JSP

The Story of NEXT

At a Glance

Our NEXT opportunities

Financial Highlights *-Page 2*

Record-setting profitability

President Q&A *-Page 6-9*

"We have high expectations for China and India..."

Special Feature *-Page 10-16*

ARPRO® Life Cycle Assessment: A 12:1 environmental benefit

ANNUAL REPORT 2010

Year ended March 31, 2010

At a Glance:
Our NEXT Opportunities

50 %

Estimates say that the top emerging markets today (Brazil, Russia, India, China) will account for **50% of global GDP** by the year 2050.

70 %

The global car market is expected to grow 73% over the next 10 years, with the BRICs countries responsible for **70% of that growth**. By 2050, India may become the world's number one automotive market.

2 billion

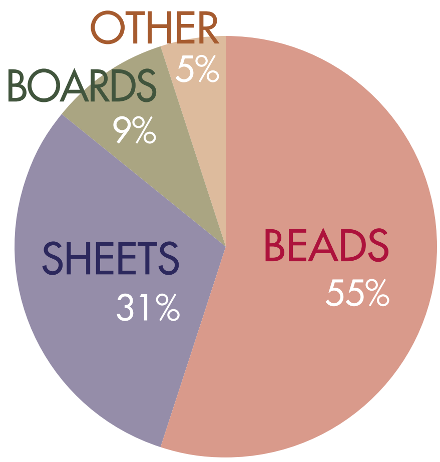
By 2030, nearly **two billion people** around the world will be joining the ranks of the middle class. Consumer spending on goods of the type supported by JSP products (auto, IT, construction, home appliances, packaged foods, etc.) could well reach record levels over the next few decades.

22 million

Today, JSP's leading ARPRO®/P-Block™ product is built into **22 million cars** annually. As the global economy expands over the next decade, JSP will be there with innovative products to serve the auto, IT, home appliance, construction, packaged food and other industries.

At a Glance:
Our Business

JSP Corporation is a leading manufacturer of foamed plastics. JSP mainly sells products to other businesses, who use foamed plastics in a wide range of applications including automotive parts, packaging materials, construction materials, etc..
JSP clients represent the top names in their respective industries.



SHEETS

The Sheets business accounts for around 31% of JSP net sales. The major products in this segment are Miramat®, formed polystyrene sheet used for industrial packaging, and Miraboard™, used as backing for advertising displays and foldable boxes.

Styrene Paper, Miraboard™, P-Board™, Miramat®, Caplon™, Miranet®, others

BEADS

The Beads business segment is responsible for nearly 55% of JSP net sales. Our main product in this segment is expanded polypropylene, known in the market as ARPRO®/P-Block™. Valued for its shock-absorbing properties,
ARPRO®/P-Block™ is used in a variety of applications. Also, Styrodia®, expandable polystyrene beads, is used in food packaging and as construction and engineering materials.

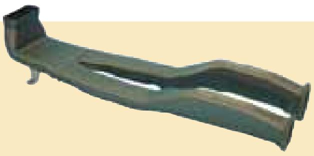
Styrodia®, ARPRO®/P-Block™, L-Block™, Green Block™, others

BOARDS

The Boards business represents 9% of JSP annual sales. Our Mirafoam™ product is the main seller in this segment, valued in home construction as an insulation material. Miraplank®, another mainstay product, is used as a shock-absorbing padding protecting cargo transported on trucks and other vehicles.

Mirafoam™, Miraplank®, others

OTHER



At 5% of JSP net sales, the Other segment consists of products used in construction or auto applications. Foamcore™ is used to strengthen and insulate the ceilings of unit baths in Japanese house constructions, while the light-weight Super Foam™ product is a favorite among car manufacturers for air conditioner duct lining.

Foamcore™, Super Foam™, Plastic regeneration machines, Processing machines, Laminators, General packaging materials, others

Financial Highlights

Years ended March 31	2010	2009	2008	2007	2006	2010(US$)
	Millions of yen					Thousands of U.S. dollars (Note 1)
For the Year:						
Net Sales	¥81,597	¥96,534	¥99,407	¥95,505	¥89,843	$877,295
Operating Income	5,685	2,701	5,046	4,114	3,025	61,122
Income before Income Taxes and Minority interest	5,096	2,605	4,431	4,502	2,730	54,797
Net Income	3,209	1,366	2,589	2,357	1,525	34,504
At YEAR-END:						
Total Assets	86,197	84,316	94,993	95,178	88,039	926,758
Total Net Assets	45,912	42,001	48,057	45,989	42,585	493,626
Common Stock	10,128	10,128	10,113	10,076	9,962	108,898
	Yen					U.S. dollars (Note 1)
Amounts per Share of Common Stock:						
Net Income	¥103.35	¥43.74	¥82.74	¥75.76	¥49.71	$1.11
Cash Dividends	19.00	14.00	14.00	12.00	12.00	0.20
Total Net Assets	1,391.92	1,278.38	1,425.83	1,376.68	1,296.15	14.97

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥93.01=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.
3. Beginning FY2010, figures are rounded to the nearest million yen.

Net Sales

Lower demand in the automotive, home electronics and construction industries worldwide had a negative trickle-down effect on sales of JSP products.

-15.5%

net sales

Operating Income

Better use of resources and lower manufacturing/ distribution costs led to record growth in operating income for the year.

+110.4%

operating income

Interest Coverage Ratio

During the fiscal year, JSP repaid a total of ¥2,028 million in short- and long-term debt. The Company is in a strong position to grow with the global economy in the future.

36.3 times

interest coverage ratio*

*operating cash flow ÷ interest payments

Message from the President

The fiscal year ended March 2010 was a challenge for JSP as it was for many companies around the world. The global recession dampened consumer goods sales, particularly during the first half of the year.

Despite saw some signs of recovery late in the year, net sales for the JSP Group was down year on year. But, thanks to the efforts of our employees, we were able to run our business more efficiently. This, I am pleased to say, resulted in significant bottom-line growth.

Our next opportunities will be found in the emerging markets—mainly China and India. These markets will drive world economic growth. We want to be a force in these markets, supplying the automotive, IT and home appliance segments there.

Meeting the needs for advanced cost-efficient and light-weight materials in these markets will be a challenge, but one that I believe the JSP Group is ready to take on.

We are moving into the third year of our three-year NEXT management plan. I believe we are on target to reach our goals for fiscal 2011, setting the stage for a new leap forward in growth.

"Our next opportunities will be found in the emerging markets-mainly China and India."

While changes in raw materials prices and global economic trends are out of our direct control, we can address issues within our business. We can become more efficient. We can focus more clearly. We can provide freedom and room for our employees to innovate. And we can be ready to quickly take advantage of opportunities.

Thank you for your continued support.

Rokuro Inoue
President

R. Inoue

Our NEXT Challenges:
Q&A with President Rokuro Inoue *Page 6*

A Foundation for the N

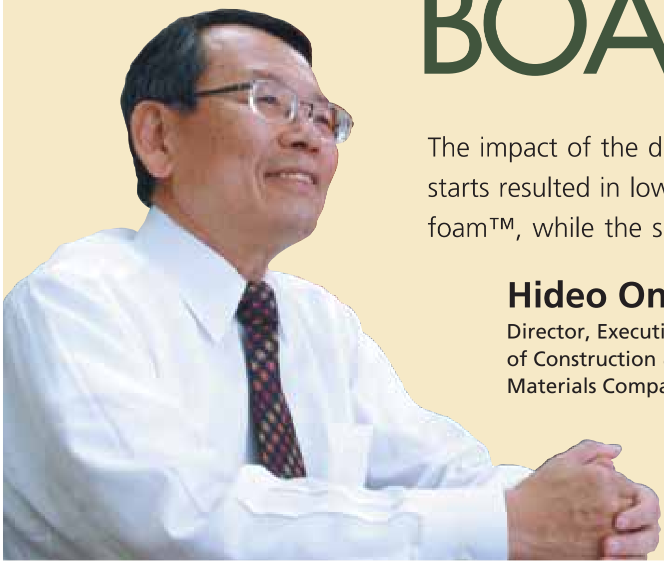
SHEETS +89%

Sales of "styrene paper" (foamed polystyrene sheets) experienced year-on-year growth, mainly due to the withdrawal of several competitors in the segment. Miramat® also experienced growth in the form of high-added-value applications taking advantage of the product's anti-static properties. These gains were offset by year-on-year decreases in Miraboard™ sales.

As a result, the Sheets business segment accounted for a total of ¥25,200 million in net sales (5.75% year-on-year decrease). Greater efficiencies and lower costs resulted in **89% year-on-year growth in operating income**, up to ¥2,643 million.

Koichi Teranishi
Director, Senior Managing Executive Officer, President of Living & Industrial Materials Company

BOARDS +73.2%



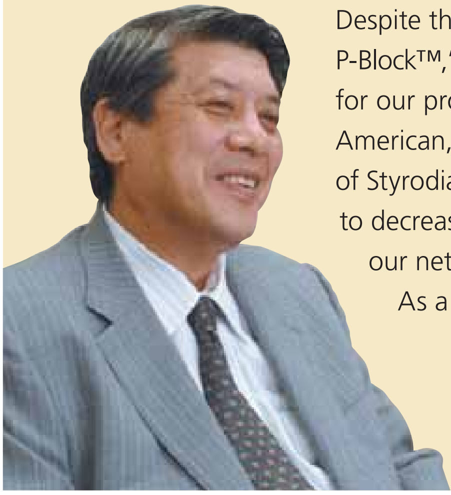
The impact of the decline in housing starts resulted in lower sales of Mirafoam™, while the sluggish economy in general meant slow sales of our Miraplank® product.

