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Finding Paths For Further Growth

JSP Corporation

ANNUAL REPORT 2007

Year ended March 31



For further information, please contact the
Finance and Accounting Dept. at
81 (3) 6212-6312, or at the above address.

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JSP Corporation was established in 1962 as a manufacturer of foamed plastics, and today it continues to develop unique technologies and profitable products in this field. Our current businesses are divided into four segments: the Sheets Business, the Beads Business, the Boards Business, and Other Business.

JSP always seeks to improve its position as a global supplier of foamed plastics through the cultivation of new markets and the collaborative efforts of our worldwide production bases.

Finding Paths For Further Growth



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Forward-Looking Statements:

Statements contained in this report with respect to JSP's plans, strategies and beliefs are not historical facts, but are forward-looking statements that involve known and unknown risks, uncertainties and other factors that may cause JSP's actual plans, results, performance or achievements to differ materially from the expectations expressed herein.

FINANCIAL HIGHLIGHTS

Years ended March 31	Millions of yen					Thousands of U.S. dollars (Note 1)
	2007	2006	2005	2004	2003	2007
FOR THE YEAR:						
Net Sales	¥95,506	¥89,844	¥87,135	¥77,724	¥64,155	\$808,756
Operating Income	4,115	3,025	5,072	4,947	4,446	34,845
Income before Income Taxes and Minority Interests	4,502	2,731	4,652	4,431	2,640	38,125
Net Income	2,358	1,525	2,375	2,372	636	19,965
AT YEAR-END:						
Total Assets	95,179	88,039	83,981	78,631	66,782	805,983
Total Net Assets	45,990	42,585	38,919	32,792	29,865	389,441
Common Stock	10,076	9,962	9,783	8,152	7,898	85,325
AMOUNTS PER SHARE OF COMMON STOCK:						
	Yen					U.S. dollars (Note 1)
Net Income	¥75.76	¥49.71	¥83.17	¥88.53	¥25.54	\$0.64
Cash Dividends	12.00	12.00	12.00	10.00	10.00	0.10
Total Net Assets	1,376.68	1,296.15	1,214.44	1,170.15	1,158.60	11.66

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥118.09=U.S.\$1.
2. Net income per share is computed based on the weighted average number of shares of common stock outstanding during each year.

Finding Paths For Further Growth



Rokuro Inoue, President

The JSP Group has launched **REMAKE21**, its **Medium-Term Management Plan** that will run until the end of March 2009 with the goal being the creation of new business and revenue bases.

Business Environment

In fiscal 2006, the fiscal year ended March 31, 2007, the Japanese economy showed a stable growth supported by strong exports and increased capital investment spurred by stronger corporate earnings.

In Europe and North America, the economic expansion led to notable growth in sectors such as capital investment and personal consumption. Overall, the economy in Asia was expanding as well, enjoying a high rate of growth in spite of Chinese government policies that slowed the pace of expansion.

In the foamed plastics industry, particularly in Japan, revision of sales prices was a

major issue in the face of soaring prices for raw materials and fuels.

Throughout this fiscal year, we focused on adjusting product sales prices and lowering costs to counter the impact of rising costs for materials such as styrene monomer, polystyrene, polyethylene and polypropylene. Our efforts to maintain profitability should be continued, in spite of the slow pace of price revisions.

REMAKE21

JSP launched its REMAKE21, Medium-Term Management Plan, which is designed to create new businesses and will conclude in the fiscal year ending March 31, 2009. JSP has completed the first year of REMAKE21.

Performance

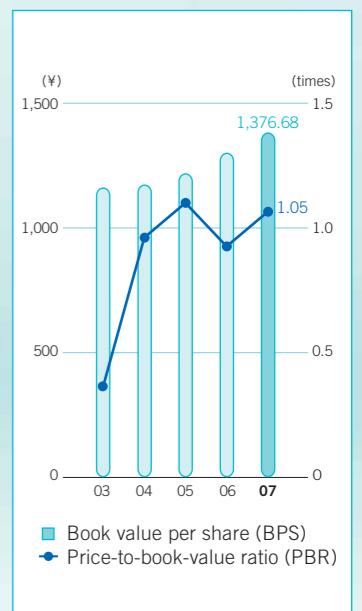
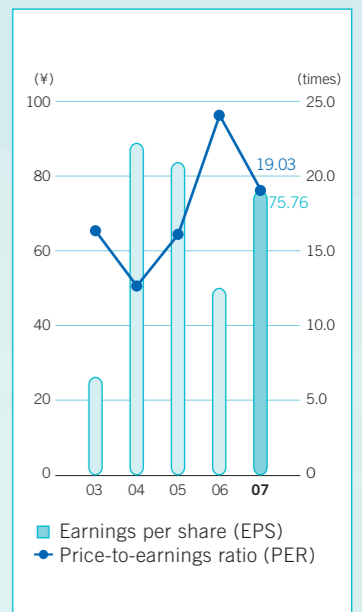
In fiscal 2006, the first year of REMAKE21, net sales rose by 6.3% to ¥95,506 million (US\$808.8 million) as a result of product price

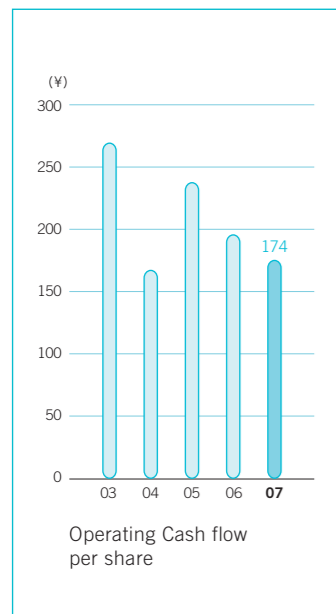
revisions in Japan and increased sales in the beads business in Asia. Operating income climbed 36.0% year on year to ¥4,115 million (US\$34.8 million). Other contributing factors included: strong results for Miramat Ace™, an industrial-use packaging material with permanent antistatic properties; cost reductions achieved by closing and integration of operations related to the production of styrene paper, a food-packaging material and adjustments to product sales prices.

In terms of other income, JSP recorded net gains of ¥559 million (US\$4.7 million) on the disposal of fixed assets, including the closing of the Hiratsuka Plant in Japan. As a result, net income jumped 54.6% to ¥2,358 million (US\$20.0 million).

Results by Geographical Region

In Japan, hikes in prices for raw materials including styrene monomer, polystyrene, polyethylene, and polypropylene continued to have a major bearing on our profitability. JSP





had improved earnings in food packaging made from expanded polystyrene sheets, supported by integration of production facilities, automation of production lines and revision of product sales prices. Price revisions proceeded relatively smoothly for Miraboard™, expanded polystyrene sheets, used as a material in advertising displays and in foldable boxes, and income in this product category increased year on year. Customers enthusiastically accepted the addition of the permanent antistatic properties differentiating Miramat™ expanded polyethylene sheets, used primarily for the packaging of flat display panels and other glass substrates, and JSP recorded increased sales and profits in this business on the back of robust demand for IT equipment and digital electronic appliances.

In P-Block™/ARPRO™, expanded polypropylene, used primarily as shock-absorbing material in automobiles and as cushioning material for home electronic appliances, JSP recorded steady increases in sales and profits owing to growing demand in the private sector.

Profits in Caplon™, airtight polyethylene bubble wrap, were down as a result of inadequate price adjustments in the face of stiffening competition.

In October 2006, JSP sold off a portion of its shares in Japan Acryace Corporation, which accordingly became an affiliated company under the equity method rather than a consolidated subsidiary.

As a result, sales in Japan increased 1.1% year on year to ¥65,105 million (US\$ 551.3 million).

In North America, both sales and profits

were up. In addition to the progress with streamlining at plants, JSP also made further advances into new businesses, including automotive materials such as seating system and industrial packaging materials. Demand also grew for shock-absorbing, drainage foam underlayment for sports fields, on which JSP has been focusing. As a result, sales in North America rose 20.4% year on year to ¥11,163 million (US\$ 94.5 million).

In Europe, we commenced operations at the new site in the Czech Republic from June 2006 to meet the requirements of new product demand. However, profits in Europe declined owing to a number of factors, including the start-up costs of the new plant, sluggish sales of new cars, higher raw material costs and declining product sales prices owing to intensifying competition. As a result, sales in Europe increased 5.5% year on year to ¥8,873 million (US\$ 75.1 million).

In Asia, where JSP has manufacturing and sales bases in China, Korea, Taiwan and Singapore, demand remained strong for shock-absorbing material for automobiles and IT-related industrial packaging materials. Robust demand in China, among others, supported a substantial increase in sales there. As a result, sales in Asia surged 33.9% year on year to ¥10,365 million (US\$ 87.8 million).

Overall, severe business results in Japan are being covered by good results in other areas. Although net sales have risen in Japan, this increase is mainly due to the revision of product prices in response to higher material costs. The price revisions reflect about one-

half of the amount by which raw material prices have increased, coupled with the fact that product demand has not grown as we had expected. In contrast, sales in Asia, Europe and North America has increased, reflecting stronger demand in these areas.

