

JSP

Change for Growth

Corporate Report
2023



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About this publication

Based on our corporate philosophy of “Creatively and Actively Contributing to Society”, the JSP Group develops business with the aim of realizing our long-term vision. We have clearly defined sustainability management in the basic concepts of the 2021–2023 medium-term business plan, “Change for Growth” currently underway. This report contains information related to sustainability management and materiality, which is also available on our website. (<https://www.co-jsp.co.jp/english/sustainability/>)

Reporting period

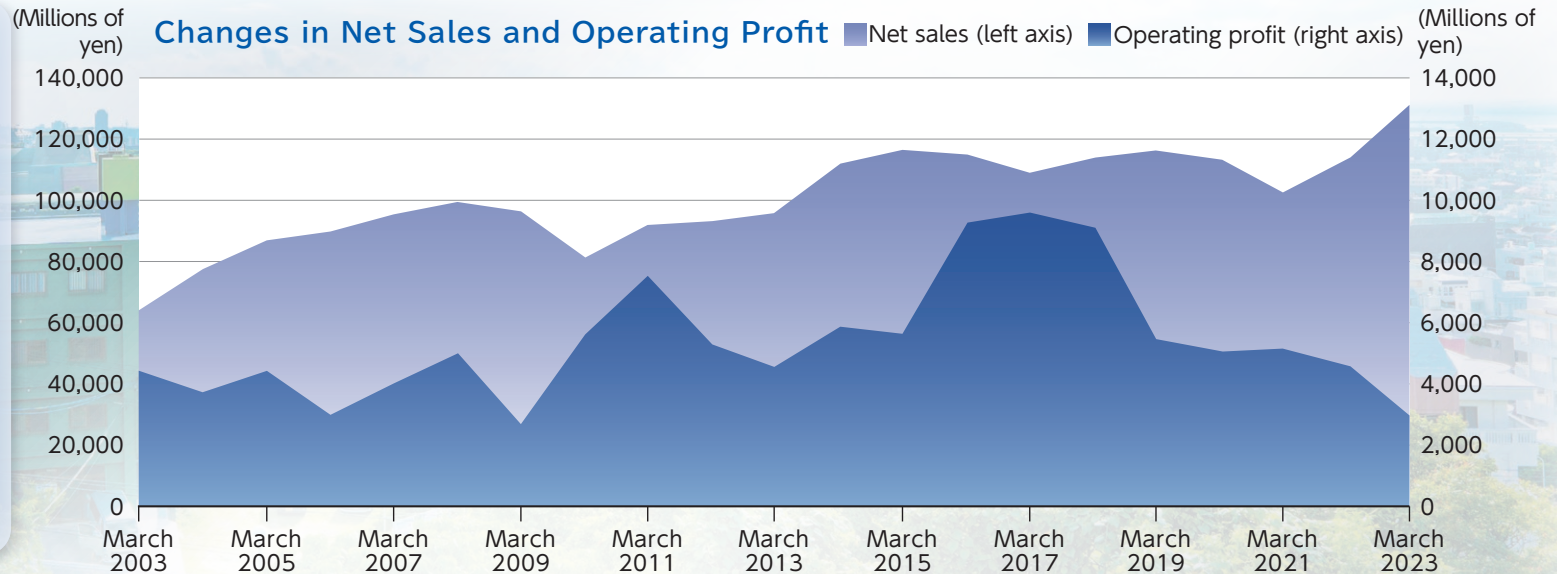
April 1, 2022, to March 31, 2023 (Some sections refer to activities occurring on or after April 1, 2023)

Forward-looking statements

This publication contains forward-looking statements regarding management plans, strategies, and performance. These statements are based on Company determinations in light of information available as of March 31, 2023. Accordingly, information contained herein is subject to risks and uncertainties, and actual results may differ materially from those discussed in forward-looking statements.

History

Since our establishment in 1962 as Japan Styrene Paper, JSP has developed our business globally by using our world-leading development and technological capabilities. Furthermore, we are utilizing the characteristics of foamed plastics to contribute to the reduction of environmental burden and CO₂ emissions. The world is a place with full of diverse values which continue to change depending on the place and time. The JSP Group will continue to embrace challenges to meet the changing demands of our customers and society, and to share our values.



