



# JSP ANNUAL REVIEW 2018

Year ended March 31, 2018



Deliver with  
**WOW!**



# Global supplier of foamed plastic

JSP is a leader of the foamed plastic industry and has been pioneering foamed plastic materials and products since its founding in 1962.

We develop products that take full advantage of the potential of plastic and 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 foamed plastics 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.



## 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 plastics, 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 plastic to provide new value in the civil engineering field.



## Packaging

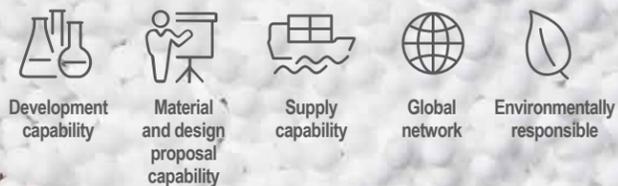
JSP develops and provides packaging solutions for safe transport of items ranging from household electronics to precision equipment and fragile items. Our MIRAMAT® series of low-density expanded polyethylene products provides exceptional cost and performance advantages from its combination of extreme 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.

## Our Strength



## Contents

- 2 Financial Highlights
- 3 Interview with the President
- 7 Long-Term Vision and Medium-Term Business Plan
- 9 Corporate Governance
- 13 Consolidated Balance Sheets
- 15 Consolidated Statements of Income
- 16 Consolidated Statements of Changes in Net Assets
- 17 Consolidated Statements of Cash Flows
- 18 Financial Review
- 21 Global Network
- 22 Corporate Data

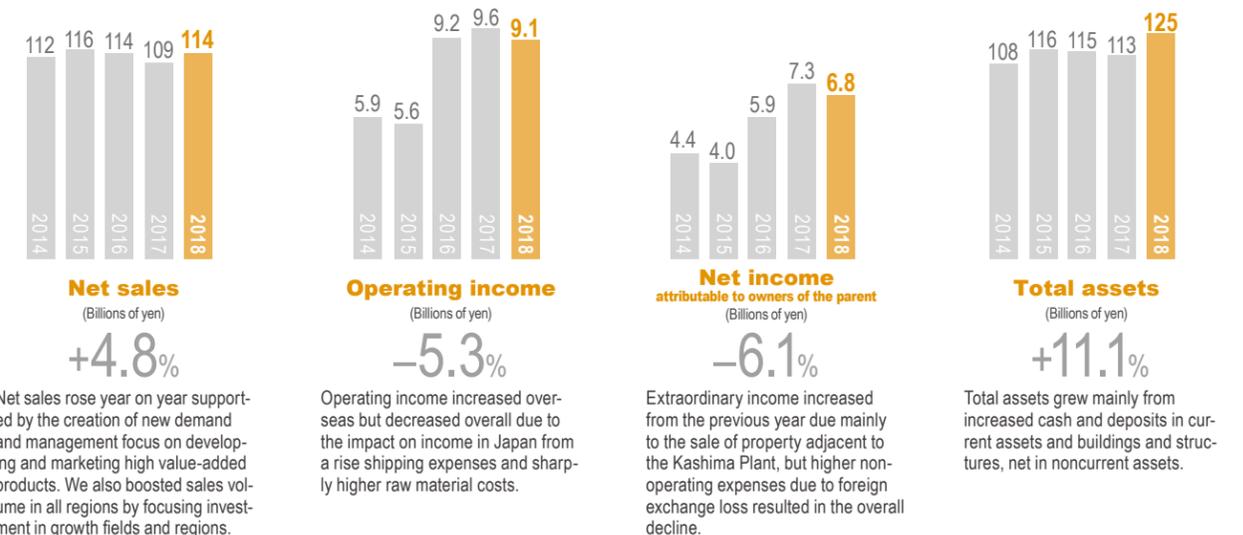
# FINANCIAL HIGHLIGHTS

As of or for the year ended March 31

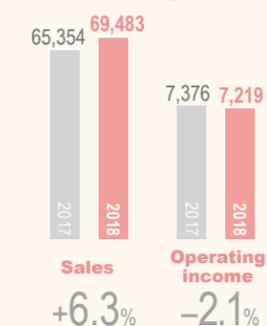
	Millions of yen					Thousands of U.S. dollars <sup>1</sup>
	2018	2017	2016	2015	2014	2018
Net sales	¥114,284	¥109,048	¥114,904	¥116,923	¥112,128	\$1,075,723
Operating income	9,105	9,612	9,278	5,667	5,909	85,711
Ordinary income	9,217	10,033	9,101	6,044	6,509	86,761
Income before income taxes	9,488	10,013	8,752	6,000	6,536	89,310
Net income attributable to owners of the parent	6,853	7,301	5,914	4,039	4,404	64,512
Total assets	125,728	113,151	115,136	116,717	108,420	1,183,437
Total net assets	84,105	76,778	72,497	70,352	62,375	791,657
Shareholders' equity	79,524	72,532	67,890	65,307	57,853	748,537
<b>Per Share Information</b>						
	Yen					U.S. dollars <sup>1</sup>
Net income <sup>2</sup>	¥ 229.91	¥ 244.94	¥ 198.40	¥ 135.50	¥ 147.73	\$ 2.16
Cash dividends	50.00	50.00	40.00	30.00	30.00	0.47
Total net assets	2,667.72	2,433.10	2,277.32	2,190.61	1,940.48	25.11

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥106.24=US\$1.

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

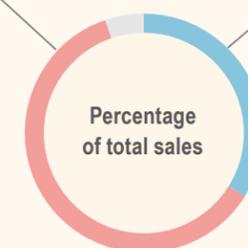


## BEAD BUSINESS



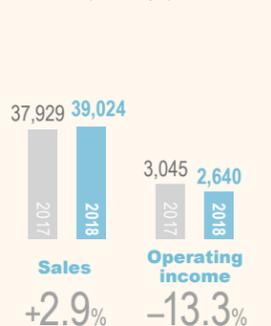
## Business Segment Results

**60.8%**  
Sales increased from expanded sales volume and product pricing revisions but overall operating declined owing to higher raw material costs, particularly in Japan.



