other securities of which market values recorded in the balance sheets exceed their acquisition costs:						
Equity securities	¥3,772	¥ 9,488	¥5,716	\$33,987	\$85,489	\$51,502
Bonds and debentures	400	402	2	3,604	3,615	11
Subtotal	¥4,172	¥ 9,890	¥5,718	\$37,591	\$89,104	\$51,513
Other securities of which market values recorded in the balance sheets do not exceed their acquisition costs:						
Equity securities	¥ 271	¥ 169	¥ (102)	\$ 2,438	\$ 1,523	\$ (915)
Bonds and debentures	700	699	(1)	6,307	6,298	(9)
Subtotal	¥ 971	¥ 868	¥ (103)	\$ 8,745	\$ 7,821	\$ (924)
Total	¥5,143	¥10,758	¥5,615	\$46,336	\$96,925	\$50,589

	<i>Millions of yen</i>		
	2018		
	Acquisition costs	Amount recorded in the balance sheets	Difference
Other securities of which market values recorded in the balance sheets exceed their acquisition costs:			
Equity securities	¥3,796	¥10,850	¥7,054
Bonds and debentures	—	—	—
Subtotal	¥3,796	¥10,850	¥7,054
Other securities of which market values recorded in the balance sheets do not exceed their acquisition costs:			
Equity securities	¥ 272	¥ 201	¥ (71)
Bonds and debentures	1,100	1,096	(4)
Subtotal	¥1,372	¥ 1,297	¥ (75)
Total	¥5,168	¥12,147	¥6,979

Securities without market prices at March 31, 2019 and 2018 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
	Amount recorded in the balance sheets	Amount recorded in the balance sheets	Amount recorded in the balance sheets
Investments in unlisted stocks	¥395	¥397	\$3,566
	¥395	¥397	\$3,566

5. Trade notes and accounts receivable and payable

The Group recognize settlements of trade notes receivable and trade notes payable when the bank clearance of the notes is actually made. As March 31, 2019 was a holiday for financial institutions, the following accounts include the unsettled balances of trade notes receivable and trade notes payable due on that date in the accompanying consolidated balance sheets as of March 31, 2019.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2019	2018	2019
Trade notes and accounts receivable			
Trade notes receivable	¥1,148	¥ 969	\$10,346
Trade notes and accounts payable			
Trade notes payable	1,051	1,103	9,466

6. Inventories

Inventories at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Merchandise	¥ 531	¥ 524	\$ 4,786
Finished goods	2,369	2,278	21,341
Work in process	1,415	1,057	12,749
Raw materials and supplies	2,821	2,908	25,414
	¥7,136	¥6,767	\$64,290

7. Short-term loans

Short-term loans at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Short-term loans:			
0.2127% to 0.362% unsecured loans from banks	¥1,300	¥1,450	\$11,713

8. Retirement Benefits

The Company and consolidated subsidiaries have established funded and unfunded defined benefit plans and defined contribution plans. All defined benefit corporate plans are funded plans, which provide employees a lump-sum payment or pension payments based on salary level and length of service. Under the lump-sum payment plans, which are unfunded, lump-sum payments are provided based on salary level and length of service. The lump-sum payment plans, all of which are unfunded plans, for certain consolidated subsidiaries are accounted for using a simplified method for calculating the liability for retirement benefits and retirement benefit expenses.

Defined benefit plans

(1) Reconciliation between the beginning balance and the ending balance of retirement benefit obligations were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at April 1, 2018	¥7,889	¥8,000	\$71,080
Service cost	275	287	2,477
Interest cost	26	27	235
Actuarial differences	(337)	(23)	(3,039)
Retirement benefits paid	(468)	(402)	(4,215)
Other	(1)	0	(12)
Balance at March 31, 2019	¥7,384	¥7,889	\$66,526

(2) Reconciliation between the beginning balance and the ending balance of plan assets were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at April 1, 2018	¥5,205	¥5,231	\$46,902
Expected return on plan assets	182	183	1,642
Actuarial differences	(203)	(72)	(1,831)
Contributions paid by the employer	176	178	1,579
Retirement benefits paid	(301)	(315)	(2,713)
Balance at March 31, 2019	¥5,059	¥5,205	\$45,579