Two key facets of the plan are expanding production to meet rising demand and shifting to high-value-added products such as antistatic packaging materials. JSP is taking active steps to set up a global R&D network and to shorten the lead-time required for newly developed products to access the market. In the fiscal year ending March 31, 2008, the second year of REMAKE21, JSP has targeting net sales of ¥99.0 billion (US\$ 838.3 million) and net income of ¥2.8 billion (US\$ 23.7 million).

Measures Regarding Shareholder Dividends

JSP places the highest priority on its policies concerning return of profits to shareholders. JSP is always considering both the distribution of stable dividends and the strengthening of the business structure by increasing the internal reserve for future business development.

Dividends per share for the fiscal year under review totaled ¥12 (US\$ 0.10), comprising a cash dividend of ¥6 (US\$ 0.05) per share for both the interim and fiscal year-end payments.

In terms of internal reserves, JSP continues to appropriate funds to strengthen its financial

In response to the local requirement in respective countries and rapid economic growth in Asia, especially in China, JSP is trying hard to work together with overseas subsidiaries and other partners in the field of both marketing and technological development. We are sure such collaboration will bear fruit in the near future.



Ken Toyoguchi,
Chief Financial Officer

standing, as well as for capital investment in new products and innovative technology.

Fully utilizing its proprietary plastic foam technologies, and responding appropriately to the needs of constantly changing markets, JSP has set clear targets as it endeavors to become a highly competitive and profitable company in the global market.

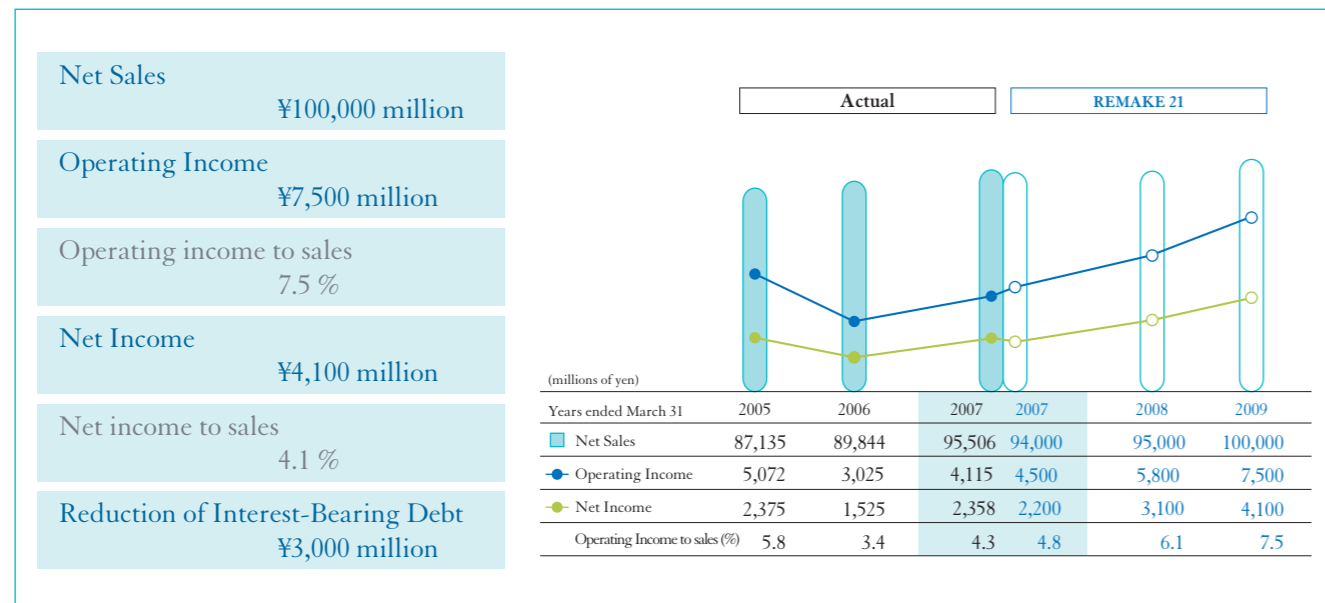
July 2007

Rokuro Inoue, President

Seeking a Strategic Presence in the Global Market

JSP completed the first year of REMAKE21, its new Medium-Term Management Plan that runs until the end of March 2009.

MID-TERM MANAGEMENT TARGETS



JSP has completed the first year of REMAKE21, its new Medium-Term Management Plan that runs until the end of March 2009. Under the plan, JSP recognizes that technological development capabilities form the core of JSP's business operations in efforts to realize its management philosophy: "Contributing to Society through Creative Leverage." The goals of the plan include accelerating the creation of new businesses and the development of new applications for existing

products. As a leading company of foamed plastics, JSP is promoting worldwide business expansion that is responsive to market needs, while aiming to accelerate business streamlining on the way to becoming a highly profitable corporate group.

During fiscal 2006, JSP made notable strides in expanding business in Asia, where substantial growth is expected.



In Asia, JSP's expanded polyolefin beads and related applications business are supported by solid growth, especially in China, Korea and Taiwan, due to the market expansion in those countries. The main reason that customers choose JSP in these areas is due to the quality of JSP's products, as well as the provision of technical services and customer support.

The business in Singapore, where the plant operation rate was anticipated to drop to some extent due to the shift in our operations to Wuxi, China, showed better results than expected. In Korea, JSP launched the operations of an expanded polypropylene business in Gimcheon, located north of Pusan, in September 2006 as the second factory, in order to meet the robust demand in automotive parts, packaging material for flat display panels, and so forth.

In Japan, JSP decided to set up a distribution center close to its main factory at Kanuma to promote the efficiency of its distribution system. These operations are scheduled to start later in 2007.

In addition, JSP established two entities in China in November 2006. One is in Kunshan, Jiangsu Province, to fabricate and sell engineering plastics to the Chinese market, with a focus on the Japanese-affiliated firms in the East China area. Operations started in May 2007. The other is in Dongguan, Guangdong Province, to supply expanded polyolefin beads to customers in the south of China. The operation will start in the beginning of 2008.

It is particularly worth noting that JSP Singapore started to supply expanded polyolefin beads to the Indian market, where significant growth is expected in the automotive industry.



Wuxi Plant is located in the city of East China where central region in Chinese coast is. We have many customers with a central focus on our plant. The plant is keeping up with the increasing demand for our product in throughout the country. We sincerely wish to become the high growth and high earnings company at the same time as wishing the share extension in a Chinese market.

Zhu Min,
Senior Manager,
Production Dept., Wuxi in China

North America



Sales Target by Region

¥13,000 million

in the fiscal year ended March 31, 2009.



Malvern



Butler



Tullahoma



Toluca (Mexico)

In North America, the ARPRO™ expanded polypropylene beads business maintains its focus on automotive components, including bumper-core energy absorbers for the Big Three automakers, as well as Japanese automakers with manufacturing facilities in North America.

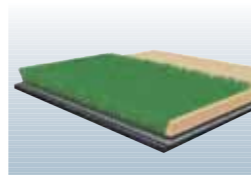
In addition to bumper applications, automotive engineers are finding that ARPRO™ represents added value for other parts of the vehicle, such as seating and stowage systems, where it helps reduce vehicle weight without compromising safety and contributes to better fuel efficiency. As a result, seating and interior part applications for ARPRO™ are growing rapidly. JSP is working closely with suppliers of seating systems to develop new designs that bring added functional benefits to consumers, while further reducing vehicle weight and assembly costs.

Under exclusive contract, JSP supplies a unique foam underlayment to the world's leading manufacturer of synthetic American football fields. Demand for the product is strong, and this application represents

a good contribution to meeting the REMAKE21 Medium-Term Management Plan goals.

The new facility in southern Tennessee has increased its manufacturing output to meet demand for molded ARPRO™ and ARPAK™ expanded polyethylene plank products used for fabricated packaging. A new distribution and marketing system is in place to help move these manufactured goods to end users, who fabricate protective packaging from the materials for a wide range of applications.

Automotive components are also made in this growing facility to help meet the needs of automakers located nearby.



Foam underlayment

The JSP Team in the Americas is excited and energized by the present and future opportunities for growth in our region. The inroads we have made in the automotive seating and turf underlayment markets position us well for future growth and we look forward to the challenges that accompany such growth.

Richard Alloway,
Vice-president,
North America



Europe



Sales Target by Region

¥10,350 million

in the fiscal year ended March 31, 2009.



Estrees Saint Denis (France)



Cheb (Czech Republic)



Eschenau (Germany)

In Europe, JSP commenced operations at its new plant in the Czech Republic, from June 2006. However, JSP Europe experienced declining incomes during fiscal 2006 due to a number of factors, such as the increased start-up costs of the new plant, sluggish sales of new automobiles, higher raw material costs and increasingly competitive market conditions for expanded polyolefin products.

In 2007, JSP expects that price revisions of ARPRO™, as well as for finished parts produced from ARPRO™, will help to improve the bottom line. This will partially recover losses incurred from the impact of rising materials and operating costs over prior years. This has also placed the Company in a position to continue the provision of value-added technical services and customer support.

In addition, an increased demand in Europe for seating systems based on ARPRO™ expanded polypropylene provides a good platform for growth. The appeal of seating systems based on ARPRO™ includes reduced weight, faster assembly, increased design flexibility and ease of

recycling. Leading vehicle manufacturers are increasingly adopting seating systems based on ARPRO™.

