



**JSP Annual Review**

# 2019

Year ended March 31, 2019

*Deliver with*  
**WOW!**

## Contents

|  |    |
|--|----|
| Corporate Philosophy / Management Philosophy         | 2  |
| About JSP  | 3  |
| Financial Highlights                                 | 4  |
| Interview with the President                         | 5  |
| Review by Business Segment                           | 9  |
| ESG Information                                      |    |
| Environmental and Social Activities in Japan in 2018 | 11 |
| Corporate Governance                                 | 15 |
| Consolidated Balance Sheets                          | 19 |
| Consolidated Statements of Income                    | 21 |
| Consolidated Statements of Changes in Net Assets     | 22 |
| Consolidated Statements of Cash Flows                | 23 |
| Stock Information                                    | 24 |
| Global Network                                       | 25 |
| Corporate Data                                       | 26 |



### Forward-looking statements —

This annual review includes forward-looking statements related to JSP Corporation's plans, strategies, and business results. These statements represent judgments of JSP based on information available at the time of writing. As such, these statements are subject to risks and uncertainties. Please understand that actual performance may differ from these forward-looking statements.

### Editorial policy

This report has been compiled so as to provide our shareholders, investors and other stakeholders with an understanding of the process toward achievement of JSP's medium to long-term vision. In addition to the financial information detailed in our previous annual reports, including our business results and management plans, from this fiscal year we are also publishing non-financial information, including our medium to long-term business strategy and ESG (environmental, social and governance) data.

### Report period

April 1, 2018 – March 31, 2019  
(partially includes activities carried out from April 2019)

### Information disclosure



JSP website <https://www.jsp.com>



## Corporate Philosophy

### “Creatively and Actively Contribute to Society”

JSP is a market leader in the engineered foamed products industry and has been pioneering foamed products since its founding in 1962. We develop products that take full advantage of the potential of foamed products for virtually every field of industry, where they contribute to developing industry and enriching people's lives around the world.

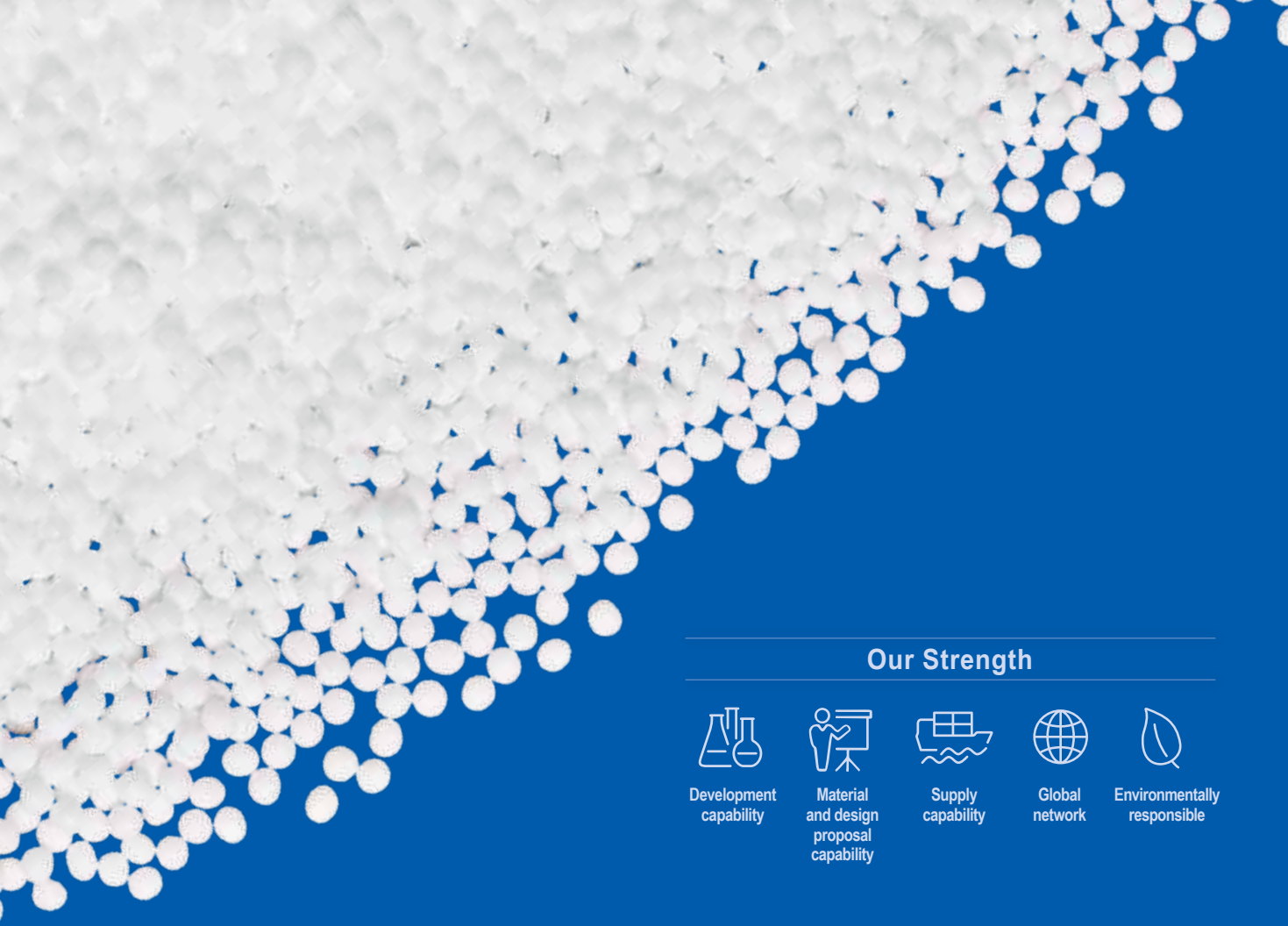
We have cultivated our business activities in line with our deep respect for the natural environment and design each of our products from the earliest R&D stages to have minimal impact on the environment.

JSP is creating new value for customers worldwide through engineered foamed products utilizing our leading capabilities developing products that “break the mold” of existing concepts, proposing products and materials that meet current and future market needs, and supplying customers from a worldwide network of production bases.

## Management Philosophy

*Deliver with  
WOW!*

- Inspire customers and consumers
- Deliver satisfaction to shareholders and the community
- Be excited about our work



## FINANCIAL HIGHLIGHTS

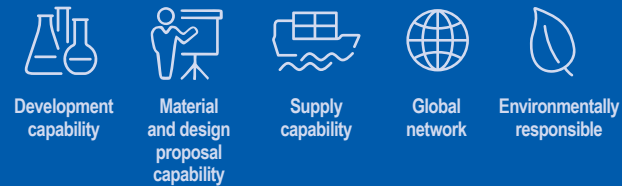
JSP Corporation and Consolidated Subsidiaries—Year ended March 31, 2019

|   | Millions of yen |          |          |          |          | Thousands of U.S. dollars <sup>1</sup> |
|---|-----------------|----------|----------|----------|----------|--|
|   | 2019            | 2018     | 2017     | 2016     | 2015     | 2019                                   |
| <b>FOR THE YEAR:</b>                            |                 |          |          |          |          |  |
| Net sales                                       | ¥116,133        | ¥114,284 | ¥109,048 | ¥114,904 | ¥116,923 | \$1,046,337                            |
| Operating income                                | 5,479           | 9,105    | 9,612    | 9,278    | 5,667    | 49,370                                 |
| Ordinary income                                 | 5,835           | 9,217    | 10,033   | 9,101    | 6,044    | 52,577                                 |
| Income before income taxes                      | 6,047           | 9,488    | 10,013   | 8,752    | 6,000    | 54,486                                 |
| Net income attributable to owners of the parent | 4,309           | 6,853    | 7,301    | 5,914    | 4,039    | 38,829                                 |
| <b>AT YEAR-END:</b>                             |                 |          |          |          |          |  |
| Total assets                                    | 129,229         | 125,728  | 113,151  | 115,136  | 116,717  | 1,164,339                              |
| Total net assets                                | 84,141          | 84,105   | 76,778   | 72,497   | 70,352   | 758,099                                |
| Shareholders' equity                            | 80,239          | 79,524   | 72,532   | 67,890   | 65,307   | 722,943                                |
| <b>PER SHARE INFORMATION</b>                    |                 |          |          |          |          |  |
|   | Yen             |          |          |          |          | U.S. dollars <sup>1</sup>              |
| Net income <sup>2</sup>                         | ¥ 144.57        | ¥ 229.91 | ¥ 244.94 | ¥ 198.40 | ¥ 135.50 | \$ 1.30                                |
| Cash dividends                                  | 50.00           | 50.00    | 50.00    | 40.00    | 30.00    | 0.45                                   |
| Total net assets                                | 2,691.76        | 2,667.72 | 2,433.10 | 2,277.32 | 2,190.61 | 24.25                                  |

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥110.99=US\$1.

2. Net income per share is computed based on the weighted-average number of shares of common stock outstanding during each year.

### Our Strength



## Global supplier of foamed products



### Automotive

JSP technologies offer a wide range of performance benefits to automobile manufacturers, from enhancing collision safety performance to reducing vehicle weight and improving fuel efficiency. JSP supplies leading automakers with automotive components that take full advantage of the unique capabilities of high-performance foamed products, highlighted by our revolutionary lightweight and shock-absorbent ARPRO (Expanded Poly Propylene) material.



### Construction

JSP insulation materials contribute to creating comfortable home living environments by providing exceptional insulation performance for heat and cold retention and water shedding. Our core expanded polystyrene product MIRAFOAM is widely used in homes, apartment and office buildings, and other large structures and by commercial operators with refrigerated warehouses.



### Civil engineering

JSP products help ensure the safety of social infrastructure as key components in road construction, soft-ground stabilization, landslide prevention, and other civil engineering applications. Our STYRODIA BLOCK products combining expandable polystyrene and lightweight mortar wall surfacing materials enable fast and easy wall construction. The blocks, which are lightweight, easy to work with, and highly resistant to corrosion, make the most of the unique characteristics of foamed materials to provide new value in the civil engineering field.



