

Summary of Consolidated Financial Results for the Second Quarter of Fiscal Year 2019 Ended March 31, 2020 <Under Japanese GAAP>

October 31, 2019

Company Name:	Sekisui Plastics Co., Ltd.
Stock Listings:	Tokyo Stock Exchange
Code Number:	4228
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Scheduled date for submission of quarterly financial statement:	November 14, 2019
Scheduled date for payment of dividends:	December 4, 2019
Quarterly earnings supplementary explanatory documents:	Yes
Quarterly earnings results briefing:	Yes (For securities analysts and institutional investor fund managers)

(Figures rounded down to the nearest million yen)

1. Consolidated Business Results for the Second Quarter FY 2019 (April 1, 2019 to September 30, 2019)

(1) Consolidated Business Results (% change from the previous year)

	Net Sales		Operating Income		Recurring Income		Net Income Attributable to Owners of the Parent	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
2nd Q of FY 2019	69,956	28.2	2,057	7.2	1,780	-8.6	1,187	-9.7
2nd Q of FY 2018	54,570	-0.2	1,918	-29.7	1,947	-28.7	1,315	-26.7

(Note) Comprehensive Income: September 30, 2019: 778 million yen (-30.2 %) September 30, 2018: 1,115 million yen (-64.0 %)

	Net Income Attributable to Owners of the Parent per Share	Net Income Attributable to Owners of the Parent per Share (Diluted)
	yen	yen
2nd Q of FY 2019	26.22	-
2nd Q of FY 2018	29.05	-

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	millions of yen	millions of yen	%
2nd Q of FY 2019	149,593	66,974	43.7
FY 2018	153,491	66,960	42.5

(Note) Shareholders' Equity: June 30, 2019: 65,297 million yen March 31, 2019: 65,193 million yen

2. Dividend Status

(Date of Record)	Dividend per Share				
	At the end of 1st Q	At the end of 2nd Q	At the end of 3rd Q	Year-end	Full year
	yen	yen	yen	yen	yen
FY 2018	-	13.00	-	17.00	30.00
FY 2019	-	13.00	-	-	-
FY 2019 (forecast)	-	-	-	17.00	30.00

Note: Recent revision of dividend estimates: No

3. Consolidated Forecast for FY2019 (April 1, 2019-March 31, 2020)

(% change from the previous year)

	Net Sales		Operating Income		Recurring Income		Net Income Attributable to Owners of the Parent		Net Income Attributable to Owners of the Parent per Share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	yen
Full Year	145,000	28.8	4,900	2.4	4,800	0.5	3,200	2.3	70.65

Note: Recent revision of consolidated forecast: No

Note:

- (1) Significant change of subsidiary companies during the term (change of specified subsidiaries that affected the scope of consolidated reporting): No
- (2) Application of simplified accounting methods or specialized methods for quarterly consolidated financial statements: No
- (3) Changes in accounting principles, methods or reporting methods affecting the production of the consolidated financial statement (fundamental changes in main reported item for the production of the consolidated financial statement)
- a) Changes caused by revisions to accounting principles: Yes
 - b) Changes other than a) : No
 - c) Amendments to accounting estimates: No
 - d) Restatements: No
- (4) Number of shares outstanding (common stock)
- a) Number of shares outstanding at year-end (including treasury stock)

2nd Q of FY2019	46,988,109 shares
FY2018	46,988,109 shares
 - b) Treasury stock at fiscal year-end

2nd Q of FY2019	1,697,493 shares
FY2018	1,696,864 shares
 - c) Average number of shares outstanding during the current term (quarterly consolidated cumulative total)

2nd Q of FY2019	45,290,905 shares
2nd Q of FY2018	45,291,761 shares

Note: The Quarterly Financial Report is not subject to the quarterly review.

Note: Explanation about appropriate use of performance forecast, other items (notes on future-related statements etc.)

