

# Annual Report 2020

for the year ended March 31, 2020



## Corporate Profile

The Sekisui Jushi Group continues its business under its corporate slogan: The aim of the Sekisui Jushi Group is to contribute to a safer, more secure and healthier environment for society by creating valued products and services, through the application of composite technology.

Through original technology and attention to quality, the Group has developed many high value-added products and specialty products, and has grown into a manufacturing enterprise with a wide range of product lines that includes consumer goods 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 Group's ongoing pioneering efforts.

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Road Sign Related Products

We received large orders for high-standard highways in the Tohoku region on the back of superior construction technology of our subsidiaries and affiliates. (Tohoku-Chuo Expressway)

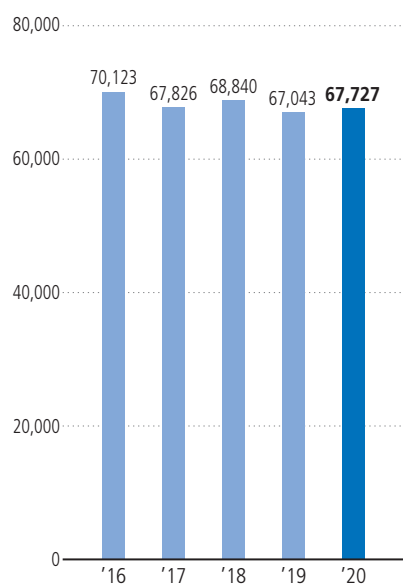
# Financial Highlights

Sekisui Jushi Corporation and Consolidated Subsidiaries  
Years ended March 31, 2020, 2019, 2018, 2017, 2016

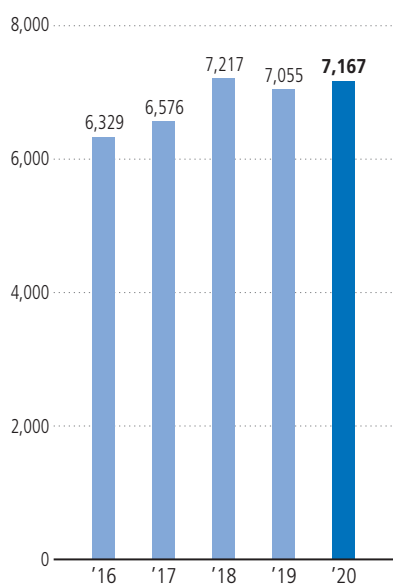
	Millions of Yen					Thousands of U.S. dollars*
	2016	2017	2018	2019	2020	2020
<b>For the year:</b>						
Net sales	¥70,123	¥67,826	¥68,840	¥67,043	<b>¥67,727</b>	<b>\$622,324</b>
Operating income	9,665	9,907	10,345	10,083	<b>10,353</b>	<b>95,134</b>
Net income attributable to owners of parent	6,329	6,576	7,217	7,055	<b>7,167</b>	<b>65,857</b>
<b>At year-end:</b>						
Total assets	¥111,727	¥119,175	¥125,377	¥129,351	<b>¥129,997</b>	<b>\$1,194,497</b>
Total net assets	83,262	89,208	95,606	99,761	<b>101,793</b>	<b>935,340</b>
	Yen					U.S. dollars*
<b>Per share amounts:</b>						
Net income	¥ 142.45	¥ 148.04	¥ 162.46	¥ 158.82	<b>¥ 162.62</b>	<b>\$ 1.49</b>
Net assets	1,843.67	1,984.03	2,125.71	2,216.41	<b>2,316.27</b>	<b>21.28</b>

\* U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥108.83=\$1.00 (See Note 1)

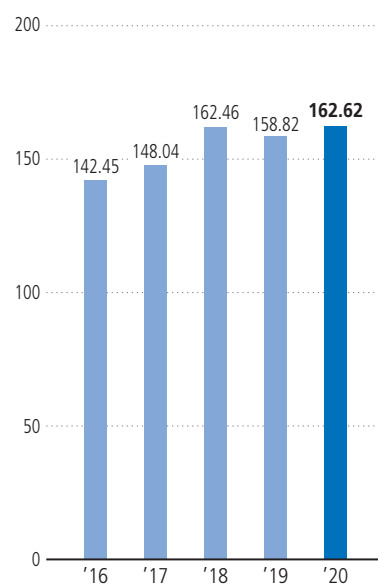
**Net sales** (Millions of yen)



**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 86th 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 maintained 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 soaring production and distribution costs owing to the impact of labor shortages, in addition to the economic impact of numerous natural disasters and the consumption tax hike, as well as developments in the trade friction between the United States and China and economic uncertainty overseas in the Middle East, China, and other areas. From the latter half of the fiscal year under review, the worldwide spread of coronavirus disease (COVID-19) gave

a serious economic impact, and the outlook is unpredictable in Japan and overseas.

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 and its ability to draw others in.

During the fiscal year under review, we focused on comprehensive proposals of high value-added products designed to solve problems facing our society such as preparedness for natural disasters including disaster prevention and reduction, measures against noise in residential areas, traffic safety for pedestrians at intersections and along school routes, the prevention of wrong-way driving on high-standard highways, and sales expansion of environmentally friendly products.

Meanwhile, we have implemented strategic purchasing in line with trends in raw materials prices and improved delivery efficiency through efforts such as revising our

distribution sites in order to counter soaring transportation costs, as part of our initiatives to push forward with business management that gives top priority to profitability. At the same time, the entire Group worked to actively engage in sales activities aligned with the changing times and business environment.

During the fiscal year under review, on a consolidated basis, we posted sales of 67,727 million yen (up 1.0% from the previous year), operating income of 10,353 million yen (up 2.7% from the previous year), ordinary income of 10,860 million yen (up 2.0% from the previous year), and net income attributable to owners of the parent of 7,167 million yen (up 1.6% from the previous year). This was mainly because the strong performance of Group companies contributed to sales.

Turning to our year-end dividend for the fiscal year under review, at the meeting of the Board of Directors held on April 30, 2020, we decided to pay an ordinary dividend of 24 yen plus a special dividend of 2 yen to express our gratitude to our shareholders for their continued support as we completed our Corporate Vision 2020, 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 24 yen, the annual dividend paid to shareholders during the fiscal year under review amounts to 50 yen per share, an increase of 2 yen from the previous fiscal year (marking our eleventh consecutive term of dividend increases). The consolidated dividend payout ratio was 30.7%, achieving our goal in the medium-term management plan for a third consecutive year.

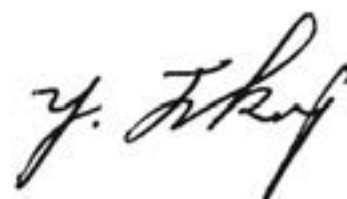
There is no prospect on when the worldwide spread of COVID-19 will be contained. Amid such circumstances, the severity of the business climate is expected to intensify, with inbound demand from tourists visiting Japan on a sharp decline, restrictions on people's movement, facilities being closed, events being cancelled, and other factors weighing down consumption activities giving a devastating blow to the domestic economy, as well as concerns over the untold impact on the global economy.

