



January 31, 2020

SUMMARY OF FINANCIAL STATEMENTS (Consolidated)
Third Quarter Results for the Fiscal Year Ending March 31, 2020

[Japanese GAAP]

Name of listed company: **JSP Corporation**

Stock Exchange Listed: Tokyo (1st Section)

URL: <https://www.jsp.com>

Code Number: **7942**

Representative: Yukio Sakai, President, Representative Director

Contact person: Yasushi Komori,

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Scheduled date of filing of Quarterly Report:

February 7, 2020

Scheduled date of payment of dividend:

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Preparation of supplementary materials for quarterly financial results: None

Holding of quarterly financial results meeting: None

Note: The original disclosure in Japanese was released on January 31, 2020 at 15:00 (GMT +9).

(All amounts are rounded down to the nearest million yen)

1. Third Quarter Results (April 1, 2019 to December 31, 2019) for the Fiscal Year Ending March 31, 2020

(1) Consolidated business performance

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended Dec. 31, 2019	85,561	(2.9)	4,308	(11.2)	4,367	(14.0)	3,307	(15.6)
Nine months ended Dec. 31, 2018	88,157	2.0	4,849	(38.4)	5,078	(36.3)	3,920	(32.5)

Note: Comprehensive income: Nine months ended Dec. 31, 2019: 999 million yen (down 63.7%)
 Nine months ended Dec. 31, 2018: 2,752 million yen (down 59.6%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2019	110.95	-
Nine months ended Dec. 31, 2018	131.51	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2019	129,180	83,650	62.1	2,690.16
As of Mar. 31, 2019	129,229	84,141	62.1	2,691.76

Reference: Shareholders' equity: As of Dec. 31, 2019: 80,191 million yen As of Mar. 31, 2019: 80,239 million yen

2. Dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2019	-	25.00	-	25.00	50.00
Fiscal year ending Mar. 31, 2020	-	25.00	-		
Fiscal year ending Mar. 31, 2020 (forecasts)				25.00	50.00

Note: Revisions to the most recently announced dividend forecast: None

3. Forecast for Consolidated Business Performance in the Fiscal Year Ending March 31, 2020

(April 1, 2019 to March 31, 2020)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	112,200	(3.4)	4,800	(12.4)	5,000	(14.3)	3,800	(11.8)	127.48

Note: Revisions to the most recently announced consolidated forecast: Yes

Please refer to "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements" on page 3 of the attached documents.

*** Notes**

(1) Changes in principal subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): None

Newly added: - Excluded: -

(2) Application of special accounting methods in the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of shares outstanding (common stock)

1) Number of shares outstanding at the end of the period including treasury shares

As of Dec. 31, 2019:	31,413,473 shares	As of Mar. 31, 2019:	31,413,473 shares
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2) Number of treasury shares at the end of the period

As of Dec. 31, 2019:	1,604,292 shares	As of Mar. 31, 2019:	1,604,195 shares
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3) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2019:	29,809,198 shares	Nine months ended Dec. 31, 2018:	29,809,747 shares
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* The current quarterly financial report is not subject to quarterly review by certified public accountants or an auditing firm.

* Cautionary statement with respect to forward-looking statements

Forecasts of future performance in this report are based on assumptions judged to be valid and information currently available to the Company. Actual results may differ significantly from these forecasts for a number of factors. Please refer to “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 3 of the attached documents for assumptions for forecasts and notes of caution for usage.

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first nine months of the current fiscal year, the U.S. economy was supported by low unemployment and consumer spending. However, there were signs of weakness involving manufacturing and exports because of the U.S.-China trade war, concerns about slowing global economic growth, and the decline in automobile production caused by a strike at a major automaker. In Europe, employment statistics continued to improve, but economic growth slowed due to sluggish manufacturing activity and other reasons. In Asia, economic growth was slow because of the impact of the U.S.-China trade war and other factors. In Japan, the economy recovered moderately due to the continuation of an upturn in consumer spending as the employment picture improved. However, there was a strong sense of stagnation, chiefly in the manufacturing sector, because of the slowdown in external demand and other reasons.