As a result, net sales in the Boards business segment fell to ¥7,384 million, a 3.7% year-on-year decline. Efficiency gains in manufacturing and distribution led to a **73.2% year-on-year increase in operating income**, up to ¥850 million.

Hideo Ono
Director, Executive Officer, President of Construction & Civil Engineering Materials Company

EXT Stage

BEADS +52.1%



Despite the wide applications of "ARPRO®/P-Block™," the global recession hurt demand for our products in this segment in our major American, European and Asian markets. Sales of Styrodia® (expandable polystyrene) fell due to decreased demand. A strong yen also hurt our net sales figures overseas.

As a result, net sales in the Beads business segment fell 21.6% year-on-year to ¥44,456 million. However, cost-cutting initiatives and a shift toward more profitable products resulted in a **52.1% year-on-year increase in operating income**, up to ¥4,452 million.

Ken Shiosaka
Director, Senior Executive Officer
President of EPS Company

Hiroshi Usui
Director, Senior Executive Officer
President of Advanced Materials Company

OTHER

Sales of this segment's Foamcore™ product grew year-on-year, mainly due to sales for existing high-end applications. Super Foam™ sales also enjoyed year-on-year growth. In contrast, lower overall demand and falling unit prices led to declining sales of general-purpose packaging products.

Yasuo Oikawa
Chief Manager of New Products Development Division

As a result, the OTHER business segment accounted for ¥4,555 million in net sales, representing a 16.0% year-on-year decrease. JSP recorded an operating loss in this segment of ¥233 million, compared to a loss of 241 million for the prior consolidated fiscal year. The liquidation of Japan Repromachine Industries Co., Ltd., a former consolidated subsidiary, was completed in February 2010.

Our NEXT Challenges

Rokuro Inoue

President

JSP Corporation

Born in Ehime Prefecture, Japan, Inoue received both a bachelor's and master's degree in chemical engineering from the University of Tokyo. After rising through the ranks at Mitsubishi Gas Chemical, he was named vice president at JSP Corporation in 2003. Inoue took over as JSP president in June 2004.

In 2008, Inoue was selected as a member of Nippon KEIDANREN, Japan's most prestigious business federation.

Question

What is your take on the JSP Group's performance for the fiscal year ended March 2010?

Answer

I don't need to mention how tough the global economy was last year. Our consolidated net sales decreased year-on-year by 15.5% to ¥81.597 billion due primarily to lower sales volume and lower selling prices of EPP. The good news is that operating income and ordinary income were both up compared to the prior fiscal year, 110.4% and 99.4%, respectively. Operating income for the year was ¥5.685 billion; ordinary income was ¥5.54 billion. Net income was up 134.9% year-on-year, coming in at ¥3.209 billion.

In terms of profitability, I think we fought a good fight.

The Japanese government introduced a new Eco Point incentive program that had a positive effect on demand for digital home appliances. This led to strong sales of our packaging products for this segment. Sales of value-added molded EPP products for the car industry, as well as cost reductions in manufacturing and distribution, also helped our figures. Structurally, our shareholders' equity ratio improved to 50.1%.

We're taking a fairly conservative approach to our projections for this upcoming fiscal year. We have forecast consolidated net sales of ¥83 billion, just slightly ahead of this past year's actual. We are looking for operating income of ¥4.3 billion and ordinary income of ¥4.4 billion, each representing more than 20% year-on-year declines. We also see net income down about 12.8%, to ¥2.8 billion for the consolidated fiscal year. This is because we forecast an increase in oil prices this upcoming fiscal year. The price of oil has an impact on the prices of our main raw materials, such as polystyrene , polypropylene, and polyethylene.

> **"The good news is that operating income and ordinary income were both up compared to the prior fiscal year..."**

Question

Your Beads business and extrusion foam business are really the two mainstays of JSP. What's your forecast for demand this upcoming fiscal year?

Answer

ARPRO®/P-Block™ is our number one EPP product in the global market. It's used as shock-absorption material in car bumper cores, in different applications in the interior of the car, and as shock-absorption packaging for electronics and digital home appliances.

We are forecasting a 4% increase in global EPP sales. We have also forecast a slight uptick in EPS [expandable polystyrene] sales.

Sheet and board products manufactured via extrusion-foaming technology will most likely mirror sales for this past fiscal year in terms of volume. We do, however, forecast net sales to be down slightly.

By market segment, trays, box lunch containers, instant ramen cups and other daily use products account for 60% of our total sales. Industrial packaging and shock-absorption materials used for digital home appliances and car parts account for 40% of sales. We think this ratio will stay the same for the upcoming fiscal year.

New businesses based on Foamcore™, Super Foam™ and other high-performance composite foam materials will focus on creating new markets for the superior insulation materials used in windows and roof underlayment. Demand for Foamcore™ is growing in North America, and we expect to expand the number of licensees, as well as develop other sales channels.

"We are forecasting a 4% increase in global EPP sales."

Question

JSP announced a new division-based organization model. Can you tell us more about the reasons for this change?

Answer

The JSP Group consists of 33 subsidiaries across the world. In the past, we had been organized along our four product lines as "companies." This had been the case for about 10 years.

But we had situations such as two product lines being produced in the same factory. This caused problems in terms of internal competition. On a non-consolidated basis, JSP accounts for about ¥50 billion in domestic sales. At this scale, this "product-as-company" approach just didn't fit.

We had also developed an unnecessary wall between high-volume, high-profit products and those that weren't. So this fiscal period we have transitioned to a four-division organizational structure. This lets our entire group work in alignment. It will facilitate the exchange within research and development, and build greater motivation across our entire organization.

"[Our new organization] will let our entire Group work in alignment."

Question

Will JSP add production capacity to meet the growing demand in markets like China and India?

Answer

We have high expectations for China and India; we're operating four locations right now in China. Our Dongguan factory, which started operations on April 2008 in Guangdong Province, supplies automotive and IT manufacturers located nearby. Our next goal is to build new factories to serve the demand in northern China, such as Tianjin and Dalian cities.

We will establish a new company in Chennai, India; the land for EPP production facilities will be secured in July. The market in India is growing very rapidly. Actually, it looks like demand in India will grow at a pace even faster than we had forecast.

We opened a sales office in Russia this past April. We're looking to create a bigger market for ourselves among Russian and CIS automotive manufacturers.

Question

This past fiscal year was year two of the three-year "NEXT JSP" management plan. Can you tell us more about future initiatives?

Answer

When we created the "NEXT JSP" plan, we forecast fiscal 2011 consolidated net sales of ¥90 billion, with an operating income ratio of 5%. Looking now, I think we can reach 6% in operating income ratio, based on ¥100 billion in net sales and ¥6 billion in operating income.

To reach that level, we have to sow the seeds of our next major product, while still relying on foamed plastic as our mainstay product.

Looking ten years ahead, I don't think our business structure will really be that much different than it is today. Right now, we are developing various value-added products with anti-static properties, water-permeability, sound-isolation functions, etc. We're even developing an insulation product that is termite-resistant.

We are actively pursuing this kind of R&D, as well as working toward the development of plastics developed from biologic components. You will continue to see JSP foamed plastics in all manner of consumer and industrial applications, making the world better in ways you would never imagine!

"Today we are developing various value-added products with anti-static properties, water-permeability, sound-isolation functions, etc.
[We are] making the world better in ways you would never imagine!"

NEXT JSP

NEXT: Medium-Term Management Plan 2009-2011

The goal of the JSP Group is to protect people, to protect their important possessions, and to protect the environment. We have completed in the second year of our NEXT JSP management plan. This plan sets the stage for dramatic growth in future years, as we secure our position as the leading global supplier of foamed plastics.

5 Concepts

Strategic Global Development

Stronger Domestic Market Presence

Foundation for New Growth

Ecologically Responsible Products and Production Methods

Dynamic Group Management

ARPRO®/P-BLOCK™

Applications
in
Automotive

Strategic Global Development: Activity in Emerging Markets

India

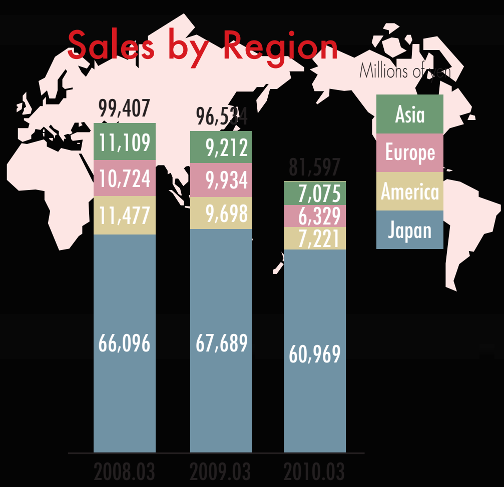
New Manufacturing and Sales Company in India

JSP announced the launch of a new manufacturing and sales company in Chennai, India scheduled for July 2010. Chennai is located in the heart of the burgeoning Indian automotive industry, and JSP will be there to help car makers, IT firms, and others by supplying high-performance ARPRO®/ P-Block™ products.

China

Extension of the Production Capacity at JSP Dongguan.