Meanwhile, as economy stimulus measures foreseen

after the containment of COVID-19, public works are expected to increase, including recovery and reconstruction work, disaster prevention and reduction work, and traffic safety measures for school routes. There are new, growing needs for automation in response to labor shortages due to the falling birthrate and aging population in Japan, as well as changes in work styles prompted by the Japanese government's declaration of a state of emergency.

Under these circumstances, the Group will quickly, accurately, and flexibly respond to dramatic changes in the environment and leverage its asset of collective strength to contribute to society's safety, security, and the environment by creating products and providing services with value based on its unique compound technologies. Furthermore, the Group will reinforce its ESG (Environment, Social, Governance) management to enhance its corporate value over the medium and long term.

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



## ■ Traffic and Urban Landscaping Related Products

Sales of noise-barrier wall materials were in line with sales in the previous fiscal year due to replacement demand for highways. Sales of road marking materials were strong due to the adoption of colored marking materials for bicycle lane construction and school route safety measures, as well as the adoption of "Solid Sheet" adhesive road marking materials, used to visually alert drivers, to prevent wrong-way driving on high-standard highways. Sales of safety fence products grew significantly due to the adoption of vehicle fences at intersections to protect pedestrians from vehicles, as well as the adoption of easily installed "Flex Rope" safety fences for pedestrians in traffic safety and canal safety measures in various locations.

Meanwhile, although the increased installation of corner mirrors along residential roads contributed to sales, sales of traffic safety products fell below those in the previous fiscal year due to the fact that the installation of "Pole Cone" traffic lane dividers in high-standard highways saturated.

## ■ Sports Facilities Related Products

Sales of artificial turf in athletic fields fell significantly year on year, as the number of new orders fell as a result of Olympic-related demand drawing to a close, despite positive evaluations of the performance of our products tailored to specific sports, such as soccer, baseball, field hockey, and throwing competitions. Our artificial turf for tennis courts with its durability, and our environmentally friendly artificial turf made with plant-derived bio-polyethylene have been well-received. However, sales were sluggish due to the decline in replacement demand resulting from the consumption tax hike.

## ■ Exterior Materials & Building Materials Related Products

Sales of blind fences grew as a result of increased orders for use in replacing concrete-block walls as earthquake countermeasures, as well as orders for soundproof blind fences mainly for noise prevention in residential areas. Sales of mesh fences, primarily adopted in housing complexes and distribution facilities, were strong, due in part to the installation of mesh fences around outdoor air conditioner condensers for safety, as more air conditioners are installed at elementary schools and junior high schools to help prevent heatstroke. In addition, the design and ease of installation of our vertical lattice fences, designed to meet crime prevention needs, were highly acclaimed, contributing to our performance.

Meanwhile, sales of decorative building materials fell inevitably due to a significant decrease in store fixtures for commercial facilities, despite an increase in orders relating to urban redevelopment, accommodation facilities, and condominium interiors.



## ■ Material Handling Systems, Supplies and Agriculture-Related Products

Sales of packaging material fell due to increased competition with imports and a decrease in large-account demands as parcels are increasingly handled in smaller lots, although product proposals of our mainstay package strapping bands were well-received as they addressed the market needs reflecting greater environmental awareness. Sales of stretch film wrapping machines were strong due to the rise in installation of fully automatic machines that meet the needs for labor and energy saving at distribution facilities amid an increase in palletized shipping as a means to improve distribution efficiency. The performance of agriculture-related products fell significantly year on year as a result of sluggish demand for materials in general in both the farming and gardening fields owing to inclement weather.

## ■ Group Company Products

Sales of pavement and marking materials grew by a large margin due to strong sales of thermal barrier pavement used to alleviate heat island effects in urban areas, as well as the adoption of many road marking materials in maintenance work performed on high-standard highways. Road sign related products contributed to our performance, as we received large orders for high-standard highways in the Tohoku region on the back of our superior construction technology. Sales of sign products for the private sector rose significantly year on year, owing to praise for our proposals of products that meet customer needs. Sales of digital picking system products grew significantly due to greater domestic sales driven by demand in distribution facilities to tackle labor shortages amid the expansion of online shopping, as well as increased overseas orders. Sales of aluminum composite panels rose year on year, due to strong sales of those used in building materials and increased orders for soundproof panels. Sales of ready-to-assemble system pipes fell owing to a decline in orders from mainstay users in the automotive, machinery and electronics fields, although their flexibility in assembly were well-received and the products were adopted in the distribution field and for sporting events.



## Efforts by our Subsidiaries and Affiliates

### Digital Picking Systems (Sekisui Jushi CAP-AI System Co.,Ltd.)

Digital picking systems contribute to labor and energy saving in sorting and dispatch operations at factories and logistics centers. Their sales rose both in Japan and overseas with the expansion of online shopping.



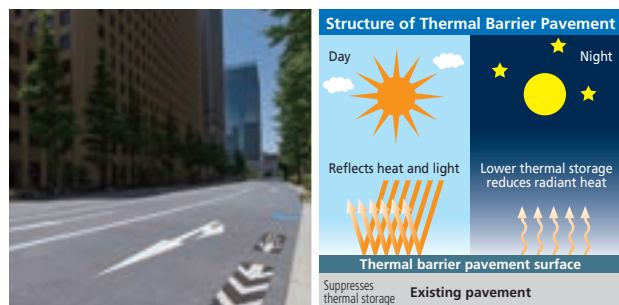
### Aluminum Composite Panels (Sekisui Jushi Plametal Corporation)

For aluminum composite panels, sales of products for building materials were strong, along with increased orders for use as soundproof panels.



### Thermal Barrier Pavement (Nippon Liner Co.,Ltd)

Thermal barrier pavement curbs the rise in temperature of road surfaces by effectively reflecting near-infrared rays. They recorded strong sales as measures to alleviate heat island effects in urban areas.



## Social Contribution Activities

### Agreement with Ryuo-cho to Provide Supplies in the Event of a Disaster

We signed an agreement with Ryuo-cho to provide emergency supplies such as stove benches and road traffic safety products related to emergency recovery at disaster sites in the event of a large-scale disaster.



### Support for Victims of Typhoon Hagibis

The Group made donations, including those from its officers and employees, to victims of Typhoon Hagibis that caused tremendous damage mainly in Eastern Japan in October 2019 to help reconstruct the disaster-hit areas.



### Donation of Medical Supplies to Medical Institutions (Face Masks and Face Guards)

We are sincerely grateful for the efforts of medical professionals and many others who are working so hard every day to combat the spread of COVID-19. The Group donated face masks and face guards to several medical institutions to help with infection countermeasures.