Founding Period (1962 to 1984)



We started production of polystyrene paper and established our company as a manufacturer specializing in the foaming business. Afterwards, we developed the world's first foamed polyethylene sheet (MIRAMAT) and foamed polypropylene beads (ARPRO/P-BLOCK). We launched MIRABOARD and MIRAFOAM on the market, thereby creating the current lineup of our main products.

- 1962**
Est. Japan Styrene Paper.
Osaka Sales Office opened.
Operation of Hiratsuka Plant started.
- 1970**
Nagoya Sales Office opened.
- 1971**
Operation of Kanuma No. 1 Plant started.
Fukuoka Sales Office opened.
- 1972**
Sales Offices in Sapporo, Sendai and Hiroshima opened.
- 1973**
Est. Shingu Styrene Paper Co., Ltd.
- 1977**
Est. Kyushu Styrene Paper Co., Ltd.
- 1979**
Est. Hokkaido Styrene Paper Co., Ltd.
- 1980**
Operation of Kanuma No. 2 Plant started.

Growth Period (1985 to 2003)



We made our first overseas expansion in the United States with foamed beads (ARPRO/P-BLOCK). With that as a foothold, we expanded into European and Asian countries. We were listed on the Second Section of the Tokyo Stock Exchange and entered into a growth period by gradually expanding the size of our business. In 2003, we merged with Mitsubishi Chemical Foam Plastic Co., Ltd. and added an expandable polystyrene (EPS) business to solidify our technical and management base as a specialist in foamed products.

- 1988**
Received the Science and Technology Director-General's Award for ARPRO/P-BLOCK.
- 1989**
Changed the company name to JSP Corporation.
- 1990**
Listed on the Second Section of the Tokyo Stock Exchange.
Opened Kanuma Research Center.
- 1991**
Operation of Yokkaichi Plant started.
- 1994**
Acquired Kanuma No.3 Plant.
- 1999**
Operation of Kanuma No. 4 Plant started.
- 2001**
Introduced Inner Company System.
- 2003**
JSP Corporation and Mitsubishi Chemical Foam Plastic Co., Ltd. merged to form a new JSP

Expansion Period (from 2004)



We were listed on the First Section of the Tokyo Stock Exchange and our net sales exceeded ¥100 billion. The adoption of ARPRO/P-BLOCK as automotive parts has expanded significantly and we have enhanced our facilities around the world. We also expanded into Brazil and strengthened our network to supply a wide range of products throughout the world. We also increased our competitiveness by actively promoting the renewal of production facilities in Japan. In response to the global trend of protecting the global environment, we are investing in the establishment of a recycling center and the development of products that can reduce environmental impact.

- 2005**
Listed on the First Section of the Tokyo Stock Exchange.
- 2008**
Operation of Recycling Center at Kanuma started.
- 2012**
Celebrated the 50th anniversary of our founding.
- 2014**
Operation of Kitakyushu Plant started.
- 2015**
Capital and business alliance with Mitsubishi Gas Chemical Company to be a consolidated subsidiary.
- 2019**
Operation of new factory at Kansai Plant started.
- 2022**
Listed on the Prime Market of the Tokyo Stock Exchange.

At a Glance JSP's Strength

We aim to be "A Global Company for Global Society".

JSP's Strength

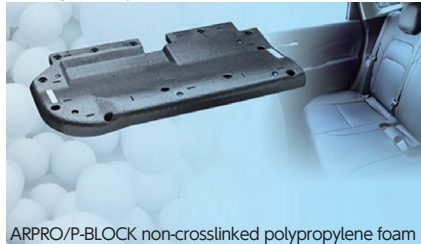
1. Wide Range of Markets

JSP offers a wide range of production for application such as food packaging, precision equipment packaging, housing, construction, civil engineering, automobiles and logistics. By developing technologies that meet the needs of customers in each field and having a wide range of markets, we are enhancing the possibilities of foam products.



2. Development capabilities specialized in foaming technology

As a specialized manufacturer of foam products, we aim to be a company that can contribute to the affluent daily lives of people around the world through cutting-edge foam technology. Many of our products were developed by JSP for the first time in the world. Our mainstay products (foamed polypropylene) have a global market exceeding 50%. By further advancing our foaming technology, JSP will continue to provide resource-saving and highly functional products, creating not only economic value but also social value.