The earnings forecasts and other forward-looking statements presented in this report are based on information available at the time of the report and on certain assumptions that the Company considers reasonable. Forward-looking statements in no capacity represent a guarantee that the Company will achieve the stated amounts. Various factors can cause actual results to differ materially from the forecasts. For important matters regarding the conditions associated with the assumptions of the forecasts and the appropriate use of the forecasts, please see " 2. Revision to the consolidated results forecast and other forward-looking information" on page 3 of the Quarterly Financial Report (Supplementary Material).

1. Qualitative Information and Financial Review

(1) Consolidated Business Results

The outlook for the global economy remained uncertain during the consolidated cumulative second quarter under review (April 1, 2019 to September 30, 2019) due to factors such as deceleration of the Chinese economy, the intensification of trade friction between the United States and China, heightened geopolitical risks in the Middle East, and the prolongation of the Brexit issue. The Japanese economy continues to show a gentle recovery as the employment and income environment improves despite continued weakness in exports and production. Japan's foam plastics industry faced ongoing difficulty of business conditions due to trends in oil prices and rising logistics costs. There is also concern about the impact of a series of natural disasters, including large-scale typhoons, and the impact of the increase in the consumption tax on the consumer mindset.

It was in this management environment that the Group formulated its three-year mid-term management plan "*Make Innovations Stage-IP*" starting in FY2019 to further strengthen the reforms implemented in the previous mid-term management plan, and we will advance "business portfolio transformation" and "execution of strategy aimed at strengthening our earnings structure," in addition to steadily implementing measures to cement our position as the environmental leading company.

Furthermore, the results for the six months from January 1 to June 30, 2019 of the Proseat Group acquired last fiscal year were reflected in the financial results for the consolidated second quarter under review. As a result, we recorded net sales of 69,956 million yen (up 28.2% year on year), operating income of 2,057 million yen (up 7.2%), recurring income of 1,780 million yen (down 8.6%) and net income attributable to owners of the parent of 1,187 million yen (down 9.7%).

Business results for each segment are described below.

<Human Life Segment>

Net sales in the Human Life segment reached 28,982 million yen (down 6.8% year on year), with segment profit of 1,556 million yen (up 28.7%).

In food containers, there has been a lack of vigor in demand from supermarkets, convenience stores, and others since the latter half of the first quarter. While business was steady in agriculture, demand in fishery continued to slump due to decreased catches. Meanwhile, construction materials/civil engineering performed well due to the contribution of projects acquired mainly in the Tokyo Metropolitan area, such as sporting facilities and associated construction and roadwork continuing on.

The sales volume of ESLEN Sheet, our mainstay product, was steady for general-purpose food containers, but the growth in heat-resistant food containers enabling heating in a microwave oven and containers for noodles that performed well last period ran its course, and volume was the same level as the same period of the previous fiscal year. Sales volume of ESLEN Beads remained at the same level as the same period of the previous fiscal year despite strong demand for embankment applications due to other demand generally being low.

Profit increased as a result of cost reductions and pricing revision compared to the same period of the previous fiscal year, when profit decreased significantly due to a delay in the timing of pricing revisions resulting from the impact of steeply increased raw material prices.

Civil engineering material AQUAROAD is a structural material used in resin storage infiltration tanks to temporarily store rainwater under roads and other structures during localized heavy rains. We have actively showed it at exhibitions, including Sewage Works Exhibition '19 Yokohama held in August 2019, and will contribute to mitigation of flooding and flood damage during heavy rains and disaster measures such as those designed to prevent river flooding.

<Industry Segment>

Net sales in the Industry segment reached 40,974 million yen (up 74.5% year on year), while segment profit was 866 million yen (down 21.4%).

In the home appliances and IT fields, sales of transport materials for LCD panels using PIOCELAN (polystyrene/polyolefin hybrid resin foam) and other materials grew in Northeast Asia and exceeded the level in the same period of the previous fiscal year. Meanwhile, sales of TECHPOLYMER (organic polymer particles) fell below the same period of the previous fiscal year due to the continued impact of inventory adjustment in light diffusion applications mainly for LCD panels.