### Pedestrian Traffic Safety

#### Safety Fences for Protection from Vehicles



#### Road Marking Materials

Safety measures are being put into place nationwide at intersections and along residential roads to prevent tragic traffic accidents involving pedestrians. Our comprehensive proposals have been well-received.



### Crime Prevention Measures

#### Vertical Lattice Fences

The design and ease of installation of our vertical lattice fences, designed to meet crime prevention needs, were highly regarded, contributing to our performance.



### Disaster Prevention and Reduction

#### Blind Fences (replacing concrete-block walls)

Our blind fences have been adopted for initiatives to replace concrete-block walls that could be damaged by earthquakes.



#### Fall Prevention Fences for Riverbanks (Collapsible Fences)

These fall prevention fences can be collapsed in advance, if a typhoon or a heavy rainfall is forecast, to prevent the accumulation of debris flow or driftwood.



### Barrier-free Construction Measures

#### Machiyasumi Benches (Benches for a Break in the City)

Based on feedback from Shinjuku-ku, Tokyo, we developed compact benches that can be installed in a variety of urban locations and designed for safety and ease of use.

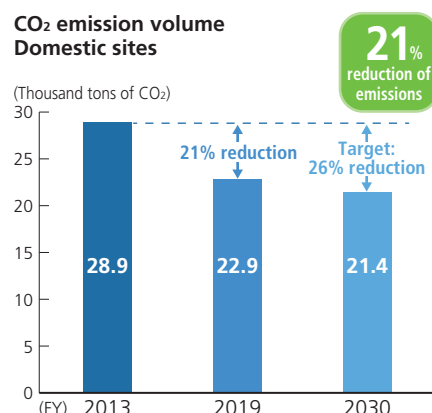


## Long-term CO<sub>2</sub> Emissions Reduction Targets

### 26% or greater reduction in total CO<sub>2</sub> emissions by domestic sites in FY2030 compared with FY2013

Following the adoption of the Paris Agreement, a new international framework for cutting greenhouse gas emissions, etc., from 2020 onwards, Japan formulated its Global Warming Countermeasure Plan. One of the targets of this plan is to reduce greenhouse gas emissions by 2030 by 26% compared to 2013. In response to changes in the external environment such as these, the Group has also formulated a CO<sub>2</sub> emissions reduction plan for the target year of FY2030 (26% or greater reduction compared with FY2013), and is currently promoting its activities to achieve this plan.

In FY2019, our domestic sites emitted 22.9 thousand tons of CO<sub>2</sub>. This is a 21% reduction compared to the emissions in FY2013, and indicates that we are making steady progress towards achieving the FY2030 target.



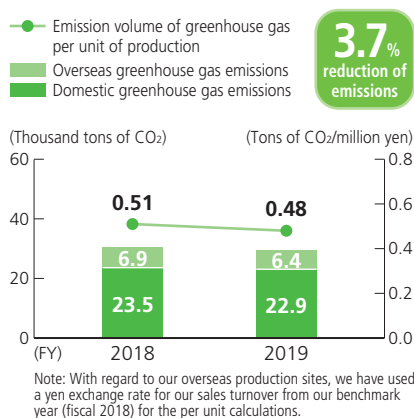
## Measures to reduce CO<sub>2</sub> emissions and energy consumption at our production sites

### 3.7% reduction of CO<sub>2</sub> emissions at domestic and overseas sites, and 3.8% reduction of energy consumption per unit of production (compared with FY2018)

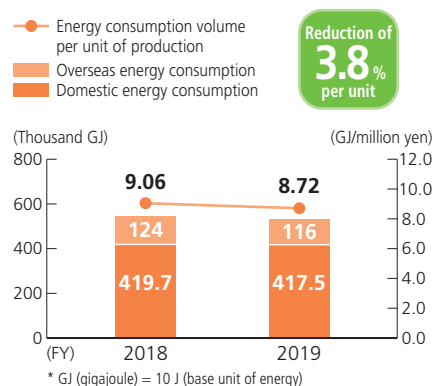
We are working to reduce CO<sub>2</sub> emissions and energy consumption involved in production through energy-saving and electricity conservation efforts in offices, the improvement of production processes, updating of energy-saving devices and the switching of energy sources in production sites, both in Japan and overseas.

In FY2019, we reduced CO<sub>2</sub> emissions by 3.7% and energy consumption per unit of production by 3.8% compared to FY2018. Going forward, we will strive to proceed with our energy-saving activities and improve efficient energy use 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.

#### CO<sub>2</sub> emission volume and unit of production Domestic and overseas sites



#### Energy consumption volume and unit of production Domestic and overseas sites



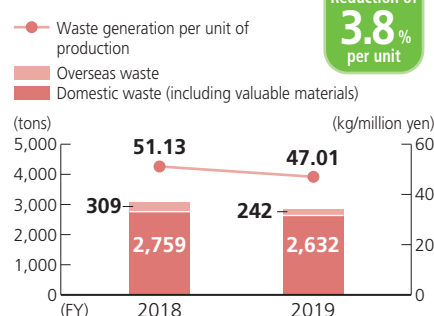
## Measures to reduce waste at our production sites

### 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 FY2019, the waste discharge per unit of production was reduced by 3.8% from the FY2018 level by pursuing measures to improve the yield rate and reduce the failure rate in our production processes, as well as more effective use of materials discarded during casting processes. We will further enhance our efforts to cut the amount of loss generated during production and continue to promote our activities for the 3Rs (reduce, reuse and recycle) to reduce the amount of waste.

#### Amount of waste material discharge and unit of production Domestic and overseas sites



### Environmental communication

#### Supporting the Japan Committee for UNDB

Since 2010, we have continued to work with Ministry of the Environment to support the Japan Committee for the United Nations Decade on Biodiversity (UNDB) in our efforts to contribute to preservation and sustainable use of biodiversity.



The committee's logo

#### Participation in the Japan Network for Promoting the Satoyama Initiative

The Satoyama Initiative was advocated at the tenth meeting of the Conference of the Parties to the Convention on Biological Diversity (COP10), held in October 2010. On September 13, 2013, the Japan Network for Promoting the Satoyama Initiative, a nationwide satoyama conservation organization, was founded. We have been a member of the network since its initial planning stage. We will continue to work with the network to advance efforts undertaken by the Satoyama Initiative for public awareness, information transmission, and dialogue and practice.