**34.1%**  
Sales grew from growth in sales in fields with favorable business conditions, increased sales of high value-added products, and product pricing revisions. However, operating income declined from rises in raw material costs and shipping expenses.

## EXTRUSION BUSINESS



## INTERVIEW WITH THE PRESIDENT



# Aiming to become

Yukio Sakai  
President,  
Representative Director

## “A Global Company for Global Society”

when we formulated the medium-term plan to the final fiscal year. At the same time, we surpassed our target for operating income on steady sales of products featuring JSP technologies.

While our progress toward attaining numerical targets is important, my focus is mainly on verifying and responding to the progress we are making advancing our strategies. As external factors that affect our business change, we must ask ourselves how can we make our strategies more effective and what were we not prepared for. Understanding these points is essential to

would do this by thoroughly applying the PDCA cycle every three years to verify our earning capability and reconfirm we are moving in the direction we should be and progressing toward fulfilling a long-term future vision.

Vision 2027 sets the course for the company. In 10 years we want to be a “Global Supplier for Global Society.” Our management policy under our new business plan to realize this vision is “Deliver with WOW!” Our Corporate Philosophy is to “creatively and actively contribute to society,” which we fulfill by selling products

**Q** Please review the company's performance under the Deepen & Grow 2017 Medium-Term Business Plan.

**A** The main objective of the Deepen & Grow 2017 plan was to expand our earnings by promoting our differentiation strategy and our growth strategy.

Promoting the differentiation strategy involved creating new business lines and channeling resources to develop new spec classifications for our products and developing products with new applications. Although we did not fully

achieve our plan's target for new product sales, we made significant progress on which to build for our next objectives. Promoting the growth strategy centered on increasing production capacity for products in fields where demand is growing, notably for the expanded polypropylene material ARPRO/P-Block and the expanded polystyrene product Mirafoam used for home heat insulation.

Our sales result was short of our target. A big reason for this was the marked change in the external environment, particularly in raw materials prices and foreign exchange rates, from

making us stronger as a company. The divergence between our results and the targets in the medium-term plan arose from two areas—overall sales volume for our products and the creation of new businesses. Applying the PDCA cycle to identify the specific reasons for our underperformance in these two areas is critical to maintaining sustained business growth.

**Q** The Company presented its first long-term vision for the next 10 years. What ideas went into forming the vision, and why was the vision set before creating the next medium-term business plan?

**A** When I became President of JSP, I decided I wanted us to be a corporate group that is steadily increasing its corporate value and is always growing toward a clearly defined target. We

meeting the needs of society and help resolve social issues. “Deliver with WOW!” is how we want to provide value to our clients. We want to be a company that shares our dynamism with all of our stakeholders and continually provides products that exceed expectations and earn full client satisfaction.

Fundamental and absolutely essential to this is the level of motivation and satisfaction of our employees. The enthusiasm our employees put into their work each day without a doubt transmits to our customers. To deepen our sense of being “One JSP,” a fully united group working to fulfill our vision, my mission as president is to talk with each and every one of our employees while the new medium-term plan is under way.

**Q** What are the key elements of the new medium-term business plan Deeper & Higher 2020, and what are the strategies to achieve the plan's targets?

**A** The new medium-term business plan we launched in April 2018 is the first of three medium-term plans to enable us to fulfill our Vision 2027. The plans set numerical targets based on a clear image of the company we want to be in 10 years in terms of how we will be contributing to society and what value society will see in us as a company. To fulfill our objective, we continue advancing our differentiation and growth strategies while adding a third element of fortifying the management base.

Fortifying the management base first means correctly identifying the specific reasons for our performance results. Our new medium-term plan dictates refining the SWOT analysis that we apply in each of our businesses and ensuring all employees are fully aware of the analysis results. We are also introducing project portfolio management (PPM) analysis to enable us to better consolidate our management resources into our growth businesses. The plan also identifies "Four Growth Engines" that will drive concrete business growth. We believe we can create new value by developing our considerable business potential in automotive components, building and home insulation materials, flat panel display protective materials, and new business domains.

Our differentiation strategy will be to deepen our communication with our clients to stay on top of their current and emerging needs. It is easy to view our products as being differentiated by the quality of their performance or high level of precision, but the value added products our customers are looking for goes beyond technical specifications. We want to be a company clients chose as a partner because we offer products and services providing value they truly need, including practical value like how easy a product can be used in their production processes.

As a manufacturer, consistently realizing zero accidents and zero injuries in our production processes is fundamental to all of our busi-