(3) Reconciliation between the beginning balance of retirement benefit obligations and plan assets and net defined benefit liability and asset recorded on the consolidated balance sheet were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Funded retirement benefit obligation	¥4,868	¥5,276	\$43,854
Plan assets at fair value	(5,059)	(5,205)	(45,579)
	(191)	71	(1,725)
Unfunded retirement benefit obligation	2,516	2,613	22,672
Total Net liability (asset) for retirement benefit at March 31, 2019	¥2,325	¥2,684	\$20,947
Net defined benefit liability	¥2,516	¥2,684	\$22,672
Net defined benefit asset	(191)	—	(1,725)
Total Net liability (asset) for retirement benefit at March 31, 2019	¥2,325	¥2,684	\$20,947

(4) Components of retirement benefit costs were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Service cost	¥275	¥287	\$2,477
Interest cost	26	27	235
Expected return on plan assets	(182)	(183)	(1,642)
Amortization: Unrecognized actuarial differences	30	76	268
Total retirement benefit costs for the fiscal year ended March 31, 2019	¥149	¥207	\$1,338

(5) Components of remeasurements of defined benefit plan before income tax effect were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Actuarial differences	¥164	¥27	\$1,475
Total balance at March 31, 2019	¥164	¥27	\$1,475

(6) Components of remeasurements of defined benefit plan before income tax effect were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unrecognized actuarial differences	¥(55)	¥(218)	\$(493)
Total balance at March 31, 2019	¥(55)	¥(218)	\$(493)

(7) Plan assets

① Components plan assets by major categories as a percentage of total plan assets were as follows:	2019	2018
Bonds	36%	36%
General accounts	22	21
Equity securities	20	20
Other	22	23
Total	100%	100%

② Method determining expected long-term rate of return on plan assets

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered to determine expected long-term rate of return.

(8) Basic assumptions used for actuarial calculation

	2019	2018
Discount rate	0.35%	0.35%
Expected rate of return on plan assets	3.5%	3.5%
Expected salary increase rate	1.9%	2.8%

Defined contribution plans

Amounts required to contribute to the defined contribution plans of certain consolidated subsidiaries was ¥34 million and ¥39 million for the year ended March 31, 2018 and 2019 respectively.

9. Income taxes

The Company and its domestic subsidiaries are subject to a number of Japanese income taxes, which, in the aggregate, resulted in a statutory tax rate of approximately 30.58% for the year ended March 31, 2019, 30.81% for the year ended March 31, 2018.

(1) Significant components of deferred tax assets and liabilities at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Deferred tax assets:			
Net defined benefit liability	¥ 786	¥ 841	\$ 7,079
Impairment loss on fixed assets	531	519	4,782
Loss on valuation of investments in subsidiaries and non-consolidated subsidiaries	381	334	3,433
Accrued bonuses	264	267	2,374
Accrued enterprise tax	127	124	1,147
Allowance for doubtful account	48	51	432
Intercompany profits	43	52	390
Loss on revaluation of investments in securities	34	63	307
Other	253	271	2,283
Gross deferred tax assets	2,467	2,522	22,227
Less: valuation allowance	(1,076)	(1,017)	(9,698)
Total deferred tax assets	1,391	1,505	12,529
Deferred tax liabilities:			
Net unrealized holding gain on other securities	(1,709)	(2,121)	(15,394)
Special tax-purpose reserve for condensed booking of fixed assets	(279)	(280)	(2,513)
Net defined benefit asset	(58)	—	(524)
Unrealized gains on consolidated subsidiaries	(55)	(58)	(492)
Tax deductible reserves	(30)	(26)	(270)
Other	(6)	(5)	(62)
Gross deferred tax liabilities	(2,137)	(2,490)	(19,255)
Net deferred tax assets (liabilities)	¥ (746)	¥ (985)	\$ (6,726)

(2) The effective tax rates reflected in the accompanying consolidated statement of income for the years ended March 31, 2019 and 2018 differs from the above statutory tax rate for the following reasons.

A reconciliation between the above statutory tax rate and the effective tax rate for the year ended March 31, 2019 and 2018 is omitted because the difference is less than 5% of the statutory tax rate.