The new plant in the Czech Republic is fully operational and represents another step forward in state-of-the-art technology in EPP manufacturing. The plant is helping meet the increasing demand for ARPRO™ in Eastern Europe and Russia, where demand is growing.

New ARPRO™ applications being successfully developed include innovative furniture developed by designers working with JSP, and these designs have attracted international attention. Examples are exhibited in the London Design Museum. These efforts are part of the JSP strategy to develop the furniture market for ARPRO™ in Europe. The next step is to develop segments of the market, such as contract furniture, where high volume will significantly add to profitable sales.



<http://www.movisi.com/>

With the start-up of the Cheb Plant in 2006, we now have two world-class EPP resin production facilities in the region which position us well for the continued growth of our EPP market. We are excited about the significant progress made in the automotive seating market and we look forward to the challenge of capitalizing on this and other new opportunities.

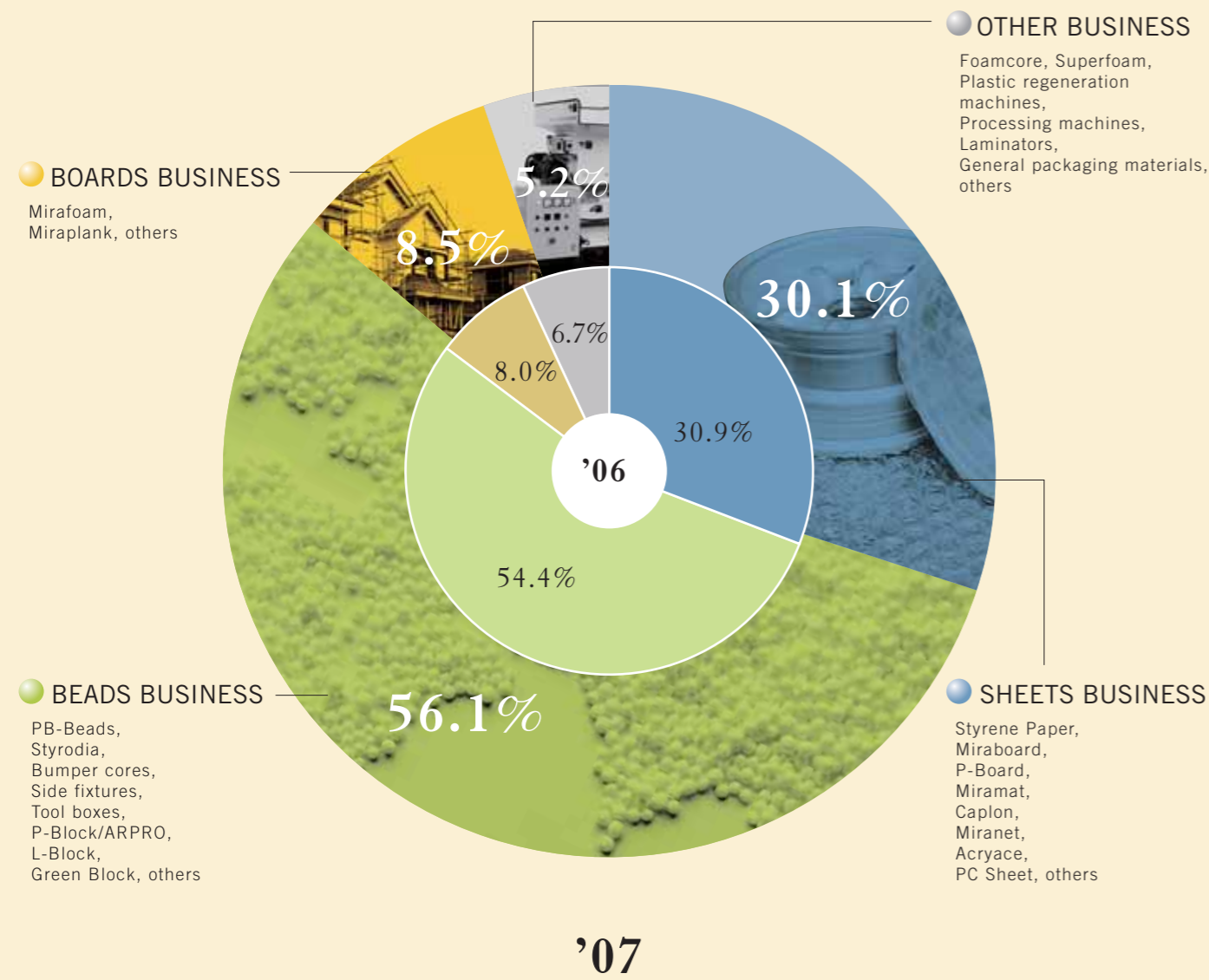
Paul Compton,
Vice-president,
Europe



REVIEW OF OPERATIONS

In an effort to secure future growth, we will strengthen existing businesses as well as reduce costs and improve production efficiency.

Furthermore, as a leading global company in the foamed plastic industry, we will implement business development models geared to responding to the market on a global scale and accelerate the business streamlining process by making business structural reforms.



Core products in this segment include: Miramat™ expanded polyethylene foam sheets, which are widely used for wrapping items such as notebook computers and LCD televisions; Caplon™ airtight bubble wrap; Miranet™ packaging foam sheets to reduce damage to apples, pears, melons and other fruit during transit; and trays, containers and foldable boxes for keeping foods fresh and for takeout food applications.

JSP recently developed and patented a manufacturing technique that adds permanent anti-static properties to Miramat™. This superior feature helps to protect glass sheets for LCD televisions, bearing the weight of increasingly large television screens while preventing dust from getting in-between the sheets, as well as preventing scratches to the surface.

In addition to customer appreciation of such value-adding properties, strong demand for IT equipment and digital home appliances also helped to boost year-on-year sales and profits in

the Miramat™ business. Sales and profits of Caplon™, airtight polyethylene, were down year on year due to the impact of high raw material prices. Japan Acryace Corporation, which manufactures and sells Acryace™ acrylic sheets, became an affiliated company under the equity method rather than a consolidated subsidiary after JSP sold a portion of its shares in the company in October 2006.

As a result, sales in the sheets segment increased 3.7% year on year to ¥28,754 million (US\$ 243.5 million), and operating income in the segment jumped 156.7% to ¥1,191 million (US\$ 10.1 million). The sheets segment accounted for 30.1% of total net sales in fiscal 2006.

Main Products:
Styrene Paper, Miraboard, P-Board, Miramat, Caplon, Miranet, Acryace, PC Sheet, others





BEADS BUSINESS

56.1%

P-Block™/ARPRO™ is used for a cushioning and packaging material used in automobile bumper cores and side impact pads, household electrical goods, office automation equipment and precision equipment.

In Japan, demand remained strong for P-Block™, which is used as an impact-absorbing material in bumper cores and as a cushioning material in home appliances and boxes for transporting IT components. JSP also reaped the benefits of streamlining at production plants, and both the sales and profits of P-Block™ increased year on year.

Overseas, demand grew in China and the rest of Asia, supporting continued strong growth there. In North America, sales and profits rose on the back of streamlining at production plants, as well as growth in the sales of foam underlayment for sports fields and further penetration into other new areas.

Year-on-year sales of P-Block™/ARPRO™ increased in North America, Europe and Asia,

the main markets for the product. Profits declined in Europe, where pricing conditions were severe, while profits in Asia remained stable.

Profits declined substantially year on year in Styrodia™, expandable polystyrene beads used for fish boxes and other packaging applications, as well as in building and civil engineering materials. Principal causes included a lower volume of fish catches and the impact of a decrease in public construction projects.

As a result, sales in the beads segment increased by 9.7% year on year to ¥53,611 million (US\$ 454.0 million), and operating income rose 3.7% to ¥3,915 million (US\$ 33.2 million). The segment accounted for 56.1% of total consolidated net sales.

Main Products:

PB-Beads,
Styrodia,
Bumper cores,
Side fixtures,
Tool boxes,
P-Block/ARPRO,
L-Block,
Green Block, others



8.5%

BOARDS BUSINESS

Mirafoam™ is a polystyrene-based extruded foam product that is used for heat insulation in housing. With excellent heat-insulating qualities and outstanding size stability, the product offers real energy savings and is used by general contractors as a highly heat-resistant material for reinforced concrete buildings.

Sales and profits in Mirafoam™ increased year on year, supported by a strong market for construction of houses, housing complexes (apartments and condominiums), office buildings and factories. Demand in civil engineering was also steady, and revisions of sales prices in light of higher raw material prices also progressed smoothly.

Decreased demand for Miraplank™, used as a cushioning material to protect beverage-containing aluminum cans from dents and scratches while they are being transported in trucks, resulted in sales and profits on par with the previous fiscal year for this product.

As a result, sales in the board segment increased 13.5% year on year to ¥8,161 million (US\$ 69.1 million), and operating income surged 82.6% to ¥531 million (US\$ 4.5 million). The segment accounted for 8.5% of total consolidated net sales.