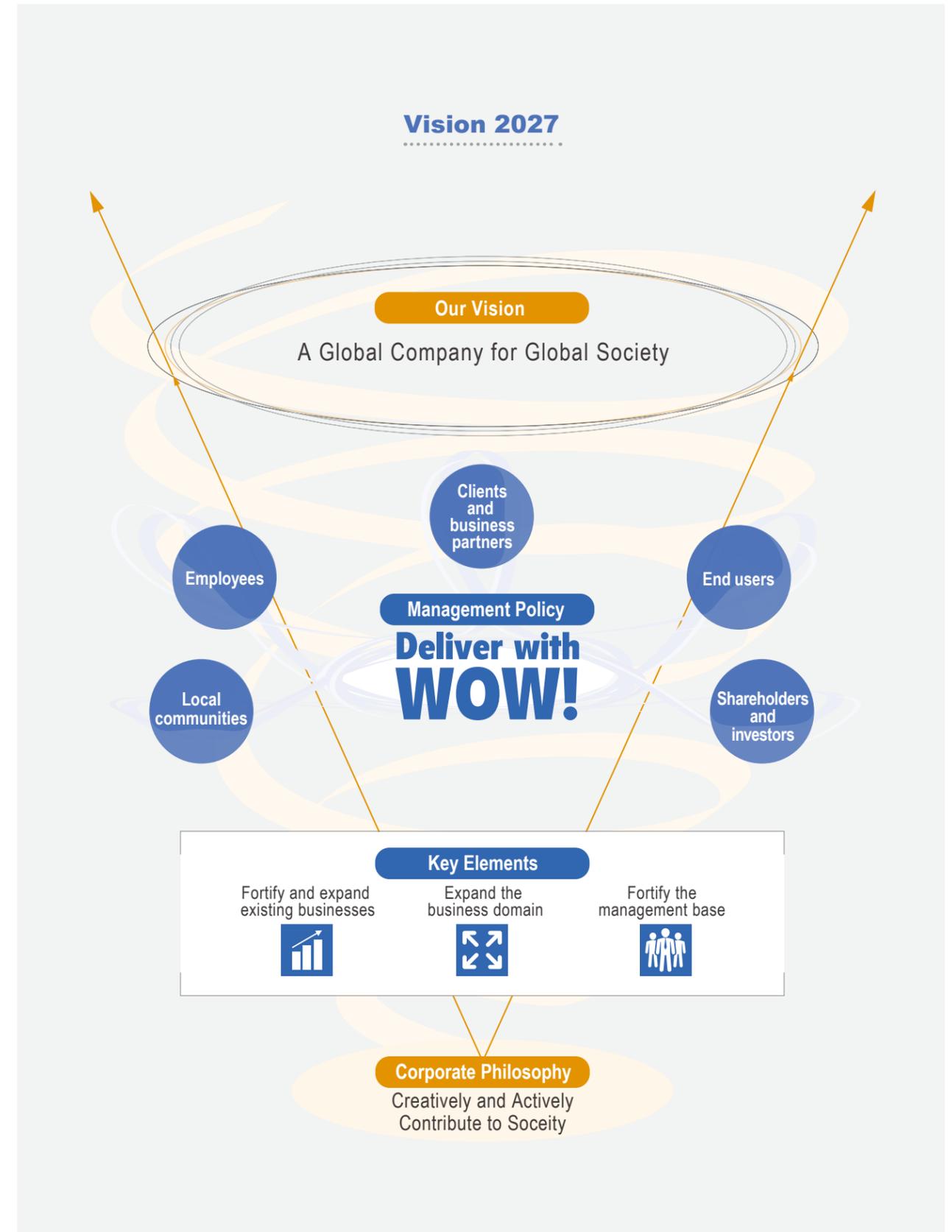
ness plans. We are stepping up the target for our safety initiatives from aiming for "zero accidents" to eliminating all "safety risk." At the management level, this means strengthening our activities in all of the areas of corporate governance, compliance, quality, occupational health and safety, and environmental preservation.

*"We continue advancing our differentiation and growth strategies while adding a third strategy of fortifying the management base."*

**Q** What message would you like to communicate to stakeholders?

**A** I believe the ESG movement is investors' way of showing that contributing to society raises corporate value. And I believe that is exactly the kind of group JSP aspires to be by continually cultivating a corporate culture focused on valuing the individual and providing a workplace inspiring the enthusiasm of employees; and the kind of company JSP aspires to be by seeking to satisfy all of our stakeholders.

Underlying this belief is my conviction that our ability to contribute to the ongoing development of society is fundamental to realizing ongoing growth for our Group. We look forward to your continued support as we forge ahead to fulfill our vision of the company in 10 years.



# LONG-TERM VISION AND MEDIUM-TERM BUSINESS PLAN

Our long-term vision is a long-term roadmap for the company and a vision created to share with our stakeholders.

JSP is implementing measures to stimulate new demand by setting up operations closer to its customers and by expanding into new business domains with the objective of generating new value creation to maintain our legacy of offering unique products with value and continue to grow our business.

We are also broadening our geographical reach and aggressively advancing growth strategies, including through M&A, with the aim of establishing business in global markets to become a “true global company.”

Also, as a manufacturing operation that uses natural resources, we are deeply aware that preserving the earth's environment is an issue that affects all of us and will contribute to creating a sustainable society.

	2015–2017	2018–2020	Vision 2027
	<b>Medium-term business plan</b> Deepen & Grow 2017  <b>Vision</b> Deepen and Grow  <b>Basic strategies</b> Promote the differentiation strategy  Promote the growth strategy	<b>Medium-term business plan</b> Deeper & Higher 2020  <b>Vision</b> Deeper & Higher  <b>Basic strategies</b> Promote the growth strategy  Promote the differentiation strategy  Fortify the management base	Our vision for JSP  A Global Company for Global Society
<b>QUANTITATIVE TARGETS</b>	<b>Fiscal 2017 (Results)</b>	<b>Fiscal 2020</b>	<b>Fiscal 2027</b>
Net sales	¥ 114.2 billion	¥ 138 billion	¥ 180 billion
Operating income	¥ 9.1 billion	¥ 11 billion	¥ 18 billion
Operating income ratio	6.5 %	8 %	10 %
ROA	8 %	8 %	10 %