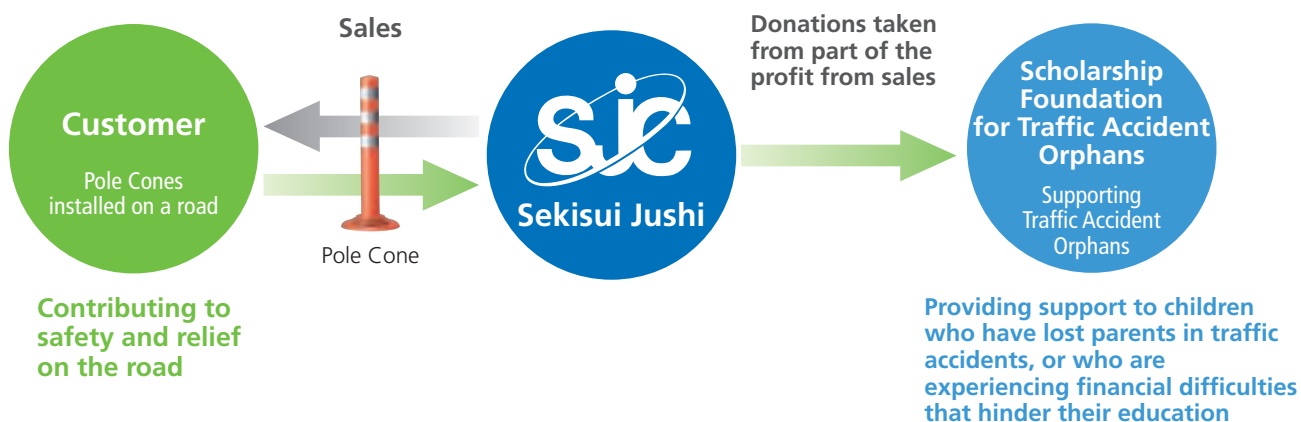
#### JAPAN NETWORK FOR PROMOTING THE SATOYAMA INITIATIVE

The network's logo

### Social contribution activities related to our business

#### Ongoing Donation for Scholarship Foundation for Traffic Accident Orphans

As a company involved in transport safety, 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 provides education financing support to children who have lost parents in a traffic accident.



# Consolidated Balance Sheets

Sekisui Jushi Corporation and Consolidated Subsidiaries  
March 31, 2020 and 2019

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
<b>Current assets:</b>			
Cash and deposits (Note 10)	¥ 41,906	¥ 40,879	\$ 385,063
Trade notes and accounts receivable	26,377	28,269	242,369
Inventories (Note 4)	6,669	7,136	61,280
Prepaid expenses and other current assets	1,340	2,031	12,314
Less: allowance for doubtful accounts	(20)	(25)	(186)
Total current assets	76,272	78,290	700,840
<b>Investments and other assets:</b>			
Investments in unconsolidated subsidiaries and affiliates	3,235	3,032	29,729
Investments in securities (Note 3)	12,553	11,153	115,344
Long-term time deposits	21,500	20,500	197,556
Long-term loans receivable	590	161	5,424
Deferred tax assets (Note 7)	467	445	4,292
Net defined benefit asset (Note 6)	11	191	98
Other	695	665	6,378
Less: allowance for doubtful accounts	(273)	(146)	(2,508)
Total investments and other assets	38,778	36,001	356,313
<b>Property, plant and equipment:</b>			
Land	7,287	7,363	66,958
Buildings and structures	20,567	21,121	188,982
Machinery and equipment	24,329	24,101	223,546
Tools, furniture, fixtures and other	5,393	5,565	49,554
Construction in progress	34	89	314
	57,610	58,239	529,354
Less: accumulated depreciation	(42,662)	(43,179)	(392,010)
Property, plant and equipment, net	14,947	15,060	137,344
<b>Total assets</b>	<b>¥129,997</b>	<b>¥129,351</b>	<b>\$1,194,497</b>

See the accompanying notes to the consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
<b>Current liabilities:</b>			
Short-term loans (Note 5)	¥ 1,300	¥ 1,300	\$ 11,945
Trade notes and accounts payable	14,364	15,886	131,981
Accrued expenses	1,415	1,349	12,999
Accrued income taxes	2,028	1,977	18,639
Other current liabilities	5,351	5,136	49,174
Total current liabilities	24,458	25,648	224,738
<b>Long-term liabilities:</b>			
Net defined benefit liability (Note 6)	2,580	2,516	23,710
Deferred tax liabilities (Note 7)	970	1,191	8,914
Other long-term liabilities	196	235	1,795
Total long-term liabilities	3,746	3,942	34,419
<b>Total liabilities</b>	<b>28,204</b>	<b>29,590</b>	<b>259,157</b>
<b>Net assets:</b>			
Shareholders' equity (Note 8):			
Common stock			
Authorized — 128,380,000 shares			
Issued — 47,313,598 shares	12,335	12,335	113,338
Capital surplus	13,256	13,238	121,802
Retained earnings	75,932	70,991	697,719
Treasury stock, at cost			
(3,954,086 shares in 2020 and 2,872,090 shares in 2019)	(4,363)	(1,955)	(40,087)
Total shareholders' equity	97,160	94,609	892,772
Accumulated other comprehensive income			
Net unrealized holding gain on securities	3,569	3,891	32,792
Gain on deferred hedges	0	0	0
Foreign currency translation adjustments	40	30	364
Remeasurements of defined benefit plans	(337)	(29)	(3,091)
Total accumulated other comprehensive income	3,272	3,892	30,065
Non-controlling interests	1,361	1,260	12,503
Total net assets	101,793	99,761	935,340
<b>Total liabilities and net assets</b>	<b>¥129,997</b>	<b>¥129,351</b>	<b>\$1,194,497</b>



# Consolidated Statements of Income

Sekisui Jushi Corporation and Consolidated Subsidiaries  
Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Net sales	<b>¥67,727</b>	¥67,043	<b>\$622,324</b>
Cost of sales	<b>45,710</b>	45,474	<b>420,010</b>
Gross profit	<b>22,017</b>	21,569	<b>202,314</b>
Selling, general and administrative expenses	<b>11,664</b>	11,486	<b>107,180</b>
Operating income	<b>10,353</b>	10,083	<b>95,134</b>
<b>Other income (expenses):</b>			
Interest and dividends income	<b>370</b>	335	<b>3,401</b>
Interest expenses	<b>(50)</b>	(53)	<b>(460)</b>
Equity in earnings of affiliates	<b>133</b>	179	<b>1,225</b>
Gain on sales of fixed assets	<b>93</b>	—	<b>852</b>
Provision of allowance for doubtful accounts for subsidiaries	<b>(133)</b>	—	<b>(1,226)</b>
Loss on valuation of investments in unconsolidated subsidiaries	<b>(123)</b>	(156)	<b>(1,127)</b>
Loss on valuation of investments securities	<b>(120)</b>	—	<b>(1,098)</b>
Loss on sales and disposal of fixed assets	<b>(49)</b>	(51)	<b>(452)</b>
Foreign exchange loss	<b>(21)</b>	—	<b>(188)</b>
Impairment loss on fixed assets	—	(50)	—
Others-net	<b>75</b>	104	<b>682</b>
	<b>175</b>	308	<b>1,609</b>
Income before income taxes	<b>10,528</b>	10,391	<b>96,743</b>
<b>Income taxes (Note 7):</b>			
Current	<b>3,201</b>	3,092	<b>29,418</b>
Deferred	<b>30</b>	127	<b>273</b>
	<b>3,231</b>	3,219	<b>29,691</b>
Net income	<b>7,297</b>	7,172	<b>67,052</b>
Net income attributable to non-controlling interests	<b>(130)</b>	(117)	<b>(1,195)</b>
<b>Net income attributable to owners of parent</b>	<b>¥ 7,167</b>	¥ 7,055	<b>\$ 65,857</b>