ARPRO/P-BLOCK non-crosslinked polypropylene foam

3. Global Operational Presence

JSP has been operating globally since the 1980s, starting in the U.S. Today, JSP has manufacturing facilities in Japan, the United States, Mexico, Brazil, France, Czech Republic, Singapore, Thailand, China, Korea, and Taiwan. We have also established an Innovation Centre in Germany, as well as development bases in Japan, the U.S. and Asia. By understanding the needs of local customers and collaborating and sharing information among these sites we are working to speed up development and anticipate market needs.



JSP International s.r.o. (Czech Republic)

4. The Added Value of Technical Support

Foam products sold by JSP become products through the molding process by the customers. JSP provides technical support to molding manufacturers and depending on the product, technical cooperation and proactive proposals such as structural analysis. JSP provides added value to customers through technical support, such as improved productivity and energy savings.



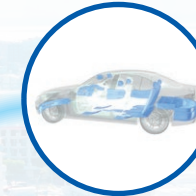
Value Provided by JSP in Each Field



Food packaging field

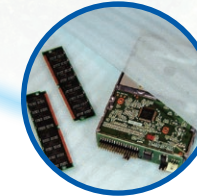
Foamed polystyrene sheets are widely used in food packaging to preserve the freshness of fish and meat. These products provide both functionality and convenience to meet the needs for food safety and security.

Foamed polyethylene sheets possess excellent shock-absorbing, moisture-proof, and waterproof properties. This makes the sheets ideal for items that require long-term transportation and storage, and the sheets used as packaging materials in logistics.



Automotive field

Lightweight and highly shock-absorbing polypropylene foam products are used in automobile parts to provide a variety of functions such as improved collision safety performance, reduced vehicle weight, and improved fuel efficiency.



Industrial field



Building and home field

Foamed polystyrene products are used in various buildings such as detached houses, condominiums, and office buildings, helping to create a comfortable environment.

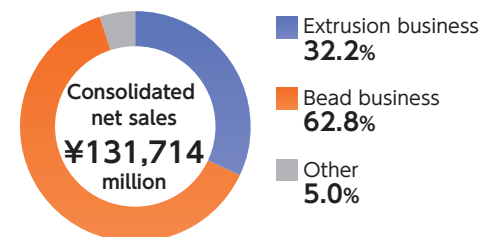


Civil engineering field

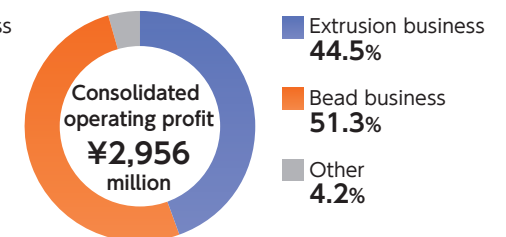
Foamed polystyrene is lightweight and has excellent water resistance and workability. This reduces the burden of work and enables efficient construction. JSP contributes to the construction of safer social infrastructure, such as road construction and stabilization of soft ground.

Net sales and operating profit (FY2022)