In Japan's foamed products industry, the business environment was challenging because of weak demand in the food packaging and fisheries sectors as well as the slowdown in external demand and rising transportation costs.

Sales in the first nine months were lower than in the same period of the previous fiscal year mainly because of challenging conditions in the automobile and other markets as well as lackluster demand in some sectors. Operating profit also decreased despite product price revisions in response to rising cargo transportation costs. Earnings were negatively affected by sluggish demand and an increase in fixed expenses associated with the construction of a production system for new sources of demand.

Net sales in the first nine months were 85,561 million yen, down 2.9% from the same period of the previous fiscal year. Operating profit decreased 11.2% to 4,308 million yen, ordinary profit decreased 14.0% to 4,367 million yen and profit attributable to owners of parent decreased 15.6% to 3,307 million yen.

Results by business segment were as follows.

Extrusion Business

The sales volume of STYREN PAPER™ (expanded polystyrene sheet used in food packaging) and other materials for household products decreased chiefly due to lower sales of materials used for food trays and of MIRABOARD™, a material used for advertising displays.

Sales were lower for industrial packaging products, including MIRAMAT® (expanded polyethylene sheet), which is used for industrial packaging materials and flat panel displays. The main reasons were a decrease in sales of general-purpose products and the negative impact of a temporary market downturn on sales of value-added products in China and South Korea.

Sales of MIRAFOAM™ (extruded board made of expanded polystyrene) and other construction and civil engineering materials were about the same as in the same period of the previous fiscal year. Sales of parts pre-cut for fabrication in the building construction market were strong but demand was impacted by the decline in housing starts in Japan.

Overall, segment sales decreased as the impact of a temporary market downturn and lower sales in some sectors more than offset strong sales of value-added products. Earnings also decreased because of the decline in sales, higher fixed expenses associated with the construction of a production system for manufacturing products with substantial added value and other reasons.

As a result, sales in extrusion business decreased 5.4% to 29,893 million yen and operating profit decreased 13.5% to 1,803 million yen.

Bead Business

ARPRO®/P-BLOCK™ (expanded polypropylene), which is manufactured and sold worldwide, is used in a diverse array of applications. Major uses are automotive parts such as bumper cores and seat cores, cushioning and packaging materials for returnable containers for components of all types, cushioning and packaging materials, insulation and cushioning materials for housing facilities, and impact protection materials for athletic fields. The sales volume of ARPRO®/P-BLOCK™ and other high-performance products was about the same as one year earlier. Downturns in the automobile and other markets negatively affected sales, but sales benefited from the use of these

products in more types of automotive parts and in various other new applications. However, sales were held down by price revisions and other factors. In Japan, sales of materials used in automotive parts remained strong. In North America, partly because of a strike at a major automaker, there were weak sales of materials used in automotive parts, flat cushioning materials, cushioning and packaging materials for returnable containers, and other products. In South America, sales in new agriculture sectors were steady. In Europe, sales were about the same as one year earlier despite slowing economic growth. In Asia, the sales volume was higher as the increasing number of applications offset the impact of the U.S.-China trade war and the decline in automobile production.

Sales of expandable polystyrene bead products, chiefly STYRODIA®, decreased due to lower demand in the fisheries and agricultural sectors.

Sales of FOAMCORE™ (a hybrid molded product), which is used as a material for prefabricated bathroom unit ceilings and marine floats, increased mainly due to the growth in demand.

Overall, segment sales decreased because of lower demand in some market sectors and revisions of product prices. Earnings also decreased because of an increase in fixed expenses associated with the construction of a production system for new sources of demand and other factors.

As a result, sales in bead business decreased 1.0% to 51,266 million yen and operating profit decreased 2.7% to 3,225 million yen.

Other

Sales of general packaging materials decreased in Japan as sales in the automotive parts transportation and other market sectors decreased. In China, the receipt of packaging material orders for many types of components resulted in higher sales.

As a result, sales in the other segment decreased 8.2% to 4,400 million yen and operating profit decreased 39.6% to 85 million yen.