To keep up with increasing demand for expanded polypropylene in China, JSP has committed to expanding capacity at their Dongguan facility to come up to 14,000 tonne annual production capacity in China. The products manufactured by JSP will be used in such diverse applications as impact protection, interior components, seating and acoustic insulation in cars, and in packaging applications for IT products and electric appliances.



Russia

Gearing Up for the Growing Russian Car Economy

JSP established a sales office in Moscow, Russia to promote the use of ARPRO® among both Russian and foreign-based car manufacturers. JSP believes that a local sales office will better allow the Group to provide services to a rapidly growing market segment.

NEXT JSP

A Stronger Domestic Market Presence: A New Organization for the NEXT JSP

For the past 10 years, the JSP Group has been organized as "inner companies" based on product lines. While this organization was effective at a smaller scale, the Company has now grown into an ¥80 billion-plus global organization.

In April 2010, JSP's corporate structure was reorganized into two divisions. Each division consists of products with similar manufacturing process and complementary markets. This new organizational structure will result in better alignment of goals, sharing of ideas and methods, greater efficiency, and quicker management decisions.

Extrusion Business Division

- Living & Industrial Materials
- Construction & Civil Engineering Materials

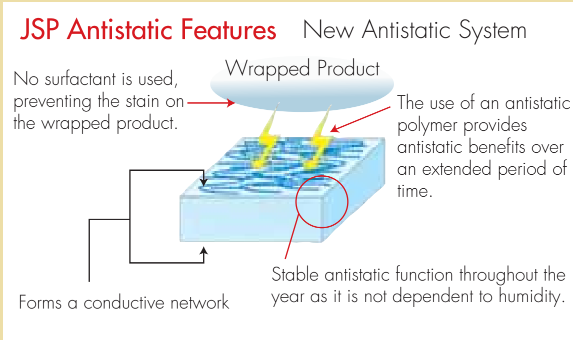
Beads Business Division

- Advanced Materials
- EPS

Foundation for New Growth: Innovation in Foamed Plastics

Permanent Antistatic Products

The JSP Permanent Antistatic Products (Miramat®Ace, P-Block™Ace) reduces dust and dirt attracted by static electricity on packaging materials, while still offering superior shock absorption and heat insulation properties to protect our customers' products. Long-lived durability of antistatic properties allow for product re-use, helping customers make their own contribution to the environment.



ARPRO®/P-Block™ Seat Design

Offering a new approach to automotive seat design, JSP has helped customers such as BMW and Citroen reduce weight while maintaining excellent safety. ARPRO®/P-Block™ can replace heavy and costly steel structures with a sturdy, light foamed plastic. Less weight means more efficiency, less environmental impact, and lower costs in every aspect of the product lifecycle. ARPRO®/P-Block™ is even fully recyclable!

www.arpro.com/arpro-lca.php

Innovation Simplified® Process

From Idea to Market Introduction, the Innovation Simplified® Process is one tool that helps JSP secure its position as the preferred global supplier of foamed plastics.

www.jsp.com/file/en/InnSimpProcessDiag.pdf

NEXT JSP

Ecologically Responsible Products and Production Methods:

Fulfilling Our Responsibilities to Society and Future Generations

The Basic JSP Philosophy

Contributing to society through innovation

The JSP Environmental Policy

Work with our customers to create environmentally friendly products

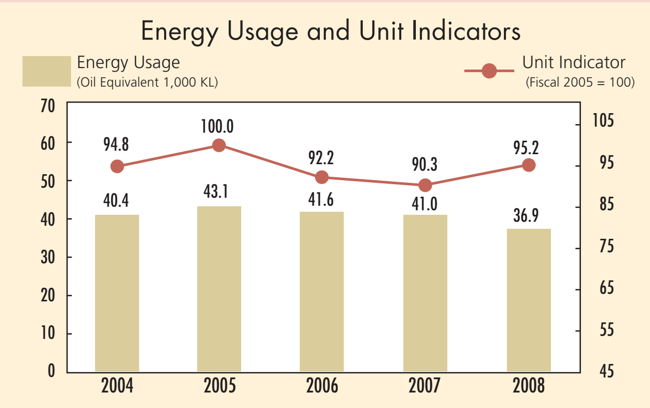
The JSP Quality Policy

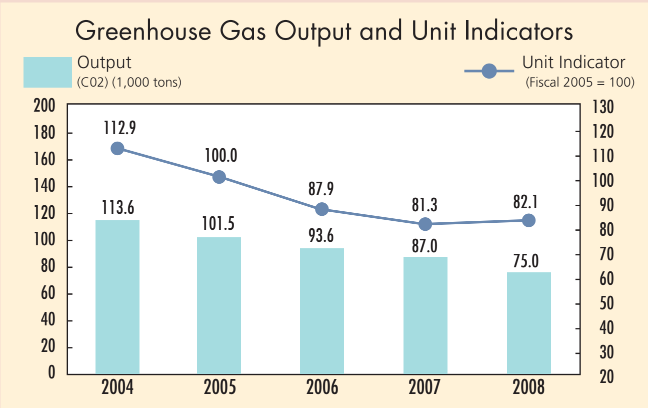
Create products that meet and exceed customer expectations

Protecting the World from Global Warming

During the last half of fiscal 2008, JSP reduced energy usage by 10% in response to lower demand from the automotive and home appliance industries. Comparatively, unit energy usage has risen 5%, based on lower utilization rates.

Lower energy usage has resulted in lower output of greenhouse gasses. Using fiscal 2005 as standard, output for fiscal 2008 was down 26% –an approximate 18% reduction per unit.





Note: Since unit indicators are derived by simple division using total production output, changes in product structure can affect the outcome. Accordingly, we converted production output to a figure for standardized products to make our calculations.

ARPRO® Life Cycle Assessment

During fiscal 2009, JSP commissioned* a Life Cycle Assessment for its leading global product, ARPRO®.

The ARPRO® LCA evaluates the environmental impact of the production, use and disposal of a typical ARPRO® seat-core used in automotive production.

Key Findings of the Assessment:

- The results of the Life Cycle Assessment showed that comparative global warming potential for the production of an ARPRO® seat core provided an environmental benefit to impact ratio of 12:1.
- If this saving is applied to the number of cars sold annually, an environmental saving of nearly 16 million tonnes of CO2(e) could be achieved.
- Assuming a vehicle lifetime of 100,000km, using an ARPRO® seat core could provide a net reduction in CO2(e) of 2.65 g/km- over 13 percent of the 2012 EU target reduction (from 140 to 120 g/km CO2(e)).
- CO2(e) savings result from the ability to deliver component weight reductions of up to 35 percent, achieved by replacing the heavy steel anti-submarining safety ramp with ARPRO®.
- ARPRO®'s mechanical properties allow for the seat core to be integrated into the seating itself, replacing the traditional metal structure and contributing to a more flexible vehicle platform.
- In all of the environmental impact categories studied (except one), an environmental benefit (positive impact) is delivered. In the 'aquatic eco-toxicity' category, even the weight-saving capabilities of ARPRO® cannot overcome the environmental burden resulting from manufacture of the wireframe.
- The end-of-life stage of the seat-core impact is insignificant relative to other life cycle stages, even in the worst case (disposal). As ARPRO® is 100% recyclable there is further potential to reduce its environmental impact.

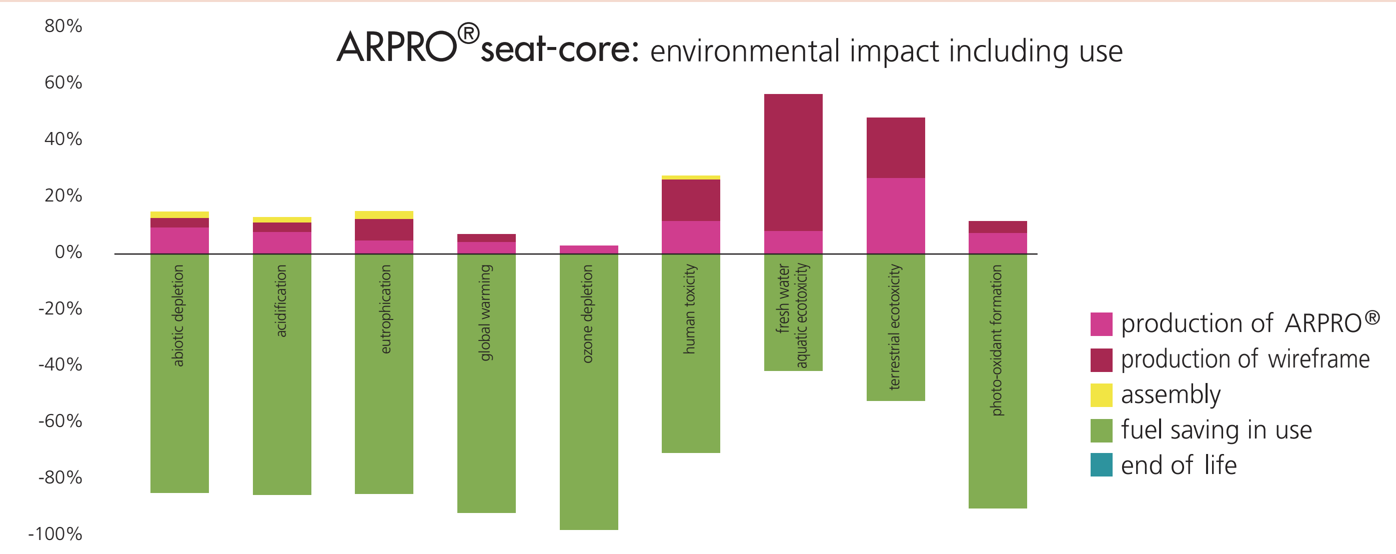
The conclusion of the study?