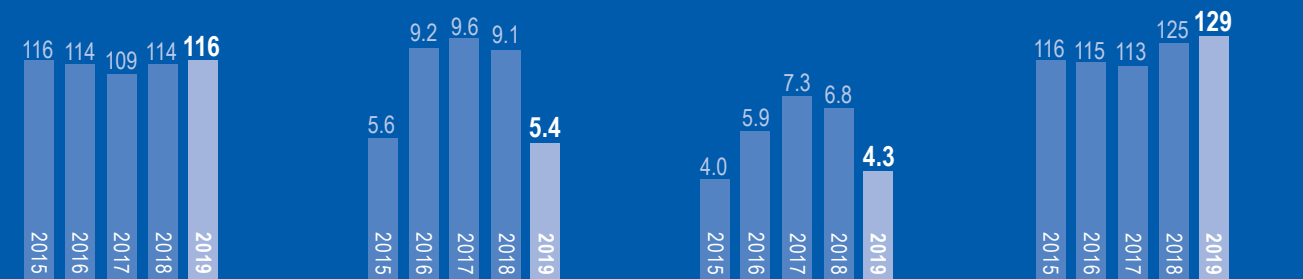
### Packaging

JSP develops and provides packaging solutions for safe transport of items ranging from household electronics to precision equipment and fragile items. Our MIRAMAT series of low-density expanded polyethylene products provides exceptional cost and performance advantages from its combination of extreme versatility, high durability, and reusability. These attributes have made MIRAMAT a leading packaging material in the distribution field, particularly for use as long-lasting and reliable cushioning for items requiring extended shipping and storage periods.



### Food packaging

JSP food packaging materials play an integral role in food safety. Our STYRENE PAPER expanded polystyrene sheet is used as insulation in hot and cold containers to preserve the freshness of fish, meat, and vegetables during transport. We are constantly developing products offering both high performance and convenience to meet the evolving lifestyle needs and food preferences.



**Net sales**  
(Billions of yen)

+1.6%

Net sales in Japan increased year on year on higher sales of value-added products and revised product prices. Global net sales were flat owing to decreased sales in South Korea and the slower global economic growth in the fourth quarter.

**Operating income**  
(Billions of yen)

-39.8%

Overall sales increased from the revised product prices and increased sales of high value-added products. Global operating income fell sharply due to higher material costs, intensified competition in Asia, and increased investment. Domestic operating income declined from slow implementation of price revisions following rises in raw materials and shipping costs.

**Net income attributable to owners of the parent**  
(Billions of yen)

-37.1%

Net income attributable to owners of the parent declined 37.1% year on year to ¥4.3 billion. Extraordinary income primarily comprised the sale of investment securities.

**Total assets**  
(Billions of yen)

+3.1%

Total assets increased due to the rise in fixed assets from our aggressive capital investment.



## INTERVIEW WITH THE PRESIDENT

*We aim to continue growing together with our customers and all stakeholders as we “Deliver with WOW!”*

**Yukio Sakai**  
President,  
Representative Director

### Progress with the Medium-Term Business Plan and outlook for fiscal 2020

March 2019 marked the end of the first year of the Deeper & Higher 2020 plan to fiscal 2020. Allow me to begin with a brief summary of our overall earnings performance. Net sales increased 1.6% year on year while operating income declined 39.8%, as both were below our original forecasts at the start of the year. The main factors behind the shortfalls were higher raw material and transport costs, along with our inability to revise our product prices in time to mitigate the impact of the increased costs. After these results, we are redoubling our product portfolio management, SWOT analysis, and other management measures to ensure we accurately grasp present business conditions and quickly get back on track to attain the targets in our medium-term plan.

Looking ahead, we expect to raise both sales and profits in the fiscal year to March 2020 as our revised product prices gradually start bringing in more revenue while prices of raw materials remain more stable than in the previous fiscal year. At the same time, we expect costs to continue rising for transportation and in other areas. We anticipate a very challenging business environment and therefore will intensify the role of management over the whole Group.

### Deeper & Higher 2020

▶ Medium-Term Vision

**Deeper & Higher**

▶ Basic Policy



**Promote the Differentiation Strategy**

- Further cultivate existing business and uncover advantages
- Pursue true customer needs by being closer to users
- Link marketing activities with customer needs



**Promote the Growth Strategy**

- Concentrate management resources into four growth engines
- Drive sustainable growth with a fine balance between being aggressive and defensive



**Fortify the Management Base**

- Foster involvement of all employees through human resource development
- Foster a corporate culture based on health and safety and environmental preservation
- Strengthen corporate governance

### Long-term vision for the Company in 2027

Management is strongly focused on attaining our yearly performance targets and fulfilling the expectations of our shareholders. As the Company President, my main objective is to achieve sustained growth over the longer term. To guide us in that direction, last year we set the long-term Vision 2027 and our guiding motive to “Deliver with WOW!”

We use the word “WOW!” because we aim to supply products and services that provide solutions meeting our customers’ true underlying needs. In other words, we want to provide value that surprises and impresses our customers. In this way, we will establish JSP as a brand that customers know they can rely on to provide solutions that put their needs first and foremost.

The value I am talking about here goes beyond providing products that are innovative or that offer superior performance. It’s value creation in many ways, including proposing new uses for existing products or supplying processing services that help customers with their labor saving needs. We will continue to offer new products and high value-added services as we seek to fulfill our vision to become a “true global supplier and a company needed by society.”

### Building a high-revenue business structure

We are currently advancing a strategy of “Four Growth Engines” to drive us to our long-term vision. This strategy focuses our investments into the four areas of automotive components, building and home insulation materials, flat panel display protective materials, and new business domains to create new added value for our products and expand our market shares in each segment.

In fiscal 2018, we focused marketing activities on our high value-added MIRAMAT ACE products in the flat panel display protective materials segment and generated more sales than we had originally projected. Building and home insulation materials sales grew from demand for MIRAFOAM and from growing attention for the capability of our prefab products to improve work efficiency at construction sites. We also enhanced sales of our ARPRO high-performance materials by expanding its use in new automotive parts and widening its appli-

cations in other areas. In the fourth engine of new business domains, we created a new Business Strategy Office and formulated a management structure to facilitate alliances overseas and promote business development worldwide. Our focus now is on developing markets in the Group's strength areas of foamed and packing materials.

We will also continue investing to make our strong businesses even stronger and to accelerate new business creation. One such investment in 2018 was the construction of a new plant at our factory complex in Kansai to increase our production capacity of MIRAFOAM and pre-cut MIRAFOAM products in anticipation of growing demand for housing and building insulation materials. While it will take time for these investments to start generating profits, we will continue to aggressively implement the strategy to formulate a robust portfolio of multiple high-earnings businesses.

### Strengthening our human resources for sustained growth

Companies nowadays are often evaluated by the strength of their commitment to environmental, social and governance (ESG) considerations, such as the United Nations' Sustainable Development Goals. JSP is focusing on supplying products that contribute to solving social issues, such as materials that reduce vehicle weights and improve fuel efficiency. Sustainable management, however, must have a solid foundation, which is built by carefully cultivating human resources, corporate governance, environmental protection, and health and safety. This is the reason that one of the key strategies in our medium-term plan is to fortify the management base.

While we try to create "WOW!" for our customers, my main focus is on cultivating a work force that feels the "WOW!" themselves. I believe that when we become a company where our employees and everyone around them share the same objectives, we will be enthusiastic about developing products and services beneficial to society, engaging in environmental protection activities, and making a safe and secure workplace. And that is when we will be a company truly able to "Deliver with WOW!" to society.

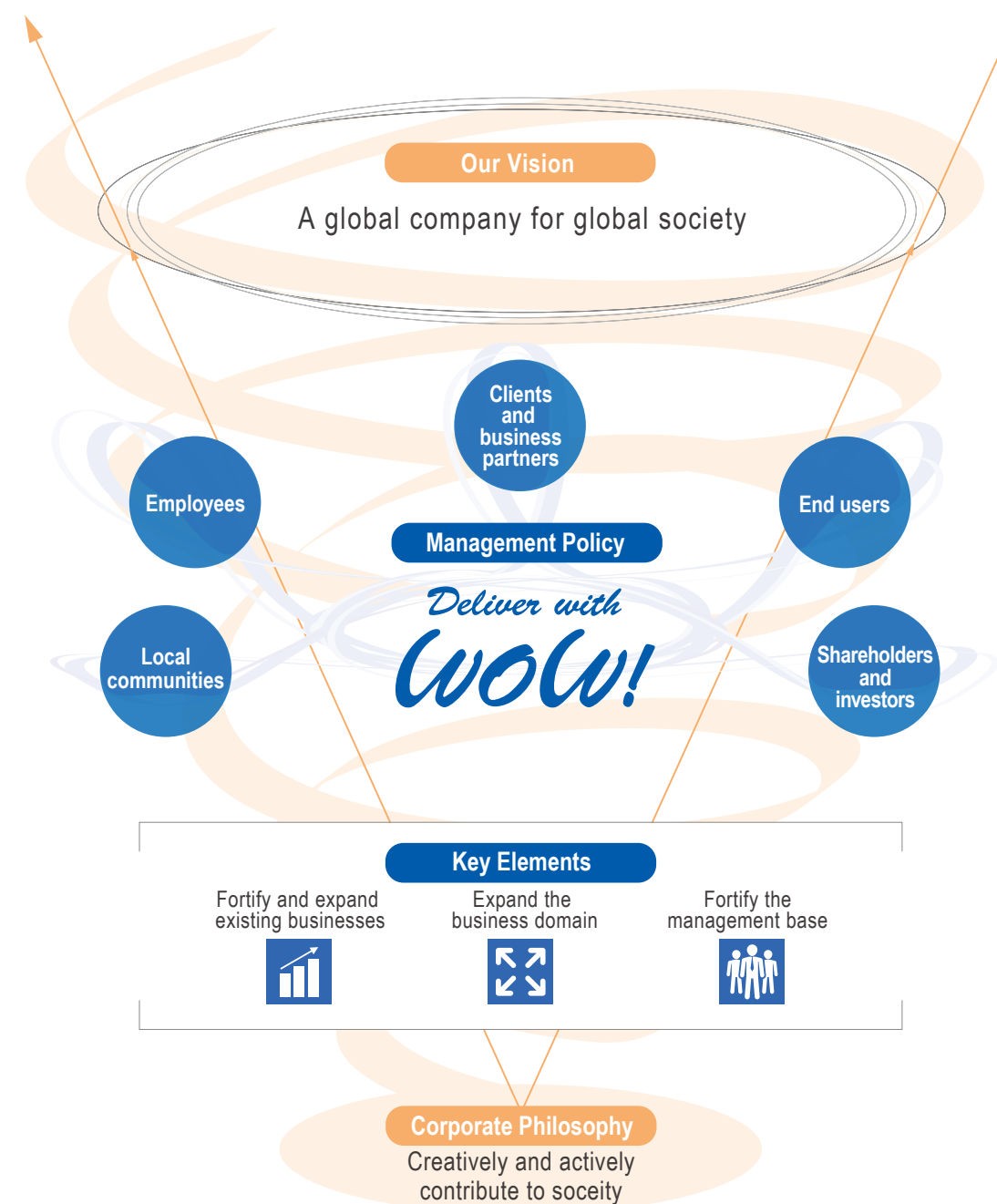
Corporate scandals in recent years have made the importance of corporate governance very clear. I believe that such scandals occur because companies concentrate too much on the profits their products can make.