Net sales composition ratio by segment



Operating profit composition ratio by segment



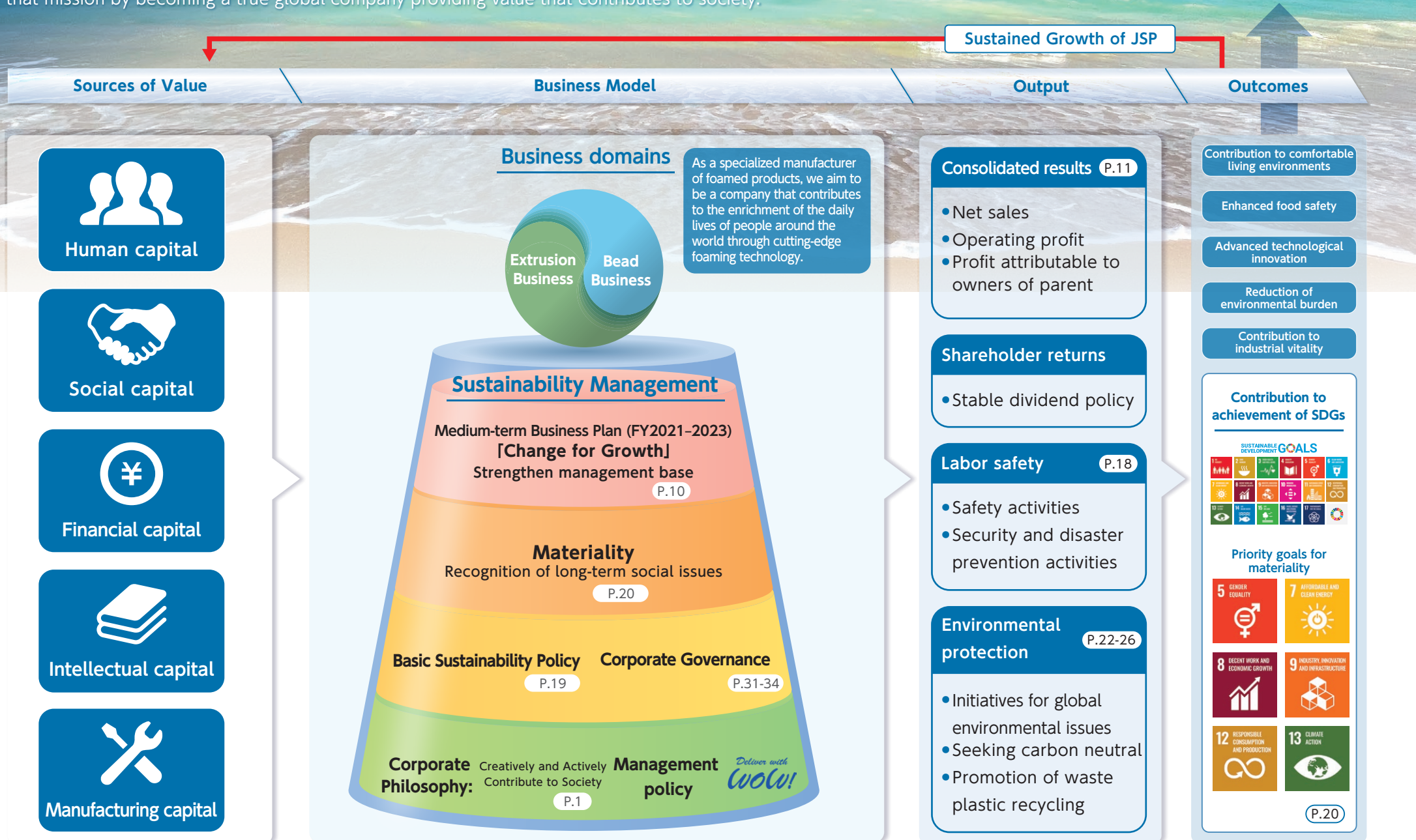
Our Value Creation Process

JSP's mission is to use its business to contribute to society by providing value in the form of preserving resources and energy, and increasing convenience in social activities. Management aims to fulfill that mission by becoming a true global company providing value that contributes to society.

VISION 2027
Aiming to be "A Global Company for Global Society"

Providing excitement and satisfaction to all stakeholders

Creation of corporate value x Creation of social value



Message from the President



We aim to become “A Global Company for Global Society”.

Tomohiko Okubo
President & Representative Director

Toward realization of our long-term vision

Our corporate philosophy is “Creatively and Actively Contribute to Society,” and our mission is to create value that is beneficial to society. At JSP, diverse human resources are working to identify value that we can provide to our customers and society through our original ideas and technologies. Our management fulfills a role in finding that balance and guiding our company toward our goals.

As stated in “VISION 2027”, our vision is to be “A Global Company for Global Society”. While spreading the value we create around the world, JSP is shifting to a company that delivers social value that solves the problems of customers and society in order to become a company that is needed by society. In addition, as expressed by our management policy “Deliver with WOW!”, we aim to be a company where all employees work with a sense of excitement, and which delivers excitement and satisfaction to our stakeholders.

We will share our vision and thoughts with all employees, pay attention to the needs of the world, and take steps to solve

problems. Foamed plastic is the core of our value creation, and is the “seed” that drives the economy and enriches society. JSP is steadily taking steps to expand the possibilities of foamed plastic, and to instill and develop the technology in various fields. Our progress forward will continue even in the current challenging business environment.

Long-term Vision, “VISION 2027”

“A Global Company for Global Society”

Key Elements

- Strengthen and expand existing business
- Expand the business domain
- Strengthen the management base

Business domains to be promoted

● Four Growth Engines ●

Automotive parts

Thermal insulation materials for buildings and houses

FPD cushioning materials

New business domains

Management policy

Deliver with WOW!