## Vision 2027 Key Elements

	FORTIFY AND EXPAND EXISTING BUSINESSES	EXPAND THE BUSINESS DOMAIN	FORTIFY THE MANAGEMENT BASE
Vision 2027 Key Elements	<ul style="list-style-type: none"> <li>Improve our product portfolio</li> <li>Establish an effective production and sales structure</li> <li>Shift into our strength area of production equipment</li> <li>Expand business through localized sales strategies</li> </ul>	<ul style="list-style-type: none"> <li>Expand the domain to be closer to users</li> <li>Target the global market</li> <li>Expand domain via M&amp;A</li> <li>Enter new business areas</li> </ul>	<ul style="list-style-type: none"> <li>Foster a corporate culture based on health and safety and environmental preservation</li> <li>Strengthen the human resource development system</li> <li>Implement workstyle reform</li> <li>Strengthen our global business structure (One JSP)</li> <li>Advance our global intellectual asset strategy</li> <li>Strengthen our brand power</li> </ul>
Automotive Components	Position ARPRO®/P-BLOCK as growth drivers		
	<ul style="list-style-type: none"> <li>Raise per-vehicle product usage by 40%, sales by 50%</li> <li>Increase product applications, such to include front seat-cores</li> </ul>	<ul style="list-style-type: none"> <li>Increase applications, such as for HVAC, permeable ground surface materials</li> <li>Increase geographic reach at opportune times</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen our brand power</li> <li>Develop other materials for global markets</li> </ul>
Building and Home Insulation Materials	Turn our industry-leading insulation materials into an earnings growth driver		
	<ul style="list-style-type: none"> <li>Use insulation features to boost sales by 40%</li> <li>Cultivate new demand in the construction and civil engineering sectors</li> </ul>	<ul style="list-style-type: none"> <li>Improve the workability and labor-saving features of pre-cut products</li> <li>Broaden business into materials and fields peripheral to insulation</li> <li>Expand business with an eye to overseas markets</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen the production, sale, and shipping structures</li> <li>Increase the efficiency of the pre-cut materials business</li> </ul>
FPD Protection Materials	Position MIRAMAT ACE™ as the growth driver		
	<ul style="list-style-type: none"> <li>Leverage the demand growth for surface protection materials to raise sales by 65%</li> </ul>	<ul style="list-style-type: none"> <li>Expand sales of our ample line of antistatic products</li> <li>Broaden into fields beyond FPDs</li> </ul>	<ul style="list-style-type: none"> <li>Establish a solid business continuity plan system</li> <li>Strengthen the marketing structure in East Asia</li> </ul>
New Business Domains		<ul style="list-style-type: none"> <li>Expand the domain to be closer to users</li> <li>Develop and offer new products and spec classifications</li> <li>M&amp;A</li> </ul>	<ul style="list-style-type: none"> <li>Improve the promotion structure</li> </ul>

# CORPORATE GOVERNANCE

As of June 28, 2018

## 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 and up to four auditors.

As of June 28, 2018, the Company maintains a structure of 11 directors and four auditors. 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 representative directors, managing executives, and personnel in higher positions, are held to conduct preliminary discussions on important management issues. The Company additionally uses an executive director structure as a system for executing business operations and seeks to enhance the efficiency of business execution by delegating executive power and accountability.

### 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 2017, 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 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. One issue that emerged was the need for further improvement in matters concerning the effectiveness of the Board of Directors overall.

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.

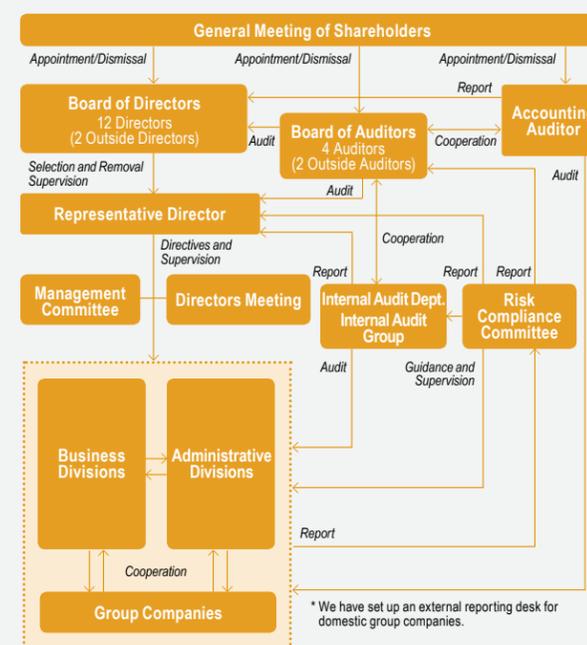
The auditors and outside auditors attend meetings of the Board of Directors and important company meetings and hold monthly auditor meetings in which they conduct discussions with managers in charge of specific operations to supplement and guide their detailed audits of the legality and appropriateness 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.

#### (2) Internal audits

The Internal Audit Group of the Internal Audit Dept. comprises four 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

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: **11**
- 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**

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. 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, a portion of which (as stock based compensation) is deposited in the Company's executive shareholder association. Remuneration for non-executive directors and auditors is configured as base compensation and fixed compensation. The aggregate amount of remuneration is set within the limit determined by a resolution passed at the General Meeting of Shareholders.

The Company President, as authorized by the Board of Directors, sets the amount of remuneration for each director based on the recommendations of the Remuneration Advisory Board 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. Remuneration for auditors is set based on negotiations and in consideration of the contribution to be provided by each individual.

#### Director and Auditor Remuneration Totals for Fiscal Year 2017

Position	Number	Total Remuneration (Millions of yen)
Director	12	341
Of which Outside Director	2	16
Auditor	4	37
Of which Outside Auditor	2	19
Total	16	378

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

### Internal Control

#### Compliance

The Group has established the JSP Guidelines for Corporate Behavior and JSP 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 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.

#### 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 representative directors 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 representative directors 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 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