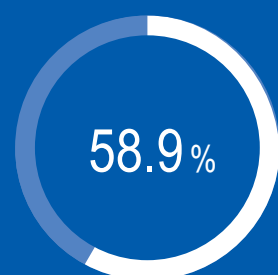
In my view, employees that focus on working with customers and stakeholders to create dynamic products to benefit society will be proud of their work and therefore be more resistant to making improper choices.

That's the message I communicated to employees when we discussed the meaning of "WOW!" during my visits with JSP employees around the world last year. Realistically, I can't expect everyone to fully comprehend from just one meeting with the company president how this approach affects everything we do for the better. So, I intend to continue repeating the message until it resonates throughout the Group. Right now, this is an ongoing project, but I believe we are cultivating invaluable human resources for the long term that will enable us to realize ongoing growth far into the future.



## Vision 2027





Percentage of total sales

## Bead Business

Sales rose only slightly as lower sales in South Korea offset higher sales in North American and China. Earnings declined due to slow pricing revisions in reaction to higher raw material costs.

| Amounts in millions of yen | 2019    | 2018    | YoY    |
|----------------------------|---------|---------|--------|
| <b>Net sales</b>           | ¥68,449 | ¥68,261 | +0.3%  |
| <b>Operating income</b>    | 3,782   | 7,154   | -47.1% |



ARPRO

### Expanded polypropylene

Market conditions for the expanded polypropylene material ARPRO continued to include high raw material prices in North America. Sales were strong in South America supported by recovery in the automobile sales in Brazil. Sales in Europe were flat year on year owing to slower economic growth in the fourth quarter. In Asia, sales were strong in Japan on increased sales of the new rear seat core materials. Sales in China were even with the previous year, supported by strong first half sales. Sales fell sharply in South Korea and were impacted in other regions in the fourth quarter by the slower economic growth.



STYRODIA

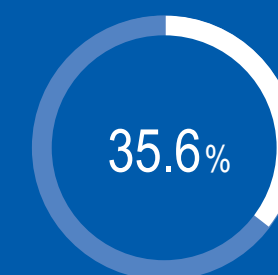
### Expandable polystyrene

Sales increased for expandable polystyrene bead products, chiefly STYRODIA, despite weaker demand from some sectors. Sales were strong to the home appliance sector and for functional bead products, while product price revisions to reflect higher raw materials cost also helped.

## Extrusion Business

Segment sales increased supported by increased value-added product sales and product price revisions. Earnings decreased due to slow adoption of price revisions to reflect higher costs for raw materials and cargo transport along with lower sales of materials used in household materials.

| Amounts in millions of yen | 2019    | 2018    | YoY   |
|----------------------------|---------|---------|-------|
| <b>Net sales</b>           | ¥41,388 | ¥40,245 | +2.8% |
| <b>Operating income</b>    | 2,468   | 2,692   | -8.3% |



Percentage of total sales

### Food packaging/containers

The sales volume declined for STYRENE PAPER (expanded polystyrene sheet used in food packaging) and other materials used in general products declined in the food tray segment and for MIRABOARD used for advertising displays. However, product price revisions helped produce a rise in sales revenue.



STYRENE PAPER

### Industrial packaging materials

Sales of MIRAMAT expanded polyethylene sheet used for flat panel display substrates and home appliance industrial packaging led the growth in sales for industrial packaging materials amid increased demand for value-added products.



MIRAMAT

### Home and building insulation materials and civil engineering materials

Sales increased on strong demand for the expanded polystyrene extruded board MIRAFOAM and other construction and civil engineering materials supported by solid construction industry demand for high-performance thermal insulation and pre-cut products.



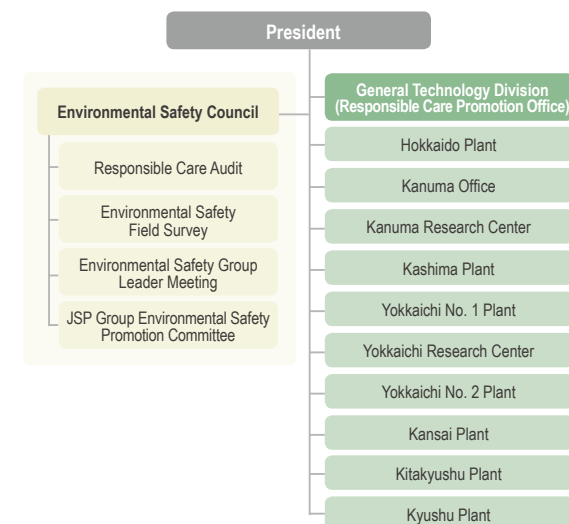
MIRAFOAM

## Environmental and Social Activities in Japan in 2018

The JSP Group carries out various activities, centered on responsible care initiatives, for the benefit of the global environment and society in line with its Corporate Philosophy and as part of its efforts to maintain sustained growth.

### Responsible Care Management

**Responsible Care is the chemical manufacturing industry's environmental, health, safety and security performance initiative. JSP is engaged in RC activities from six sides.**



### Responsible Care Policy

JSP, as an internationally competitive firm dedicated to safety and protecting the environment, conducts business activities to fulfill the expectations and earn the trust of all shareholders.

### Safety Policy

Bearing in mind that safe and stable operations are the foundation of business activities, JSP constantly seek to prevent accidents and disasters. We comply with laws, regulations, and standards related to employee health and safety, accident prevention, and product safety. We continuously improve our health and safety management and accident prevention system, and conduct companywide activities for health and safety and accident prevention.

### Environmental Policy

JSP conducts business activities that protect the environment and manufactures products that are environmentally friendly. We comply with laws, regulations, and standards related to environmental protection. We continually improve our environmental management systems and seek to improve its environmental performance.

### Structure for Responsible Care

JSP Corporation's structure for responsible care is organized with the Environmental Safety Council as the highest decision-making body for quality assurance issues. Chaired by the president, the committee deliberates and decides corporate policies related to RC activities, conducts responsible care audits which it uses to update internal regulations and set targets for internal initiatives and the company's medium and long-term plans.

The Company seeks to effectively execute responsible care activities by holding an Environmental Safety Group Leader Meeting at all JSP business sites and by sharing information throughout the Group through the Environmental Safety Promotion Committee and Environmental Safety Field Surveys at all JSP Group firms.

## Supporting Our Earth's Environment

**We are systematically advancing initiatives to reduce our environmental footprint.**

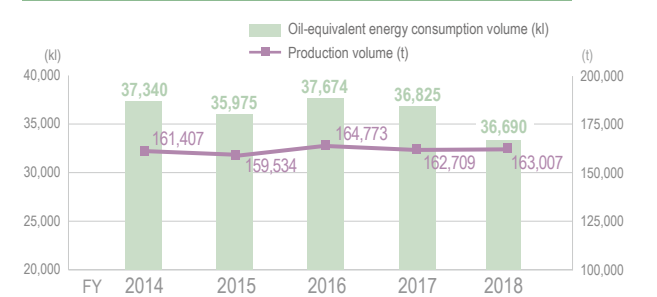
### Reducing Energy Consumption

In fiscal year 2018, efforts including introducing energy efficient equipment, installing LED lighting, and improving production efficiency lowered our energy consumption per production unit to 99.1% from the previous fiscal year, figures based on the energy use consumption rate\*. This put our average improvement rate for five years to 99.3%, short of our target to improve the annual average by 1% or more.

We will continue to hold our regular Energy Conservation Promotion Manager Meetings, horizontally implement energy-saving initiatives, and share information about highly energy-efficient equipment to meet our goals for energy efficiency.

\* Energy use consumption rate method: The energy consumption rate is calculated for each product line, and a year-on-year comparison of the energy consumption rate of the overall business is then made based on each product line's share of energy usage.

Oil-equivalent energy consumption volume



### Reducing Water Consumption

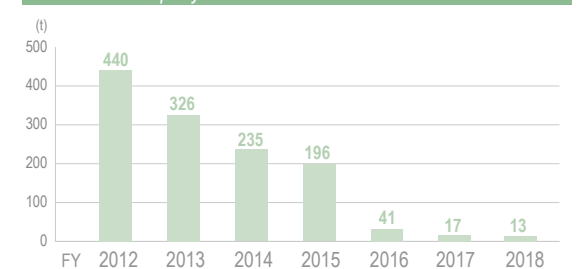
The Company cut water usage at the Kitakyushu Plant by 44% and water drainage volume by 50% in fiscal year 2018 by installing boiler condensation inhibitors and increasing its water recycling rate. The Company is currently implementing the same procedures at the Kanuma No. 2 Plant and Yokkaichi No. 2 Plant.

The Company's 11 business sites and two research centers, depending on their locations, generally use groundwater, industrial water, or purified water. Installed meters monitor the water usage volume and action is immediately taken if flow volumes fluctuate unexpectedly.

### Reducing Total Landfill Waste Volume

The Company systematically implemented measures to reduce waste produced at its business sites to fulfill the fiscal year 2018 target of the medium-term plan for responsible care to reduce waste delivered to final landfill sites by over 80% from fiscal year 2014. Proactive recycling efforts along with careful selection of waste processing contractors and attentive separation of waste materials enabled us to further reduce waste delivered to landfills from fiscal year 2017 to 13 tons in fiscal year 2018, a reduction of 88% from fiscal year 2014, as we again achieved our target.