Main Products:

Mirafoam,
Miraplank,
others

OTHER BUSINESS

5.2%

Demand remained strong for Foamcore™, the hybrid (integrated skin and core) molded foam with exceptional insulating properties, for use as a material in the ceilings of high-end unit bathrooms. Pricing competition with other materials intensified, however, and sales and profits both declined year on year. JSP launched sales of Superfoam™ molded foam in July 2006. Well-received for its lightweight and insulating properties, as well as the ease with which it can be installed, Superfoam™ is used in the ducts of air conditioning in passenger cars.

In the general packaging material business, year-on-year sales of packaging material for IT-related products grew steadily.

As a result, sales in the other segment declined 17.4% year on year to ¥4,980 million (US\$ 42.2 million), and operating income climbed 28.5% to ¥120 million (US\$ 1.0 million). The segment accounted for 5.2% of total consolidated net sales.



Main Products:

Foamcore,
Superfoam,
Plastic regeneration machines,
Processing machines,
Laminators,
General packaging materials,
others

Global R&D Structure

JSP is a comprehensive manufacturer of foamed plastics with R&D efforts that focus on product development and environment-friendly manufacturing processes that satisfy market needs.

JSP's Kanuma and Yokkaichi Research Centers in Japan are the heart of the Group's basic and integrated R&D efforts in material processing and molding technologies for product development, as well as for material development through polymerization technology. JSP engages in horizontal development of basic technologies and focuses on original product development in response to global needs, and this, in turn, helps to generate and expand demand worldwide. JSP's R&D structure, which integrates and addresses global needs, has proved to be the strength behind its global-leading, quality products.

R&D Achievements in Fiscal 2006

In the year under review, JSP continued with the market development of proprietary Foamcore™ hybrid foam, which boasts a unique sandwich-like structure generated by fusing a blow-molded external layer together with a molded bead-foam internal layer. The technology used to create Foamcore™ involves a single-stage process that simultaneously combines blow molding and foam-bead molding, which is impossible to accomplish with conventional technologies that are costly and structurally problematic. Owing to the simplicity of the Foamcore™ process that uses a single molding device, Foamcore™ saves energy and contributes to manufacturing efficiency.

In Japan, Foamcore™ is used mainly as a construction material for unit bathrooms, due to its well-regarded insulation properties, stiffness and lightweight structure. In Europe and North America, JSP is engaged in market development efforts for Foamcore™, anticipating its application in automobile seat backs. In addition, with an increasing number of carmakers using JSP's foam PP beads (ARPRO™) as seat pans, the automotive seating field has been pegged as a future growth area. The application of newly developed BROCK™ is likewise expanding rapidly, particularly in North America, where it is used in American football stadium fields to improve field

cushioning and water drainage. In Europe, BROCK™ is being tested for soccer field application and targeted for use in Japan in athletic fields and as a rooftop garden insulation material.

These are some of the ways in which JSP endeavors to develop products, technologies and regionally specific applications through basic research activities. As such, JSP is focusing on corporate growth as a company that is valuable to the lives of people worldwide.



ARPRO™ Foamcore as seat pans

Environmental Efforts

JSP's production and R&D have been also directed to preserve the environment. Main items of our achievements in the fiscal year 2006 are as below:

- a) Emission of greenhouse gas has been reduced by 9 % through the decrease of energy consumption and CFC gas.
- b) Energy consumption has been reduced by 6 % through the fuel transformation.
- c) The quantity of our industrial wastes as landfill has been reduced by 24 % through their effective utilization.

We will continue to make efforts to preserve the environment while developing eco-friendly products and technology.

Results of Operations

In the fiscal year ended March 31, 2007, JSP recorded net sales of ¥95,506 million (US\$808.8 million), up 6.3% compared to the previous fiscal year.

Although cost of sales increased 7.1% year on year to ¥70,260 million (US\$595.0 million) owing to higher prices for raw materials, gross profit climbed 4.1% to ¥25,246 million (US\$ 213.8 million).

Efforts to reduce administrative expenses led to a 0.4% decrease in selling, general and administrative expenses, which amounted to ¥21,131 million (US\$178.9 million). As a result, operating income surged 36.0% to ¥4,115 million (US\$34.8 million), and the operating income margin rose 0.9% to 4.3%.

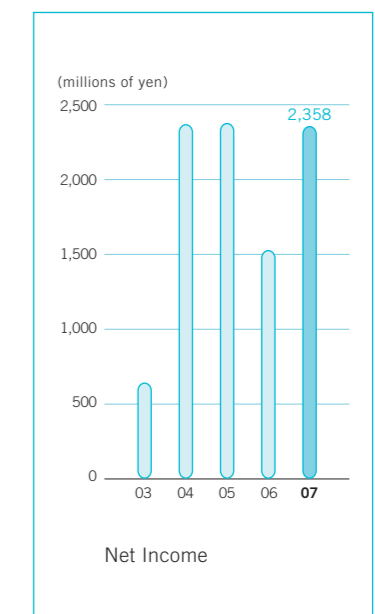
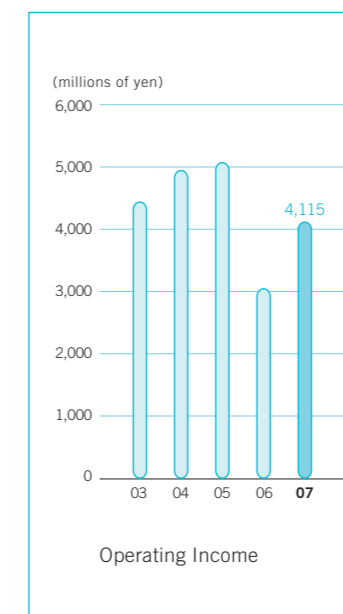
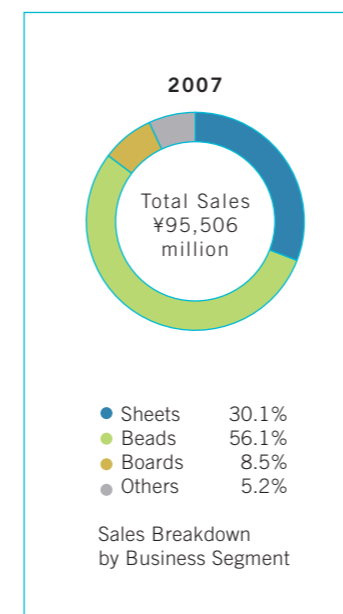
In terms of other income, net gain on disposal of fixed assets, including the closing of the plant, amounted to ¥559 million (US\$ 4.7

million). As a result, net income jumped 54.6% year on year to ¥2,358 million (US\$ 20.0 million). Net income per share rose to ¥75.76, up from ¥49.71 in the previous fiscal year.

Financial Position

As of March 31, 2007, total assets amounted to ¥95,179 million (US\$806.0 million), an increase of ¥7,140 million (US\$60.5 million). Current assets rose by ¥4,176 million (US\$35.4 million). This was primarily due to the closing date being a holiday for banks and financial institutions, which led to an increase in notes and accounts receivable. Property, plant and equipment increased ¥2,604 million (US\$22.1 million) owing to the expansion of investment in property and equipment to meet requirements in each area.

Total liabilities amounted to ¥49,189 million (US\$416.5 million), an increase of ¥3,735 mil-



lion (US\$31.6 million). Current liabilities rose ¥4,042 million (US\$34.2 million) from a year earlier owing to increases in trade notes and accounts payable, as well as in short-term bonds. Long-term liabilities declined by ¥307 million (US\$2.6 million).

Total net assets stood at ¥45,990 million (US\$389.4 million). Compared to the previous fiscal year-end, common stock increased by ¥114 million (US\$1.0 million) to ¥10,076 million (US\$85.3 million). Additional-paid-in-capital amounted to ¥13,353 million (US\$ 113.1 million) and retained earnings stood at ¥18,910 million (US\$160.1 million).

As a result, the equity ratio as of March 31, 2007 was 45.2%.

Cash Flows

Net cash provided by operating activities during the fiscal year ended March 31, 2007 amounted to ¥5,442 million (US\$46.1 million), a decline of ¥545 million (US\$4.6 million) compared to the previous fiscal year. Major components of this total included: ¥4,502 million (US\$38.1 million) in income before income taxes and minority interests; ¥4,566 million (US\$38.7 million) in depreciation and amortization; an increase in notes and accounts payable, which amounted to ¥4,474 million (US\$37.9 million); and an increase in notes and accounts receivable, which amounted to ¥5,276 million (US\$44.7 million).