ASSETS	Millions of yen		Thousands of U.S. dollars*
	2018	2017	2018
<b>Current assets</b>			
Cash and deposits	¥ 16,963	¥ 13,436	\$ 159,675
Notes and accounts receivable—trade	30,712	29,785	289,082
Electronically recorded monetary claims—operating	3,776	2,765	35,545
Short-term investment securities	121	139	1,144
Merchandise and finished goods	6,906	6,310	65,011
Work in process	1,115	779	10,503
Raw materials and supplies	5,255	4,398	49,469
Accounts receivable—other	513	603	4,834
Deferred tax assets	752	825	7,084
Other	1,905	1,374	17,936
Allowance for doubtful accounts	(114)	(209)	(1,074)
<b>Total current assets</b>	<b>67,909</b>	<b>60,208</b>	<b>639,211</b>
<b>Noncurrent assets</b>			
<b>Property, plant and equipment</b>			
Buildings and structures	39,510	37,446	371,895
Accumulated depreciation	(22,687)	(21,880)	(213,549)
Accumulated impairment loss	(14)	(15)	(134)
Buildings and structures, net	16,808	15,550	158,210
Machinery, equipment and vehicles	72,939	74,303	686,554
Accumulated depreciation	(56,398)	(58,870)	(530,857)
Accumulated impairment loss	(94)	(142)	(887)
Machinery, equipment and vehicles, net	16,446	15,289	154,808
Land	14,557	14,451	137,024
Lease assets	28	29	271
Accumulated depreciation	(16)	(15)	(151)
Lease assets, net	12	14	119
Construction in progress	3,307	2,406	31,132
Other	9,405	10,122	88,532
Accumulated depreciation	(7,912)	(8,826)	(74,478)
Other, net	1,493	1,295	14,053
<b>Total property, plant and equipment</b>	<b>52,625</b>	<b>49,008</b>	<b>495,349</b>
<b>Intangible assets</b>	<b>926</b>	<b>977</b>	<b>8,717</b>
Investments and other assets			
Investment securities	1,680	1,650	15,821
Long-term loans receivable	128	47	1,213
Net defined benefit asset	1,221	-	11,497
Deferred tax assets	442	341	4,168
Other	1,202	1,471	11,318
Allowance for doubtful accounts	(410)	(554)	(3,860)
<b>Total investments and other assets</b>	<b>4,266</b>	<b>2,957</b>	<b>40,159</b>
<b>Total noncurrent assets</b>	<b>57,818</b>	<b>52,943</b>	<b>544,226</b>
<b>Total assets</b>	<b>¥125,728</b>	<b>¥113,151</b>	<b>\$1,183,437</b>

\* U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥106.24=US\$1.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars*
	2018	2017	2018
<b>Current liabilities</b>			
Notes and accounts payable—trade	¥ 11,483	¥ 9,298	\$ 108,093
Electronically recorded obligations—operating	2,005	1,470	18,881
Short-term loans payable	6,366	5,989	59,924
Current portion of long-term loans payable	3,945	3,861	37,132
Lease obligations	13	14	122
Accounts payable—other	2,978	2,688	28,038
Income taxes payable	895	899	8,433
Accrued consumption taxes	96	421	905
Provision for bonuses	1,487	1,581	14,005
Provision for business structure improvement	-	132	-
Electronically recorded obligations—facilities	131	38	1,236
Accounts payable—facilities	1,277	841	12,026
Other	2,463	2,429	23,187
<b>Total current liabilities</b>	<b>33,145</b>	<b>29,667</b>	<b>311,988</b>
<b>Noncurrent liabilities</b>			
Long-term loans payable	5,712	4,756	53,772
Lease obligations	16	22	154
Asset retirement obligations	160	151	1,506
Deferred tax liabilities	997	697	9,390
Provision for business structure improvement	20	16	192
Provision for directors' retirement benefits	11	10	111
Net defined benefit liability	576	134	5,428
Other	980	915	9,233
<b>Total noncurrent liabilities</b>	<b>8,477</b>	<b>6,705</b>	<b>79,791</b>
<b>Total liabilities</b>	<b>41,622</b>	<b>36,373</b>	<b>391,780</b>
<b>Net assets</b>			
Shareholders' equity			
Capital stock	10,128	10,128	95,337
Capital surplus	13,405	13,405	126,181
Retained earnings	56,551	51,336	532,295
Treasury stock	(1,385)	(1,382)	(13,037)
<b>Total shareholders' equity</b>	<b>78,700</b>	<b>73,488</b>	<b>740,776</b>
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	244	239	2,305
Foreign currency translation adjustment	(483)	(1,694)	(4,547)
Remeasurements of defined benefit plans	1,062	499	10,003
<b>Total valuation and translation adjustments</b>	<b>824</b>	<b>(955)</b>	<b>7,761</b>
Non-controlling interest	4,581	4,245	43,120
Total net assets	84,105	76,778	791,657
<b>Total liabilities and net assets</b>	<b>¥125,728</b>	<b>¥113,151</b>	<b>\$1,183,437</b>

## CONSOLIDATED STATEMENTS OF INCOME

	Millions of yen		Thousands of U.S. dollars*
	2018	2017	2018
<b>Net sales</b>	<b>¥114,284</b>	<b>¥109,048</b>	<b>\$1,075,723</b>
<b>Cost of sales</b>	<b>80,657</b>	<b>75,182</b>	<b>759,200</b>
<b>Gross profit</b>	<b>33,627</b>	<b>33,865</b>	<b>316,523</b>
<b>Selling, general and administrative expenses</b>			
Selling expenses	7,779	7,682	73,226
General and administrative expenses	16,741	16,570	157,585
Total selling, general and administrative expenses	24,521	24,252	230,812
<b>Operating income</b>	<b>9,105</b>	<b>9,612</b>	<b>85,711</b>
<b>Non-operating income</b>			
Interest income	183	170	1,730
Dividends income	25	26	241
Rent income	74	78	705
Foreign exchange gains	-	41	-
Equity in earnings of affiliates	6	6	64
Other	286	318	2,697
Total non-operating income	577	642	5,440
<b>Non-operating expenses</b>			
Interest expenses	119	111	1,126
Foreign exchange loss	200	-	1,885
Other	146	109	1,376
Total non-operating expenses	466	221	4,389
<b>Ordinary income</b>	<b>9,217</b>	<b>10,033</b>	<b>86,761</b>
<b>Extraordinary income</b>			
Gain on sales of noncurrent assets	403	32	3,797
Gain on sales of investment securities	-	20	-
Total extraordinary income	403	53	3,797
<b>Extraordinary loss</b>			
Loss on retirement of noncurrent assets	119	69	1,248
Loss on sales of noncurrent assets	13	4	122
Total extraordinary losses	132	73	1,125
<b>Income before income taxes</b>	<b>9,488</b>	<b>10,013</b>	<b>89,310</b>
<b>Income taxes—current</b>	<b>2,497</b>	<b>2,592</b>	<b>23,505</b>
<b>Income taxes—deferred</b>	<b>0</b>	<b>(66)</b>	<b>3</b>
<b>Total income taxes</b>	<b>2,497</b>	<b>2,525</b>	<b>23,509</b>
<b>Net income</b>	<b>6,990</b>	<b>7,487</b>	<b>65,801</b>
<b>Net income attributable to non-controlling interests</b>	<b>136</b>	<b>185</b>	<b>1,288</b>
<b>Net income attributable to owners of the parent</b>	<b>¥ 6,853</b>	<b>¥ 7,301</b>	<b>\$ 64,512</b>

\* U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥106.24=US\$1.