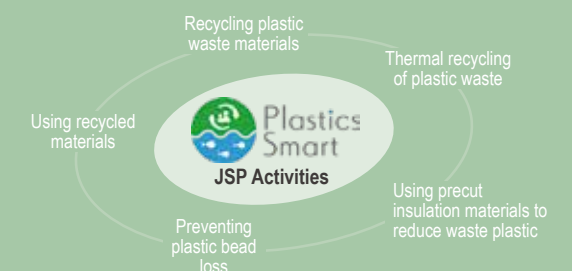
Volume of company waste delivered to landfills



### JSP joins the Ministry of the Environment's Plastics Smart campaign

The JSP Group's research and development activities seek to quickly identify social and market needs and offer products that earn customer trust, and in its processes it follows a fundamental tenet of developing products that utilize minimal energy and resources.

JSP is actively participating in the Plastics Smart Campaign of the Ministry of the Environment and engaged in the following plastic recycling activities.



## JSP and Society

Addressing risks to society and establishing safety



### Chemical and Product Safety

#### Safe Management of Chemical Substances

At the initial stage of designing a new product, JSP rigorously inspects all legal requirements related to the product and examines all new materials supplied to us to ensure our products contain no prohibited or restricted substances. We also stay up to date on laws, regulations, and other requirements related to materials used in our existing products.

We promptly answer customer requests for quality certification and information about chemical substance content. We are also preparing to comply with stricter regulations about information access, including annotations covering new chemical contents of products, and have completed the shift to the chemSHERPA chemical data sharing platform for managing chemical substances in products and access to chemical content data across the full product supply chain.

#### Products Safety Management

##### RoHS compliance

JSP complies with the European Union's Directive on the Restriction of Hazardous Substances (RoHS) by regularly performing testing at JIS Q 17025-certified\* inspection laboratories for our products and discloses the results upon customer's request. Certain products are also being analyzed for compliance with the "RoHS 2" Directive.

\* JIS Q 17025 certification is general requirements for the competence of testing and calibration laboratories.

##### Safety data sheets based on GHS

As required by law, we provide safety information for applicable products through safety data sheets (SDS's). In addition, we provide SDS for our other products not required by laws, but, based on the international rules of the Globally Harmonized System of Classification and Labeling of Chemicals (GHS).



Emergency storage battery

### Safety and Disaster Preparation

#### Earthquake Preparedness

All worksites seek to raise awareness about earthquake preparedness and conduct periodic training in the use of safety confirmation systems. The Company also maintains equipment to ensure emergency communications in the event of a disaster, including industrial portable wireless communications units, satellite-based mobile phones, and emergency power supplies.

### Logistics Safety

#### Supporting Safety Training at Our Transport Companies

JSP employees research conditions at our transport companies and participate as observers in their safety training sessions to understand the status, issues, and improvement strategies for driver training. JSP recognizes transport companies with commendations for excellence in safety education and transport quality and cooperates with safety measures for cargo handling operations.

### Occupational Health and Safety

#### Measures for Zero Lost-Time Injuries

JSP implements measures aimed at achieving zero worker time lost due to injuries. In fiscal year 2018, rather than examining more ways to deal with disasters after they occur, the Company took steps to reduce risk by methodically conducting risk assessments and will continue to implement preventive measures to ensure worker safety at its plants and research sites.

### Community Dialogue

#### Together with our Customers

We encourage customer feedback and actively work to increase customer satisfaction. The Company has a clear Quality Policy with a strict definition of quality and designates responsibility and authorization to specific individuals to facilitate quality monitoring and correction. The quality management system at each worksite is based on international standards and are ISO 9001 certified.

#### Together with Shareholders and Investors

The JSP Group discloses financial information via quarterly reports, securities reports, shareholder communications, annual reviews, and through its website to ensure stakeholders have a clear understanding of the JSP Group's corporate financial status.

#### Together with Employees

The Company has a carefully planned system of training sessions geared to younger, mid-career, and management-level employees to cultivate future business leaders.

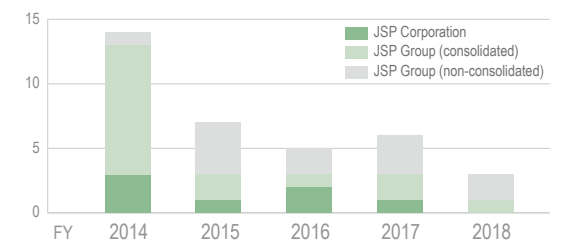
#### Together with Suppliers

Procurement of our products is transparent and fair and available to all suppliers of any nationality, company size, or business experience. We also seek to provide "optimal procurement" by being prepared to acquire alternative materials and ensuring a stable supply while also endeavoring to always offer fair prices based on current market prices and trends in prices of related materials.

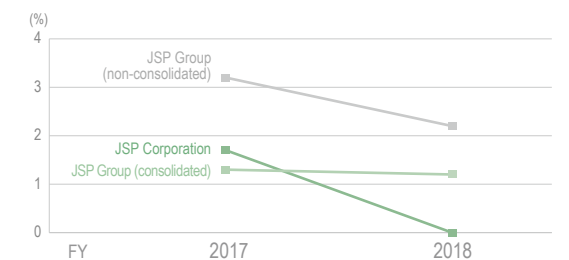
#### Together with Communities

JSP Group companies conduct activities at each of their business sites to contribute to their local communities. The Kanuma Office in Tochigi Prefecture annually conducts cleanup campaigns in the neighborhood around its plant site and employees are encouraged to participate in local blood drives. Subsidiary JSP Molding participates in the Aluminum Recycling Campaign by actively collecting pull tabs from aluminum cans. Proceeds from selling the tabs to recycling centers are used to purchase wheelchairs for local welfare institutions and individuals. The company collected 25 kilograms of tabs in fiscal year 2018 on its way to collecting the 800 kilograms needed to completely fund the purchase of one wheelchair. The Yokkaichi No. 1 Plant in Mie Prefecture provided public information sessions about making plant operations resilient to disasters, and announced the results of its responsible care activities carried out in fiscal year 2018, which included emergency response training from local fire departments and advice from disaster-response experts.

Number of work stoppages



Work stoppage frequency



JSP Employee Training Courses

| Participants            | Course title                                     |
|-------------------------|--|
| Younger and mid-careers | New employee training                            |
|                         | New employee follow-up training (after 6 months) |
|                         | Mid-career employee training (fourth year)       |
|                         | Leader training                                  |
|                         | Level-6 training (for assistant managers)        |
| Evaluators              | Evaluator training                               |
| Managers                | Level-8 training (management candidates)         |
| Directors               | Executive directors, external seminars           |



Top: Cleaning up the neighborhood of the Kanuma Plant  
Bottom left: Collecting pull tabs from aluminum cans  
Bottom right: A community dialogue



# Corporate Governance

As of July 8, 2019

## Basic Policy on Corporate Governance

JSP places top priority on realizing sustained business growth and enhancing corporate value following our corporate philosophy to “creatively and actively contribute to society” and with the objective of fulfilling our promise to be an internationally competitive company that emphasizes safety and environmental awareness. We aim for the management of our Company to earn the trust of and fulfill the expectations of all stakeholders. We believe that effectively functioning corporate governance and constant effort to maintain and improve management efficiency, transparency, and soundness are essential to fulfilling this objective.

### Basic Policy

1. The Company has adopted the Company with a Board of Company Auditors framework in which the Board of Directors makes decisions on important issues for the Company and seeks to provide an environment enabling management to make sound decisions to carry out the decisions of the Board of Directors.

2. The Company respects the rights and viewpoints of all stakeholders and seeks to maintain appropriate and cooperative relations.
3. The Company provides appropriate information disclosure and seeks to ensure transparency for all stakeholders.
4. As a Company with a Board of Company Auditors, the Company appoints independent outside directors and auditors to monitor the Company’s management activities and ensure sound management practices.
5. The Company engages in constructive dialogue with shareholders.

## Corporate Governance Structure

### 1. Status of Business Execution

As stipulated in the Articles of Incorporation, the Company maintains a Board of Directors and Board of Auditors comprising up to 16 directors. The Company maintains a structure of 10 directors, including two outside directors. The Board of Directors meets, in principle, on a monthly basis to deliberate and

make decisions on items as stipulated by law and internal company regulations and on items important to the management of the Company and to supervise the execution of business activities. The Management Meetings serve as a supplementary function to the Board of Directors. The meetings, attended by the representative director, managing executives, and personnel in higher positions, are held, in principle, on a monthly basis to conduct preliminary discussions on important management issues. The Company additionally uses an executive director structure as a system for executing business operations. The Directors Meeting maintains a structure of 19 directors, comprising directors and executive officers. It meets, in principle, twice a month to deliberate on items important to the management of the Company and to achieve efficient execution of business.

Regarding the compliance structure, the Risk Compliance Committee, chaired by the Director, Executive Officer, and General Manager of the General & Personnel Affairs Division, meets, in principle, on a monthly basis. The Committee manages compliance and risk across the JSP Group and provides support for management decisions to ensure that the Board of Directors assumes appropriate levels of risk.

### Evaluation of the Effectiveness of the Board of Directors

The Company issues questionnaires to directors on an annual basis and uses the questionnaires as a basis for assessing the effectiveness of the Board of Directors. The Board of Directors analyzes and evaluates the results of the questionnaires and incorporates the views of the independent outside directors and outside auditors.

To evaluate the Board of Directors’ effectiveness in fiscal 2018, questionnaires were distributed to all of the directors and auditors covering the following items, and the results were discussed at a Board of Directors meeting.

1. Matters concerning the effectiveness of the Board of Directors overall
2. Matters concerning the composition of the Board of Directors
3. Matters concerning the administrative performance of the Board of Directors
4. Matters concerning deliberations by the Board of Directors
5. Matters concerning support for directors and auditors
6. Risk management
7. Performance monitoring
8. Evaluations and compensation for management
9. Dialogues with shareholders and others

For this evaluation of the effectiveness of the Board of Directors, we again requested an external organization to collect, compile, and analyze the questionnaires in order to obtain unrestrained opinions and to ensure objective analysis.