(2) Financial Position

Total assets as of December 31, 2019 were 129,180 million yen, down 49 million yen from March 31, 2019. Current assets decreased 4,108 million yen to 62,721 million yen mainly due to decreases in cash and deposits of 2,765 million yen and merchandise and finished goods of 981 million yen. Non-current assets increased 4,059 million yen to 66,459 million yen mainly due to increases in machinery, equipment and vehicles, net of 1,745 million yen and other, net under property, plant and equipment of 3,158 million yen resulting from an increase in construction in progress.

Total liabilities as of December 31, 2019 were 45,530 million yen, up 442 million yen from March 31, 2019. Current liabilities increased 109 million yen to 34,453 million yen mainly due to an increase in short-term loans payable of 2,042 million yen, while there were decreases in notes and accounts payable-trade of 1,342 million yen and provision for bonuses of 754 million yen. Non-current liabilities increased 332 million yen to 11,077 million yen mainly due to an increase in other non-current liabilities of 640 million yen resulting from an increase in lease obligations, while there was a decrease in long-term loans payable of 344 million yen.

As a result, net assets totaled 83,650 million yen and the shareholders' equity ratio was 62.1%, same as at the end of the previous fiscal year.

A summary of cash flows and major components are as follows.

Net cash provided by operating activities totaled 7,860 million yen, an increase of 2,705 million yen from the same period of the previous fiscal year. Inflows included 4,358 million yen from profit before income taxes, 4,759 million yen from depreciation and 1,001 million yen from a decrease in inventories. Outflows included an increase of 1,138 million yen in notes and accounts receivable-trade and income taxes paid of 1,045 million yen.

Net cash used in investing activities totaled 9,422 million yen, an increase of 1,670 million yen from the same period of the previous fiscal year. This included an outflow of 9,246 million yen for the purchase of non-current assets.

Net cash used in financing activities totaled 489 million yen, compared with net cash provided of 1,479 million yen in the same period of the previous fiscal year. Inflows included 2,106 million yen from a net increase in short-term loans payable and 2,400 million yen in proceeds from long-term loans payable. Outflows included 3,171 million yen

for the repayment of long-term loans payable and cash dividends paid of 1,490 million yen.

As a result, cash and cash equivalents totaled 6,655 million yen as of December 31, 2019, down 2,426 million yen from March 31, 2019.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

In our global business, demand has decreased for ARPRO®/P-BLOCK™ (expanded polypropylene) as shipments of this material for automotive parts decline, due in part to a strike at a major U.S. automaker. In Japan, we anticipate a continuation of slow sales of MIRAMAT® (expanded polyethylene sheet), which is used for industrial packaging materials and flat panel displays, mainly because of lower sales of value-added products in China and South Korea caused by a decline in the production of flat panel displays. We also expect a decrease in demand for STYRENPAPER™ (expanded polystyrene sheet used in food packaging), which is used to make food containers.

Based on this outlook, compared with the forecast announced on October 29, 2019, we have lowered the sales forecast by 1.3% and the operating profit forecast by 9.4%. The forecast for profit attributable to owners of parent is 9.5% lower because we expect to post an extraordinary loss of 400 million yen in the fourth quarter. This loss is an impairment charge for some of the fixed assets associated with the review of the plan for the North American electron beam cross-linked expanded polyethylene sheet business.

Revision to Consolidated Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	113,700	5,300	5,400	4,200	140.90
Revised forecast (B)	112,200	4,800	5,000	3,800	127.48
Change (B – A)	(1,500)	(500)	(400)	(400)	-
Percentage change (%)	(1.3)	(9.4)	(7.4)	(9.5)	-
(Reference) Previous fiscal year results (Fiscal year ended March 31, 2019)	116,133	5,479	5,835	4,309	144.57

(Assumptions)

	Previous forecast	Revised forecast
Dubai crude oil: (USD/BL)	62	64
Exchange rates: (JPY/USD)	109	109
Exchange rates: (JPY/EUR)	121	122
Exchange rates: (JPY/CNY)	15.7	15.8

Note: The above forecasts are based on all the information currently available, and the actual results may differ due to various factors.

** This summary report is solely a translation of “Kessan Tanshin” (in Japanese, including the attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*