"Both the environmental impact results for ARPRO® and the fuel savings created are proven, but the net benefit to the environment is actually greater than that stated. When using the ARPRO® seat-core, not only is fuel consumption and therefore CO2 emission reduced, but by using the ARPRO® design rather than the traditional one, the steel construction and its associated production emissions are eliminated.

Though these savings cannot be included in our calculation, it is worth noting the disproportionate environmental impact of the small amount of steel used in the wireframe of the ARPRO® seat-core, and that the amount of steel 'saved' is ten times the amount actually used."

See ARPRO.com to download the full ARPRO® Life Cycle Assessment.

*ARPRO® assessment performed by Environmental Resources Management (ERM), an independent consultancy and one of the world's leading providers of environmental consulting services.



NEXT JSP

Dynamic Group Management: The NEXT Vision in Internal Control

The Japanese version of the U.S. Sarbanes-Oxley Act (J-SOX) has been in effect for slightly more than two years. This law requires companies whose shares are listed on Tokyo Stock Exchange to submit an Internal Controls Report signed by a certified public accounting firm attached to its annual security report.

After the passage of the new law, JSP reviewed group-wide operation processes, enforced the internal control system, and introduced a self-evaluation program.

In this program a process owner who is assigned in each business division is responsible for taking the lead to ensure that the internal control is in place.

With J-SOX, JSP will be able to offer more detailed internal control reports to our shareholders, helping JSP management fulfill this aspect of our corporate governance responsibilities.

The results of the self-evaluation program by the process owner are reviewed by the Internal Control Division, which provides independence and objectivity. Moreover, by maximizing the use of IT we ensure speed and span of control as well as traceability.

With J-SOX, JSP will be able to offer more detailed internal control reports to our shareholders, helping JSP management fulfill this aspect of our corporate governance responsibilities.

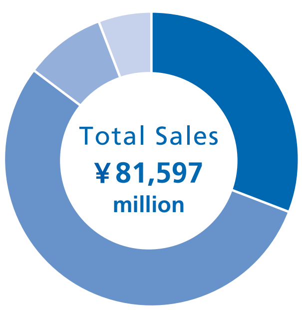
Results of Operations

For the fiscal year ended March 31, 2010 (FY2009), JSP Corporation and its consolidated subsidiaries ("the Company") recorded consolidated net sales of ¥81,597 million, representing a 15.5% year-on-year decrease. This decrease in net sales is primarily attributed to translation losses on overseas sales denominated in foreign currencies and lower selling prices, as well as lower overall sales volume.

Meanwhile, the Japanese government' s Eco-Point stimulus program introduced in May 2009 resulted in an uptick in consumer demand for certain digital home appliances. Sales of Company packaging products benefitted from this trend. Combined with successful cost reduction initiatives in manufacturing and distribution, the Company recorded a 110.4% year-on-year gain in operating income, amounting to ¥5,685 million for the fiscal year. Ordinary income amounted to ¥5,540 million (99.4% year-on-year increase), and net income amounted to ¥3,209 million, representing a gain of 134.9% compared to the prior fiscal year.

Sales Breakdown by Business Segment

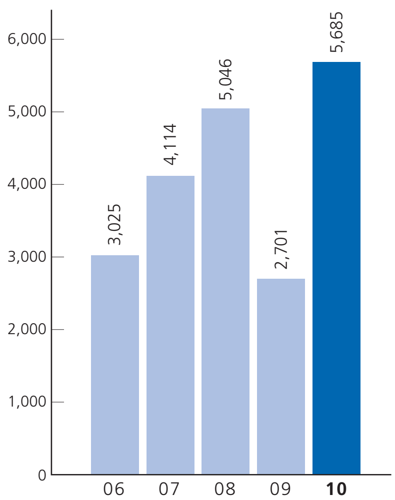
(Millions of yen)



Sheets Business	30.9%
Beads Business	54.5%
Boards Business	9.0%
Other Business	5.6%

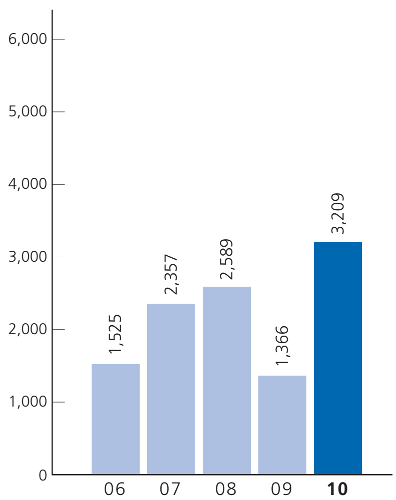
Operating Income

(Millions of yen)



Net Income

(Millions of yen)



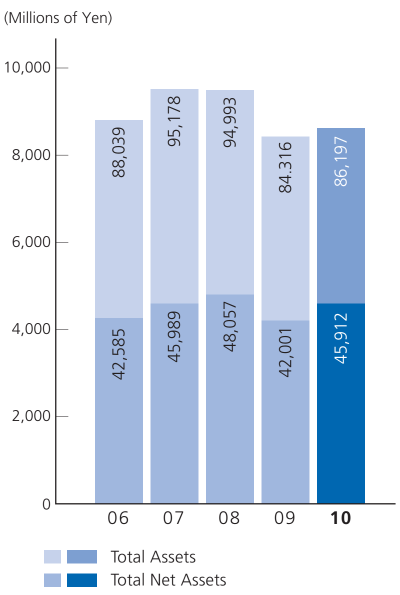
Financial Position

As of March 31, 2010, Company total assets amounted to ¥86,197 million, representing an increase of ¥1,881 million compared to the end of the prior consolidated fiscal year. This increase was primarily due to increases of ¥3,146 million in current assets (Mainly cash and cash equivalents and notes and accounts receivable, trade). Noncurrent assets decreased by ¥1,265 million.

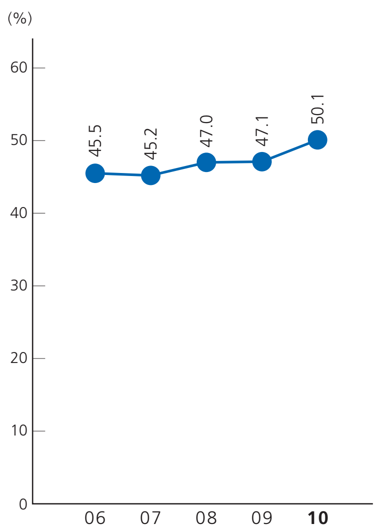
Liabilities amounted to ¥40,285 million, which was a decrease of ¥2,029 million compared to the end of the prior consolidated fiscal year. This decrease was primarily due to a decrease in current liabilities of ¥823 million (Mainly short-term debt), as well as a ¥1,205 million decrease in long-term liabilities due to repayments of long-term debt.

As a result, consolidated net assets at the end of the fiscal year amounted to ¥45,912 million, while the Company marked a shareholders' equity ratio of 50.1%.

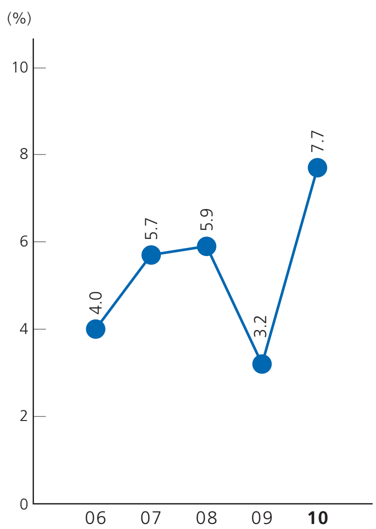
Total Assets/Total Net Assets



Shareholder's Equity Ratio



Return on Equity



Cash Flows

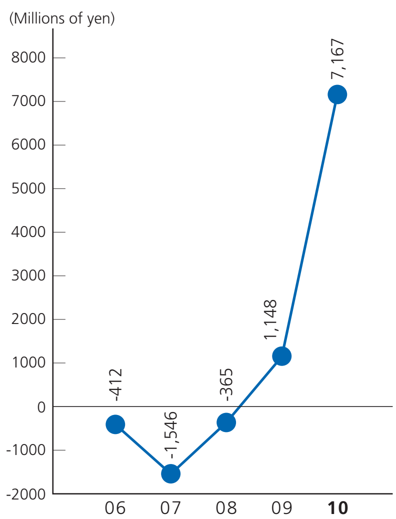
Consolidated cash and cash equivalents as of March 31, 2010 amounted to ¥9,069 million, including ¥44 million in translation adjustments due to currency fluctuations. This represented a ¥2,514 million increase in total cash and cash equivalents compared to the end of the prior fiscal year.

Net cash from operating activities amounted to ¥11,283 million, a ¥5,154 million year-on-year increase. This increase was primarily due to ¥5,096 million in net income before taxes and adjustments, ¥4,688 million in depreciation expense, and ¥1,280 million in inventory decreases. These factors contributing to an increase in cash flow were somewhat offset by an increase of ¥1,402 million in accounts receivable.