Based on the results of the questionnaire and discussion at the Board of Directors meeting, the Board was deemed

largely effective. Concerning the need for further improvement in matters concerning the effectiveness of the Board of Directors overall, which was identified in fiscal 2017, it was confirmed that this should continue to be tackled. In fiscal 2018, issues were identified including the need for non-financial information used in the monitoring of business results, and constructive dialogue with shareholders.

We will continue to improve the effectiveness of the Board of Directors through continuous efforts on the issues that emerged.

### 2. Status of Audits

#### (1) Audits by auditors

The Board of Auditors comprises four auditors, including two outside auditors. The four auditors carry out audits of the Company’s business operations informed by the input from the highly independent outside auditors. All of the auditors are highly knowledgeable about financial and accounting operations and have abundant experience in various aspects of the accounting process, including as auditors in the chemicals industry.

The auditors and outside auditors attend meetings of the Board of Directors and important company meetings and hold monthly auditor meetings in which they conduct discussions with managers in charge of specific operations to supplement and guide their detailed audits of the legality and appropriateness of the business operations and the financial standing of the companies in the JSP Group. The auditors also regularly and when deemed necessary solicit the advice of accounting auditors regarding specific accounting issues.

With regard to matters related to internal audits, as described above, reports are received from the Audit Group as appropriate concerning the results of these audits, and opinions are exchanged in order to strengthen mutual cooperation.

#### (2) Internal audits

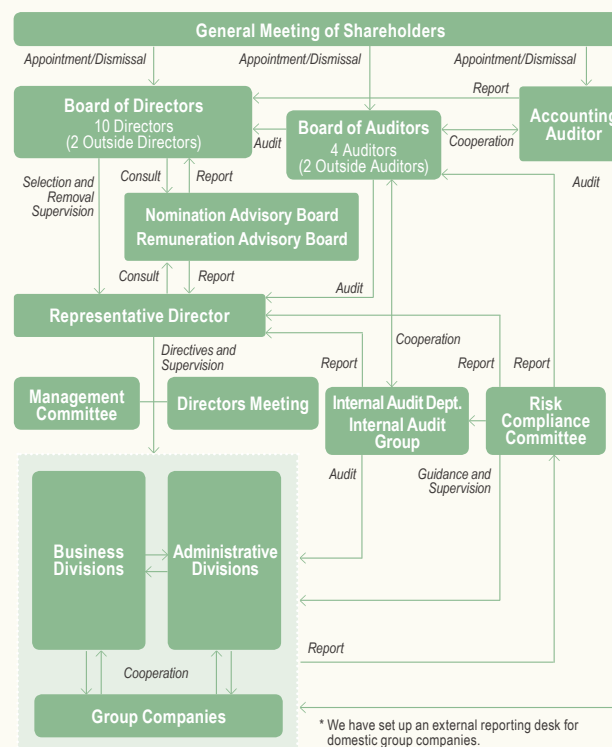
The Internal Audit Group of the Internal Audit Dept. comprises three auditors conducting regular audits of the Company and group companies and seeks to enhance the effectiveness of internal controls. In addition to the functions of the Internal Audit Group, the company assigns a Process Owner to each business division to strengthen the monitoring of each business process.

The Internal Audit Group also conducts internal audits in line with the internal audit plan for each year and reports the results to each auditor with the aim of facilitating dialogue and further strengthening mutual collaboration.

#### (3) Auditing of accounts

In accordance with the Financial Instruments and Exchange Act and the Companies Act, the Company has contracted with Deloitte Touche Tohmatsu LLC to perform accounting audits.

Corporate Governance Structure Diagram



Outline of the Corporate Governance Structure

### Organizational structure

Company with auditors

#### Directors

- Number of Directors stipulated in the Articles of Incorporation: 16
- Term of office stipulated in the Articles of Incorporation: 1 year
- Chair of the Board of Directors: **President**
- Number of Directors: 10
- Number of Outside Directors: 2

#### Auditors

- Number of Auditors stipulated in the Articles of Incorporation: 4
- Number of Auditors: 4
- Number of Outside Auditors: 2

#### Number of Independent Executive Officers: 4

- Outside Directors: 2
- Outside Auditors: 2

The Company does not have an interest in the auditing corporation or the executive members of the auditing organization.

### Director and Auditor Remuneration

Remuneration for Directors (excluding non-executive directors) is configured as base compensation and reserve-type remuneration to be paid upon retirement.

Base compensation comprises fixed compensation, short-term performance-linked compensation, and executive shareholder association-contributed compensation. With regard to fixed compensation and executive shareholder association-contributed compensation, which forms part of base compensation, this is defined according to job position and responsibility.

Compensation for non-executive directors and auditors comprises base compensation in the form of fixed compensation. With regard to short-term performance-linked compensation, which forms part of base compensation, a performance ratio is calculated for the applicable period in relation to the reference values of the target indicators specified by the Board of Directors (consolidated sales, consolidated operating income, consolidated operating margin, consolidated net income attributable to owners of parent). A coefficient defined in accordance with the performance ratio is reduced by 1, corresponding to fixed compensation, and this is applied to fixed compensation. The resulting amount is reduced by the amount of shareholder association-contributed compensation for each job position to determine the amount of short-term performance-linked compensation.

Reserve-type remuneration to be paid upon retirement is provided as medium-term performance-linked compensation. A performance achievement ratio is calculated in relation to the fiscal year-end cumulative amount of the applicable indicators during the consolidated medium-term management plan, ver-

sus the applicable indicators covering the same period during the previous consolidated medium-term management plan, and a coefficient determined in accordance with this performance achievement ratio is applied to the base reserve amount for the fiscal year to determine the amount of reserve-type remuneration to be paid upon retirement.

With regard to the amount of remuneration for each director, the Company President drafts a remuneration proposal for the current fiscal year within the limit determined by a resolution passed at the General Meeting of Shareholders, in accordance with the Company's Executive Remuneration Regulations, and in consideration of the business environment, operating conditions, Company earnings, the Company's financial status, and the contribution to be provided by each individual. The remuneration proposal drafted by the President is considered by the Remuneration Advisory Board, which is made up of the representative director and outside directors, and is chaired by a lead outside director. The Remuneration Advisory Board then reports to the President concerning its deliberations on the remuneration proposal. The President, on the authorization of the Board of Directors, determines the remuneration amount for each director.

Remuneration for auditors is set based on negotiations and in consideration of the contribution to be provided by each individual.

### Internal Control

#### Compliance

The Group has established the JSP Group Guidelines for Corporate Behavior and JSP Group Code of Conduct to which the Company and its subsidiaries adhere in compliance with laws, regulations, and social ethics as a premise for corporate activities.

Our Risk Compliance Committee oversees compliance across the JSP Group, and is responsible for matters including the education and training of executives and employees of the JSP Group on compliance.

We have also set up a compliance consultation desk so that JSP Group executives and employees can report any questionable acts that may not be in compliance with laws and regulations. The Risk Compliance Committee reports to the Board of Auditors on the details of any reported situation, which is then investigated. Measures are then taken to prevent a recurrence. It is prohibited to treat a whistleblower badly due to their reporting of noncompliance, and executives and employees of the Group are being thoroughly educated to that effect.

Regarding the status of compliance, the auditors of the Company and the Internal Audit Dept. cooperate to conduct audits.

Director and Auditor Remuneration Totals for Fiscal Year 2018

| Position                  | Number | Total Remuneration (Millions of yen) |
|---------------------------|--------|--------------------------------------|
| Director                  | 14     | 313                                  |
| Of which Outside Director | 2      | 16                                   |
| Auditor                   | 5      | 41                                   |
| Of which Outside Auditor  | 2      | 22                                   |
| Total                     | 19     | 354                                  |

Remuneration amounts and other payments to individual executives are omitted because no individual was paid a total amount exceeding 100 million yen.

### Storage and Management of Information Pertaining to the Execution of Duties by Directors

Based on document management regulations, the Company records and preserves information on the execution of duties by directors on documents or electromagnetic media. Directors and auditors can view these at all times, according to document management regulations. In addition, matters regarding which information must be disclosed as stipulated by law or the regulations of stock exchanges, etc., are promptly disclosed based on our information disclosure regulations.

### Risk Management System

The Risk Compliance Committee was established to manage the risks of the JSP Group across the organization. In addition to identifying and analyzing risks, the committee has also established rules related to risk management and strengthened the risk management system.

Regarding unforeseen circumstances such as a fire or other calamity, the department in charge of crisis management is to follow the rules and instructions established for emergency response.

### System for the Execution of Duties by Directors

The Company's Board of Directors, in principle, holds monthly meetings and makes decisions on basic management policies, matters stipulated by law, and other important matters related to management. The Company also has a Management Committee composed of the representative director and executive officers that meets to deliberate on important management matters in advance of Board of Directors meetings. We have adopted a system of executive officers and separate business headquarters, and delegate the authority for execution and responsibility for performance to improve the efficiency of business execution. Important individual management tasks related to business execution are, in principle, decided at the Directors Meeting held twice a month.

The Company formulates management plans on a consolidated basis, carries out group business management, and provides guidance for group companies to achieve targets. The group companies are organized under separate business headquarters, and are under the direct supervision of the particular business headquarters to which the business execution belongs.

### System to Ensure the Appropriateness of Operations in the Corporate Group

The Company requires group companies to get preliminary approval for important management issues or report them to the

Company. Our Internal Audit Dept. regularly conducts business audits of Group companies to ensure the appropriateness of operations.

In addition, to ensure autonomy in the management of the Company, we have entered into a basic agreement with our parent company on capital and business alliances, and transactions with the parent company are conducted with terms and conditions equivalent to those between independent parties. In such ways we strive to ensure the appropriateness operations.

### Systems for Effective Auditing

#### ■ System relating to the assistance of auditors

Auditors are allowed to request the allocation of employees to assist them in carrying out audits as necessary. Employees who receive instructions from an auditor that are necessary for carrying out an audit shall not take orders from directors or others regarding the instructions. In addition, the Board of Auditors must be consulted with regard to matters related to the transfer, evaluation, or disciplining of assisting employees.

#### ■ System for reporting to auditors

Directors and employees shall report to the Board of Auditors matters that seriously affect the JSP Group, in addition to legal matters and the implementation status of internal audits within the JSP Group.

Auditors attend the Board of Directors' meetings and other important meetings of the Company and group companies and work to gather information on important matters concerning management in the Group.

#### ■ Other systems

The Board of Auditors regularly provides private interview opportunities for business managers and others, and holds regular meetings with the representative director and auditing firms to exchange ideas.