Quantitative Vision

VISION 2027	
Net Sales	¥180.0 billion
Operating profit	¥18.0 billion
Operating profit ratio	10%

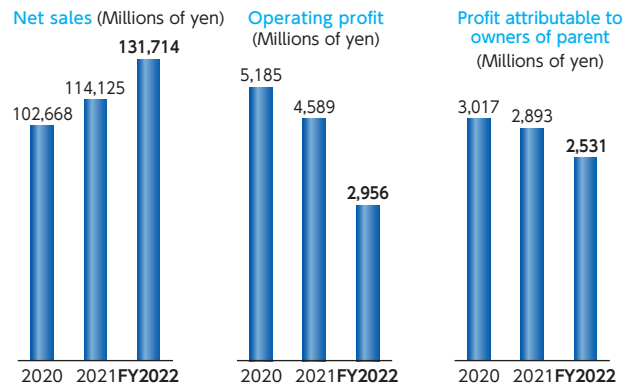
Message from the President

Fiscal 2022 results and outlook

The global economic recovery slowed due to shortages of semiconductor as a result of the resurgence of the COVID-19 pandemic, soaring resource and energy prices as a result of the prolonged situation in Ukraine, and sharp fluctuations in exchange rates. In the Japanese economy, the process of normalization of the previously restricted economic and social activities has begun. Although consumer spending, capital expenditures and other parts of the economy are recovering, the outlook for the economy is uncertain due to soaring resource and energy prices, inflation, and the impact of restrictions on the supply side. The foamed plastics industry in Japan faced serious challenges as the recovery in demand came to a standstill.

For the JSP Group, net sales were higher than one year earlier mainly because of revisions of prices of JSP products. Operating profit decreased from one year earlier due to delays in product price revisions to reflect the continuing increase in the cost of raw materials, and to other reasons such as rising utilities costs and personnel expenses. Net sales in the current fiscal year were ¥131,714 million, up 15.4% from the previous fiscal year. Operating profit decreased 35.6% to ¥2,956 million, ordinary profit decreased 30.9% to ¥3,363 million and profit attributable to owners of parent decreased 12.5% to ¥2,531 million.

Recovery is expected to continue as the impact of the pandemic ends, although there are risks associated with the Ukraine crisis. However, there is still strong upward pressure on prices, and the labor markets are expected to remain tight in many countries and regions, including Japan. Under these circumstances, the JSP Group aims to increase earnings by cutting energy/logistics costs and revising prices of products. At the same time, we are working to address challenges in sustainability management.

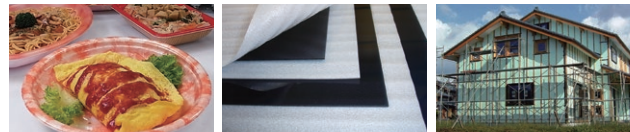


Extrusion Business

In fiscal 2022, sales volume in this segment was about the same as one year earlier but monetary sales were higher because of product price revisions. Earnings decreased due to the lag between the rising prices of raw materials and product price revisions to reflect these higher prices and to the higher cost of utilities.

Sales of materials for household products, mainly STYRENPAPER, a foamed polystyrene sheet used in food packaging, increased. This was mainly the result of higher sales volume in the food tray category and for MIRABOARD, a material used for advertising displays. Due to a decline in the production of flat panel displays, sales were lower than the previous fiscal year for industrial products, including MIRAMAT, a foamed polyethylene sheet used for industrial packaging materials and flat panel displays. Sales volume of MIRAFOAM, an extruded board made of foamed polystyrene, and other construction and civil engineering materials were at the same level as the previous fiscal year. However, sales increased due to product price revisions.

As a result, extrusion business sales increased 8.6% to ¥42,443 million and operating profit decreased 36.5% to ¥1,767 million. In fiscal 2023, we expect sales to increase due to increased sales volume. However, we expect earnings to be at the same level due to an increase in fixed expenses.



increased due to strong demand for materials used in the automotive sector.