	Yen	U.S. dollars (Note 1)
<b>Per share:</b>		
Net income	<b>¥162.62</b>	¥158.82 <b>\$1.49</b>
Cash dividends	<b>50.00</b>	48.00 <b>0.46</b>

# Consolidated Statements of Comprehensive Income

Sekisui Jushi Corporation and Consolidated Subsidiaries  
Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Net income	<b>¥7,297</b>	¥7,172	<b>\$67,052</b>
Other comprehensive income (Note 9)			
Net unrealized holding gain on securities	<b>(331)</b>	(951)	<b>(3,044)</b>
Gain on deferred hedges	<b>(0)</b>	0	<b>(0)</b>
Foreign currency translation adjustments	<b>21</b>	(169)	<b>190</b>
Remeasurements of defined benefit plans	<b>(298)</b>	114	<b>(2,735)</b>
Share of other comprehensive income in equity method affiliates	<b>(1)</b>	(12)	<b>(5)</b>
Total other comprehensive income	<b>(609)</b>	(1,018)	<b>(5,594)</b>
Comprehensive income	<b>¥6,688</b>	¥6,154	<b>\$61,458</b>
Total comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	<b>¥6,548</b>	¥6,038	<b>\$60,166</b>
Comprehensive income attributable to non-controlling interests	<b>140</b>	116	<b>1,292</b>

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, 2020 and 2019

	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, 2018	47,313	¥12,335	¥13,213	¥65,938	¥(1,965)	¥4,849	¥0	¥197	¥(138)	¥1,177	¥95,606
Net income attributable to owners of 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
Net income attributable to owners of parent for the years	—	—	—	7,167	—	—	—	—	—	—	7,167
Cash dividends	—	—	—	(2,226)	—	—	—	—	—	—	(2,226)
Treasury stock	—	—	18	—	(2,408)	—	—	—	—	—	(2,390)
Other changes	—	—	—	—	—	(322)	(0)	10	(308)	101	(519)
Balance at March 31, 2020	<b>47,313</b>	<b>¥12,335</b>	<b>¥13,256</b>	<b>¥75,932</b>	<b>¥(4,363)</b>	<b>¥3,569</b>	<b>¥0</b>	<b>¥40</b>	<b>¥(337)</b>	<b>¥1,361</b>	<b>¥101,793</b>

	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, 2019	\$113,338	\$121,638	\$652,317	\$(17,960)	\$35,752	\$1	\$272	\$(269)	\$11,581	\$916,670
Net income attributable to owners of parent for the years	—	—	65,857	—	—	—	—	—	—	65,857
Cash dividends	—	—	(20,455)	—	—	—	—	—	—	(20,455)
Treasury stock	—	164	—	(22,127)	—	—	—	—	—	(21,963)
Other changes	—	—	—	—	(2,960)	(1)	92	(2,822)	922	(4,769)
Balance at March 31, 2020	<b>\$113,338</b>	<b>\$121,802</b>	<b>\$697,719</b>	<b>\$(40,087)</b>	<b>\$32,792</b>	<b>\$0</b>	<b>\$364</b>	<b>\$(3,091)</b>	<b>\$12,503</b>	<b>\$935,340</b>

# Consolidated Statements of Cash Flows

Sekisui Jushi Corporation and Consolidated Subsidiaries  
Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
<b>Cash flows from operating activities:</b>			
Income before income taxes	¥10,528	¥10,391	\$ 96,743
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,130	1,042	10,387
Impairment loss on fixed assets	—	50	—
Increase (Decrease) of accrued bonuses	31	(12)	280
Increase (Decrease) in allowance for bonus for directors and statutory auditors	8	(0)	74
Increase (Decrease) in provision for directors' retirement benefits	(43)	5	(391)
Increase (Decrease) in allowance for doubtful accounts	125	(8)	1,152
Decrease in net defined benefit liability	(16)	(3)	(146)
Increase in net defined benefit asset	(168)	(191)	(1,544)
Interest and dividends income	(370)	(335)	(3,401)
Equity in earnings of affiliates	(133)	(179)	(1,225)
Interest expenses	50	53	460
Unrealized loss (gain) on foreign currency exchange	21	(12)	194
Loss on valuation of investments securities	120	—	1,098
Loss on valuation of investments in unconsolidated subsidiaries	123	156	1,127
Gain on sales of fixed assets	(93)	—	(852)
Loss on sales and disposal of fixed assets	49	51	454
Decrease in trade notes and accounts receivable	1,896	319	17,418
Decrease (Increase) in inventories	461	(444)	4,239
Increase (Decrease) in trade notes and accounts payable	(1,525)	259	(14,013)
Net increase or decrease in other current assets and liabilities	(12)	145	(118)
Other	82	(238)	753
Subtotal	12,264	11,049	112,689
Interest and dividends income received	387	337	3,551
Interest expenses paid	(51)	(53)	(469)
Income taxes paid	(2,977)	(2,885)	(27,353)
Net cash provided by operating activities	9,623	8,448	88,418
<b>Cash flows from investing activities:</b>			
Payments for purchase of property, plant and equipment	(1,008)	(1,098)	(9,262)
Proceeds from sales of property, plant and equipment	192	9	1,764
Payments for purchase of intangible assets	(100)	(24)	(918)
Payments for purchase of investment securities	(2,212)	—	(20,329)
Proceeds from sales of investment securities	28	68	254
Net increase (decrease) in short-term loans receivable	241	(83)	2,219
Net decrease in long-term loans receivable	(2)	(2)	(21)
Payments for long-term time deposits	(2,000)	(9,000)	(18,377)
Proceeds from long-term time deposits	1,000	7,000	9,189
Other	(18)	0	(158)
Net cash provided by investing activities	(3,879)	(3,130)	(35,639)
<b>Cash flows from financing activities:</b>			
Net decrease in short-term bank loans	—	(150)	—
Payments for purchase of treasury common stock	(2,416)	(1)	(22,196)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(1)	—
Cash dividends paid	(2,223)	(1,998)	(20,429)
Other	(57)	(46)	(520)
Net cash used in financing activities	(4,696)	(2,196)	(43,145)
Effect of exchange rate changes on cash and cash equivalents	(21)	(90)	(196)
Net increase in cash and cash equivalents	1,027	3,032	9,438
Cash and cash equivalents at beginning of year	40,879	37,847	375,625
Cash and cash equivalents at end of year (Note 10)	¥41,906	¥40,879	\$385,063

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, 2020, which was ¥108.83 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.