Net cash used in investing activities amounted to ¥6,988 million (US\$59.2 million), an increase of ¥588 million (US\$5.0 million) compared to the previous fiscal year. This was primarily due to the acquisition of property

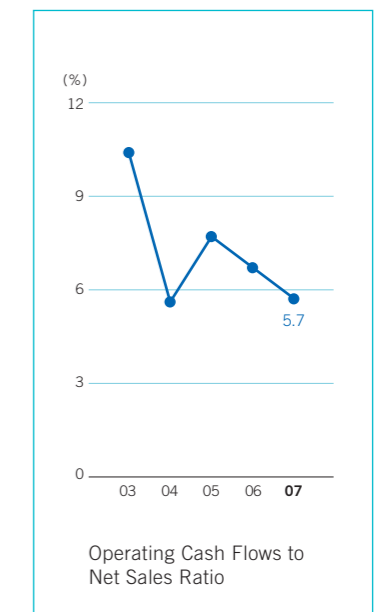
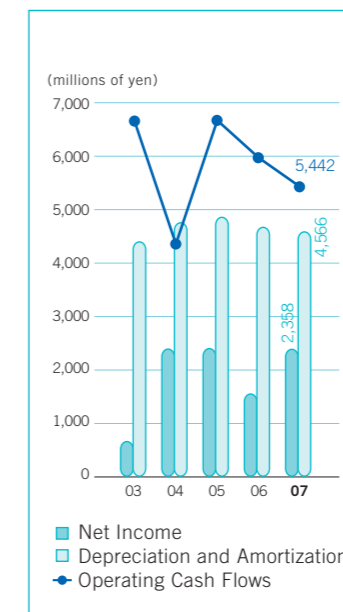
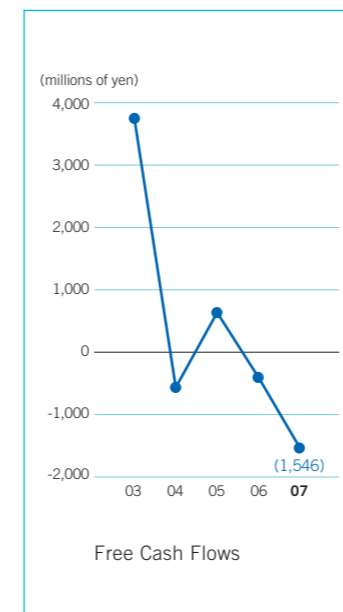
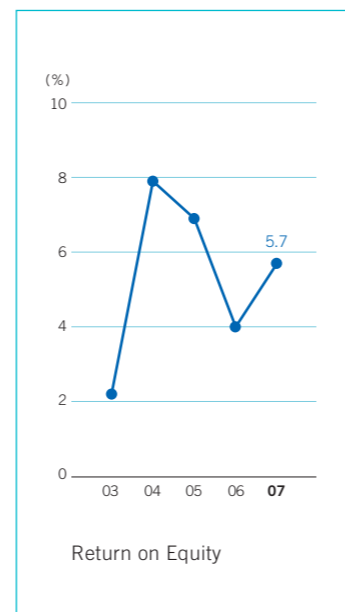
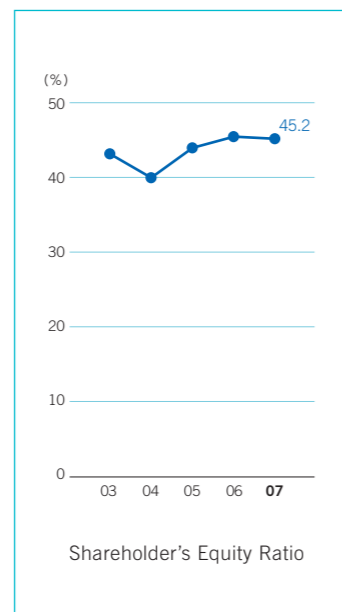
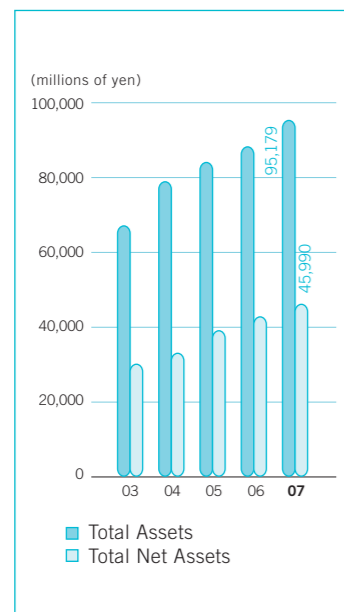
and equipment to improve production and logistics facilities.

As a result, JSP recorded a negative free cash flow of ¥1,546 million (US\$13.1 million), compared with a negative free cash flow of ¥413 million (US\$3.5 million) in the previous fiscal year.

Net cash provided by financing activities amounted to ¥883 million (US\$7.5 million), in contrast to net cash used in financing activities of ¥839 million (US\$7.1 million) in the previous fiscal year. Principal income amounts were ¥1,480 million (US\$12.5 million) from net increase in long-term loans, ¥678 million (US\$5.7 million) from net increase in bonds, and proceeds of ¥228 million (US\$1.9 million) from the issue of common stock through the exercise of stock options. Principal outlays included ¥952 million (US\$8.1 million) for a net decrease in short-term bank loans, ¥372

million (US\$3.2 million) for payment of cash dividends, and ¥188 million (US\$1.6 million) for payment of cash dividends to minority interest.

Taking all these factors into account, cash and cash equivalents as of March 31, 2007 totaled ¥5,100 million (US\$43.2 million), a decrease of ¥558 million (US\$4.7 million) from a year earlier.



REPORT OF INDEPENDENT ACCOUNTANTS

JSP Corporation and Consolidated Subsidiaries

To the Board of Directors of
JSP Corporation

We have audited the accompanying consolidated balance sheets of JSP Corporation and its subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of JSP Corporation and its subsidiaries as of March 31, 2007 and 2006, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The United States dollar amounts shown in the consolidated financial statements have been translated solely for convenience. We have reviewed this translation and, in our opinion, the consolidated financial statements expressed in Japanese Yen have been translated into United States dollars on the basis described in Note 1.

Tokyo, Japan
June 29, 2007

Toho Audit Corporation

Toho Audit Corporation

CONSOLIDATED STATEMENTS OF INCOME

JSP Corporation and Consolidated Subsidiaries

Years ended March 31

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
NET SALES	¥95,506	¥89,844	\$808,756
COSTS OF SALES	70,260	65,602	594,967
Gross Profit	25,246	24,242	213,789
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	19,292	19,211	163,373
RESEARCH AND DEVELOPMENT	1,839	2,006	15,571
Operating income	4,115	3,025	34,845
OTHER INCOME (EXPENSES):			
Interest and dividend income	182	129	1,542
Interest expense	(370)	(263)	(3,132)
Gain (Loss) on disposal of fixed assets, net	559	(298)	4,736
Impairments of fixed assets	—	(76)	—
Gain (Loss) on disposal/write down of investments in securities	(8)	187	(72)
Equity in earnings of affiliates, net	72	(328)	610
Amortization of consolidation adjustments	40	40	338
Other, net	(88)	315	(742)
	387	(294)	3,280
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	4,502	2,731	38,125
INCOME TAXES (Note 8)	1,398	778	11,838
INCOME BEFORE MINORITY INTERESTS	3,104	1,953	26,287
MINORITY INTERESTS	(746)	(428)	(6,322)
NET INCOME	¥ 2,358	¥ 1,525	\$ 19,965
	Yen		U.S. dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 12):			
NET INCOME	¥75.76	¥49.71	\$0.64
NET INCOME DILUTED	75.53	49.27	0.64
CASH DIVIDENDS	12.00	12.00	0.10

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS

JSP Corporation and Consolidated Subsidiaries

As of March 31

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
CURRENT ASSETS:			
Cash and Cash equivalents (Note 2)	¥ 5,100	¥ 5,658	\$ 43,187
Receivables:			
Trade notes and accounts	30,577	26,980	258,930
Other	874	1,048	7,403
Allowance for doubtful accounts (Note 2)	(385)	(351)	(3,262)
Inventories (Notes 2 and 4)	9,242	8,775	78,260
Deferred income taxes (Notes 2 and 8)	849	771	7,193
Prepaid expenses and other current assets	3,610	2,810	30,568
Total current assets	49,867	45,691	422,279
PROPERTY, PLANT AND EQUIPMENT:			
Land	11,208	10,203	94,907
Buildings and structures	25,623	24,965	216,980
Machinery and equipment	53,828	52,423	455,823
Tools, furniture and fixtures	7,784	8,373	65,919
Other	522	418	4,417
Construction in progress	1,138	2,493	9,637
	100,103	98,875	847,683
Less accumulated depreciation	(59,781)	(61,157)	(506,234)
Net property, plant and equipment	40,322	37,718	341,449
INVESTMENT AND OTHER ASSETS:			
Investments in securities (Notes 2, 5 and 6)	1,810	1,874	15,325
Investments in related companies	1,063	341	9,002
Deferred income taxes (Notes 2 and 8)	119	315	1,004
Long-term loans receivable and other	1,250	1,291	10,591
Allowance for doubtful accounts (Note 2)	(21)	(21)	(176)
Total investments and other assets	4,221	3,800	35,746
INTANGIBLE ASSETS AND OTHER	769	821	6,509
DEFERRED ASSETS	—	9	—
	¥ 95,179	¥ 88,039	\$ 805,983