10. Shareholders' Equity

The Corporation Law of Japan (the "Law"), 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 capital stock. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

11. Comprehensive Income

The amount of recycling and amount of income tax effect associated with other comprehensive income at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net unrealized holding gain on securities:			
Amount recognized in the period under review	¥(1,323)	¥1,041	\$(11,919)
Amount of recycling	(41)	(29)	(371)
Before income tax effect adjustments	(1,364)	1,012	(12,290)
Amount of income tax effect	413	(313)	3,716
Net unrealized holding gain on securities	(951)	699	(8,574)
Gain on deferred hedges:			
Amount recognized in the period under review	0	0	1
Amount of recycling	—	—	—
Before income tax effect adjustments	0	0	1
Amount of income tax effect	(0)	(0)	(0)
Gain on deferred hedges	0	0	1
Foreign currency translation adjustments:			
Amount recognized in the period under review	(169)	262	(1,529)
Amount of recycling	—	(74)	—
Before income tax effect adjustments	(169)	188	(1,529)
Amount of income tax effect	—	—	—
Foreign currency translation adjustments	(169)	188	(1,529)
Remeasurements of defined benefit plans			
Amount recognized in the period under review	134	(49)	1,207
Amount of recycling	30	75	268
Before income tax effect adjustments	164	26	1,475
Amount of income tax effect	(50)	(9)	(450)
Remeasurements of defined benefit plans	114	17	1,025
Share of other comprehensive income in equity method affiliates:			
Amount recognized in the period under review	(9)	9	(80)
Amount of recycling	(3)	(2)	(23)
Share of other comprehensive income in equity method affiliates:	(12)	7	(103)
Total other comprehensive income	(1,018)	911	(9,180)

12. Supplemental information on statements of cash flows

Reconciliations between cash and cash equivalents in the accompanying consolidated statements of cash flows and cash and deposits in the accompanying consolidated balance sheets at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash and deposits	¥40,879	¥38,847	\$368,315
Time deposits with maturities in excess of three months	—	(1,000)	—
Cash and cash equivalents	¥40,879	¥37,847	\$368,315

13. Subsequent event

Board of Directors resolved the following appropriation of retained earnings at the meeting held on April 24, 2019.

	Millions of yen	Thousands of U.S. dollars
Cash dividends	¥1,157	\$10,428

14. Financial instruments

Status of financial instruments

(1) Policy on financial instruments

The Company and its significant subsidiaries (the "Group") raise funds by bank borrowings, and manage funds through short-term deposits and others. The purpose of derivative transactions is avoiding the risks as described hereinafter, and transactions are not carried out for speculative purposes.

(2) Types of financial instruments and related risk

Trade notes and accounts receivable are exposed to credit risk of customers. As the Group operates globally, foreign currency denominated trade notes and accounts receivable are subject to foreign exchange fluctuations. The Group hedges risks arising from fluctuations in foreign exchange rates with foreign forward exchange contracts. Marketable securities and investments in securities are mainly shares of companies, with which the Group has business relationship or has capital affiliations, and are exposed to market price fluctuation risk.

Trade notes and accounts payable and accrued liabilities are mostly payables within one year. While partly exposed to foreign exchange risks from imports of raw materials and others, the Group hedges with forward foreign exchange contracts. Short-term loans are mainly to secure the funding needed for operations.

Derivative transactions are forward foreign exchange contracts entered into in order to avoid the risk arising from fluctuations in foreign currency exchange rates related to trade receivables and payables.

(3) Risk management for financial instruments

(a) Monitoring of credit risk (the risk that counterparties may default)

In keeping with its credit managements rules, The Group regularly monitors the statuses of customers with outstanding operating receivables and oversees dates and balances, while endeavoring to swiftly identify and ameliorate collection concerns that could stem from deteriorating financial positions or other factors.

To minimize the credit risk when entering into derivative transactions, counterparties are limited to financial institutions with high ratings.

(b) Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)

The Company and certain consolidated subsidiaries hedge risks arising from fluctuations in foreign exchange rates, which are relevant to trade note receivables and payables, and are analyzed by currency and settlement month, by using forward foreign exchange contracts.

The Group assesses the prices of marketable and investment securities and the financial positions of issuers (business partners). It factors in relationships with business partners in constantly reviewing the necessity of instruments.

For derivative transactions, international division enter into the transaction, and is reported to the responsible directors.

(c) Monitoring of liquidity risk (the risk of being unable to make payment on payment date)

The Accounting division of the Company prepares funding plans in a timely manner based on reports submitted by each department to manage liquidity risk.