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	Millions of yen					Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	
Balance, beginning of period	¥10,128	¥13,405	¥51,336	(¥1,382)	¥73,488	
Cumulative effects of changes in accounting policies						-
Restated balance, beginning of period	10,128	13,405	51,336	(1,382)	73,488	
Changes of items during the period:						
Dividends from surplus			(1,639)		(1,639)	
Net income attributable to owners of the parent			6,853		6,853	
Purchase of treasury stock				(2)	(2)	
Change of scope of consolidation						-
Net changes of items other than shareholders' equity						
Total changes of items during the period	-	-	5,214	(2)	5,211	
Balance, end of period	¥10,128	¥13,405	¥56,551	(¥1,385)	¥78,700	
	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	¥239	(¥1,694)	¥499	(¥955)	¥4,245	¥76,778
Cumulative effects of changes in accounting policies						-
Restated balance, beginning of period	239	(1,694)	499	(955)	4,245	76,778
Changes of items during the period:						
Dividends from surplus						(1,639)
Net income attributable to owners of the parent						6,853
Purchase of treasury stock						(2)
Change of scope of consolidation						-
Net changes of items other than shareholders' equity	5	1,211	563	1,780	335	2,115
Total changes of items during the period	5	1,211	563	1,780	335	7,327
Balance, end of period	¥244	(¥483)	¥1,062	¥824	¥4,581	¥84,105
	Thousands of U.S. dollars*					
	Shareholders' equity					
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	
Balance, beginning of period	\$95,337	\$126,181	\$483,214	(\$13,013)	\$691,719	
Cumulative effects of changes in accounting policies					-	
Restated balance, beginning of period	95,337	126,181	483,214	(13,013)	691,719	
Changes of items during the period:						
Dividends from surplus			(15,432)		(15,432)	
Net income attributable to owners of the parent			64,512		64,512	
Purchase of treasury stock				(23)	(23)	
Change of scope of consolidation					-	
Net changes of items other than shareholders' equity						
Total changes of items during the period	-	-	49,080	(23)	49,056	
Balance, end of period	\$95,337	\$126,181	\$532,295	(\$13,037)	\$740,776	
	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	\$2,252	(\$15,952)	\$4,701	(\$8,997)	\$39,965	\$722,687
Cumulative effects of changes in accounting policies						-
Restated balance, beginning of period	2,252	(15,952)	4,701	(8,997)	39,965	722,687
Changes of items during the period:						
Dividends from surplus						(15,432)
Net income attributable to owners of the parent						64,512
Purchase of treasury stock						(23)
Change of scope of consolidation						-
Net changes of items other than shareholders' equity	52	11,404	5,301	16,758	3,154	19,913
Total changes of items during the period	52	11,404	5,301	16,758	3,154	68,969
Balance, end of period	\$2,305	(\$4,547)	\$10,003	\$7,761	\$43,120	\$791,657

\* U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥106.24=US\$1.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of yen		Thousands of U.S. dollars*
	2018	2017	2018
<b>Net cash provided by (used in) operating activities</b>			
Income before income taxes	¥ 9,488	¥10,013	\$ 89,310
Depreciation and amortization	5,072	4,952	47,748
Increase (decrease) in allowance for doubtful accounts	(222)	129	(2,093)
Increase (decrease) in provision for bonuses	(106)	113	(998)
Increase (decrease) in net defined benefit liability	39	(410)	369
Increase (decrease) in provision for directors' retirement benefits	0	(152)	8
Loss (gain) on sales and retirement of noncurrent assets	(270)	40	(2,548)
Loss (gain) on sales of investment securities	-	(20)	-
Interest and dividends income	(209)	(197)	(1,971)
Interest expenses	119	111	1,126
Foreign exchange losses (gains)	101	(156)	956
Equity in (earnings) losses of affiliates	(6)	(6)	(64)
Decrease (increase) in notes and accounts receivable—trade	(1,555)	(719)	(14,643)
Increase (decrease) in notes and accounts payable—trade	2,459	1,029	23,153
Decrease (increase) in inventories	(1,681)	(219)	(15,832)
Increase (decrease) in accrued consumption taxes	(327)	(112)	(3,080)
Other, net	596	84	5,617
Subtotal	13,498	14,480	127,059
Interest and dividends income received	202	229	1,901
Interest expenses paid	(109)	(138)	(1,033)
Business structure improvement expenses paid	(127)	(131)	(1,201)
Income taxes paid	(2,613)	(3,751)	(24,604)
<b>Net cash provided by (used in) operating activities</b>	<b>10,849</b>	<b>10,688</b>	<b>102,122</b>
<b>Net cash provided by (used in) investing activities</b>			
Purchase of noncurrent assets	(8,153)	(6,236)	(76,741)
Proceeds from sales of noncurrent assets	819	105	7,718
Payments for retirement of noncurrent assets	(9)	(39)	(85)
Purchase of investment securities	(6)	(5)	(57)
Proceeds from sales of investment securities	-	170	-
Net decrease (increase) in time deposits	(200)	(168)	(1,889)
Other, net	(112)	(14)	(1,060)
<b>Net cash provided by (used in) investing activities</b>	<b>(7,661)</b>	<b>(6,188)</b>	<b>(72,117)</b>
<b>Net cash provided by (used in) financing activities</b>			
Net increase (decrease) in short-term loans payable	354	(178)	3,336
Proceeds from long-term loans payable	5,325	199	50,129
Repayment of long-term loans payable	(4,295)	(4,915)	(40,427)
Purchase of treasury stock	(2)	(2)	(23)
Cash dividends paid	(1,639)	(1,341)	(15,432)
Dividends paid for non-controlling interests	(233)	(233)	(2,199)
Other, net	(16)	(26)	(154)
<b>Net cash provided by (used in) financing activities</b>	<b>(506)</b>	<b>(6,497)</b>	<b>(4,771)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>160</b>	<b>(354)</b>	<b>1,511</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,841</b>	<b>(2,351)</b>	<b>26,744</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>7,965</b>	<b>10,295</b>	<b>74,979</b>
<b>Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation</b>	<b>-</b>	<b>22</b>	<b>-</b>
<b>Cash and cash equivalents at end of period</b>	<b>¥10,807</b>	<b>¥ 7,965</b>	<b>\$101,723</b>