In Europe, there was strong demand for materials used in fields such as HVAC (Heating Ventilation and Air Conditioning), despite the lower volume in the automotive sector caused by the shortage of parts. In China, sales volume decreased because of the impact of the rapid upturn of the pandemic's severity on economic activity, although the sales volume in the automotive sector was firm. In Taiwan, the sales volume decreased because of lower demand involving flat panel displays. The sales volume of expandable polystyrene bead products, chiefly STYRODIA, decreased because of lower demand for these products mainly in the fisheries sector. Monetary sales increased mainly due to product price revisions.

As a result, sales in bead business increased 20.8% to ¥82,761 million and operating profit decreased 22.2% to ¥2,038 million. In fiscal 2023, we expect an increase in sales due to the recovery of sales volume of ARPRO/P-BLOCK and the revision of product prices to offset higher prices of raw material. Earnings are also expected to increase due to higher sales volume and improved profitability.



Bead Business

Sales in this segment increased due to increased sales volume of high-performance products and product price revisions. Profit decreased due to the same reasons as the extrusion business.

The sales volume and monetary sales of high-performance products, mainly ARPRO/P-BLOCK, an expanded polypropylene product manufactured and sold worldwide, increased slowly due to the negative effects of the pandemic and Ukraine crisis. With regard to sales volume by region, those in Japan were at the same level as in the previous year, due to a delayed recovery in the automotive sector. In North America, in addition to recovery from the previous year, the sales volume increased due to the strong demand for materials used in returnable containers. In South America, the sales volume

Other

Sales increased in Japan as sales volume in the automotive parts transportation and other market sectors recovered. In China, the impact of demand for packaging materials for many types of components resulted in lower sales. As a result, sales in the other segment decreased 0.4% to ¥6,508 million and operating profit decreased 21.5% to ¥166 million. In fiscal 2023, we expect that sales both in Japan and in China will be about the same as in the previous fiscal year.



Message from the President

Concentrating management resources on four growth engines

In order to achieve our long-term vision, JSP launched the medium-term business plan “Change for Growth”, covering the three years from fiscal 2021 to fiscal 2023. Fiscal 2023 is the last year of the plan. Under the basic concepts of “expanding provided value from economic value to social value to solve customers’ and social issues” and “strengthening our management base,” “Change for Growth” seeks to achieve sustainable growth through a balance of aggressive and defensive policies, including increasing the efficiency of management through selection and concentration.

Quantitative targets to be achieved by fiscal 2023 include net sales of ¥120,000 million, operating profit of ¥7,700 million, and an operating margin of 6.4%. At the same time, management resources will focus on four growth engines: (1) Automotive parts, (2) Thermal insulation materials for buildings and houses, (3) FPD cushioning materials, and (4) New business domains.

Fiscal 2022 results

1. The sales volume of automotive parts grew 6.1% compared with that of fiscal 2019. Although automotive production fell due to shortages in semiconductors and other parts, JSP steadily increased the new application of our automotive parts and sales volume increased. While the business environment is expected to remain uncertain, we aim to expand business by providing next-generation products compatible with electrification, weight reduction, energy conservation, and recycling requirements.

- Regarding thermal insulation materials for buildings and houses, the total sales volumes declined 6.5% compared with that of fiscal 2019. Similar to automotive parts, the segment was impacted by shortages in semiconductors, which caused delays in equipment procurement and construction work. However, demand for energy-saving homes remains strong, and we continue to see higher sales volume of pre-cut thermal insulation materials, where is our strong point. We expect business to grow, as demand for high-performance thermal insulation rises ahead of mandatory compliance with energy efficiency standards for all buildings and homes in fiscal 2025.
- Sales volume of FPD cushioning materials increased 16% compared with that of fiscal 2019. Targets were achieved in the first year of the plan due to factors such as greater demand for personal computers, displays, and other products. Further growth is expected on higher demand for organic electro-luminescence panels and personal computers, as well as overseas business expansion.
- In new business domains, in comparison to target sales of ¥3 billion in fiscal 2023, actual net sales in fiscal 2022 were ¥0.6 billion. We are currently pursuing new businesses and M&A projects, while commercializing elements of our existing businesses that show potential. For M&A, in January 2022, we made a 35% investment in the Italian company GHEPI SRL, which possesses injection molding processing technologies. In combining JSP foaming technologies with new injection technologies, we aim to promote the development of high-value-added products, thereby expanding our business.