### (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 leases 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. Short-term investments and investments in securities**

Other securities with market prices at March 31, 2020 and 2019 were as follows:

	Millions of yen			Thousands of U.S. dollars		
	2020			2020		
	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	¥2,556	¥ 7,958	¥5,402	\$23,491	\$ 73,126	\$49,635
Bonds and debentures	—	—	—	—	—	—
Subtotal	¥2,556	¥ 7,958	¥5,402	\$23,491	\$ 73,126	\$49,635
Other securities of which market values recorded in the balance sheets do not exceed their acquisition costs:						
Equity securities	¥1,366	¥ 1,130	¥ (236)	\$12,550	\$ 10,379	\$ (2,171)
Bonds and debentures	3,100	3,073	(27)	28,485	28,241	(244)
Subtotal	¥4,466	¥ 4,203	¥ (263)	\$41,035	\$ 38,620	\$ (2,415)
Total	¥7,022	¥12,161	¥5,139	\$64,526	\$111,746	\$47,220



	Millions of yen		
	2019		
	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
Bonds and debentures	400	402	2
Subtotal	¥4,172	¥ 9,890	¥5,718
Other securities of which market values recorded in the balance sheets do not exceed their acquisition costs:			
Equity securities	¥ 271	¥ 169	¥ (102)
Bonds and debentures	700	699	(1)
Subtotal	¥ 971	¥ 868	¥ (103)
Total	¥5,143	¥10,758	¥5,615

Securities without market prices at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
	Amount recorded in the balance sheets	Amount recorded in the balance sheets	Amount recorded in the balance sheets
Investments in unlisted stocks	<b>¥392</b>	¥395	<b>\$3,598</b>
	<b>¥392</b>	¥395	<b>\$3,598</b>

#### 4. Inventories

Inventories at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Merchandise	<b>¥ 483</b>	¥ 531	<b>\$ 4,438</b>
Finished goods	<b>2,259</b>	2,369	<b>20,760</b>
Work in process	<b>1,316</b>	1,415	<b>12,088</b>
Raw materials and supplies	<b>2,611</b>	2,821	<b>23,994</b>
	<b>¥6,669</b>	¥7,136	<b>\$61,280</b>

#### 5. Short-term loans

Short-term loans at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
<b>Short-term loans:</b>			
0.23% to 0.38% unsecured loans from banks	<b>¥1,300</b>	¥1,300	<b>\$11,945</b>

## 6. 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
	2020	2019	2020
Balance at April 1, 2019	<b>¥7,384</b>	¥7,889	<b>\$67,846</b>
Service cost	<b>225</b>	275	<b>2,070</b>
Interest cost	<b>24</b>	26	<b>227</b>
Actuarial differences	<b>120</b>	(337)	<b>1,102</b>
Retirement benefits paid	<b>(364)</b>	(468)	<b>(3,345)</b>
Other	<b>1</b>	(1)	<b>11</b>
Balance at March 31, 2020	<b>¥7,390</b>	¥7,384	<b>\$67,911</b>

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at April 1, 2019	<b>¥5,059</b>	¥5,205	<b>\$46,483</b>
Expected return on plan assets	<b>126</b>	182	<b>1,162</b>
Actuarial differences	<b>(252)</b>	(203)	<b>(2,316)</b>
Contributions paid by the employer	<b>167</b>	176	<b>1,537</b>
Retirement benefits paid	<b>(279)</b>	(301)	<b>(2,568)</b>
Balance at March 31, 2020	<b>¥4,821</b>	¥5,059	<b>\$44,298</b>

(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
	2020	2019	2020
Funded retirement benefit obligation	<b>¥4,810</b>	¥4,868	<b>\$44,201</b>
Plan assets at fair value	<b>(4,821)</b>	(5,059)	<b>(44,299)</b>
	<b>(11)</b>	(191)	<b>(98)</b>
Unfunded retirement benefit obligation	<b>2,580</b>	2,516	<b>23,710</b>
Total Net liability (assets) for retirement benefit at March 31, 2020	<b>¥2,570</b>	¥2,325	<b>\$23,612</b>
Net defined benefit liability	<b>¥2,580</b>	¥2,516	<b>\$23,710</b>
Net defined benefit asset	<b>(10)</b>	(191)	<b>(98)</b>
Total Net liability (assets) for retirement benefit at March 31, 2020	<b>¥2,570</b>	¥2,325	<b>\$23,612</b>

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Service cost	¥225	¥275	\$2,070
Interest cost	25	26	227
Expected return on plan assets	(126)	(182)	(1,162)
Amortization: Unrecognized actuarial differences	(56)	30	(515)
Total retirement benefit costs for the fiscal year ended March 31, 2020	¥ 68	¥149	\$ 620

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Actuarial differences	¥428	¥164	\$3,934
Total balance at March 31, 2020	¥428	¥164	\$3,934

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unrecognized actuarial differences	¥(483)	¥(55)	\$(4,436)
Total balance at March 31, 2020	¥(483)	¥(55)	\$(4,436)

(7) Plan assets

① Components plan assets by major categories as a percentage of total plan assets were as follows:

	2020	2019
Bonds	31%	36%
General accounts	22	22
Equity securities	17	20
Other	30	22
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

	2020	2019
Discount rate	0.35%	0.35%
Expected rate of return on plan assets	2.5%	3.5%
Expected salary increase rate	1.9%	1.9%

Defined contribution plans

Amounts required to contribute to the defined contribution plans of certain consolidated subsidiaries was ¥39 million and ¥36 million for the year ended March 31, 2019 and 2020 respectively.

## 7. 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, 2020, 30.58% for the year ended March 31, 2019.

(1) Significant components of deferred tax assets and liabilities at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
<b>Deferred tax assets:</b>			
Net defined benefit liability	¥ 806	¥ 786	\$ 7,404
Impairment loss on fixed assets	436	531	4,011
Loss on valuation of investments in unconsolidated subsidiaries	419	381	3,846
Accrued bonuses	272	264	2,499
Accrued enterprise tax	133	127	1,222
Allowance for doubtful account	86	48	794
Loss on valuation of investments in securities	70	34	640
Intercompany profits	40	43	365
Other	239	253	2,199
Gross deferred tax assets	2,501	2,467	22,980
Less: valuation allowance	(1,072)	(1,076)	(9,853)
Total deferred tax assets	1,429	1,391	13,127
<b>Deferred tax liabilities:</b>			
Net unrealized holding gain on other securities	(1,564)	(1,709)	(14,371)
Special tax-purpose reserve for condensed booking of fixed assets	(278)	(279)	(2,553)
Unrealized gains on consolidated subsidiaries	(57)	(55)	(528)
Net defined benefit asset	(3)	(58)	(30)
Tax deductible reserves	(24)	(30)	(218)
Other	(6)	(6)	(49)
Gross deferred tax liabilities	(1,932)	(2,137)	(17,749)
Net deferred tax assets (liabilities)	¥ (503)	¥ (746)	\$ (4,622)

(2) The effective tax rates reflected in the accompanying consolidated statement of income for the years ended March 31, 2020 and 2019 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, 2020 and 2019 is omitted because the difference is less than 5% of the statutory tax rate.