A certain budget is allocated every year for expenses arising from the execution of duties by auditors.

### Approach and System for Excluding Anti-social Forces

Under the JSP Group Code of Conduct, the Company stipulates that the JSP Group will be resolutely committed to having no association whatsoever with anti-social activities or forces in order to exclude them from the Company's activities.

The General Affairs Department works closely with outside expert agencies such as attorneys and police, collects and manages information, and has developed a system to inform relevant departments as necessary.

## CONSOLIDATED BALANCE SHEETS

JSP Corporation and Consolidated Subsidiaries—As of March 31

| ASSETS  | Millions of yen |                 | Thousands of U.S. dollars* |
|---|-----------------|-----------------|----------------------------|
|   | 2019            | 2018            | 2019                       |
| <b>Current assets</b>                             |                 |                 |                            |
| Cash and deposits                                 | ¥ 14,842        | ¥ 16,963        | \$ 133,728                 |
| Notes and accounts receivable—trade               | 30,630          | 30,712          | 275,979                    |
| Electronically recorded monetary claims—operating | 4,218           | 3,776           | 38,007                     |
| Short-term investment securities                  | 23              | 121             | 210                        |
| Merchandise and finished goods                    | 7,611           | 6,906           | 68,581                     |
| Work in process                                   | 1,198           | 1,115           | 10,801                     |
| Raw materials and supplies                        | 5,611           | 5,255           | 50,557                     |
| Accounts receivable—other                         | 587             | 513             | 5,297                      |
| Other   | 2,177           | 1,905           | 19,621                     |
| Allowance for doubtful accounts                   | (72)            | (114)           | (656)                      |
| <b>Total current assets</b>                       | <b>66,830</b>   | <b>67,157</b>   | <b>602,129</b>             |
| <b>Noncurrent assets</b>                          |                 |                 |                            |
| <b>Property, plant and equipment</b>              |                 |                 |                            |
| Buildings and structures                          | 43,159          | 39,510          | 388,857                    |
| Accumulated depreciation                          | (23,361)        | (22,687)        | (210,482)                  |
| Accumulated impairment loss                       | (12)            | (14)            | (108)                      |
| Buildings and structures, net                     | 19,785          | 16,808          | 178,266                    |
| Machinery, equipment and vehicles                 | 74,297          | 72,939          | 669,403                    |
| Accumulated depreciation                          | (57,406)        | (56,398)        | (517,219)                  |
| Accumulated impairment loss                       | (80)            | (94)            | (728)                      |
| Machinery, equipment and vehicles, net            | 16,810          | 16,446          | 151,456                    |
| Land  | 14,639          | 14,557          | 131,899                    |
| Lease assets                                      | 16              | 28              | 144                        |
| Accumulated depreciation                          | (7)             | (16)            | (66)                       |
| Lease assets, net                                 | 8               | 12              | 78                         |
| Construction in progress                          | 3,720           | 3,307           | 33,520                     |
| Other   | 9,381           | 9,405           | 84,530                     |
| Accumulated depreciation                          | (8,062)         | (7,912)         | (72,638)                   |
| Other, net  | 1,319           | 1,493           | 11,891                     |
| <b>Total property, plant and equipment</b>        | <b>56,284</b>   | <b>52,625</b>   | <b>507,113</b>             |
| <b>Intangible assets</b>                          | <b>1,729</b>    | <b>926</b>      | <b>15,578</b>              |
| Investments and other assets                      |                 |                 |                            |
| Investment securities                             | 1,431           | 1,680           | 12,898                     |
| Long-term loans receivable                        | 139             | 128             | 1,256                      |
| Net defined benefit asset                         | 1,174           | 1,221           | 10,581                     |
| Deferred tax assets                               | 714             | 737             | 6,437                      |
| Other   | 1,330           | 1,202           | 11,986                     |
| Allowance for doubtful accounts                   | (404)           | (410)           | (3,645)                    |
| <b>Total investments and other assets</b>         | <b>4,385</b>    | <b>4,561</b>    | <b>39,516</b>              |
| <b>Total noncurrent assets</b>                    | <b>62,399</b>   | <b>58,113</b>   | <b>562,209</b>             |
| <b>Total assets</b>                               | <b>¥129,229</b> | <b>¥125,270</b> | <b>\$1,164,339</b>         |

\* U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥110.99=US\$1.

| LIABILITIES AND NET ASSETS                            | Millions of yen |                 | Thousands of U.S. dollars* |
|---|-----------------|-----------------|----------------------------|
|   | 2019            | 2018            | 2019                       |
| <b>Current liabilities</b>                            |                 |                 |                            |
| Notes and accounts payable—trade                      | ¥ 11,183        | ¥ 11,483        | \$ 100,757                 |
| Electronically recorded obligations—operating         | 2,202           | 2,005           | 19,845                     |
| Short-term loans payable                              | 7,497           | 6,366           | 67,555                     |
| Current portion of long-term loans payable            | 3,921           | 3,945           | 35,334                     |
| Lease obligations                                     | 8               | 13              | 74                         |
| Accounts payable—other                                | 2,995           | 2,978           | 26,991                     |
| Income taxes payable                                  | 544             | 895             | 4,905                      |
| Accrued consumption taxes                             | 99              | 96              | 893                        |
| Provision for bonuses                                 | 1,449           | 1,487           | 13,060                     |
| Provision for business structure improvement          | 19              | -               | 173                        |
| Electronically recorded obligations—facilities        | 77              | 131             | 698                        |
| Accounts payable—facilities                           | 1,862           | 1,277           | 16,781                     |
| Other   | 2,482           | 2,463           | 22,363                     |
| <b>Total current liabilities</b>                      | <b>34,344</b>   | <b>33,145</b>   | <b>309,434</b>             |
| <b>Noncurrent liabilities</b>                         |                 |                 |                            |
| Long-term loans payable                               | 7,969           | 5,712           | 71,806                     |
| Lease obligations                                     | 6               | 16              | 61                         |
| Deferred tax liabilities                              | 881             | 540             | 7,937                      |
| Provision for directors' retirement benefits          | 13              | 11              | 118                        |
| Provision for business structure improvement          | -               | 20              | -                          |
| Net defined benefit liability                         | 568             | 576             | 5,123                      |
| Asset retirement obligations                          | 176             | 160             | 1,592                      |
| Other   | 1,128           | 980             | 10,163                     |
| <b>Total noncurrent liabilities</b>                   | <b>10,744</b>   | <b>8,019</b>    | <b>96,804</b>              |
| <b>Total liabilities</b>                              | <b>45,088</b>   | <b>41,164</b>   | <b>406,239</b>             |
| <b>Net assets</b>                                     |                 |                 |                            |
| Shareholders' equity                                  |                 |                 |                            |
| Capital stock   | 10,128          | 10,128          | 91,256                     |
| Capital surplus                                       | 13,441          | 13,405          | 121,104                    |
| Retained earnings                                     | 59,370          | 56,551          | 534,915                    |
| Treasury stock  | (1,386)         | (1,385)         | (12,495)                   |
| <b>Total shareholders' equity</b>                     | <b>81,553</b>   | <b>78,700</b>   | <b>734,781</b>             |
| Valuation and translation adjustments                 |                 |                 |                            |
| Valuation difference on available-for-sale securities | 233             | 244             | 2,103                      |
| Foreign currency translation adjustment               | (2,505)         | (483)           | (22,574)                   |
| Remeasurements of defined benefit plans               | 958             | 1,062           | 8,633                      |
| <b>Total valuation and translation adjustments</b>    | <b>(1,313)</b>  | <b>824</b>      | <b>(11,837)</b>            |
| Non-controlling interest                              | 3,901           | 4,581           | 35,156                     |
| Total net assets                                      | 84,141          | 84,105          | 758,099                    |
| <b>Total liabilities and net assets</b>               | <b>¥129,229</b> | <b>¥125,270</b> | <b>\$1,164,339</b>         |

## CONSOLIDATED STATEMENTS OF INCOME

JSP Corporation and Consolidated Subsidiaries—Years ended March 31

|   | Millions of yen |          | Thousands of U.S. dollars* |
|---|-----------------|----------|----------------------------|
|   | 2019            | 2018     | 2019                       |
| <b>Net sales</b>  | ¥116,133        | ¥114,284 | \$1,046,337                |
| <b>Cost of sales</b>  | 85,286          | 80,657   | 768,415                    |
| <b>Gross profit</b>   | 30,846          | 33,627   | 277,922                    |
| <b>Selling, general and administrative expenses</b>         |                 |          |                            |
| Selling expenses  | 8,080           | 7,779    | 72,802                     |
| General and administrative expenses                         | 17,286          | 16,741   | 155,749                    |
| Total selling, general and administrative expenses          | 25,366          | 24,521   | 228,551                    |
| <b>Operating income</b>                                     | 5,479           | 9,105    | 49,370                     |
| <b>Non-operating income</b>                                 |                 |          |                            |
| Interest income   | 209             | 183      | 1,883                      |
| Dividends income  | 27              | 25       | 248                        |
| Rent income   | 75              | 74       | 676                        |
| Equity in earnings of affiliates                            | 5               | 6        | 45                         |
| Other   | 379             | 286      | 3,415                      |
| Total non-operating income                                  | 695             | 577      | 6,270                      |
| <b>Non-operating expenses</b>                               |                 |          |                            |
| Interest expenses   | 148             | 119      | 1,339                      |
| Foreign exchange loss                                       | 95              | 200      | 864                        |
| Other   | 95              | 146      | 859                        |
| Total non-operating expenses                                | 340             | 466      | 3,063                      |
| <b>Ordinary income</b>                                      | 5,835           | 9,217    | 52,577                     |
| <b>Extraordinary income</b>                                 |                 |          |                            |
| Gain on sales of noncurrent assets                          | 29              | 403      | 261                        |
| Gain on sales of investment securities                      | 411             | -        | 3,703                      |
| Total extraordinary income                                  | 440             | 403      | 3,964                      |
| <b>Extraordinary loss</b>                                   |                 |          |                            |
| Loss on sales of noncurrent assets                          | 6               | 13       | 58                         |
| Loss on retirement of noncurrent assets                     | 143             | 119      | 1,292                      |
| Total extraordinary losses                                  | 228             | 132      | 2,054                      |
| <b>Income before income taxes</b>                           | 6,047           | 9,488    | 54,486                     |
| <b>Income taxes—current</b>                                 | 1,481           | 2,497    | 13,345                     |
| <b>Income taxes—deferred</b>                                | 391             | 0        | 3,525                      |
| <b>Total income taxes</b>                                   | 1,872           | 2,497    | 16,870                     |
| <b>Net income</b>   | 4,174           | 6,990    | 37,615                     |
| <b>Net income attributable to non-controlling interests</b> | (134)           | 136      | (1,213)                    |
| <b>Net income attributable to owners of the parent</b>      | ¥ 4,309         | ¥ 6,853  | \$ 38,829                  |

\* U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥110.99=US\$1.