In the automotive field, components using PIOCELAN and other products expanded globally while performing strongly in Japan. In the medical and health care fields, sales of ST-gel (a functional polymer gel) were weak due to the impact of factors such as trade friction, ELASTIL (a thermoplastic elastomeric bead foam) sales grew with the launch of mass production of midsoles for running shoes and its adoption in new models as well. The performance of the Proseat Group was weak due to the impact of poor sales by European auto manufacturers.

In the automotive and transportation equipment markets, there is demand for resins that can be used as structural components to contribute to higher heat resistance, higher strength, and weight reduction in order to save energy and reduce carbon dioxide

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emissions. The Company is working to develop foam that satisfies these requirements and has established mass production technology for foam that is heat resistant to 120°C, surpassing the heat resistance of conventional bead foam, which is between 80°C and 100°C. Moving forward, the Company will develop this foam under the ST-Eleveat brand, put it to practical use in parts that reach high temperatures, and expand the lineup to offer at least 120°C heat resistance.

With the aim of resolving the issue of plastic pollution of oceans, which is a new global environmental problem, the Company has been conducting development of plastics with excellent biodegradability, and developed the TECHPOLYMER EF series of biodegradable microparticles that are broken down in the natural environment. Sekisui Plastics will make an active contribution as the environmental leading company including application to a variety of uses such cosmetics and paint from the perspective of protecting the natural environment.

(2) Description of Financial Position

Total assets as of the end of the second quarter consolidated fiscal period under review reached 149,593 million yen (a drop of 3,898 million yen from the end of the previous consolidated fiscal year). Current assets fell by 6,931 million yen due mainly to a decrease in cash and deposits, and notes and accounts receivable. In addition, due mainly to an increase in property, plant and equipment, non-current assets increased by 3,033 million yen. In liabilities, a decrease in notes and accounts payable and the repayment of short-term loans were main causes of a 9,863 million yen drop in current liabilities, but long-term liabilities increased by 5,951 million yen due mainly to an increase in long-term loans. Net assets increased by 14 million yen, to 66,974 million yen, due mainly to an increase in retained earnings, with an equity ratio of 43.7%.

With regards to cash flow in the consolidated cumulative second quarter under review, cash flows from operating activities saw proceeds decreased by 599 million yen year-on-year, resulting in 1,733 million yen in net cash provided by operating activities, due mainly to the impact of the change in notes and accounts payable. Cash flow from investment activities saw expenses decrease by 1,590 million yen, resulting in 2,509 million yen in net cash used in investing activities, due mainly to decreased outlays for purchases of property, plant and equipment. Cash flows from financing activities saw expenses increase by 4,884 million yen due mainly to the impact of the net change in short-term loans and an increase in repayment of long-term loans, resulting in 2,735 million yen in net cash used in financing activities. As a result, the balance of cash and cash equivalents as of the end of the second quarter consolidated fiscal period under review fell by 3,842 million yen, to 7,428 million yen.

(3) Description of Consolidated Results Forecast and Other Forward-looking Information

There is no change in the consolidated forecast for the fiscal year ending March 31, 2020 previously announced on April 24, 2019.