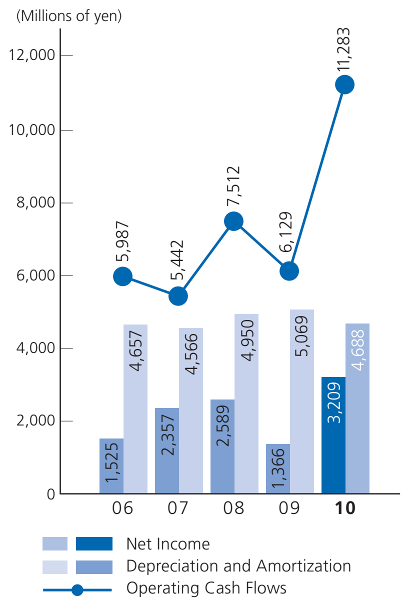
Net cash used in investing activities amounted to ¥4,115 million for the consolidated fiscal year (¥865 million year-on-year decrease). These funds were mainly used for capital investment purposes.

Net cash used in financing activities amounted to ¥4,698 million (compared with the inflow of ¥298 million in the prior fiscal year). This was primarily due to net cash outlays of ¥2,810 million in connection with short-term loans, net cash outlays of ¥1,160 million in connection with long-term loans, and cash outlays of ¥434 million in dividend payments.

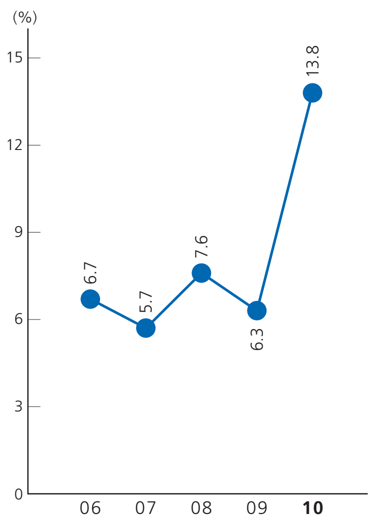
Free Cash Flows



Net Income/ Depreciation and Amortization/ Operating Cash Flows



Operating Cash Flows to Net Sales Ratio



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, 2010 and 2009, 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, 2010 and 2009, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Tokyo, Japan
June 22, 2010

Toho Audit Corporation

As the above is an English translation from the original auditor' s report (Yukashoken Hokokusho) filed with the Financial Services Agency for public disclosure pursuant to the Financial Instruments and Exchange Law, the Toho Audit Corporation' s signature has been omitted.

CONSOLIDATED STATEMENTS OF INCOME

JSP Corporation and Consolidated Subsidiaries
Years Ended March 31

	Millions of yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Net sales	**¥81,597**	¥ 96,534	**$ 877,295**
Cost of sales	**56,875**	73,255	**611,501**
Gross profit	**24,721**	23,279	**265,793**
Selling, general and administrative expenses			
Selling expenses	**6,030**	7,059	**64,841**
General and administrative expenses	**13,005**	13,518	**139,828**
Total selling, general and administrative expenses	**19,036**	20,577	**204,670**
Operating income	**5,685**	2,701	**61,122**
Non-operating income			
Interest income	**173**	258	**1,862**
Dividends income	**30**	35	**333**
Rent income	**60**	57	**654**
Foreign exchange gains	**-**	81	**-**
Amortization of negative goodwill	**120**	160	**1,296**
Other	**308**	236	**3,319**
Total non-operating income	**694**	830	**7,466**
Non-operating expenses			
Interest expenses	**308**	431	**3,320**
Foreign exchange losses	**72**	-	**775**
Equity in losses of affiliates	**289**	223	**3,117**
Other	**168**	99	**1,808**
Total non-operating expenses	**839**	754	**9,022**
Ordinary income	**5,540**	2,778	**59,566**
Extraordinary income			
Gain on sales of noncurrent assets	**2**	3	**29**
Gain on sales of investment securities	**0**	11	**1**
Reversal of allowance for doubtful accounts	**16**	16	**178**
Gain from the prior term adjustment for accured bonus	**-**	62	**-**
Other	**13**	45	**143**
Total extraordinary income	**32**	139	**352**
Extraordinary loss			
Loss on retirement of noncurrent assets	**147**	89	**1,581**
Loss on sales of noncurrent assets	**2**	0	**24**
Loss on valuation of investment securities	**2**	65	**29**
Loss on sales of investment securities	**-**	43	**-**
Loss on liquidation of subsidiaries and affiliates	**6**	107	**68**
Impairment loss	**171**	-	**1,843**
Loss on valuation of inventories	**92**	-	**993**
Other	**53**	5	**579**
Total extraordinary loss	**476**	312	**5,121**
Income before income taxes	**5,096**	2,605	**54,797**
Income taxes-current	**1,835**	454	**19,738**
Income taxes for prior periods	**6**	253	**71**
Income taxes-deferred	**(271)**	131	**(2,916)**
Total income taxes	**1,571**	839	**16,892**
Minority interests in income	**316**	399	**3,400**
Net income	**¥ 3,209**	¥ 1,366	**$ 34,504**

CONSOLIDATED BALANCE SHEETS

JSP Corporation and Consolidated Subsidiaries
As of March 31

Assets	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. Dollars 2010
Current assets			
Cash and deposits	**¥ 11,882**	¥ 8,935	**$ 127,751**
Notes and accounts receivable-trade	**24,930**	23,418	**268,044**
Short-term investment securities	**39**	1	**425**
Merchandise and finished goods	**4,633**	5,284	**49,817**
Work in process	**532**	913	**5,728**
Raw materials and supplies	**2,671**	2,852	**28,723**
Accounts receivable-other	**480**	529	**5,170**
Deferred tax assets	**1,093**	844	**11,758**
Other	**972**	1,220	**10,458**
Allowance for doubtful accounts	**(250)**	(159)	**(2,687)**
Total current assets	**46,987**	43,841	**505,189**
Noncurrent assets			
Property, plant and equipment			
Buildings and structures	**27,636**	27,009	**297,130**
Accumulated depreciation	**(15,720)**	(14,828)	**(169,021)**
Buildings and structures, net	**11,915**	12,180	**128,109**
Machinery, equipment and vehicles	**53,983**	52,535	**580,409**
Accumulated depreciation	**(43,904)**	(41,659)	**(472,037)**
Machinery, equipment and vehicles, net	**10,079**	10,875	**108,372**
Land	**11,613**	11,557	**124,866**
Lease assets	**104**	86	**1,121**
Accumulated depreciation	**(38)**	(8)	**(412)**
Lease assets, net	**65**	78	**708**
Construction in progress	**654**	975	**7,037**
Other	**8,205**	8,247	**88,225**
Accumulated depreciation	**(7,539)**	(7,470)	**(81,060)**
Other, net	**666**	777	**7,164**
Total property, plant and equipment	**34,995**	36,445	**376,258**
Intangible assets	**936**	715	**10,067**
Investments and other assets			
Investment securities	**1,906**	1,780	**20,500**
Long-term loans receivable	**28**	42	**307**
Deferred tax assets	**195**	216	**2,103**
Other	**1,190**	1,318	**12,804**
Allowance for doubtful accounts	**(44)**	(43)	**(473)**
Total investments and other assets	**3,277**	3,315	**35,243**
Total noncurrent assets	**39,210**	40,475	**421,569**
Total assets	**¥ 86,197**	¥ 84,316	**$ 926,758**

The accompanying notes are an integral part of these statements.

Liabilities	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. Dollars 2010
Current liabilities			
Notes and accounts payable-trade	¥ 9,278	¥ 9,025	$ 99,755
Short-term loans payable	6,386	9,194	68,669
Current portion of long-term loans payable	4,569	4,777	49,133
Current portion of bonds	162	222	1,741
Lease obligations	37	23	398
Accounts payable-other	2,324	2,121	24,993
Income taxes payable	1,660	564	17,852
Accrued consumption taxes	381	190	4,103
Deferred tax liabilities	4	9	53
Provision for bonuses	1,109	741	11,926
Notes payable-facilities	154	43	1,657
Accounts payable-facilities	388	469	4,176
Other	2,037	1,935	21,909
Total current liabilities	28,495	29,319	306,372
Noncurrent liabilities			
Bonds payable	-	162	-
Long-term loans payable	10,113	11,035	108,740
Lease obligations	79	69	859
Deferred tax liabilities	505	521	5,434
Provision for retirement benefits	409	403	4,398
Provision for directors' retirement benefits	126	141	1,356
Provision for corporate officers retirement benefits	33	39	360
Negative goodwill	361	482	3,890
Other	159	139	1,718
Total noncurrent liabilities	11,789	12,995	126,759
Total liabilities	40,285	42,315	433,132
Net assets			
Shareholders' equity			
Capital stock	10,128	10,128	108,898
Capital surplus	13,405	13,405	144,129
Retained earnings	24,413	21,548	262,486
Treasury stock	(211)	(210)	(2,278)
Total shareholders' equity	47,736	44,871	513,236
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	167	131	1,797
Foreign currency translation adjustment	(4,682)	(5,305)	(50,340)
Total valuation and translation adjustments	(4,515)	(5,174)	(48,543)
Minority interests	2,691	2,304	28,933
Total net assets	45,912	42,001	493,626
Total liabilities and net assets	¥86,197	¥ 84,316	$ 926,758