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
CURRENT LIABILITIES:			
Short-term bank loans (Note 6)	¥ 7,934	¥ 9,474	\$ 67,184
Current portion of long-term debts (Note 6)	4,019	2,938	34,035
Short-term bonds (Note 7)	1,222	322	10,348
Payables:			
Trade notes and accounts	16,331	13,525	138,297
Construction	1,127	1,085	9,544
Other	2,560	2,330	21,676
Accrued income taxes	902	628	7,636
Deferred income taxes (Notes 2 and 8)	16	23	134
Accrued expenses and other current liabilities	3,365	3,109	28,499
Total current liabilities	37,476	33,434	317,353
LONG-TERM LIABILITIES:			
Bonds (Note 7)	606	828	5,132
Long-term debts (Note 6)	9,596	9,138	81,256
Provision for post-retirement benefits (Note 11)	491	617	4,160
Deferred income taxes (Notes 2 and 8)	487	463	4,127
Negative goodwill (Note 2)	80	120	675
Other	453	854	3,839
Total liabilities	49,189	45,454	416,542
NET ASSETS:			
Shareholders' equity:			
Common stock (Note 9)	10,076	9,962	85,325
Additional paid-in capital	13,353	13,239	113,075
Retained earnings	18,910	16,936	160,125
Less treasury common stock, at cost	(40)	(37)	(335)
Total shareholders' equity	42,299	40,100	358,190
Valuation and translation adjustments:			
Unrealized gains and losses on securities, net	321	352	2,722
Foreign currency translation adjustment	366	(394)	3,093
Total valuation and translation adjustments	687	(42)	5,815
Minority interests in consolidated subsidiaries	3,004	2,527	25,436
Total net assets	45,990	42,585	389,441
	¥95,179	¥88,039	\$805,983

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

JSP Corporation and Consolidated Subsidiaries

Years ended March 31

	Common Stock		Additional Paid-in Capital	Retained earnings	Less treasury common stock, at cost		Unrealized gains and losses on securities, net	Foreign currency translation adjustment	Minority interests in consolidation subsidiaries	Total net assets	
	Shares	Millions of yen	Millions of yen	Millions of yen	Shares	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollar (Note 1)
Balance at March 31, 2004	26,906,473	¥8,152	¥11,376	¥13,752	(52,294)	¥(32)	¥313	¥(2,138)	¥1,369	¥32,792	\$277,689
Stock issued	2,813,000	1,386	1,440	—	—	—	—	—	—	2,826	23,940
Stock option exercised	751,000	245	244	—	—	—	—	—	—	489	4,135
Net income	—	—	—	2,375	—	—	—	—	—	2,375	20,112
Dividend declared ¥10.00 per share	—	—	—	(271)	—	—	—	—	—	(271)	(2,298)
Bonuses to directors and corporate auditors	—	—	—	(36)	—	—	—	—	—	(36)	(308)
Increase (Decrease) due to change in scope of consolidation	—	—	—	15	—	—	—	—	—	15	137
Purchase of treasury common stock	—	—	—	—	(2,782)	(3)	—	—	—	(3)	(30)
Others, net	—	—	—	—	—	—	(88)	233	587	732	6,190
Balance at March 31, 2005	30,470,473	¥9,783	¥13,060	¥15,835	(55,076)	¥(35)	¥225	¥(1,905)	¥1,956	¥38,919	\$329,567
Stock option exercised	492,000	179	179	—	—	—	—	—	—	358	3,038
Net income	—	—	—	1,525	—	—	—	—	—	1,525	19,965
Dividend declared ¥12.00 per share	—	—	—	(397)	—	—	—	—	—	(397)	(3,365)
Bonuses to directors and corporate auditors	—	—	—	(27)	—	—	—	—	—	(27)	(228)
Purchase of treasury common stock	—	—	—	—	(1,963)	(2)	—	—	—	(2)	(18)
Others, net	—	—	—	—	—	—	127	1,511	571	2,209	11,658
Balance at March 31, 2006	30,962,473	¥9,962	¥13,239	¥16,936	(57,039)	¥(37)	¥352	¥ (394)	¥2,527	¥42,585	\$360,617
Stock option exercised	320,000	114	114	—	—	—	—	—	—	228	964
Net income	—	—	—	2,358	—	—	—	—	—	2,358	19,965
Dividend declared ¥12.00 per share	—	—	—	(372)	—	—	—	—	—	(372)	(3,153)
Bonuses to directors and corporate auditors	—	—	—	(3)	—	—	—	—	—	(3)	(30)
Purchase of treasury common stock	—	—	—	—	(1,481)	(3)	—	—	—	(3)	(18)
Others, net	—	—	—	(9)	—	—	(31)	760	477	1,197	11,096
Balance at March 31, 2007	31,282,473	¥10,076	¥13,353	¥18,910	(58,520)	¥(40)	¥321	¥ 366	¥3,004	¥45,990	\$389,441

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

JSP Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 4,502	¥ 2,731	\$ 38,125
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities;			
Depreciation and amortization	4,566	4,657	38,667
Impairments of fixed assets	—	76	—
Amortization of negative goodwill	(40)	(40)	(338)
(Gain) Loss on disposal of fixed assets, net	(559)	298	(4,736)
(Gain) Loss on write down of investments in securities	8	(187)	72
Interest and dividends receivable	(182)	(129)	(1,542)
Interest expense	370	263	3,132
Effect of equity in earning of affiliates, net	(72)	328	(610)
Changes in operating assets and liabilities;			
(Increase) decrease in notes and accounts receivable	(5,276)	(21)	(44,678)
Increase (decrease) in notes and accounts payable	4,474	(174)	37,886
(Increase) decrease in inventories	(1,257)	129	(10,645)
Payment of bonuses to directors and corporate auditors	(3)	(27)	(31)
Other	488	(185)	4,137
Subtotal	7,019	7,719	59,439
Proceeds from interest and dividend income	178	147	1,508
Interest paid	(363)	(274)	(3,070)
Income taxes paid	(1,392)	(1,605)	(11,794)
Net cash provided by operating activities	5,442	5,987	46,083
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of non-current assets	(7,923)	(6,641)	(67,093)
Proceeds from sales of non-current assets	1,856	144	15,719
Proceeds from sales of investment in securities	3	160	29
Other	(924)	(63)	(7,834)
Net cash used in investing activities	(6,988)	(6,400)	(59,179)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase (decrease) in short-term bank loans, net	(952)	(369)	(8,068)
Increase (decrease) in long-term loans, net	1,480	1,014	12,534
Increase (decrease) in bonds, net	678	(1,322)	5,741
Proceeds from common stock issued	228	359	1,927
Purchases of treasury common stock	(3)	(2)	(15)
Cash dividends	(372)	(397)	(3,152)
Cash dividends to minority interest	(188)	(122)	(1,589)
Proceeds from minorities' investment in capital	12	—	103
Net cash provided by (used for) financing activities	883	(839)	7,481
EFFECT OF TRANSLATION ON CASH AND CASH EQUIVALENTS	105	569	888
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(558)	(683)	(4,727)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	5,658	6,341	47,914
CASH AND CASH EQUIVALENTS AT END OF PERIOD	¥ 5,100	¥ 5,658	\$ 43,187

Note: The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared from the financial statements filed with the Ministry of Finance as required by the Securities and Exchange Law of Japan, in accordance with accounting principles and practices generally accepted in Japan. The accompanying consolidated financial statements include the accounts of JSP Corporation (the "Company"), and its domestic and foreign subsidiaries which are more than 50% owned. Significant intercompany balances and transactions have been eliminated in consolidation. Investments in affiliates more than 15% owned are accounted for under the equity method of accounting.

Solely for the convenience of the reader outside Japan, certain items presented in the original financial statements have been reclassified in the accompanying financial statements. In addition, the accompanying notes include certain information which is not required under generally accepted accounting principles and practices in Japan, but is presented herein as additional information. The accompanying consolidated financial statements have also been presented in U.S. dollars by translating all yen amounts for the year ended March 31, 2007 using an exchange rate of ¥118.09 to U.S. \$ 1.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Cash equivalents

Cash equivalents include all highly liquid time deposits, generally with original maturities of three months or less, that are readily convertible to known amounts of cash and are so short that they have rarely the risk of changing values due to floating rates of the interest.

(b) Marketable securities and investments in securities

Securities registered on the exchange market are stated at fair value. The differences between the market value and the book value of securities are charged to income, so the market value is expected to be hard to recover a book value. And if it is considered to be able to recover it, the differences will be presented in "NET ASSETS".

On the other hand, in case that the market value are more than the book value, all the gain realizable will be presented in "NET ASSETS".

(c) Inventories

Inventories of the Company and its domestic subsidiaries are stated at cost determined on a moving average method.

Overseas subsidiaries are stated as lower of cost or market, being determined on a first-in first-out method.

(d) Property, plant and equipment

Property, plant and equipment are principally stated at cost. Depreciation of the Company's and domestic subsidiaries' property, plant and equipment is basically calculated using the declining-balance method over the estimated useful lives of the respective assets as prescribed in the Corporation Tax Law of Japan, and depreciation of overseas subsidiaries' is computed using the straight-line method over the estimated useful lives.

Expenditures for new facilities and those that substantially extend the useful lives of existing plant and equipment are capitalized.

Maintenance and repairs including minor replacement and betterment are charged to income as incurred.

Amortization of intangible assets is calculated by using the straight-line method.

(e) Allowance for doubtful accounts

Allowance for doubtful accounts is provided for an amount, which is considered the risk of account receivables not to be collected.

(f) Research and development expenses

Research and development expenses are charged to income as incurred.