\* U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥106.24=US\$1.

## FINANCIAL REVIEW

### Results of Operations

#### Net sales

Net sales increased 5,236 million yen year-on-year to 114,284 million yen. The main factors behind the increase were the tapping of new demand and a focus on developing and selling high-added-value products, as well as higher sales volumes in Japan and all overseas regions as a result of priority investment in growth fields and regions.

#### Operating income

Operating income declined 507 million yen year-on-year to 9,105 million yen. Although operating income in overseas business increased because of strong sales in all regions, overall operating income declined, primarily because of higher transportation prices in Japan and the rapid increase in raw fuel prices in the fourth consolidated quarter, which exceeded the effects of increased product sales volumes and better sales in strong fields.

#### Net income attributable to owners of the parent

Net income attributable to owners of the parent fell 448 million yen year-on-year to 6,853 million yen. Extraordinary income increased as a result of sale of property adjacent to the Kashima Plant and other factors, but non-operating expenses increased due largely to the occurrence of foreign exchange losses, and loss on the sale of fixed assets also increased.

### Financial Position

#### Assets

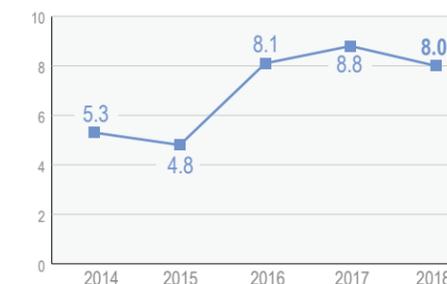
Total assets increased by 12,576 million yen compared to the end of the previous consolidated fiscal year to 125,728 million yen.

Current assets were up 7,701 million yen to 67,909 million yen. The main cause of the increase was a 3,527 million yen increase in cash and deposits.

Noncurrent assets amounted to 57,818 million yen, up 4,875 million yen. The main factor behind the rise was a 1,257 million yen increase in buildings and structures (net value).

#### Ratio of operating income to sales (%)

(Years ended March 31)



#### Ratio of net income to sales (%)

(Years ended March 31)



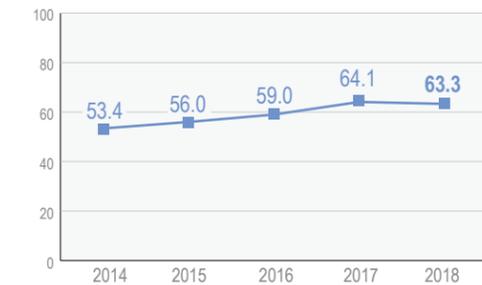
#### Liquidity ratio (%)

(As of March 31)



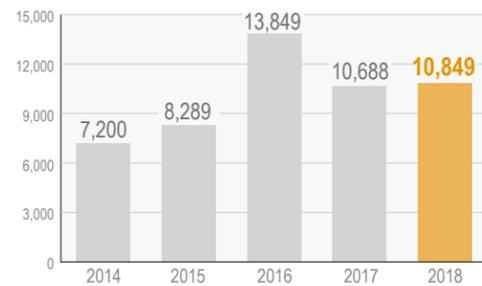
Shareholders' equity ratio (%)

(As of March 31)



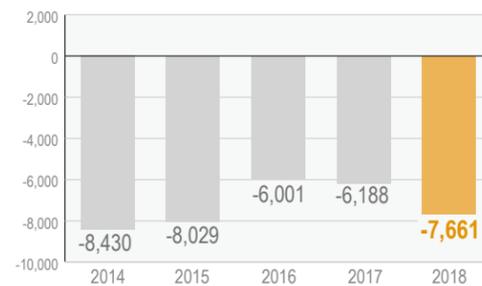
Net cash provided by (used in) operating activities (Millions of yen)

(Years ended March 31)



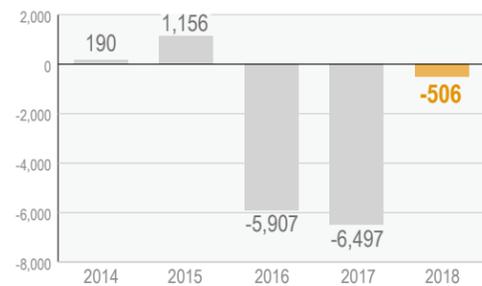
Net cash provided by (used in) investing activities (Millions of yen)

(Years ended March 31)



Net cash provided by (used in) financing activities (Millions of yen)

(Years ended March 31)



Liabilities

Total liabilities increased by 5,249 million yen compared to the end of the previous consolidated fiscal year to 41,622 million yen.

Current liabilities rose 3,477 million yen to 33,145 million yen. The main cause of the increase was a 2,185 million yen increase in notes and accounts payable-trade.

Noncurrent liabilities amounted to 8,477 million yen, up 1,771 million yen. The increase was primarily the result of a 956 million yen increase in long-term loans payable.