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

JSP Corporation and Consolidated Subsidiaries
Years Ended March 31

	Millions of yen		Thousands of U.S. Dollars
	2010	2009	2010
Shareholders' equity			
Capital stock			
Balance, Beginning of Period	¥ 10,128	¥ 10,113	$ 108,898
Changes of items during the period			
Issuance of new shares	-	15	-
Total changes of items during the period	-	15	-
Balance, End of Period	10,128	10,128	108,898
Capital surplus			
Balance, Beginning of Period	13,405	13,389	144,129
Changes of items during the period			
Issuance of new shares	-	15	-
Total changes of items during the period	-	15	-
Balance, End of Period	13,405	13,405	144,129
Retained earnings			
Balance, Beginning of Period	21,548	21,123	231,677
Changes of items during the period			
Dividends from surplus	(434)	(469)	(4,674)
Net income	3,209	1,366	34,504
Effect of changes in accounting policies applied to foreign subsidiaries	-	(337)	-
Change of scope of equity method	-	(134)	-
Change of scope of consolidation	91	-	978
Total changes of items during the period	2,865	424	30,809
Balance, End of Period	24,413	21,548	262,486
Treasury stock			
Balance, Beginning of Period	(210)	(42)	(2,266)
Changes of items during the period			
Purchase of treasury stock	(1)	(168)	(11)
Total changes of items during the period	(1)	(168)	(11)
Balance, End of Period	(211)	(210)	(2,278)
Total shareholders' equity			
Balance, Beginning of Period	44,871	44,583	482,438
Changes of items during the period			
Issuance of new shares	-	31	-
Dividends from surplus	(434)	(469)	(4,674)
Net income	3,209	1,366	34,504
Effect of changes in accounting policies applied to foreign subsidiaries	-	(337)	-
Change of scope of equity method	-	(134)	-
Purchase of treasury stock	(1)	(168)	(11)
Change of scope of consolidation	91	-	978
Total changes of items during the period	2,864	287	30,797
Balance, End of Period	¥ 47,736	¥ 44,871	$ 513,236

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Valuation and translation adjustments			
Valuation difference on available-for-sale securities			
Balance, Beginning of Period	**¥ 131**	¥ 110	**$ 1,409**
Changes of items during the period			
Net changes of items other than shareholders' equity	**36**	20	**387**
Total changes of items during the period	**36**	20	**387**
Balance, End of Period	**167**	131	**1,797**
Foreign currency translation adjustment			
Balance, Beginning of Period	**(5,305)**	(48)	**(57,047)**
Changes of items during the period			
Net changes of items other than shareholders' equity	**623**	(5,257)	**6,706**
Total changes of items during the period	**623**	(5,257)	**6,706**
Balance, End of Period	**(4,682)**	(5,305)	**(50,340)**
Total valuation and translation adjustments			
Balance, Beginning of Period	**(5,174)**	61	**(55,637)**
Changes of items during the period			
Net changes of items other than shareholders' equity	**659**	(5,236)	**7,094**
Total changes of items during the period	**659**	(5,236)	**7,094**
Balance, End of Period	**(4,515)**	(5,174)	**(48,543)**
Minority interests			
Balance, Beginning of Period	**2,304**	3,411	**24,779**
Changes of items during the period			
Net changes of items other than shareholders' equity	**386**	(1,106)	**4,153**
Total changes of items during the period	**386**	(1,106)	**4,153**
Balance, End of Period	**2,691**	2,304	**28,933**
Net assets			
Balance, Beginning of Period	**42,001**	48,057	**451,580**
Changes of items during the period			
Issuance of new shares	**-**	31	**-**
Dividends from surplus	**(434)**	(469)	**(4,674)**
Net income	**3,209**	1,366	**34,504**
Effect of changes in accounting policies applied to foreign subsidiaries	**-**	(337)	**-**
Change of scope of equity method	**-**	(134)	**-**
Purchase of treasury stock	**(1)**	(168)	**(11)**
Change of scope of consolidation	**91**	-	**978**
Net changes of items other than shareholders' equity	**1,046**	(6,343)	**11,247**
Total changes of items during the period	**3,910**	(6,055)	**42,045**
Balance, End of Period	**¥45,912**	¥ 42,001	**$493,626**

CONSOLIDATED STATEMENTS OF CASH FLOWS

JSP Corporation and Consolidated Subsidiaries
Years Ended March 31

	Millions of yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Net cash provided by (used in) operating activities			
Income before income taxes	**¥ 5,096**	¥ 2,605	**$ 54,797**
Depreciation and amortization	**4,688**	5,069	**50,405**
Impairment loss	**171**	-	**1,843**
Amortization of negative goodwill	**(120)**	(160)	**(1,296)**
Increase (decrease) in allowance for doubtful accounts	**87**	(140)	**944**
Increase (decrease) in provision for bonuses	**367**	(107)	**3,954**
Increase (decrease) in provision for retirement benefits	**2**	61	**24**
Increase (decrease) in provision for directors' retirement benefits	**(21)**	18	**(227)**
Loss (gain) on sales and retirement of noncurrent assets	**146**	86	**1,577**
Loss (gain) on sales of investment securities	**(0)**	32	**(1)**
Loss (gain) on valuation of investment securities	**2**	65	**29**
Interest and dividends income	**(204)**	(294)	**(2,195)**
Interest expenses	**308**	431	**3,320**
Foreign exchange losses (gains)	**(37)**	103	**(398)**
Equity in (earnings) losses of affiliates	**289**	223	**3,117**
Decrease (increase) in notes and accounts receivable-trade	**(1,402)**	4,693	**(15,074)**
Increase (decrease) in notes and accounts payable-trade	**197**	(5,108)	**2,123**
Decrease (increase) in inventories	**1,280**	45	**13,769**
Increase (decrease) in accrued consumption taxes	**284**	(73)	**3,063**
Other, net	**786**	(555)	**8,451**
Subtotal	**11,926**	6,998	**128,229**
Interest and dividends income received	**214**	287	**2,308**
Interest expenses paid	**(310)**	(433)	**(3,340)**
Income taxes paid	**(546)**	(723)	**(5,879)**
Net cash provided by (used in) operating activities	**11,283**	6,129	**121,317**
Net cash provided by (used in) investing activities			
Net decrease (increase) in short-term investment securities	**-**	0	**-**
Purchase of noncurrent assets	**(3,203)**	(4,371)	**(34,443)**
Proceeds from sales of noncurrent assets	**12**	11	**137**
Payments for retirement of noncurrent assets	**(25)**	(22)	**(274)**
Purchase of investment securities	**(240)**	(8)	**(2,581)**
Proceeds from sales of investment securities	**0**	33	**4**
Net decrease (increase) in time deposits	**(256)**	(592)	**(2,758)**
Purchase of stocks of subsidiaries and affiliates	**-**	(200)	**-**
Proceeds from sales of stocks of subsidiaries and affiliates	**-**	190	**-**
Other, net	**(403)**	(21)	**(4,335)**
Net cash provided by (used in) investing activities	**(4,115)**	(4,981)	**(44,250)**
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	**(2,810)**	2,032	**(30,217)**
Net increase (decrease) in commercial papers	**-**	(1,500)	**-**
Proceeds from long-term loans payable	**3,700**	5,700	**39,780**
Repayment of long-term loans payable	**(4,860)**	(4,984)	**(52,257)**
Redemption of bonds	**(222)**	(222)	**(2,386)**
Proceeds from issuance of common stock	**-**	31	**-**
Purchase of treasury stock	**(1)**	(168)	**(11)**
Cash dividends paid	**(434)**	(470)	**(4,674)**
Cash dividends paid to minority shareholders	**(30)**	(104)	**(324)**
Other, net	**(39)**	(15)	**(424)**
Net cash provided by (used in) financing activities	**(4,698)**	298	**(50,515)**
Effect of exchange rate change on cash and cash equivalents	**44**	(878)	**479**
Net increase (decrease) in cash and cash equivalents	**2,514**	567	**27,030**
Cash and cash equivalents at beginning of period	**6,555**	5,400	**70,477**
Increase in cash and cash equivalents from newly consolidated subsidiary	**-**	587	**-**
Cash and cash equivalents at end of period	**9,069**	6,555	**97,507**

The accompanying notes are an integral part of these statements.

1. BASIS OF PRESENTATION OF 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.

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, 2010 using an exchange rate of ¥93.01 to U.S. $ 1.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Investment Securities

Foreign Consolidated Companies

Marketable securities owned by foreign consolidated companies are accounted for under International Financial Reporting Standards or U.S. GAAP.

Domestic Consolidated Companies

Other Investment Securities

Securities for which market prices are available are stated at fair market value of the quoted market price as of the last day of the fiscal year. Valuation differences are directly charged or credited to shareholders' equity; the cost of securities is calculated according to the moving average method.

Securities for which market prices are not readily available are stated at cost, as determined by the moving average method.

(b) Inventories

Domestic Consolidated Companies

Inventories owned by domestic consolidated companies are stated mainly at cost according to the moving average method (book value written down for inventories with impaired profitability).

Foreign Consolidated Companies

Inventories owned by foreign consolidated companies are stated mainly under first-in first-out accounting based on the lower-of-cost-or-market method.

(c) Depreciation and Amortization

Property, Plant, and Equipment (excluding leased assets)

Buildings (excluding attached structures) acquired by the Company and domestic consolidated subsidiaries prior to March 31, 1998 are depreciated according to the former declining balance method under the Corporation Tax Law of Japan. Buildings acquired between April 1, 1998 and March 31, 2007 are depreciated according to the former straight-line method under the Corporation Tax Law of Japan. Buildings acquired after April 1, 2007 are depreciated according to the straight-line method under the Corporation Tax Law of Japan.