2. Consolidated Financial Statements and Notes to Consolidated Financial Statements (Second Quarter, Fiscal Year 2019)

(1) Consolidated Balance Sheets

(Millions of Yen)		
	End FY2018	End 2nd Quarter, FY2019
	As of March 31, 2019	As of September 30, 2019
(Assets)		
Current assets		
Cash and deposits	11,278	7,436
Notes and accounts receivable, trade	32,915	29,869
Electronically recorded monetary claims	3,541	3,752
Merchandise and finished goods	7,937	8,048
Work in process	1,840	2,181
Raw materials and supplies	4,094	3,745
Other current assets	3,279	2,915
Allowance for doubtful accounts	(60)	(54)
Total current assets	64,826	57,895
Non-current assets		
Property, plant and equipment, net		
Buildings and structures	17,348	17,083
Machinery, equipment and vehicles	16,556	17,352
Land	21,176	21,183
Other	5,183	7,283
Total property, plant and equipment, net	60,265	62,902
Intangible assets		
Goodwill	1,585	1,447
Other	2,325	2,211
Total intangible assets	3,911	3,658
Investments and other assets		
Investments in securities	17,653	18,156
Assets for retirement benefits	5,163	5,325
Other	1,726	1,707
Allowance for doubtful accounts	(55)	(52)
Total investments and other assets	24,488	25,137
Total non-current assets	88,665	91,698
Total assets	153,491	149,593

Sekisui Plastics (4228)

Summary of Consolidated Financial Results for the Second Quarter of Fiscal Year 2019 Ended March 31, 2020

(Millions of yen)

	End FY2018	End 2nd Quarter, FY2019
	As of March 31, 2019	As of September 30, 2019
(Liabilities)		
Current liabilities		
Notes and accounts payable, trade	19,153	16,357
Electronically recorded obligations	8,346	7,348
Short-term debt	17,690	12,515
Accrued income taxes and other taxes	990	508
Allowance for bonuses to employees	1,056	1,030
Allowance for bonuses to directors and audit and supervisory board members	29	13
Other	8,997	8,625
Total current liabilities	56,264	46,400
Long-term liabilities		
Long-term debt	17,540	21,943
Liabilities for retirement benefits	3,212	3,317
Allowance for product compensation	190	166
Other	9,323	10,790
Total long-term liabilities	30,266	36,218
Total liabilities	86,531	82,618
(Net assets)		
Shareholders' equity		
Common stock	16,533	16,533
Capital surplus	16,532	16,532
Retained earnings	22,560	22,985
Treasury stock, at cost	(1,425)	(1,426)
Total shareholders' equity	54,200	54,625
Accumulated other comprehensive income:		
Unrealized holding gain on securities	8,799	9,156
Unrealized gain on land revaluation	1,479	1,479
Translation adjustments	190	(362)
Retirement benefits adjustments	524	398
Total accumulated other comprehensive income	10,992	10,672
Non-controlling interests	1,766	1,676
Total net assets	66,960	66,974
Total liabilities and net assets	153,491	149,593

(2) Consolidated Statement of Income and Statement of Comprehensive Income

Consolidated Statement of Income and
(Consolidated Cumulative Second Quarter)

(Millions of yen)

	2nd Quarter of FY2018	2nd Quarter of FY2019
	(From April 1, 2018 to September 30, 2018)	(From April 1, 2019 to September 30, 2019)
Net sales	54,570	69,956
Cost of sales	41,946	54,633
Gross profit	12,624	15,323
Selling, general and administrative expenses	10,705	13,266
Operating income	1,918	2,057
Non-operating income		
Interest income	2	3
Dividends income	169	171
Foreign exchange gain, net	33	—
Other	51	85
Total non-operating income	257	260
Non-operating expenses		
Interest expenses	89	195
Equity in losses of affiliates	0	6
Foreign exchange loss, net	—	147
Other	138	187
Total non-operating expenses	228	536
Recurring income	1,947	1,780
Extraordinary income		
Gain on sales of investments in securities	79	—
Total extraordinary income	79	—
Extraordinary loss		
Loss on disaster	31	—
Loss on devaluation of investment in securities	—	8
Total extraordinary loss	31	8
Income before income taxes	1,995	1,771
Income taxes	678	626
Net income	1,316	1,145
Non income attributable to:		
Non-controlling interests	1	(42)
Owners of the parent	1,315	1,187

Consolidated Statement of Comprehensive Income
(First Half, Fiscal Year 2019)