## 8. 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.

## 9. Comprehensive Income

The amount of recycling and amount of income tax effect associated with other comprehensive income at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net unrealized holding gain on securities:			
Amount recognized in the period under review	¥(568)	¥(1,323)	\$(5,226)
Amount of recycling	93	(41)	854
Before income tax effect adjustments	(475)	(1,364)	(4,372)
Amount of income tax effect	144	413	1,328
Net unrealized holding gain on securities	(331)	(951)	(3,044)
Gain on deferred hedges:			
Amount recognized in the period under review	(0)	0	(0)
Amount of recycling	—	—	—
Before income tax effect adjustments	(0)	0	(0)
Amount of income tax effect	0	(0)	0
Gain on deferred hedges	(0)	0	(0)
Foreign currency translation adjustments:			
Amount recognized in the period under review	21	(169)	190
Amount of recycling	—	—	—
Before income tax effect adjustments	21	(169)	190
Amount of income tax effect	—	—	—
Foreign currency translation adjustments	21	(169)	190
Remeasurements of defined benefit plans			
Amount recognized in the period under review	(372)	134	(3,418)
Amount of recycling	(56)	30	(515)
Before income tax effect adjustments	(428)	164	(3,933)
Amount of income tax effect	130	(50)	1,198
Remeasurements of defined benefit plans	(298)	114	(2,735)
Share of other comprehensive income in equity method affiliates:			
Amount recognized in the period under review	(12)	(9)	(105)
Amount of recycling	11	(3)	100
Share of other comprehensive income in equity method affiliates:	(1)	(12)	(5)
Total other comprehensive income	(609)	(1,018)	(5,594)

## 10. 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, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash and deposits	¥41,906	¥40,879	\$385,063
Time deposits with maturities in excess of three months	—	—	—
Cash and cash equivalents	¥41,906	¥40,879	\$385,063

## 11. Subsequent event

Board of Directors resolved the following appropriation of retained earnings at the meeting held on April 30, 2020.

	Millions of yen	Thousands of U.S. dollars
Cash dividends	¥1,129	\$10,377



## 12. 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, 2020 and 2019 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, 2020	Millions of yen		
	Carrying value	Fair value	Difference
(1) Cash and deposits	¥ 41,906	¥ 41,906	—
(2) Trade notes and accounts receivable	26,377	26,377	—
(3) Marketable securities and investments in securities			
Other securities	12,161	12,161	—
(4) Long-term time deposits	21,500	21,500	—
Total assets	¥101,944	¥101,944	—
(1) Trade notes and accounts payable	¥ 14,364	¥ 14,364	—
(2) Short-term loans	1,300	1,300	—
(3) Other accounts payable	1,485	1,485	—
Total liabilities	¥ 17,149	¥ 17,149	—
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	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, 2020	Thousands of U.S. dollars		
	Carrying value	Fair value	Difference
(1) Cash and deposits	\$385,063	\$385,063	—
(2) Trade notes and accounts receivable	242,369	242,369	—
(3) Marketable securities and investments in securities			
Other securities	111,746	111,746	—
(4) Long-term time deposits	197,556	197,556	—
Total assets	\$936,734	\$936,734	—
(1) Trade notes and accounts payable	\$131,981	\$131,981	—
(2) Short-term loans	11,945	11,945	—
(3) Other accounts payable	13,641	13,641	—
Total liabilities	\$157,567	\$157,567	—
Total derivative transactions	\$ 0	\$ 0	—

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
	2020	2019	2020
Investments in unconsolidated subsidiaries and affiliates	<b>¥3,235</b>	¥3,032	<b>\$29,729</b>
Investments in unlisted stocks	<b>392</b>	395	<b>3,598</b>

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, 2020 and 2019.

March 31, 2020	Millions of yen			
	Within 1 year	Over 1 year Within 5 years	Over 5 years Within 10 years	Over 10 years
Cash and deposits	<b>¥41,906</b>	—	—	—
Trade notes and accounts receivable	<b>26,377</b>	—	—	—
Marketable securities and Investments in securities	—	—	—	—
Other securities with maturities (bonds)	—	<b>1,100</b>	<b>2,000</b>	—
Long-term time deposits	—	—	<b>21,500</b>	—
Total	<b>¥68,283</b>	<b>¥1,100</b>	<b>¥23,500</b>	—

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, 2020	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	<b>\$385,063</b>	—	—	—
Trade notes and accounts receivable	<b>242,369</b>	—	—	—
Marketable securities and Investments in securities	—	—	—	—
Other securities with maturities (bonds)	—	<b>10,108</b>	<b>18,377</b>	—
Long-term time deposits	—	—	<b>197,556</b>	—
Total	<b>\$627,432</b>	<b>\$10,108</b>	<b>\$215,933</b>	—

### 13. 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, 2020 and 2019.

Year ended March 31, 2020	Millions of yen		
	Reportable segments		
	Public sector	Private sector	Reportable segments total
Sales to customers	¥32,280	¥35,447	¥67,727
Intersegment	1	160	161
Total sales	32,281	35,607	67,888
Segment profits	¥ 5,040	¥ 5,868	¥10,908
Segment assets	¥44,976	¥50,595	¥95,571
Other:			
Depreciation and amortization	405	726	1,131
Impairment loss on fixed assets	—	—	—
Increase in property, plant and equipment and intangible assets	451	745	1,196

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, 2020	Thousands of U.S. dollars		
	Reportable segments		
	Public sector	Private sector	Reportable segments total
Sales to customers	\$296,608	\$325,716	\$622,324
Intersegment	6	1,469	1,475
Total sales	296,614	327,185	623,799
Segment profits	\$ 46,309	\$ 53,920	\$100,229
Segment assets	\$413,260	\$464,900	\$878,160
Other:			
Depreciation and amortization	3,719	6,668	10,387
Impairment loss on fixed assets	—	—	—
Increase in property, plant and equipment and intangible assets	4,147	6,848	10,995

**(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
	2020	2019	2020
Net sales			
Reportable segments total	<b>¥67,888</b>	¥67,221	<b>\$623,799</b>
Elimination of intersegment transactions	<b>(161)</b>	(168)	<b>(1,475)</b>
Net sales in the consolidated statements of income	<b>¥67,727</b>	¥67,043	<b>\$622,324</b>