Tangible noncurrent assets (other than buildings) acquired by the Company and domestic consolidated subsidiaries prior to March 31, 2007 are depreciated mainly according to the former declining balance method under the Corporation Tax Law of Japan. Assets acquired after April 1, 2007 are depreciated mainly according to the declining balance method.

Useful lives and residual values are determined according to standards prescribed by the Corporation Tax Law of Japan.

Tangible noncurrent assets acquired by foreign consolidated subsidiaries are depreciated according to the straight-line method.

Intangible Noncurrent Assets (excluding leased assets)

Intangible noncurrent assets acquired by the Company and domestic consolidated subsidiaries are amortized according to the straight-line method.

Useful lives and residual values are determined according to standards prescribed by the Corporation Tax Law of Japan.

Software used for internal purposes is amortized according to the straight-line method over the useful life for Company purposes (five years).

Foreign consolidated companies amortize intangible noncurrent assets according to the straight-line method.

Leased Assets

Assets subject to financing lease transactions entered into by the Company and/or domestic consolidated subsidiaries in which asset ownership is not transferred to the lessee are depreciated according to the straight-line method. The lease term is considered to be the useful life of the asset; residual value is assumed to be zero.

The Company will continue to account for financing lease transactions in which the asset ownership does not transfer to the lessee entered into prior to March 31, 2008 in conformity with methods related to normal lease transactions.

Assets subject to financing lease transactions entered into by foreign consolidated subsidiaries are depreciated according to International Financial Reporting Standards or U.S. GAAP.

(d) Significant Allowances and Provision

Allowance for Doubtful Accounts

The Company and its domestic consolidated domestic subsidiaries reserve against losses due to uncollectible debt using actual loan loss ratios for general receivables. For loans questionable as to collectability and/or under claim of bankruptcy, the Company and its consolidated domestic subsidiaries reserve against uncollectible amounts according to the likelihood of collectability in each case.

Foreign consolidated companies reserve against losses due to uncollectible debt according to management' s consideration of individual accounts.

Provision for Bonuses

The Company and its domestic consolidated subsidiaries reserve an estimated amount of future payments for employee bonuses based on a calculation of the exact amount to be payable for the current consolidated fiscal year.

Provision for Employees' Retirement Benefits

The Company and its domestic consolidated subsidiaries reserve an estimated amount for employee retirement benefits based on the projected retirement benefit obligation and related pension assets for the current consolidated fiscal year.

Prior service cost is charged to expense as it occurs according to the straight-line method based on a certain number of years (generally 14 years) representing the average remaining years of employment.

Any actuarial differences are charged to the expense accounts of the following consolidated fiscal year according to the straight-line method based on a certain number of years (generally 14 years) representing the average remaining year of employment.

Foreign consolidated companies record reserves for employee retirement benefits according to International Financial Reporting Standards or U.S. GAAP.

Provision for Directors' Retirement Benefits

The Company and certain of its domestic consolidated subsidiaries reserve an amount for director retirement benefits based on corporate bylaws. The amount reserved is equivalent to the amount payable as of the end of the current consolidated fiscal year.

Provision for Corporate Officers Retirement Benefits

The Company reserves an amount for executive officer retirement benefits based on corporate bylaws. The amount reserved is equivalent to the amount payable as of the end of the current consolidated fiscal year.

(e) Foreign Currency Translation

The Company and its domestic consolidated subsidiaries translate rights and obligations denominated in foreign currency into Japanese yen according to the spot rate as of the last day of the consolidated fiscal period. Translation differences are recorded as income or expense. Assets and liabilities of foreign subsidiaries are translated into Japanese yen according to the spot rate as of the last day of the fiscal period of the subsidiary in question. Income and expense accounts are translated into Japanese yen according to average rate during the period, and translation differences are included in the foreign currency translation adjustment and/or minority interests of the net assets section of the consolidated balance sheet.

(f) Major Hedge Accounts

Hedge Accounting

The Company and its domestic consolidated subsidiaries account for hedges using the deferred treatment. However, special treatment is applied for interest rate swaps meeting certain special conditions.

Hedge Methods and Transactions

Hedge Method: Interest rate swap transaction

Hedge Transactions: Interest rates on borrowings

Hedge Policy

Company policy is not to enter into speculative transactions. Derivatives are used to reduce the risk of interest rate fluctuations on debt, according to Company management rules.

Evaluation of Hedge Effectiveness

Effectiveness is assessed by confirming whether there is a high correlation among the rate fluctuation of the hedged transaction, cash flows, and the hedge method in question.

(g) Accounting for Consumption Taxes

The Company and its domestic consolidated subsidiaries account for consumption taxes using the tax-exclusion method.

(h) Valuation of Consolidated Subsidiary Assets and Liabilities

The assets and liabilities of consolidated subsidiaries are valued under the full purchase method.

(i) Amortization of Negative Goodwill

Negative goodwill is amortized according to underlying factors by the straight-line method for a period not to exceed 20 years. However, immaterial amounts are charged to income as incurred.

(j) Scope of Cash included in the Consolidated Statement of Cash Flows

"Cash" stated in the consolidated cash statement of cash flows includes cash on hand, demand deposits, and other short-term investments that are highly liquid, easily convertible to cash, are redeemable within three months of acquisition, and are not subject to material risk of fluctuation in value.

3. SECURITIES

Securities as of March 31, 2010

Millions of Yen

Classification	Cost	Book Value	Change
Stocks with Value on Consolidated Balance Sheet Greater than Acquisition Cost			
Stock	411	742	331
Sub-total	411	742	331
Stocks with Value on Consolidated Balance Sheet Not Exceeding Acquisition Cost			
Stock	442	397	(45)
Other	39	39	-
Sub-total	482	437	(45)
Total	894	1,180	286

(Notes)

1 The market value for unlisted stocks (¥766 million on consolidated balance sheet) is extremely difficult to discern. Accordingly, such is not included in the table above.

2 Certain securities were written down due to impairment during the current consolidated fiscal year. The cost of these securities reflects their book value after write-down.

The following is the amount of securities written down due to impairment.

The Company wrote down impaired securities whose values decreased significantly (25% or more compared to cost). The Company did not write down securities whose values decreased by 25% or more, but are projected to recover to, or near to, cost levels within one year of the end of the current fiscal period.

Stock ¥2 million

4. BONDS AND LONG-TERM LOANS PAYABLE

Amounts payable for fiscal years ending March 31.

Millions of Yen

	2011	2012	2013	2014	2015	After 2015
Bonds payable	162	-	-	-	-	-
Long-term loans payable	4,569	3,696	2,653	2,444	763	556
Total	4,731	3,696	2,653	2,444	763	556

5. TAX-EFFECT ACCOUNTING

2010	Millions of Yen
Deferred Tax Assets	
Provision for Bonuses	432
Allowance for Doubtful Accounts	62
Depreciation	42
Accrued Enterprise Taxes and Accrued Business Office Taxes	148
Retirement Benefits, etc.	165
Provision for Directors' Retirement Benefits	49
Provision for Corporate Officers Retirement Benefits	13
Loss on Valuation of Equity in Affiliates	5
Loss on Valuation of Investment Securities	48
Loss on Valuation of Golf Memberships	23
Loss Carryforward	95
Valuation Differences on Assets Received in Merger	7
Other	468
Sub-total	1,563
Less: Valuation Allowances	(108)
Total Deferred Tax Assets	1,454
Deferred Tax Liabilities	
PPE, Insufficient Accelerated Depreciation	292
Provision for Tax-Basis Adjustments of Noncurrent Assets	18
Unrealized Gains (Losses) on Marketable Securities, Net	132
Valuation Differences on Assets Received in Merger	108
Prepaid Pension Cost	11
Other	113
Total Deferred Tax Liabilities	675
Net Deferred Tax Assets	778

Reconciliation of Differences between statutory tax rate and effective income tax rate

Normal Effective Statutory Tax Rate	40.7%
(Adjustments)	
Entertainment and Other Non-Deductible Expenses	1.4%
Dividend and Other Non-Taxable Income	(0.1%)
Per-Capita Taxation	0.7%
Deduction for Foreign Taxes	(2.6%)
Special Deduction for R&D	(2.0%)
Loss on Valuation of Equity in Affiliates Allowable	(0.4%)
Loss in Equity in Affiliates	2.3%
Difference in Tax Rate on Income of Consolidated Subsidiaries	(9.4%)
Less: Valuation Allowances	(1.0%)
Other	1.2%
Actual Effective Tax Rate	30.8%

6. EMPLOYEE RETIREMENT BENEFITS

Current Consolidated Fiscal Year

1 Overview of Retirement Plan

The Company and its consolidated domestic subsidiaries have adopted a defined benefit plan for employees. At the time of retirement, employees may be given severance pay in some circumstances.

Certain foreign consolidated subsidiaries have adopted a defined contribution plan for employee retirement benefits.

2 Defined Benefit Plan (as of March 31, 2010)

	Millions of Yen
a. Projected Benefit Obligation	(6,869)
b. Plan Assets	4,466
c. Sub-total (a + b)	(2,403)
d. Unrecognized Actuarial Differences	1,860
e. Unrecognized Past Service Obligation	161
f. Net Accrued Retirement Benefits Recognized in Consolidated Balance Sheets (c+d+e)	(381)
g. Prepaid Pension Cost	27
h. Provision for Retirement Benefits (f – g)	(409)

(Note) Certain consolidated subsidiaries utilize the simplified method to calculate the projected benefit obligation.