(4) Supplementary explanation of the fair value of financial instruments

The amounts of the contracts related to derivative transactions listed in the following section do not in themselves indicate the market risk of derivative transactions.

Fair value of financial instruments

The amounts recorded in the consolidated balance sheets, the fair value and the difference at March 31, 2019 and 2018 were as follows.

Financial instruments for which it is deemed extremely difficult to determine the fair value are not included. (Please refer to Note 2 below.)

March 31, 2019	Millions of yen		
	Carrying value	Fair value	Difference
(1) Cash and deposits	¥ 40,879	¥ 40,879	—
(2) Trade notes and accounts receivable	28,269	28,269	—
(3) Marketable securities and investments in securities			
Other securities	10,758	10,758	—
(4) Long-term time deposits	20,500	20,500	—
Total assets	¥100,406	¥100,406	—
(1) Trade notes and accounts payable	¥ 15,886	¥ 15,886	—
(2) Short-term loans	1,300	1,300	—
(3) Other accounts payable	1,648	1,648	—
Total liabilities	¥ 18,834	¥ 18,834	—
Total derivative transactions	¥ 0	¥ 0	—

Net receivables and payables from derivative transactions are presented, with net payables in totals shown in parentheses.

March 31, 2018	Millions of yen		
	Carrying value	Fair value	Difference
(1) Cash and deposits	¥38,847	¥38,847	—
(2) Trade notes and accounts receivable	28,611	28,611	—
(3) Marketable securities and investments in securities			
Other securities	12,147	12,147	—
(4) Long-term time deposits	17,500	17,500	—
Total assets	¥97,105	¥97,105	—
(1) Trade notes and accounts payable	¥15,637	¥15,637	—
(2) Short-term loans	1,450	1,450	—
(3) Other accounts payable	1,509	1,509	—
Total liabilities	¥18,596	¥18,596	—
Total derivative transactions	¥ 0	¥ 0	—

Net receivables and payables from derivative transactions are presented, with net payables in totals shown in parentheses.

March 31, 2019	Thousands of U.S. dollars		
	Carrying value	Fair value	Difference
(1) Cash and deposits	\$368,315	\$368,315	—
(2) Trade notes and accounts receivable	254,702	254,702	—
(3) Marketable securities and investments in securities			
Other securities	96,925	96,925	—
(4) Long-term time deposits	184,701	184,701	—
Total assets	\$904,643	\$904,643	—
(1) Trade notes and accounts payable	\$143,130	\$143,130	—
(2) Short-term loans	11,713	11,713	—
(3) Other accounts payable	14,848	14,848	—
Total liabilities	\$169,691	\$169,692	—
Total derivative transactions	\$ 2	\$ 2	—

Net receivables and payables from derivative transactions are presented, with net payables in totals shown in parentheses.

Note 1: Methods to determine the fair value of financial instruments and other matters related to securities and derivative transactions were as follows:

Assets

- (1) Cash and deposits (2) Trade notes and accounts receivable

Since these items are mostly settled in a short period, their carrying value approximates fair value.

- (3) Marketable securities and investments in securities

The fair value of stocks is based on quoted market price. The fair value of debt securities is based on the prices provided by the financial institutions making markets in these securities.

(4) Long-term time deposits

The fair value of long-term time deposits based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new long-term time deposits are entered into.

Liabilities

(1) Trade notes and accounts payable (2) Short-term loans (3) Other accounts payable

Since these items are mostly settled in a short period, their carrying value approximates fair value. Trade notes and accounts payable are partially translated at the rate of forward foreign exchange contract.

Note 2: Financial instruments for which it is extremely difficult to determine the fair value were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Investments in non-consolidated subsidiaries and affiliates	¥3,032	¥3,040	\$27,320
Investments in unlisted stocks	395	397	3,566

Because no quoted market prices are available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the preceding table.

Note 3: Redemption schedule for monetary claims and investments in securities with maturities March 31, 2019 and 2018.