(g) Income taxes

Deferred taxation is provided, using the asset-and-liability method, on all material timing differences between accounting and taxation purposes. A deferred tax benefit is, however, not recognized in the financial statements except for a reasonable expectation of its realization.

(h) Appropriation of retained earnings

Provisions stated newly in the Articles of Incorporation of the Company say that retained earnings are appropriated by a resolution of the Board of Directors, under the corporate law of Japan.

The appropriations of year-end retained earnings are reflected in the books of account in the following year.

(i) Translation of foreign currency amounts

Foreign currency amounts are translated into Japanese yen on the basis of the period-end rate for the balance receivable and payable, and on the basis of the period-average rate for the transactions. The amount of translation adjustment is presented in "Net assets," and included in "Minority Interests in Consolidated Subsidiaries", too.

(j) Amortization of negative goodwill

In case of that the Company has acquired some business entities, the differences between the cost and the fair values are being amortized over periods within 20 years from the date of the acquisition. The amounts which are not amortized yet by the closing date are presented as "Negative goodwill" in the consolidated balance sheets. The amounts are, however, little significant, they are charged to income as acquired.

(k) Change of presentation

Presentation is changed in this fiscal statement due to the bulletin of Accounting Standards Board of Japan in December 2005.

For the readers' convenience, statements of previous years were also reclassified subject to the new accounting procedures.

3. CHANGE IN THE SCOPE OF CONSOLIDATION

(a) The Company has sold shares of Japan Acryace Corporation to Mitsubishi Gas Chemical Company, Inc. in October 2006, decreasing from 70% of its total shares to 50%. It has been changed to an affiliate in this fiscal year. As the results, the amount of its total assets of them was 4,174 million yen (US\$35,348 thousand) at the end of September 2006.

(b) Newly consolidated subsidiaries

Kunshan JSP Seihoku Packaging Materials Co., Ltd., established in China in November 2006

JSP Plastics (Dongguan) Co., Ltd., established in China in November 2006

(c) A liquidated subsidiary

Kansai Plast Corporation, liquidation in March 2007.

4. INVENTORIES

Inventories at March 31, 2007 and 2006 consist of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Merchandise and finished goods	¥4,968	¥5,108	\$42,070
Work in process	558	520	4,726
Raw material and supplies	3,716	3,147	31,464
	¥9,242	¥8,775	\$78,260

5. SECURITIES

Securities at March 31, 2007 and 2006 consist of the following:

As of March 31, 2007	Millions of yen					Book value
	Cost	Unrealized		Realized gain (loss)	Fair value	
		Gain	Loss			
Investments in securities:						
Marketable equity securities	¥1,280	¥545	¥ 4	¥(11)	¥1,810	¥1,810

As of March 31, 2006	Millions of yen					Book value
	Cost	Unrealized		Realized gain (loss)	Fair value	
		Gain	Loss			
Investments in securities:						
Marketable equity securities	¥1,282	¥597	¥ 5	¥ —	¥1,874	¥1,874

As of March 31, 2007	Thousands of U.S. dollars (Note 1)					Book value
	Cost	Unrealized		Realized gain (loss)	Fair value	
		Gain	Loss			
Investments in securities:						
Marketable equity securities	\$10,842	\$4,611	\$31	\$(97)	\$15,325	\$15,325

6. SHORT-TERM BANK LOANS AND LONG-TERM DEBTS

Short-term bank loans are represented substantially by six-month notes bearing interest at weighted average rates of 1.64% and 0.89% at March 31, 2007 and 2006, respectively.

Long-term loans from banks and insurance companies with weighted average rates of 1.85%, are maturing serially through 2013.

Maturities of long-term loans at March 31, 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
2008	¥ 4,019		\$ 34,035
2009	3,470		29,381
2010	2,721		23,040
2011	1,872		15,854
2012 and after	1,533		12,981
	¥13,615		\$115,291

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Collateralized	¥ 387	¥ 157	\$ 3,274
Unsecured	13,228	11,919	112,017
Less current portion	(4,019)	(2,938)	(34,035)
	¥ 9,596	¥ 9,138	\$ 81,256

A summary of assets pledged as collateral for short-term bank loans and long-term debt at March 31, 2007 and 2006 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Securities, Property, plant and equipment, at cost less accumulated depreciation	¥4,853	¥4,876	\$41,094

7. BONDS

The Company issued bonds totaling ¥500 million (US\$ 4,234 thousand) in face value and bearing 0.83% interest without collateral and guarantee on March 27, 2002. The amount of the bonds had been repaid in semi-annual installments of ¥50 million (US\$ 423 thousand) through March, 2007.

On June 27, 2003, the Company issued bonds ¥1,605 million (US\$13,591 thousand) in face value and bearing annual 0.61% interest without collateral and guarantee. The amounts of the bonds are

payable in semi-annual installments of ¥111 million (US\$940 thousand) through 2010.

The Company also issued, by means of financing the working capital, commercial papers 9 times and 7 times, bearing interest at weighted average rates of 0.054% and 0.067% in 2007 and 2006, respectively. The balance repayable is ¥1,000 million (US\$8,468 thousand), and bearing interest is 0.700% at March 31, 2007.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Current portion of bonds	¥ 222	¥ 322	\$ 1,880
Commercial papers	1,000	—	8,468
Short-term Bonds	1,222	322	10,348
Bonds	606	828	5,132
	¥1,828	¥1,150	\$15,480

8. INCOME TAXES

Income tax expenses at March 31, 2007 and 2006 consist of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Current	¥1,399	¥1,002	\$11,854
Deferred	(1)	(224)	(16)
	¥1,398	¥ 778	\$11,838

Deferred income taxes are recorded, based upon the material timing differences between accounting and tax purposes. The deferred income taxes at March 31, 2007 and 2006, respectively are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Deferred tax assets:			
Accounts receivable	¥ 118	¥ 123	\$ 1,002
Provision for bonuses	270	254	2,288
Local taxes payable	60	32	507
Provision for retirement benefits	158	219	1,335
Provision for directors' retirement benefits	100	79	843
Investments in securities	74	68	624
Net loss carried forward	8	241	66
Deduction for foreign taxes	—	105	—
Other	657	623	5,568
Sub total	¥1,445	¥1,744	\$12,233
Less: Allowance	(12)	(31)	(102)
Total deferred tax assets	¥1,433	¥1,713	\$12,131
Deferred tax liabilities:			
Property, plant and equipment	¥ 540	¥ 607	\$ 4,577
Unrealized gains on securities	222	158	1,877
Other	206	235	1,741
Total deferred tax liabilities	¥ 968	¥1,000	\$ 8,195
Net deferred tax assets:	¥ 465	¥ 470	\$ 3,936

9. COMMON STOCK

The Company has authorized 46,000,000 shares; 31,282,473 shares and 30,962,473 shares had been issued. And the treasury common stocks have been 58,520 shares and 57,039 shares. As the result of it, 31,223,953 shares and 30,905,434 shares are on trading in Tokyo Stock Exchange at March 31, 2007 and 2006, respectively.

10. OPERATING LEASES

The Company and its consolidated subsidiaries have made use of various facilities, equipment and other under non-cancelable lease agreements. These leases would have expired on various dates through 2027.

Future minimum payments required under operating leases that have remaining non-cancelable lease terms in excess of one year at March 31, 2007 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
2008	¥177	\$1,496
2009	115	977
2010	90	761
2011	32	267
2012 and after	326	2,764
Total future minimum lease payments	¥740	\$6,265

11. EMPLOYEES' BENEFITS

The Company and its domestic subsidiaries bear the cost of half the tax payable by the employees and their dependents on the welfare pension scheme and national health insurance.

The Company and its domestic subsidiaries have defined benefit plans.

1. Schedule of benefit plan liabilities recognized in the balance sheet as of March 31, 2007 and 2006.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Present value of a defined benefit obligation	¥(5,590)	¥(5,513)	\$(47,336)
Pension fund	5,040	4,697	42,676
Subtotal	¥ (550)	¥ (816)	\$ (4,660)
Unrecognized actuarial gains and losses	(178)	(639)	(1,513)
Unrecognized past service obligation	237	262	2,013
Total	¥ (491)	¥ (617)	\$ (4,160)
Less: Prepayment of pension cost	—	—	—
Provision for post-retirement benefits	¥ (491)	¥ (617)	\$ (4,160)

2. Schedule of post-retirement cost during the fiscal year ended in March 31, 2007 and 2006.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Current service cost	¥ 356	¥328	\$3,022
Interest cost	126	124	1,073
Expected return on plan assets	(113)	(88)	(964)
Recognized actuarial	(5)	48	(43)
Recognized past service cost	25	24	209
Post-retirement cost	¥ 389	¥436	\$3,297

The Company made decisions on basic terms to compute post-retirement benefit obligation and so on.

The discount rate of assumptions used to compute the accumulated post-retirement benefit obligation are around 2.5% in 2007 and 2006,

respectively. The expected rate of return on plan assets are approximately 2.5% in 2007 and 2006, respectively, considering the interest rate of a 10-20 year national bond similar to the period while the rest of the average term each employee will remain.