3 Retirement Benefit Expenses (as of March 31, 2010)

	Millions of Yen
a. Service Cost	344
b. Interest Cost	137
c. Expected Return on Pension Assets	(88)
d. Recognized Actuarial Differences	141
e. Amortization of Prior Service Cost	24
f. Net Retirement Benefit Cost (a+b+c+d+e)	559

(Note) The net retirement benefit cost for consolidated subsidiaries adopting the simplified method is recorded as “a. Service Cost.”

4 Basis of Projected Benefit Obligation Calculation

a. Period Allocation Method for Projected Benefits	Period Straight-Line Basis
b. Discount Rate	Primarily 1.7%
c. Expected Return on Pension Assets	Primarily 1.7%
d. Years over which Past Service Cost is Amortized	Primarily 14 years

(Charged to expense using the straight-line method over the average remaining years of employee service.)

e. Years over which Actuarial Differences are Amortized	Primarily 14 years

(Charged to expense in the following consolidated fiscal year using the straight-line method over the average remaining years of employee service.)

7. STOCK OPTIONS

Directors, executive officers and employees are eligible for stock options. Employees must meet certain conditions for eligibility.

The following is a schedule of stock options approved by the Company

Date approved	Amount of shares (thousands)	Payment per share (Yen)	Period to be eligible
29.Jun.05	106	1,258	July 1, 2007 through June 30, 2010

Board Resolution	June 29, 2005
Prior to Vesting	
Beginning of Period (shares)	-
Granted (shares)	-
Cancelled (shares)	-
Vested (shares)	-
Non-Vested (shares)	-
After Vesting	
Beginning of Period (shares)	106,000
Vested (shares)	-
Exercised (shares)	-
Cancelled (shares)	-
Not Exercised (shares)	106,000

Board Resolution	June 29, 2005
Exercise Price (¥)	1,258
Average Price at time of Exercise (¥)	-
Fair Value Price at Grant Date (¥)	-

8. NET SALES BY REGION

2010	Millions of Yen						
	Japan	America	Europe	Asia	Total	Elimination/ Corporate	Consolidated
Net Sales							
External Customers	60,969	7,221	6,329	7,075	81,597	-	81,597
Intersegment Sales/Transfers	843	-	3	0	847	(847)	-
Total Net Sales	61,813	7,221	6,333	7,076	82,445	(847)	81,597
Operating Expenses	56,172	7,058	5,839	5,685	74,756	1,156	75,912
Operating Income	5,640	163	493	1,390	7,688	(2,003)	5,685

(Notes)

1 Classification of countries/regions is according to geographical proximity.

2 Country/regional classifications:

(1) America…United States, Mexico

(2) Europe…France, Germany, Czech Republic

(3) Asia…Singapore, Korea, Taiwan, China

3 A total of ¥2,052 million in unclassified operating expenses is included in Eliminations/Corporate. The majority of these expenses are costs associated with the administrative division at the parent company headquarters.

9. SEGMENT INFORMATION

The Company and its consolidated subsidiaries operate in four business segments: Sheets, Beads, Boards, Other. These classifications are based on the type of product and similarities in manufacturing method.

2010	Millions of Yen						
	Sheets	Beads	Boards	Other	Total	Elimination/ Corporate	Consolidated
Net Sales							
External Customers	25,200	44,456	7,384	4,555	81,597	-	81,597
Intersegment Sales/Transfers	15	43	7	206	274	(274)	-
Total Net Sales	25,216	44,500	7,392	4,762	81,871	(274)	81,597
Operating Expenses	22,572	40,047	6,541	4,995	74,158	1,753	75,912
Operating Income (Loss)	2,643	4,452	850	(233)	7,712	(2,027)	5,685

(Notes)

1: Segment classification and main products in each segment

Sheets: Styrene Paper, Miraboard™, P-Board™,P-Mat™, Miramat®, Miranet®, Caplon™

Beads: ARPRO®/P-Block™, L-Block™, Styrodia®

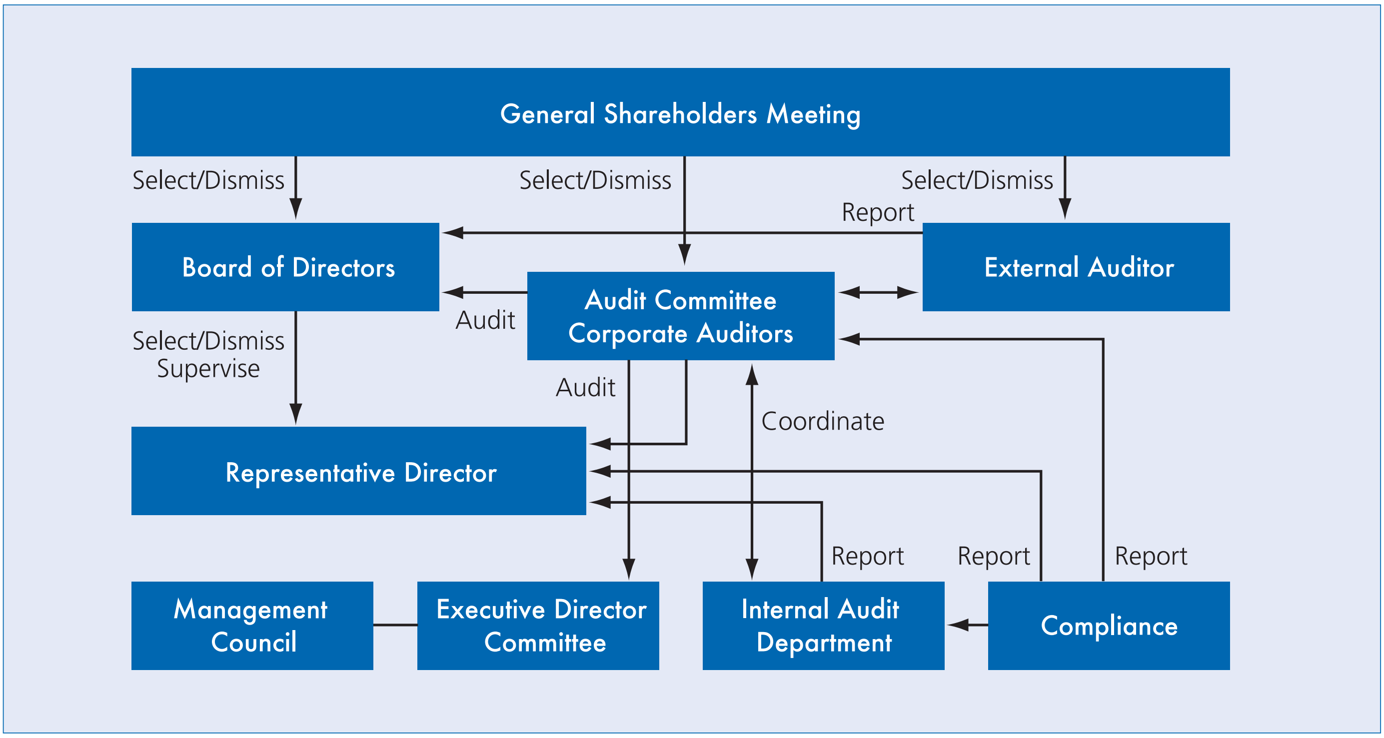
Boards: Mirafoam™, Miraplank®, Mirapolycarfoam™, J Slit™

Other: Foamcore™, Super Foam™

2: A total of ¥2,052 million in unclassified operating expenses is included in Eliminations/Corporate. The majority of these expenses are costs associated with the administrative division at the parent company headquarters.

Message from the Board

Our goal as the JSP Group is to be the world's leading supplier of foamed plastics. We want to lead in terms of profitability, safety, and environmental protection. Effective corporate governance—ensuring efficiency, transparency, and sound management—is an important factor in reaching our goals. The figure below represents the major elements of the corporate governance structure within the JSP Group:



We believe that this management structure effectively supports our goals and mission as we continue to grow as a corporate group.

Rokuro Inoue Representative Director, President	**Koichi Teranishi** Director	**Hitoshi Yamamoto** Director	**Ken Toyoguchi** Corporate Auditor
Kozo Tsukamoto Representative Director, Vice President	**Masahiro Harada** Director	**Takashi Matsukasa** Director	**Masashi Hashimoto** (external) Corporate Auditor
	Ken Shiosaka Director	**Hideo Ono** Director	**Katsuhiro Matsumoto** Corporate Auditor
	Hiroshi Usui Director	**Yoshinari Saito** Director	**Yukio Sakai** (external) Corporate Auditor

Global Network

Asia

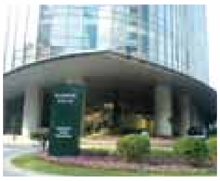

Japan (Tokyo Head Office)


Korea


Taiwan


Singapore


China (Wuxi)


China (Shanghai)


China (Kunshan)


China (Dongguan)

North America


USA (Pennsylvania)


USA (Detroit Plant)


USA (Butler Plant)


USA (Tullahoma No.1 Plant)


USA (Tullahoma No.2 Plant)


Mexico (Toluca Plant)

Europe


France


Germany


Czech Republic

JSP

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