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

JSP Corporation and Consolidated Subsidiaries—Year ended March 31, 2019

|  | Millions of yen                                       |   |   |   |                            |            |
|--|---|---|---|---|----------------------------|------------|
|  | Shareholders' equity                                  |   |   |   |                            |            |
|  | Capital stock   | Capital surplus                         | Retained earnings                       | Treasury stock                              | Total shareholders' equity |            |
| Balance, beginning of period                         | ¥10,128   | ¥13,405                                 | ¥56,551                                 | (¥1,385)                                    | ¥78,700                    |            |
| Cumulative effects of changes in accounting policies |   |   |   |   | -                          |            |
| Restated balance, beginning of period                | 10,128  | 13,405                                  | 56,551                                  | (1,385)                                     | 78,700                     |            |
| Changes of items during the period:                  |   |   |   |   |                            |            |
| Dividends from surplus                               |   |   | (1,490)                                 |   | (1,490)                    |            |
| Net income attributable to owners of the parent      |   |   | 4,309                                   |   | 4,309                      |            |
| Purchase of treasury stock                           |   |   |   | (1)   | (1)                        |            |
| Change of scope of consolidation                     |   |   |   |   | -                          |            |
| Capital increase of consolidated subsidiaries        |   | 35                                      |   |   | 35                         |            |
| Net changes of items other than shareholders' equity |   |   |   |   | -                          |            |
| Total changes of items during the period             | -   | 35                                      | 2,819                                   | (1)   | 2,853                      |            |
| Balance, end of period                               | ¥10,128   | ¥13,441                                 | ¥59,370                                 | (¥1,386)                                    | ¥81,554                    |            |
|  | Thousands of U.S. dollars*                            |   |   |   |                            |            |
|  | Shareholders' equity                                  |   |   |   |                            |            |
|  | Capital stock   | Capital surplus                         | Retained earnings                       | Treasury stock                              | Total shareholders' equity |            |
| Balance, beginning of period                         | \$244   | (\$483)                                 | ¥1,062                                  | ¥824  | ¥4,581                     | ¥84,106    |
| Cumulative effects of changes in accounting policies |   |   |   |   | -                          |            |
| Restated balance, beginning of period                | 244   | (483)                                   | 1,062                                   | 824   | 4,581                      | 84,106     |
| Changes of items during the period:                  |   |   |   |   |                            |            |
| Dividends from surplus                               |   |   |   |   | (1,490)                    |            |
| Net income attributable to owners of the parent      |   |   |   |   | 4,309                      |            |
| Purchase of treasury stock                           |   |   |   |   | (1)                        |            |
| Change of scope of consolidation                     |   |   |   |   | -                          |            |
| Capital increase of consolidated subsidiaries        |   |   |   |   | 35                         |            |
| Net changes of items other than shareholders' equity | (11)  | (2,022)                                 | (104)                                   | (2,138)                                     | (679)                      | (2,817)    |
| Total changes of items during the period             | (11)  | (2,022)                                 | (104)                                   | (2,138)                                     | (679)                      | 35         |
| Balance, end of period                               | ¥233  | (¥2,505)                                | ¥958                                    | (¥1,313)                                    | ¥3,901                     | ¥84,142    |
|  | Thousands of U.S. dollars*                            |   |   |   |                            |            |
|  | Shareholders' equity                                  |   |   |   |                            |            |
|  | Capital stock   | Capital surplus                         | Retained earnings                       | Treasury stock                              | Total shareholders' equity |            |
| Balance, beginning of period                         | \$91,256  | \$120,781                               | \$509,514                               | (\$12,479)                                  | \$709,080                  |            |
| Cumulative effects of changes in accounting policies |   |   |   |   | -                          |            |
| Restated balance, beginning of period                | 91,256  | 120,781                                 | 509,514                                 | (12,479)                                    | 709,080                    |            |
| Changes of items during the period:                  |   |   |   |   |                            |            |
| Dividends from surplus                               |   |   | (13,429)                                |   | (13,429)                   |            |
| Net income attributable to owners of the parent      |   |   | 38,829                                  |   | 38,830                     |            |
| Purchase of treasury stock                           |   |   |   | (16)  | (16)                       |            |
| Change of scope of consolidation                     |   |   |   |   | -                          |            |
| Capital increase of consolidated subsidiaries        |   | 323                                     |   |   | 323                        |            |
| Net changes of items other than shareholders' equity |   |   |   |   | -                          |            |
| Total changes of items during the period             | -   | 323                                     | 25,400                                  | (16)  | 25,707                     |            |
| Balance, end of period                               | \$91,256  | \$121,104                               | \$534,915                               | (\$12,495)                                  | \$734,787                  |            |
|  | Valuation and translation adjustments                 |   |   |   |                            |            |
|  | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total valuation and translation adjustments | Minority interests         | Net assets |
| Balance, beginning of period                         | \$2,206   | (\$4,352)                               | \$9,575                                 | \$7,428                                     | \$41,274                   | \$757,783  |
| Cumulative effects of changes in accounting policies |   |   |   |   | -                          |            |
| Restated balance, beginning of period                | 2,206   | (4,352)                                 | 9,575                                   | 7,428                                       | 41,274                     | 757,783    |
| Changes of items during the period:                  |   |   |   |   |                            |            |
| Dividends from surplus                               |   |   |   |   | (13,429)                   |            |
| Net income attributable to owners of the parent      |   |   |   |   | 38,830                     |            |
| Purchase of treasury stock                           |   |   |   |   | (16)                       |            |
| Change of scope of consolidation                     |   |   |   |   | -                          |            |
| Capital increase of consolidated subsidiaries        |   |   |   |   | 323                        |            |
| Net changes of items other than shareholders' equity | (103)   | (18,221)                                | (941)                                   | (19,266)                                    | (6,118)                    | (25,384)   |
| Total changes of items during the period             | (103)   | (18,221)                                | (941)                                   | (19,266)                                    | (6,118)                    | 322        |
| Balance, end of period                               | \$2,103   | (\$22,574)                              | \$8,633                                 | (\$11,837)                                  | \$35,156                   | \$758,106  |

\* U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥110.99=US\$1.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

JSP Corporation and Consolidated Subsidiaries—Years ended March 31

|   | Millions of yen |                | Thousands of U.S. dollars* |
|---|-----------------|----------------|----------------------------|
|   | 2019            | 2018           | 2019                       |
| <b>Net cash provided by (used in) operating activities</b>          |                 |                |                            |
| Income before income taxes  | ¥ 6,047         | ¥ 9,488        | \$ 54,486                  |
| Depreciation and amortization                                       | 5,601           | 5,072          | 50,468                     |
| Increase (decrease) in allowance for doubtful accounts              | (32)            | (222)          | (297)                      |
| Increase (decrease) in provision for bonuses                        | (18)            | (106)          | (168)                      |
| Increase (decrease) in net defined benefit liability                | (105)           | 39             | (950)                      |
| Increase (decrease) in provision for directors' retirement benefits | 1               | 0              | 11                         |
| Loss (gain) on sales and retirement of noncurrent assets            | 120             | (270)          | 1,089                      |
| Loss (gain) on sales of investment securities                       | (411)           | -              | (3,703)                    |
| Loss (gain) on valuation of investment securities                   | 78              | -              | 703                        |
| Interest and dividends income                                       | (236)           | (209)          | (2,132)                    |
| Interest expenses   | 148             | 119            | 1,339                      |
| Foreign exchange losses (gains)                                     | 116             | 101            | 1,047                      |
| Equity in (earnings) losses of affiliates                           | (5)             | (6)            | (45)                       |
| Decrease (increase) in notes and accounts receivable—trade          | (1,075)         | (1,555)        | (9,686)                    |
| Decrease (increase) in inventories                                  | (1,438)         | (1,681)        | (12,959)                   |
| Increase (decrease) in notes and accounts payable—trade             | 330             | 2,459          | 2,973                      |
| Increase (decrease) in accrued consumption taxes                    | 7               | (327)          | 70                         |
| Other, net  | (150)           | 596            | (1,355)                    |
| Subtotal  | 8,978           | 13,498         | 80,892                     |
| Interest and dividends income received                              | 237             | 202            | 2,136                      |
| Interest expenses paid  | (150)           | (109)          | (1,353)                    |
| Business structure improvement expenses paid                        | -               | (127)          | -                          |
| Income taxes paid   | (1,673)         | (2,613)        | (15,076)                   |
| <b>Net cash provided by (used in) operating activities</b>          | <b>7,391</b>    | <b>10,849</b>  | <b>66,598</b>              |
| <b>Net cash provided by (used in) investing activities</b>          |                 |                |                            |
| Purchase of noncurrent assets                                       | (10,896)        | (8,153)        | (98,176)                   |
| Proceeds from sales of noncurrent assets                            | 102             | 819            | 927                        |
| Payments for retirement of noncurrent assets                        | (74)            | (9)            | (675)                      |
| Purchase of investment securities                                   | (11)            | (6)            | (103)                      |
| Proceeds from sales of investment securities                        | 571             | -              | 5,144                      |
| Net decrease (increase) in time deposits                            | 51              | (200)          | 465                        |
| Other, net  | (111)           | (112)          | (1,004)                    |
| <b>Net cash provided by (used in) investing activities</b>          | <b>(10,368)</b> | <b>(7,661)</b> | <b>(93,421)</b>            |
| <b>Net cash provided by (used in) financing activities</b>          |                 |                |                            |
| Net increase (decrease) in short-term loans payable                 | 1,150           | 354            | 10,369                     |
| Proceeds from long-term loans payable                               | 6,500           | 5,325          | 58,563                     |
| Repayment of long-term loans payable                                | (4,233)         | (4,295)        | (38,143)                   |
| Purchase of treasury stock  | (1)             | (2)            | (16)                       |
| Cash dividends paid   | (1,490)         | (1,639)        | (13,429)                   |
| Dividends paid for non-controlling interests                        | (202)           | (233)          | (1,821)                    |
| Other, net  | (14)            | (16)           | (127)                      |
| <b>Net cash provided by (used in) financing activities</b>          | <b>1,708</b>    | <b>(506)</b>   | <b>15,395</b>              |
| <b>Effect of exchange rate change on cash and cash equivalents</b>  | <b>(456)</b>    | <b>160</b>     | <b>(4,112)</b>             |
| <b>Net increase (decrease) in cash and cash equivalents</b>         | <b>(1,724)</b>  | <b>2,841</b>   | <b>(15,540)</b>            |
| <b>Cash and cash equivalents at beginning of period</b>             | <b>10,807</b>   | <b>7,965</b>   | <b>97,370</b>              |
| <b>Cash and cash equivalents at end of period</b>                   | <b>¥ 9,082</b>  | <b>¥10,807</b> | <b>\$81,829</b>            |