March 31, 2019	Millions of yen			
	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
Cash and deposits	¥40,879	—	—	—
Trade notes and accounts receivable	28,269	—	—	—
Marketable securities and Investments in securities	—	—	—	—
Other securities with maturities (bonds)	—	1,100	—	—
Long-term time deposits	—	—	20,500	—
Total	¥69,148	¥1,100	¥20,500	—

March 31, 2018	Millions of yen			
	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
Cash and deposits	¥38,847	—	—	—
Trade notes and accounts receivable	28,611	—	—	—
Marketable securities and Investments in securities	—	—	—	—
Other securities with maturities (bonds)	—	400	700	—
Long-term time deposits	—	2,000	15,500	—
Total	¥67,458	¥2,400	¥16,200	—

March 31, 2019	Thousands of U.S. dollars			
	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
Cash and deposits	\$368,315	—	—	—
Trade notes and accounts receivable	254,702	—	—	—
Marketable securities and Investments in securities	—	—	—	—
Other securities with maturities (bonds)	—	9,912	—	—
Long-term time deposits	—	—	184,701	—
Total	\$623,017	\$9,912	\$184,701	—

15. Business segment information

(a) Description of reportable segments

Reportable segments of the Sekisui Jushi Group are determined as segments whose separate financial information is accessible from among the constituent units of the Sekisui Jushi Group and that are the subject of periodical examinations, in order for management to determine the allocation of management resources.

The reportable segments of the Sekisui Jushi Group are composed of two segments, "Public sector" and "Private sector".

From the current consolidated fiscal year, it has been changed to the classification of reportable segments centered on the business headquarters.

(b) Method of measurement of the amounts of sales, profit, assets, and other items for each reportable segment

The accounting policies of the reportable segments are consistent with the descriptions in the summary of significant policies.

The reportable segment profit is based on operating income.

Intersegment income and transactions are based on market prices.

(c) Information about net sales, profit, assets and other items by reportable segments for the years ended March 31, 2019 and 2018.

Year ended March 31, 2019	Millions of yen		
	Reportable segments		
	Public Sector	Private Sector	Reportable segments total
Sales to customers	¥31,536	¥35,507	¥67,043
Intersegment	4	164	168
Total sales	31,540	35,671	67,211
Segment profits	¥ 4,926	¥ 5,705	¥10,631
Segment assets	¥45,727	¥51,433	¥97,160
Other:			
Depreciation and amortization	368	674	1,042
Impairment loss on fixed assets	43	7	50
Increase in property, plant and equipment and intangible assets	411	736	1,147

Year ended March 31, 2018	Millions of yen		
	Reportable segments		
	Public Sector	Private Sector	Reportable segments total
Sales to customers	¥32,584	¥36,256	¥68,840
Intersegment	45	88	133
Total sales	32,629	36,344	68,973
Segment profits	¥ 5,081	¥ 5,955	¥11,036
Segment assets	¥45,174	¥49,801	¥94,975
Other:			
Depreciation and amortization	354	680	1,034
Impairment loss on fixed assets	41	27	68
Increase in property, plant and equipment and intangible assets	250	526	776

Year ended March 31, 2019	Thousands of U.S. dollars		
	Reportable segments		
	Public Sector	Private Sector	Reportable segments total
Sales to customers	\$284,130	\$319,918	\$604,048
Intersegment	36	1,476	1,512
Total sales	284,166	321,394	605,560
Segment profits	\$ 44,384	\$ 51,400	\$ 95,784
Segment assets	\$411,987	\$463,404	\$875,391
Other:			
Depreciation and amortization	3,318	6,070	9,388
Impairment loss on fixed assets	382	64	446
Increase in property, plant and equipment and intangible assets	3,700	6,630	10,330

(d) Differences between total amounts for reportable segments and amounts in the consolidated balance sheets or consolidated statements of income and main details of these differences (matters relating to difference adjustments)

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net sales			
Reportable segments total	¥67,211	¥68,973	\$605,560
Elimination of intersegment transactions	(168)	(133)	(1,512)
Net sales in the consolidated statements of income	¥67,043	¥68,840	\$604,048

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Segment profits			
Reportable segments total	¥10,631	¥11,036	\$95,784
Head office expenses*	(548)	(691)	(4,942)
Operating income in the consolidated statements of income	¥10,083	¥10,345	\$90,842

* Head office expenses are mainly general and administrative expenses and research and development costs not attributable to any reportable segments.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Segment assets			
Reportable segments total	¥ 97,160	¥ 94,975	\$ 875,391
Company-wide assets*	32,191	30,402	290,041
Total assets in the consolidated balance sheets	¥129,351	¥125,377	\$1,165,432

* Company-wide assets mainly consists of the investments in securities are not attributable to any reportable segments and so on.