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Segment profits			
Reportable segments total	<b>¥10,908</b>	¥10,631	<b>\$100,229</b>
Head office expenses*	<b>(555)</b>	(548)	<b>(5,095)</b>
Operating income in the consolidated statements of income	<b>¥10,353</b>	¥10,083	<b>\$ 95,134</b>

\* 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
	2020	2019	2020
Segment assets			
Reportable segments total	<b>¥ 95,571</b>	¥ 97,160	<b>\$ 878,160</b>
Company-wide assets*	<b>34,426</b>	32,191	<b>316,337</b>
Total assets in the consolidated balance sheets	<b>¥129,997</b>	¥129,351	<b>\$1,194,497</b>

\* 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	
	2020	2019	2020	2019
Other items				
Depreciation and amortization	<b>¥1,131</b>	¥1,042	<b>¥1,131</b>	¥1,042
Impairment loss on fixed assets	<b>—</b>	50	<b>—</b>	50
Increase in property, plant and equipment and intangible assets	<b>1,196</b>	1,147	<b>1,196</b>	1,147

	Thousands of U.S. dollars	
	Reportable segments total	The amount in the consolidated financial statements
	2020	2020
Other items		
Depreciation and amortization	<b>\$10,387</b>	<b>\$10,387</b>
Impairment loss on fixed assets	<b>—</b>	<b>—</b>
Increase in property, plant and equipment and intangible assets	<b>10,995</b>	<b>10,995</b>



## Independent Auditor's Report

To the Board of Directors of Sekisui Jushi Corporation

### Opinion

We have audited the accompanying consolidated financial statements of Sekisui Jushi Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statement of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all

relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Interest required to be disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.


**Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ohtemae Audit Corporation

Osaka City, Japan


June 24, 2020

田畑 昭雄 

Akio Tabata

Designated Engagement Partner

Certified Public Accountant

和田 裕之 

Hiroyuki Wada

Designated Engagement Partner

Certified Public Accountant

木梨 謙 

Jo Kinashi

Designated Engagement Partner

Certified Public Accountant

## Board of Management (As of June 25, 2020)

### 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**  
**Jun Hamada**  
**Katsuyoshi Sasaki**

### Auditors

Corporate Auditors  
**Takashi Kawarabayashi**  
**Yoshimasa Inaba**

Outside Auditors  
**Moritoshi Naganuma**  
**Tsuchikazu Oonaka**  
**Akira Tsujiuchi**

### Executive Officers

President  
**Hiroshi Baba**

Managing Executive Officer  
**Yutaka Shibamura**

Executive Officers  
**Jun Hamada**  
**Katsuyoshi Sasaki**  
**Eiji Sasaki**  
**Shuichiro Takabayashi**  
**Hiroo Moriyama**  
**Tomohisa Koyama**  
**Tomoyuki Kikuchi**  
**Nagaaki Miyoshi**  
**Masayuki Higashinaka**  
**Shigeaki Nishio**  
**Kaoru Ishida**  
**Masaaki Oe**  
**Banjo Fujii**

## Corporate Data (As of March 31, 2020)

### 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:

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

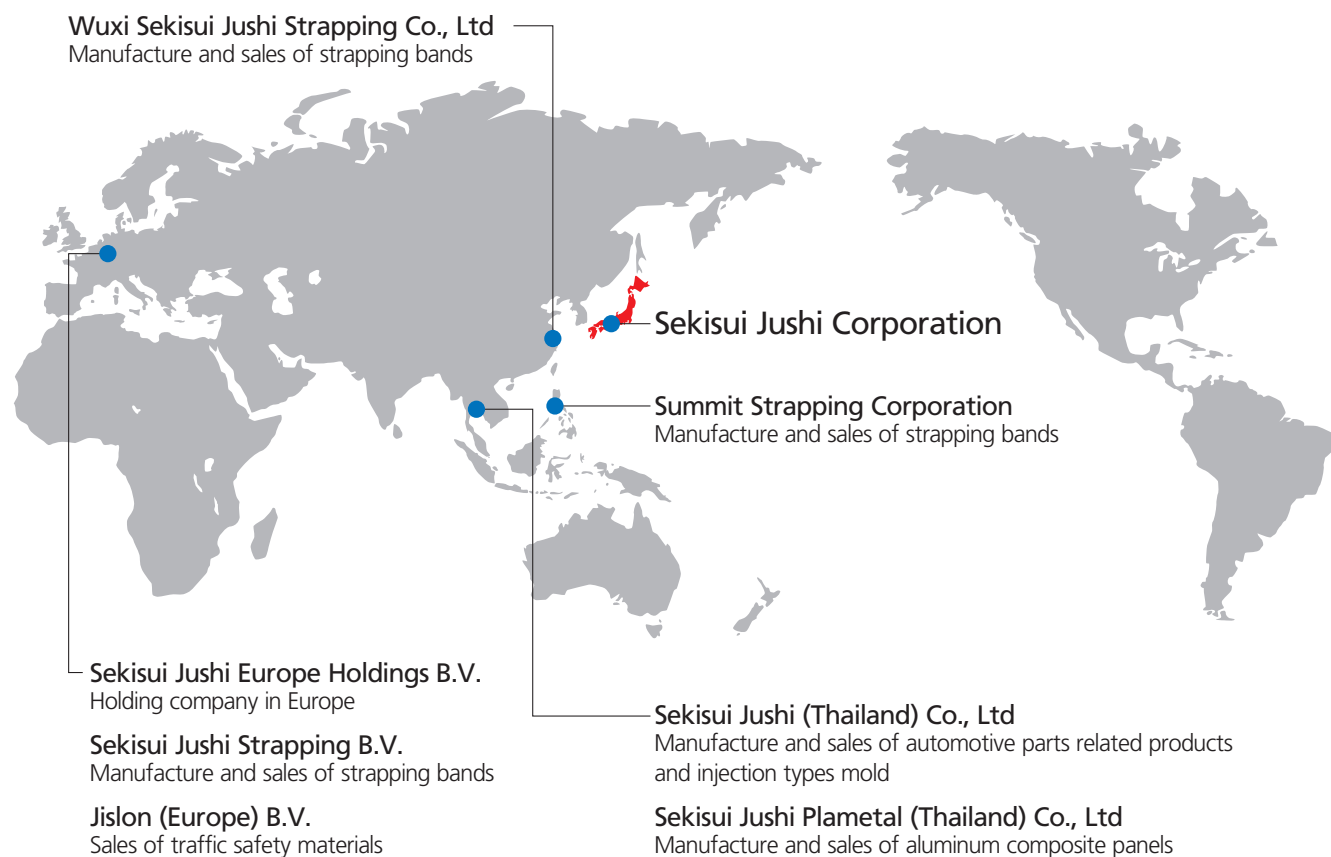
### Consolidated subsidiaries

24 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**

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