(Millions of yen)

	2nd Quarter of FY2018 (From April 1, 2018 to September 30, 2018)	2nd Quarter of FY2019 (From April 1, 2019 to September 30, 2019)
Net income	1,316	1,145
Other comprehensive loss		
Unrealized holding (loss) gain on securities	(79)	357
Translation adjustments	72	(597)
Retirement benefits adjustments	(193)	(126)
Total other comprehensive loss	(200)	(366)
Comprehensive income	1,115	778
Comprehensive income attributable to:		
Owners of the parent	1,114	775
Non-controlling interests	1	3

Summary of Consolidated Financial Results for the Second Quarter of Fiscal Year 2019 Ended March 31, 2020

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	2nd Quarter of FY2018	2nd Quarter of FY2019
	(From April 1, 2018 to September 30, 2018)	(From April 1, 2019 to September 30, 2019)
Operating activities:		
Income before income taxes	1,995	1,771
Adjustment for:		
Depreciation and amortization	2,100	2,934
Amortization of goodwill	10	85
Decrease in allowance for doubtful accounts	(3)	(6)
Interest and dividend income	(172)	(175)
Interest expenses	89	195
Equity in earnings of affiliates	0	6
Decrease in allowance for bonuses to employees	(49)	(26)
Decrease in allowance for product warranty	(41)	(24)
Decrease in liabilities for retirement benefits	(410)	(234)
Loss on sales of investments in securities	(79)	—
Gain on devaluation of investments in securities	—	8
Gain on sales and retirement of property, plant and equipment	33	22
Increase in notes and accounts receivable	2,335	2,371
Decrease in inventories	(394)	(292)
Decrease in notes and accounts payable	(1,632)	(3,289)
Other	(539)	(782)
Subtotal	3,243	2,564
Interest and dividends received	172	175
Interest paid	(109)	(251)
Proceeds from insurance claims	2	8
Income taxes paid	(975)	(762)
Net cash provided by operating activities	2,332	1,733
Investing activities:		
Purchases of property, plant and equipment	(4,276)	(2,986)
Proceeds from sales of property, plant and equipment	23	12
Purchases of investments in securities	(2)	(4)
Proceeds from sales of investments in securities	125	—
Increase in short-term and long-term loans receivable	(3)	(0)
Collection of short-term and long-term loans receivable	18	430
Other	13	37
Net cash used in investing activities	(4,099)	(2,509)
Financing activities:		
Decrease in short-term debt, net	(1,185)	(2,559)
Proceeds from long-term debt	6,952	5,966
Repayment of long-term debt	(2,766)	(3,894)
Cash dividends paid	(677)	(769)
Cash dividends paid to non-controlling interests	(2)	(2)
Expenses resulting from acquisition of subsidiary not associated with change in scope of consolidation	(58)	—
Decrease in other long-term liabilities	—	(1,246)
Other	(112)	(230)
Net cash provided by (used in) financing activities	2,149	(2,735)
Effect of exchange rate change on cash and cash equivalents	26	(331)
Net increase (decrease) in cash and cash equivalents	409	(3,842)
Cash and cash equivalents at the beginning of term	5,117	11,271
Cash and cash equivalents at the end of term	5,527	7,428

(4) Notes to Consolidated Financial Statements

(Notes regarding the premise of a going concern)

No significant changes during the term under review.

(Significant Change in Shareholder Equity)

No significant changes during the term under review.

(Changes in Accounting Policies)

(Adopted IFRS No.16 “Leases”)

Overseas subsidiaries applying International Financial Reporting Standards have applied International Financial Reporting Standard No.16 “Leases” (hereinafter referred to as “IFRS No.16”) from the consolidated first quarter. As a result, the lessee in leases is required, in principle, to recognize all leases as assets and liabilities on the balance sheet. In accordance with transitional agreements to apply IFRS No.16, the cumulative effect of the change in the accounting policy has been recognized under retained earnings at the start of the consolidated first quarter.