	Millions of yen			
	Reportable segments total		The amount in the consolidated financial statements	
	2019	2018	2019	2018
Other items				
Depreciation and amortization	¥1,042	¥1,034	¥1,042	¥1,034
Impairment loss on fixed assets	50	68	50	68
Increase in property, plant and equipment and intangible assets	1,147	776	1,147	776

	Thousands of U.S. dollars	
	Reportable segments total	The amount in the consolidated financial statements
	2019	2019
Other items		
Depreciation and amortization	\$9,388	\$9,388
Impairment loss on fixed assets	446	446
Increase in property, plant and equipment and intangible assets	10,330	10,330

Report of Independent Auditors

Independent Auditor's Report

To the Board of Directors of Sekisui Jushi Corporation:

We have audited the accompanying consolidated balance sheet of Sekisui Jushi Corporation and its consolidated subsidiaries as of March 31, 2019, and the related 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 such internal control as management determines is necessary to enable the preparation of 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 Jushi Corporation and its consolidated subsidiaries as of March 31, 2019, and the consolidated results of their operations and their cash flows for the year then ended in accordance 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 1.

Osaka, Japan
June 26, 2019



Ohtemae Audit Corporation

Board of Management (As of June 27, 2019)

Directors

Chairman of the Board and CEO
Yaichiro Fukui

President and COO
Hiroshi Baba

Outside Directors
Shiro Wakui
Hiroshi Takano
Satoko Ito

Directors
Yutaka Shibamura
Eiji Sasaki
Katsuyoshi Sasaki

Auditors

Corporate Auditors
Takashi Kawarabayashi
Teruo Nakano

Outside Auditors
Moritoshi Naganuma
Shigeo Sasaki
Tsuchikazu Oonaka

Executive Officers

President
Hiroshi Baba

Managing Executive Officers
Yutaka Shibamura
Hiroo Moriyama

Executive Officers
Eiji Sasaki
Katsuyoshi Sasaki
Jun Hamada
Tomohisa Koyama
Shuichiro Takabayashi
Tomoyuki Kikuchi
Nagaaki Miyoshi
Masayuki Higashinaka
Shigeaki Nishio
Sougo Cyoutoku
Kaoru Ishida
Masaaki Oe

Corporate Data (As of March 31, 2019)

Establishment

November 26, 1954

Capital

¥12,334 million

Common Stock

Authorized: 128,380,000

Issued: 47,313,598

Capital: ¥12,334,565,623

Listings:

First Section of Tokyo Stock Exchange

Transfer agent:

The Mitsubishi UFJ Trust and
Banking Corporation
3-6-3, Fushimimachi, Chuo-ku,
Osaka 541-8502