Progress of medium-term business plan and four growth engines

Quantitative targets	(Millions of yen)	Progress of Medium-term Business Plan and four growth engines	Automotive parts*1	Thermal insulation materials for buildings and houses*2	FPD cushioning materials	New business domains
Net Sales	120,000	2023 (Plan)	+23%	+12%	+20%	Net Sales ¥3.0 billion
Operating profit	7,700	2022 (Results)	+6.1%	△6.5%	+16%	Net Sales ¥0.6 billion
Operating margin (%)	6.4%	2023 (Forecast)	+11%	+1%	+20%	Net Sales ¥0.6 billion
2023(Forecast)	(Millions of yen)					
Net Sales	135,000					
Operating profit	5,600					
Operating margin (%)	4.1%					

*1 Sales volume for EPP business *2 Sales volume for construction and civil engineering business
 Figures in the columns of automotive parts, thermal insulation materials for buildings and houses, and FPD cushioning materials are changes in volumes compared with that of fiscal 2019.

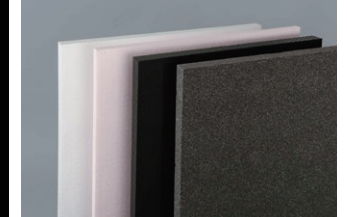
Two strategic products for expanding applications and expanding areas

Our core products are foamed plastics made using general-purpose plastics. These products have excellent functionality and high quality that satisfies various customer needs, and have great potential. The key to our strategy is how to spread JSP products, including overseas expansion, so that more customers will use our products. At present, the strategic products that JSP seeks to grow are the foamed polypropylene ARPRO/P-BLOCK and the functional highly-expanded polyethylene sheet MIRAMAT ACE.

ARPRO/P-BLOCK for automobile parts is a product that meets the needs of automobile manufacturers for weight reduction and recycling. ARPRO/P-BLOCK is widely used in countries around the world in various parts such as automobile rear seat core materials and automobile bumper core materials. Furthermore, since ARPRO/P-BLOCK is a material that has excellent functionality, it also meets the standards and needs of each region, such as sports equipment, furniture, and heat-insulating containers for foodstuffs. For ARPRO/P-BLOCK, we will accelerate business growth by expanding the use of ARPRO/P-BLOCK globally and expanding the area while proposing applications in each region.

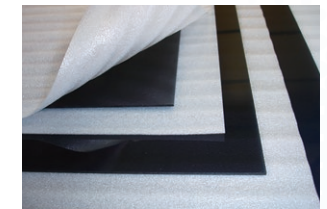


ARPRO/P-BLOCK (automotive parts)



ARPRO/P-BLOCK (flat sheet)

Our strategic product MIRAMAT ACE is ideal for cushioning materials in the electronics industry due to capability for long-term suppression of the adhesion of dust and dirt caused by static electricity. Applications related to FPD cushioning materials are extremely wide, ranging from computers, smartphones, and televisions to automobiles and medical devices. Further expansion is expected in the future due to proposals for new applications. Also, as the performance superiority of MIRAMAT ACE is expected to be maintained at a high level, it is expected that the replacement of existing cushioning materials will accelerate even further.



MIRAMAT ACE
Expanded polyethylene sheet with permanent anti-static properties

Message from the President

Initiatives for sustainability management

Based on our corporate philosophy, the JSP Group's approach to sustainability management is to continuously enhance our corporate value with a strong awareness of our corporate responsibility in the elements of environment, society, and corporate governance. In our business activities, we are strengthening the promotion of sustainability management through the development of products and manufacturing technology that contribute to reducing the environmental burden throughout the product life cycle. In order to promote the basic concept of "expanding the value provided by JSP in terms of both economic and social value" as stated in our current medium-term business plan, we are going to utilize the advanced foam technology and know-how that we have cultivated. We firmly believe that foamed plastics, which have various advantages such as energy saving, resource saving, cost saving, and recycling, will support people's affluent lives and contribute to the realization of a sustainable society.

Foamed plastics can dramatically reduce the amount of plastic used for the same volume. Furthermore, using our technology to achieve the same or greater strength makes it possible to effectively utilize resources, which also leads to conservation of the global environment. The essence of sustainability management at JSP is to contribute to the realization of a sustainable society through ideas and technological innovation centered on foamed plastics.

