JSP

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Annual Report 2011

AT A GLANCE

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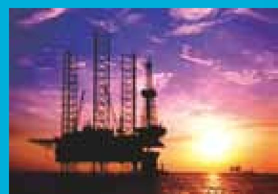



About 2 Percent of Total Net Sales
Average R&D investment over past three years

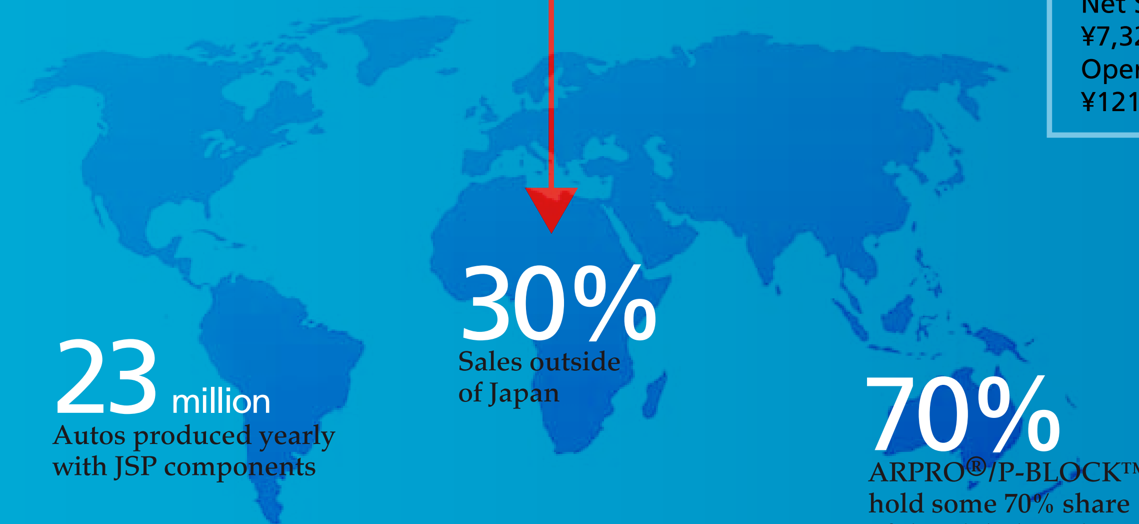
2,271 Employees worldwide

2 Research Centers

Raw materials used
(polystyrene, styrene monomer, polypropylene, polyethylene.....)


50 Years of technological excellence

"I think our strengths are the **trust** and **confidence** our customers have in us together with our focus on innovation. We've created a truly **global network** to serve customers all over the world."

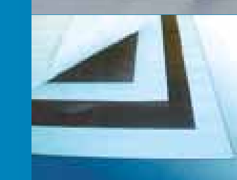


23 million
Autos produced yearly with JSP components

30%
Sales outside of Japan

70%
ARPRO®/P-BLOCK™ hold some 70% share of the global market


Total Net Sales
53%
BEAD
FY2011
Net Sales
¥49,217 million
Operating Income
¥4,685 million

Total Net Sales
39%
EXTRUSION
FY2011
Net Sales
¥35,429 million
Operating Income
¥3,090 million

Total Net Sales
8%
OTHER
FY2011
Net Sales
¥7,324 million
Operating Loss
¥121 million

CONTENTS

Forward-Looking Statements.
This annual report includes forward-looking statements related to JSP Corporation plans, strategies, and business results. These statements represent judgments of JSP Corporation based on information available at the time. As such, these statements are subject to risks and uncertainties. Please understand that actual performance may differ from these forward-looking statements.