12. PER SHARE INFORMATION

Considering stock options exercised, the computations of net income per share are based on the weighted average number of them. The weighted average number of shares issued is 31,119 thousand shares and 30,687 thousand shares during the year ended March 31, 2007 and 2006 respectively.

More over considering stock options not to be exercised, the weighted average number of share is 31,213 thousand shares and 30,963 thousand shares during the year ended March 31, 2007 and 2006, respectively.

Cash dividends consisted of annual and semi-annual dividends. Cash dividends per share represented the actual amounts applicable to the respective years.

13. CONTINGENT LIABILITIES

Contingent liabilities as of March 31, 2007 and 2006 are as follows.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Guarantees given for borrowings:			
Affiliates	¥1,061	¥418	\$8,988
Employees' housing loans	257	291	2,183

14. CASH DIVIDENDS

The appropriation of retained earnings of the Company in the fiscal year ended March 31, 2007 are as follows.

The date of resolution of Board of Directors	Per share		The total amounts	
	Yen	U.S. dollars (Note 1)	Millions of yen	Thousands of U.S. dollars (Note 1)
October 30, 2006	¥6.00	\$0.05	¥187	\$1,587
May 14, 2007	6.00	0.05	187	1,586

15. STOCK OPTIONS

Directors, executive officers and employees are eligible for stock options. Employees need to meet some definite conditions in order to be entitled.

The schedules of their stock options are as follows.

Date of approval	Amount of shares (Thousand)	Payment per share (Yen)	Period to be eligible
June 27, 2002	129	645	July 1, 2004 through June 30, 2007
June 27, 2003	664	760	July 1, 2005 through June 30, 2008
June 29, 2004	117	1,516	July 1, 2006 through June 30, 2009
June 29, 2005	120	1,258	July 1, 2007 through June 30, 2010

16. SEGMENT INFORMATION

(a) Information by business activities

The Company and its consolidated subsidiaries operate in four segments, which consist of "Sheets", "Beads", "Boards" and "Others", based on both the kind of products and the similarities of manufacturing methods.

2007	Millions of yen						Elimination or adjustment	Consolidated
	Sheets	Beads	Boards	Others	Total			
I. Net sales								
Outside	¥28,754	¥53,611	¥8,161	¥4,980	¥95,506	¥ —	¥95,506	
Intersegment sales and transfer	0	57	8	352	417	(417)	—	
Total net sales	28,754	53,668	8,169	5,332	95,923	(417)	95,506	
II. Operating cost (excluding undivided cost)	27,563	49,753	7,638	5,212	90,166	(396)	89,770	
III. Operating income (before undivided cost)	1,191	3,915	531	120	5,757	(21)	5,736	
Undivided cost							1,621	
Operating income							4,115	
Total assets	¥25,566	¥52,715	¥7,500	¥4,152	¥89,933	¥5,246	¥95,179	
Depreciation and amortization	¥ 1,090	¥ 2,926	¥ 312	¥ 159	¥ 4,487	¥ 79	¥ 4,566	
Capital expenditure	¥ 3,176	¥ 4,207	¥ 489	¥ 147	¥ 8,019	¥ 314	¥ 8,333	

	Thousands of U.S. dollars (Note 1)						Consolidated
	Sheets	Beads	Boards	Others	Total	Elimination or adjustment	
I. Net sales							
Outside	\$243,488	\$453,983	\$69,110	\$42,175	\$808,756	\$ —	\$808,756
Intersegment sales and transfer	1	481	67	2,984	3,533	(3,533)	—
Total net sales	243,489	454,464	69,177	45,159	812,289	(3,533)	808,756
II. Operating cost (excluding undivided cost)	233,411	421,310	64,679	44,141	763,541	(3,356)	760,185
III. Operating income (before undivided cost)	10,078	33,154	4,498	1,018	48,748	(177)	48,571
Undivided cost							13,726
Operating income							34,845
Total assets	\$216,497	\$446,389	\$63,511	\$35,162	\$761,559	\$44,424	\$805,983
Depreciation and amortization	\$ 9,233	\$ 24,775	\$ 2,645	\$ 1,344	\$ 37,997	\$ 670	\$ 38,667
Capital expenditure	\$ 26,891	\$ 35,623	\$ 4,143	\$ 1,245	\$ 67,902	\$ 2,661	\$ 70,563

Note: Main Products presented in the business segments are as follows:

Sheets: Styrene Paper, Miraboard, P-Board, P-Mat, Miramat, Caplon, Miranet, Acryace, PC Sheet

Beads: PB-Beads, Styrodia, Bumper cores, Side fixtures, Tool boxes, P-Block/ARPRO, L-Block, Green Block

Boards: Mirafoam, Miraplank, Mirakku Panel, J-Slit

Others: Foamcore, Superfoam, Plastic regeneration machines, Processing machines, Laminators, General packaging materials

(b) Net sales to areas outside Japan

The amounts of the Company's and its consolidated subsidiaries' net sales to areas outside Japan at March 31, 2007 and 2006, summarized below:

2007	Millions of yen			
	To America	To Europe	To others	Total
I. Net sales	¥11,200	¥8,551	¥8,915	¥28,666
II. Consolidated net sales				95,506
Proportion of I to II	11.7%	9.0%	9.3%	30.0%

2006	Millions of yen			
	To America	To Europe	To others	Total
I. Net sales	¥9,289	¥8,394	¥7,909	¥25,592
II. Consolidated net sales				89,844
Proportion of I to II	10.3%	9.3%	8.8%	28.5%

2007	Thousands of U.S. dollars (Note 1)			
	To America	To Europe	To others	Total
I. Net sales	\$94,844	\$72,409	\$75,497	\$242,750
II. Consolidated net sales				808,756
Proportion of I to II	11.7%	9.0%	9.3%	30.0%

Note: Main areas presented in the section above are as follows:

America: the U.S., Canada and Mexico.

Europe: France, Germany, Italy and the U.K.

Other: Asia and Oceania

CORPORATE DATA

BOARD OF DIRECTORS, EXECUTIVE OFFICERS, AND STATUTORY AUDITORS

Representative Director, President
Rokuro Inoue

**Representative Director,
Chief Financial Officer**
Ken Toyoguchi

Director
Kozo Tsukamoto *1

Directors, Managing Executive Officers
Kouichi Teranishi
Katsuhiko Matsumoto

Directors, Executive Officers
Masahiro Harada
Nobuaki Yamazaki
Ken Shiosaka
Hiroshi Usui

Executive Officers
Masahiko Kishida
Hisao Mori
Takashi Matsukasa
Hitoshi Yamamoto
Takefumi Uematsu

Corporate Statutory Auditors
Shigehisa Kimura
Masashi Hashimoto
Yukio Sakai *2
Toshio Hama

*1 Director, Managing Executive Officer of Mitsubishi Gas Chemical Company, Inc.

*2 Executive Officer of Mitsubishi Gas Chemical Company, Inc.

(As of June 30, 2007)

CORPORATE DATA

Head Office
4-2, Marunouchi 3-chome, Chiyoda-ku, Tokyo
100-0005, Japan
Tel: 81(3) 6212-6300
Fax: 81(3) 6212-6302

Date of Establishment
January 24, 1962

Paid-in Capital
¥10,100 million (As of June 30, 2007)

Number of Employees
621 (As of March 31, 2007)

Stock Exchange Listing
Tokyo Stock Exchange

Transfer Agent of Common Stock
Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo
100-0005, Japan

Plants
Hokkaido (Hokkaido)
Kanuma (Tochigi)
Kashima (Ibaraki)
Yokkaichi (Mie)
Kansai (Hyogo)
Kyushu (Kumamoto)

NETWORKS

Japan

Subsidiaries

- Japan Xanpak Corporation
- KP Corporation
- Japan Repromachine Industries Co., Ltd.
- Seihoku Packaging Company
- JSP Molding Corporation
- MIRAX Corporation
- Yuka Sansho Kenzai Co., Ltd.
- Hokuryo EPS Co., Ltd.
- Honshu Petrochemistry Co., Ltd.

Affiliates

- Japan Acryace Corporation
- Sanin Kasei Co., Ltd.

North America

Subsidiaries

- JSP International Group Ltd. (USA)
- JSP International, LLC. (USA)
- JSP Mold, LLC. (USA)
- JSP Licenses, Inc. (USA)
- JSP International Specialty Foams, LLC. (USA)
- JSP Automotive Interiors, LLC. (USA)
- JSP International de Mexico, S.A. de C.V. (Mexico)

Europe

Subsidiaries

- JSP International SARL (France)
- JSP International GmbH & Co. KG (Germany)
- JSP International GmbH (Germany)
- JSP International SRL (Italy)
- JSP International s.r.o. (Czech Republic)

An affiliate

- Sealed Air Packaging S.A.S. (France)

Asia

Subsidiaries

- KOSPA Corporation (Korea)
- Taiwan JSP Chemical Co., Ltd. (Taiwan)
- JSP Foam Products, Pte. Ltd. (Singapore)
- JSP Foam Products Hong Kong Limited (China)
- JSP Plastics (Wuxi) Co. Ltd. (China)
- JSP International Trading (Shanghai) Co., Ltd. (China)
- Kunshan JSP Seihoku Packaging Material Co., Ltd. (China)
- JSP Plastics (Dongguan) Co., Ltd. (China)