In April 2021, we established the Sustainability Promotion Department from the perspective of instilling the concepts and importance of sustainability at JSP. In addition to reorganizing the Company's diverse businesses from the perspective of sustainability, the Department presents CO₂ reduction targets, reports on related progress, and operates a navigation function that fosters and unifies internal awareness by presenting a road map for future sustainability.

Strengthening the management base for new growth

The other basic strategy of the medium-term business plan is to strengthen our management base. To realize this strategy, we are working on the three initiatives of constructing a business base, strengthening our human resources base, and strengthening our financial base. We will reassess our strengths and invest not only people, goods, and money, but also all kinds of resources, such as the technology and know-how that we have cultivated over many years, to expand into new markets and create business models. In this way, we will build a foundation for growth over the medium to long term.

In order to strengthen our business foundation, JSP will strengthen our logistics system, strengthen collaboration between Group companies, and optimize our production system. We will also focus on improving operational efficiency, improving productivity, and rebuilding core



systems through digital technology (DX), and on pursuing the sustainability of raw materials and reducing greenhouse gas emissions in the supply chain.

To strengthen our human resources base, JSP is working on initiatives such as promoting diversity and flexible working styles, optimizing sales systems and personnel, and strengthening focus markets. In particular, maximizing the value of human resources is essential to improving corporate value, and we are strongly aware of the link between human resource strategies and management strategies. JSP plans to revise our personnel system to incorporate a meritocracy perspective so that mid-career and leader-class employees can further demonstrate their abilities. We plan to introduce the revised system in fiscal 2024.

To strengthen our financial base, JSP is investing to strengthen our growth foundation, working to achieve financial stability, and allocating cash to optimize shareholder returns. Regarding investment, we have been taking a wait-and-see approach due to the recent surge in energy and raw material prices. However, we feel the need to organize our thoughts on capital policy and fund management. The time has come for us to consider new investments in order to expand the applications and regions of our products, which are the core of the company's business growth. We believe that financial strategy, including improving capital efficiency, will be a major theme of our next medium-term business plan.

Qualitative improvement of corporate governance

In October 2020, an incident occurred at the JSP Group which caused us to review our corporate governance. Specifically, there was an incident of capital outflow based on false instructions by a malicious third party at a Group company in Europe. The failure to prevent this incident was due to the lack of governance and the fundamental cause was insufficient attention to the far reaches of our global network.

Human beings tend to change their interpretations to suit their own convenience. It can be said that the pursuit of work efficiency

has led to omission of an important verification process and we have made sacrifices as a result. In order to reduce troubles and accidents, it is important to constantly review rules which have become customary, and to compare each rule with actual conditions. From this point of view, as a specific measure to prevent recurrence, we have made major revisions to our internal rules and regulations. We have established an independent department dedicated to overseeing overseas organizations and clarified the role of the department. This enables us to pay attention to the farthest reaches of our global network. In addition, we are working to ensure open communication at our organization by constructing systems which enable consultation on any issues.

On the other hand, in the last two to three years, we have developed the structure of meeting bodies such as the Board of Directors and the Executive Officers Meeting. At last year's General Meeting of Shareholders, we increased the number of outside directors by one. This year, we welcomed a female director. In addition, in April 2022, we established a Special Committee on Governance composed of outside directors. By ensuring fairness, transparency, and objectivity, we are working to improve the quality of corporate governance including appropriately protecting the interests of minority shareholders.

Message to our shareholders and investors

Fiscal 2023 is the third and final year of our medium-term business plan. We expect that we will not be able to reach our numerical targets due to the difficulty to fully respond to major changes in the external environment. However, as the result of cost pass-through while obtaining consent from our customers, we feel that we have recovered up to roughly 70%. In addition, we were able to make steady progress in planting and building foundations for future growth, including business expansion, market development, and the establishment of a management base.

New medium-term business plan will start in the next fiscal year. We are holding repeated discussions to create the plan with greater focus on profitability by strengthening our global management structure and pursuing capital efficiency and profit efficiency, toward the realization of our long-term vision.

The business environment is expected to continue to be uncertain and subject to rapid change. Amidst such circumstances, we will promote the penetration of our corporate philosophy throughout the company. We will also transform changes into opportunities by further enhancing our strengths in human resources and technological capabilities. We aim to improve our corporate value over the medium to long term through businesses that contribute to the realization of a sustainable society, centered on sustainability management.

We look forward to the continued support from all of our stakeholders.