HIGHLIGHTS

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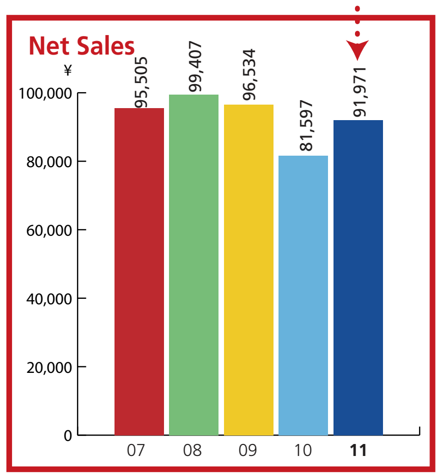
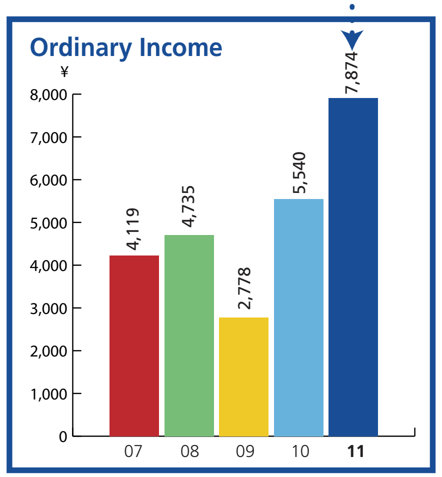
Years ended March 31	2011	2010	2009	2008	2007	2011(US$)
	Millions of yen					Thousands of U.S. dollars (Note 1)
For the Year:						
Net Sales	¥91,971	¥81,597	¥96,534	¥99,407	¥95,505	$1,106,092
Operating Income	7,552	5,685	2,701	5,046	4,114	90,829
Ordinary Income	7,874	5,540	2,778	4,735	4,119	94,698
Income before Income Taxes and Minority interest	7,470	5,096	2,605	4,431	4,502	89,842
Net Income	4,881	3,209	1,366	2,589	2,357	58,708
At YEAR-END:						
Total Assets	89,152	86,197	84,316	94,993	95,178	1,072,183
Total Net Assets	46,481	45,912	42,001	48,057	45,989	559,008
Common Stock	10,128	10,128	10,128	10,113	10,076	121,811
	Yen					U.S. dollars (Note 1)
Amounts per Share of Common Stock:						
Net Income per Share	¥161.25	¥103.35	¥43.74	¥82.74	¥75.76	$1.94
Cash Dividends	30.00	19.00	14.00	14.00	12.00	0.36
Total Net Assets	1,470.44	1,391.92	1,278.38	1,425.83	1,376.68	17.68

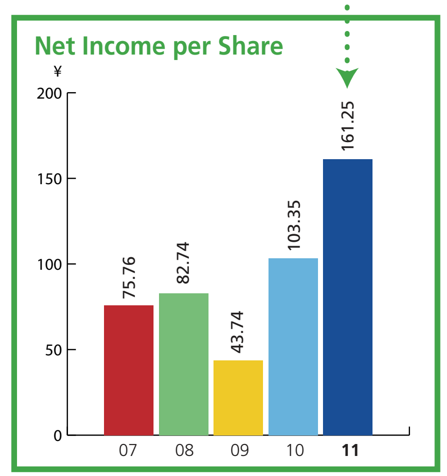
Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥83.15=U.S.$1.
2. Net income per share is computed based on the weighted average number of shares of common stock outstanding during each year.
3. Beginning FY2011, figures are rounded to the nearest million yen.



+12.7%
net sales



+42.1%
ordinary income



+56.0%
net income per share

MESSAGE

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LEADING THE WAY

> "It is my mission to further strengthen the company, building on the foundations put in place by all involved over the last 50 years."

JSP continues to be the Technology Leader

It is my great honor to succeed to the position of President from Mr. Inoue, under whose leadership JSP has successfully expanded over recent years.

January 2012 will mark the 50th anniversary of JSP. Since starting with polystyrene paper in 1962, JSP has been a world leader in bringing non-cross linked expanded polyethylene sheets, expanded polypropylene beads and other proprietary products to a global market. Our product line has further extended to include extruded polystyrene board for housing construction and expandable polystyrene bead products for the food market. Our geographical presence has expanded to provide global sales coverage including North & South America, Europe, the Middle East, Africa and Asia, including all the BRIC countries.

Our products have brought benefit and value to many aspects of our daily lives. Our constant focus is on the safety of our products, reduction of energy consumption and wasted materials, and overall continual reduction in environmental impact. As we evolve to meet the needs of the times, the demand for JSP products will continue to grow globally.

The past 50 years' experience has demonstrated that we can utilize our technological strengths and client focus to compete in any market and in any business environment. It is my mission to further strengthen the company, building on the foundations put in place by all involved over the last 50 years. I would also like to extend my personal appreciation to our shareholders, customers and employees for the kind support you have given to JSP over the years.

K. Tsukamoto

Kozo Tsukamoto

President

REVIEW

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HIGHER REVENUES & PROFITS

Market Demand and Innovation Drive Higher Revenues and Profits

In fiscal 2010 which ended March 31 2011, consolidated net sales were ¥91,971 million which represents a 12.7% increase compared with the previous fiscal year. Operating income increased 32.8% year on year to ¥7,552 million, ordinary income 42.1% to ¥7,874 million and net income 52.1% to ¥4,881 million. An extraordinary loss of ¥401 million was recorded, as a consequence of the northeastern Japan earthquake and tsunami.