Head Office

Dojima Kanden Bldg., 2-4-4,
Nishitenma, Kita-ku,
Osaka 530-8565

Tokyo Head Office

New Pier Takeshiba North Tower,
1-11-1, Kaigan, Minato-ku,
Tokyo 105-0022

Domestic Branches

Kanto First Branch
Minato-ku, Tokyo

Kanto Second Branch
Minato-ku, Tokyo

Kinki Hokuriku First Branch
Osaka

Kinki Hokuriku Second Branch
Osaka

Chubu Branch
Nagoya

Kyushu Branch
Fukuoka

Tohoku Branch
Shibata-cho, Shibata-gun, Miyagi

Chugoku Shikoku Branch
Hiroshima

Plants and Laboratory

Shiga Plant
Ryuo-cho, Gamo-gun, Shiga

Tsuchiura Tsukuba Plant
Tsuchiura, Ibaraki

Ishikawa Plant
Nomi, Ishikawa

Technical Research Laboratory
Ryuo-cho, Gamo-gun, Shiga

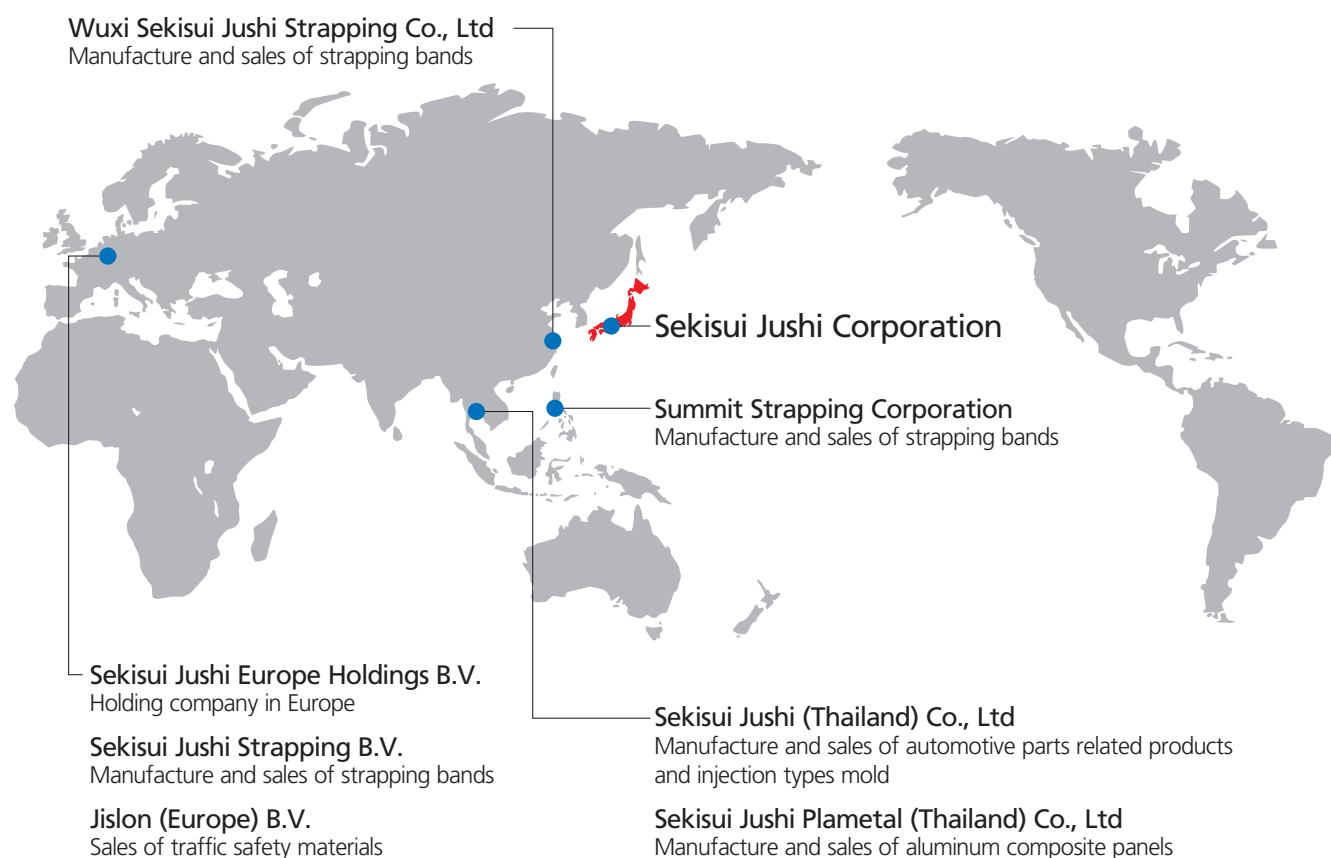
Consolidated subsidiaries

25 companies

Affiliates accounted for using the equity method

2 companies

International Group Companies



Domestic Group Companies

Tohoku Sekisui Jushi Co.,Ltd.
 Kantou Sekisui Jushi Co.,Ltd.
 Sekisui Jushi CAP-AI System Co.,Ltd.
 Nippon Liner Co.,Ltd
 Sekisui Jushi Plametal Corporation
 SJC Kotobuki Corporation
 Spacio.Co.,Ltd
 Ohmi Tec Corporation
 Sekisui Jushi Trading Co.,Ltd.

Sekisui Jushi Sansho Co.,Ltd
 San-ei Polymer Co.,Ltd.
 Road Enterprise Co.,Ltd
 Tsuchiura-tsukuba Sekisui Jushi Corporation
 Hokuriku Sekisui Jushi Co.,Ltd.
 Shiga Sekisui Jushi Corporation
 Hiroshima Sekisui Jushi Co.,Ltd.

Other functions sharing companies



SEKISUI JUSHI CORPORATION

2-4-4 Nishitenma, Kita-ku, Osaka 530-8565, Japan

Phone: 81-6-6365-3204

URL: <https://www.sekisuijushi.co.jp>