Net assets

Net assets amounted to 84,105 million yen. The shareholders' equity ratio fell 0.8 points compared to the end of the previous consolidated fiscal year to 63.3%.

Cash Flows

The balance of cash and cash equivalents was 10,807 million yen, up 2,841 million yen over the end of the previous consolidated fiscal year. Cash flows from each activity category are shown below.

Net cash provided by (used in) operating activities

Net cash provided by operating activities totaled 10,849 million yen (up 160 million yen year-on-year). Inflows included 9,488 million yen in income before income taxes, 5,072 million yen in depreciation and amortization, and a 2,459 million yen increase in notes and accounts payable-trade. Outflows included 2,613 million yen in income taxes paid, a 1,681 million yen increase in inventories, and a 1,555 million yen increase in notes and accounts receivable-trade.

Net cash provided by (used in) investing activities

Net cash used in investing activities totaled 7,661 million yen (up 1,473 million yen year-on-year). Outflows included 8,153 million yen in purchases of noncurrent assets.

Net cash provided by (used in) financing activities

Net cash used in financing activities totaled 506 million yen (down 5,990 million yen year-on-year). While inflow from long-term loans payable was 5,325 million yen, outflows included 4,295 million yen for repayment of long-term loans payable and 1,639 million yen in cash dividends paid.

Capital Expenditures

Planned capital expenditures total approximately 12,000 million yen. This includes approximately 6,700 million yen in investment to increase production and reinforce competitiveness and about 5,300 million yen in maintenance.

The forecast for depreciation and amortization is approximately 5,400 million yen, an increase of about 330 million yen over the previous fiscal year.

Profit Allocation and Dividends

Basic policy

The Company positions shareholder returns as a priority policy. With regard to the distribution of profit, our policy is to emphasize stable dividends, making comprehensive determinations that take into consideration consolidated financial results for each fiscal year, the need to enhance internal reserves for future business development, and other factors.

Internal reserves

Internal reserves are used to reinforce the Company's financial standing and are allocated to research and development of new products and technologies and capital expenditures for new business development.

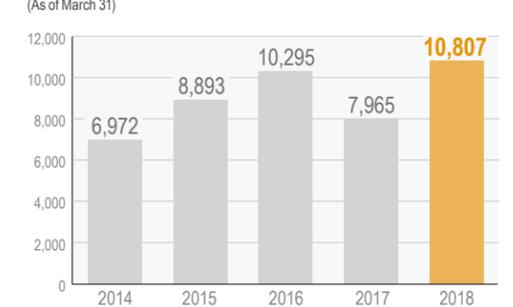
Dividends

The Company's Articles of Incorporation provide that the Board of Directors may declare dividends from retained earnings (pursuant to Article 459, Paragraph 1 of the Companies Act). The Company's basic policy is to pay dividends twice a year, an interim dividend and a year-end dividend, in accordance with resolutions of the Board of Directors.

This fiscal year, the Company plans to pay a dividend of 50 yen per share in consideration of financial results, the management environment, maintenance of stable dividends, and other factors. An interim dividend was previously paid, and accordingly, a year-end dividend of 25 yen will be paid. In the next fiscal year, the Company plans to pay an interim 25 yen per share dividend and a 25 yen per share year-end dividend, for a total of 50 yen per share.

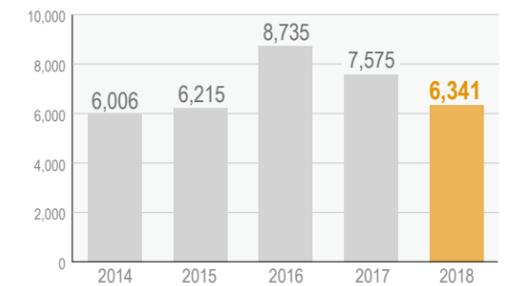
Cash and cash equivalents at end of period (Millions of yen)

(As of March 31)



Capital expenditures (Millions of yen)

(Years ended March 31)



Annual dividend and payout ratio (yen; %)

(Years ended March 31)



# GLOBAL NETWORK

As of March 31, 2018



## Europe

France  
Czech Republic

## Asia

South Korea  
Taiwan  
Singapore  
Thailand  
China

## The Americas

U.S.A.  
Mexico  
Brazil

## 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, 2018

<b>Head Office</b>	Shin Nisseki Bldg., 4-2, 3-chome Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan
<b>President, Representative Director</b>	Yukio Sakai
<b>Founded</b>	January 1962
<b>Paid-In Capital</b>	¥10,128.610 million
<b>Number of Shareholders</b>	18,374
<b>Stock Exchange Listing</b>	Tokyo (First Section: 7942)
<b>Fiscal Year-End</b>	March 31
<b>Investor Relations Contact</b>	Public and Investor Relations Department Tel: +81-3-6212-6302
<b>URL</b>	www.jsp.com

## Major Shareholders

Shareholders	Shares held (thousands)	Voting right ratio (%)
Mitsubishi Gas Chemical Company, Inc.	16,020	53.74
Japan Trustee Services Bank, Ltd.	2,591	8.69
J.P. MORGAN BANK LUXEMBOURG S.A. 380578	1,300	4.36
JSP Client Stock Ownership Plan	1,057	3.54
The Master Trust Bank of Japan, Ltd.	653	2.19
JP MORGAN CHASE BANK 385166	439	1.47
JSP Employee Stock Ownership Plan	295	0.98
Nippon Life Insurance Company	242	0.81
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	198	0.66
BNP PARIBAS SECURITIES SERVICES PARIS/JASDEC/CDC AVOIRS FRR	190	0.63

Notes: 1. The above list of major shareholders does not include treasury stock held by the company (1,603,502 shares).  
2. The shareholding ratio does not include treasury stock.



**In so many ways, and in so many places,  
JSP protects the things and  
the people that are  
most important  
to you.**



**[jsp.com](http://jsp.com)**