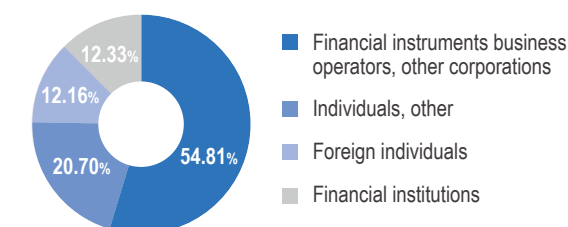
\* U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥110.99=US\$1.

## STOCK INFORMATION

As of March 31, 2019

|  |   |
|--|---|
| <b>Listing market</b>                    | First Section of the Tokyo Stock Exchange |
| <b>Securities code</b>                   | 7942                                      |
| <b>Share trading unit</b>                | 100 shares                                |
| <b>Total number of authorized shares</b> | 46,000,000                                |
| <b>Fiscal year</b>                       | April 1 – March 31                        |

### Distribution of shares by shareholder type



### Major shareholders

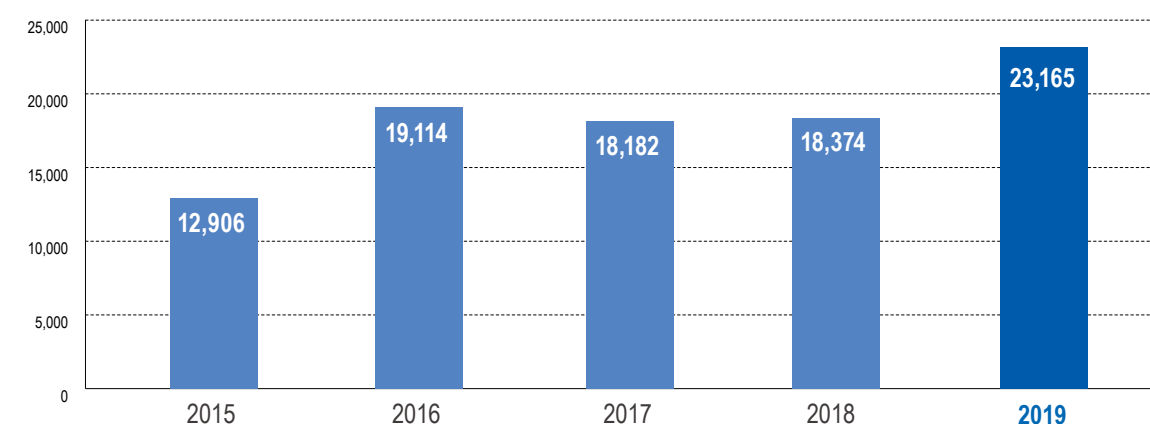
|   | Shares held (thousands) | Voting right ratio (%) |
|---|-------------------------|------------------------|
| Mitsubishi Gas Chemical Company, Inc.   | 16,020                  | 53.74                  |
| Japan Trustee Services Bank, Ltd.       | 2,569                   | 8.61                   |
| J.P. MORGAN BANK LUXEMBOURG S.A. 380578 | 1,114                   | 3.73                   |
| JSP Client Stock Ownership Plan         | 1,089                   | 3.65                   |
| The Master Trust Bank of Japan, Ltd.    | 587                     | 1.97                   |
| JP MORGAN CHASE BANK 385166             | 439                     | 1.47                   |
| JSP Employee Stock Ownership Plan       | 288                     | 0.96                   |
| Nippon Life Insurance Company           | 242                     | 0.81                   |
| Sumitomo Forestry Co., Ltd.             | 170                     | 0.57                   |
| THE BANK OF NEW YORK MELLON 140042      | 161                     | 0.54                   |

Notes: 1. The above list of major shareholders does not include treasury stock held by the company (1,604,000 shares).

2. The shareholding ratio does not include treasury stock.

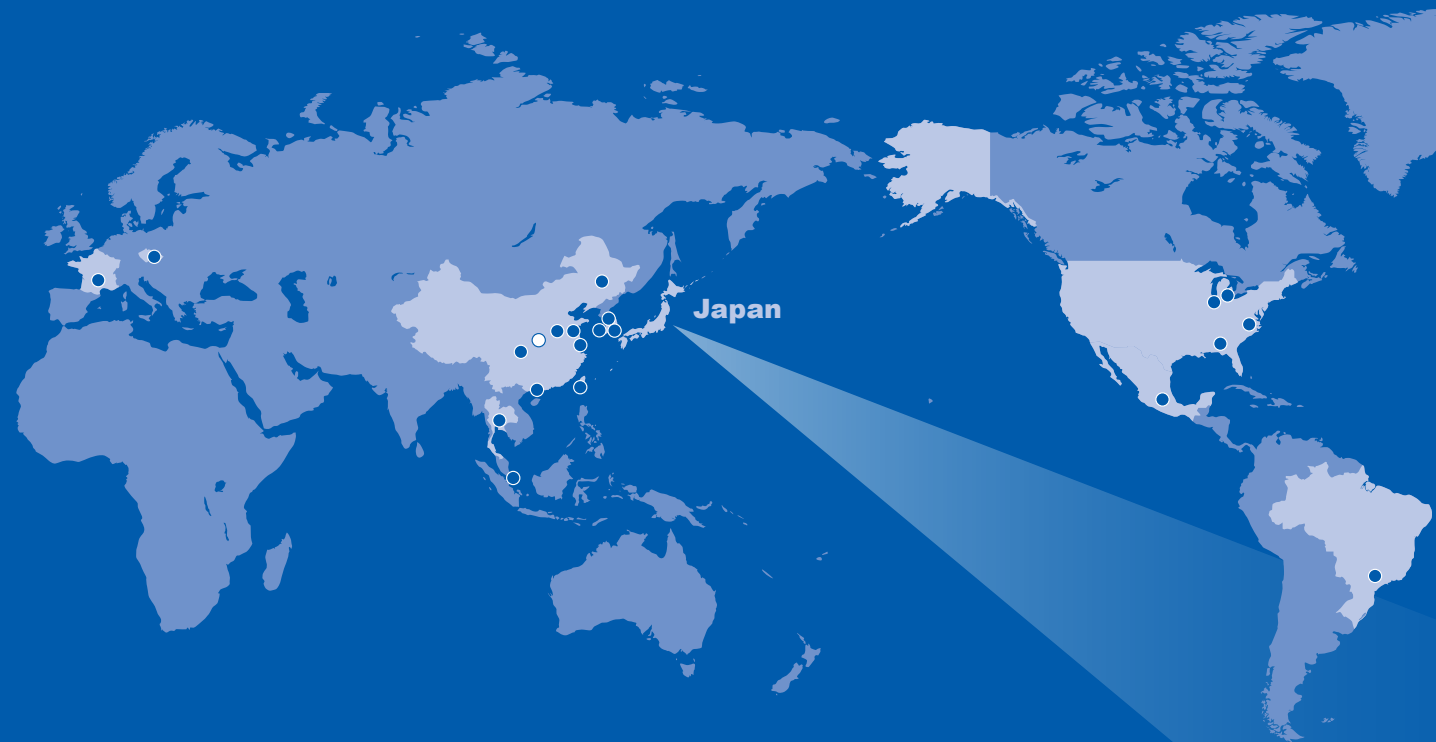
3. Among the above shares held, the number of shares pertaining to trust business is as follows: Japan Trustee Services Bank, Ltd. 2,569,000 shares; The Master Trust Bank of Japan, Ltd. 587,000 shares.

### Number of shareholders As of March 31



## GLOBAL NETWORK

As of March 31, 2019



### Europe

#### France

JSP International SARL

#### Czech

JSP International s.r.o.

### Asia

#### Korea

KOSPA Corporation

#### Taiwan

Taiwan JSP Chemical Co., Ltd.

#### Singapore

JSP Foam Products PTE. Ltd.

#### Thailand

JSP Foam Products

#### China

JSP Plastics (Wuxi) Co., Ltd.

JSP Plastics (Dongguan) Co., Ltd.

JSP Plastics (Wuhan) Co., Ltd.

### North America

#### U.S.A.

JSP International Group Ltd

#### Mexico

JSP International De Mexico  
S.A.de C.V

### South America

#### Brazil

JSP Brasil Industria De  
Plasticos Ltda.

### Japan

- ① Hokkaido
- ② Kanuma
- ③ Kashima
- ④ Tokyo Head Office
- ⑤ Yokkaichi
- ⑥ Kansai
- ⑦ Kitakyushu
- ⑧ Kyushu



## CORPORATE DATA

As of March 31, 2019

#### Head office

Shin Nisseki Bldg., 4-2, 3-chome Marunouchi,  
Chiyoda-ku, Tokyo 100-0005, Japan

#### President, representative director

Yukio Sakai

#### Founded

January 1962

#### Paid-in capital

¥10,128.610 million

#### Number of shareholders

23,165

#### Stock exchange listing

Tokyo (First Section: 7942)

#### Fiscal year-end

March 31

#### Investor relations contact

Public and Investor Relations Department  
Tel: +81-3-6212-6302

#### Number of employees

3,154

#### Major affiliates

37 in total

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