As a result, property, plant and equipment increased by 2,792 million yen, current liabilities increased by 378 million yen and long-term liabilities increased by 2,434 million yen as of the end of the consolidated second quarter under review. The impact on profit and loss during the consolidated cumulative second quarter under review is minor. Furthermore, the impact on retained earnings at the start of the consolidated second quarter under review is minor.

(Business combinations, etc.)

Finalization of provisional accounting treatment for business combinations

In the previous consolidated fiscal year, the business combination with the Proseat Group of February 19, 2019 was accounted for provisionally, but the treatment has been finalized in the consolidated second quarter under review.

In conjunction with the finalization of this provisional accounting treatment, the comparative information included in the quarterly consolidated financial statements for the consolidated cumulative second quarter under review has been revised to reflect a significant change to the allocation of the acquisition cost, and part of the amount recorded as goodwill has been reclassified.

As a result, the provisional goodwill amount of 2,100 million yen has been reduced by 566 million yen to 1,533 million yen. Additionally, other intangible assets increased by 1,213 million yen, other long-term liabilities increased by 457 million yen, and non-controlling interests increased by 188 million yen as of the end of the previous consolidated fiscal year.

(Segment Information, etc.)
(Segment Information)

1. Consolidated 2nd Quarter of FY2018 (April 1, 2018 to September 30, 2018)
Information as to sales and income (loss) on each reportable segment

(Millions of yen)

	Reportable Segments			Adjustments and eliminations (*1)	Quarterly consolidated statement of income amount (*2)
	Human Life	Industry	Total		
Net sales:					
Sales to third parties	31,090	23,480	54,570	—	54,570
Intersegment sales and transfers	1,696	684	2,381	(2,381)	—
Total	32,787	24,165	56,952	(2,381)	54,570
Segment income (loss)	1,209	1,102	2,311	(364)	1,947

(Notes)

Adjustments and eliminations in the preceding table were as follows:

Segment income in the amount of (364) million yen includes elimination of inter-segment transactions in the amount of (6) million yen and unallocated corporate expenses of (357) million yen.

Segment income was adjusted for recurring income in the quarterly consolidated statement of income.

Names of major products belonging to each segment

Human Life Segment:

ESLEN Beads, ESLEN Sheet, ESLEN Wood, INTERFOAM, other foamed / molded products.

Industry Segment:

PIOCELAN, LIGHTLON, NEOMICROLEN, CELPET, TECHPOLYMER, ST-gel, TECHEATER, ELASTIL, ST-LAYER, other foamed/molded products.

2. Consolidated 2nd Quarter of FY2019 (April 1, 2019 to September 30, 2019)
Information as to sales and income (loss) on each reportable segment

(Millions of yen)

	Reportable Segments			Adjustments and eliminations (*1)	Quarterly consolidated statement of income amount (*2)
	Human Life	Industry	Total		
Net sales:					
Sales to third parties	28,982	40,974	69,956	—	69,956
Intersegment sales and transfers	333	81	414	(414)	—
Total	29,316	41,055	70,371	(414)	69,956
Segment income (loss)	1,556	866	2,423	(642)	1,780

(Notes)

Adjustments and eliminations in the preceding table were as follows:

Segment income in the amount of (642) million yen includes elimination of inter-segment transactions in the amount of (0) million yen and unallocated corporate expenses of (642) million yen.

Segment income was adjusted for recurring income in the quarterly consolidated statement of income.

Names of major products belonging to each segment

Human Life Segment:

ESLEN Beads, ESLEN Sheet, ESLEN Wood, INTERFOAM, other foamed / molded products.

Industry Segment:

PIOCELAN, LIGHTLON, NEOMICROLEN, CELPET, TECHPOLYMER, ST-gel, TECHEATER, ELASTIL, ST-LAYER, other foamed/molded products.