EXTRUSION BUSINESS

Sales in the Extrusion segment amounted to ¥35,429 million and operating income was ¥3,090 million.

Sales of MIRAMAT™, expanded polyethylene sheet used as an industrial packaging material, increased. Demand was strong primarily for value-added products with permanent antistatic properties that are used in returnable containers for transporting LCD TV substrates and other applications.

Sales of STYRENE PAPER™, expanded polystyrene sheet used in food packaging, were about the same as the previous fiscal year. Demand from major customers remained firm, but the market circumstances continued to be extremely severe in respect of prices.

Sales of MIRABOARD™, expanded polystyrene sheet used in advertising displays and folding boxes, rose compared with the same period last year along with the recovery of our customers' earnings.

Sales of MIRAFOAM™, extruded board made of expanded polystyrene used as housing insulation materials, surged as a result of the Japanese Government subsidies for environmentally friendly housing. There was also an increase in sales of MIRAPLANK™, extruded board made of expanded polyethylene used as cushioning materials for cargo in trucks and in returnable containers for transporting automotive parts, due to the increase of transportation volume.

BEAD BUSINESS

Sales in the Bead segment amounted to ¥49,217 million and operating income was ¥4,685 million.

ARPRO®/P-BLOCK™, expanded polypropylene, is used in automotive parts such as bumper cores, interior parts, and seat cores. It is also used in returnable containers for transporting IT equipment, as a cushioning material for consumer electronics, and as an impact protection material for artificial sports ground surfaces. Sales and earnings for this product both increased. Compared with the previous fiscal year when the global economy downturn impacted demand, there was strong demand throughout Asia, particularly in China, and a recovery in demand in North America and Europe for automotive parts.

For STYRODIA®, expandable polystyrene beads used in packaging containers for fish and vegetables, cushioning materials for consumer electronics and construction and civil-engineering materials, sales volume was about the same as the previous fiscal year.

OTHER BUSINESS

Sales in this segment amounted to ¥7,324 million with an operating loss of ¥121 million.

The sales volume of FOAMCORE™, a ceiling insulation material for prefabricated bathroom units, increased primarily for general-purpose versions of this material because of an improvement of production process and the demand recovery. The sales volume of SUPER FOAM™, a hybrid molded product with light weight thermal and sound insulation properties used in automotive air-conditioning ducts, also increased. However, these sales volumes have not yet reached break-even point.

Picture at Left. From Left:

Ken Shiosaka
Director
Senior Executive Officer
EPS Division
Bead Business Division

Koichi Teranishi
Director
Executive Vice President
Senior Executive Officer
Extrusion Business Division

Hiroshi Usui
Director
Senior Executive Officer
Bead Business Division

Yasuo Oikawa
Executive Officer and General Manager
Research and Development
General Manager
New Business Development

CONSOLIDATED EARNINGS

Net Sales
¥91,971 million
+12.7%

Operating Income
¥7,552 million
+32.8%

Ordinary Income
¥7,874 million
+42.1%

Net Income
¥4,881 million
+52.1%

Q&A

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Kozo Tsukamoto
President
JSP Corporation

After graduating with a Master's Degree from the Osaka Prefecture University Graduate School of Engineering in 1975, Mr. Kozo Tsukamoto joined Mitsubishi Gas Chemical, rising to the position of Company President, Aromatic Chemicals.

Having joined the board of directors of JSP in 2007, Kozo Tsukamoto three years later accepted the position of vice president. He was elected President of JSP at the annual shareholders' meeting in June 2011.

MAXIMIZING OUR STRENGTHS

Question 1.
How do you evaluate JSP's performance for the year ended March 31, 2011?

For the fiscal year ended March 31, 2011, consolidated net sales were up year on year by 12.7% to ¥91,971 million. Operating income and ordinary income also rose by 32.8% and 42.1% to ¥7,552 million and ¥7,874 million, respectively. Consolidated net income was up 52.1%, coming in at ¥4,881 million. All of these profits were the highest so far in our history.

Strong demand in asia and the recovery in the automotive industry in the US and Europe accelerated our return to target margin levels. In Japan, the government's incentive programs for cars, home appliances and housing construction contributed to our business widely.

Rear seat assembly

Question 2.
What is your forecast for the next fiscal year ending March of 2012?

The March 11 earthquake and tsunami in Japan will affect global economic activity going forward for a certain amount of time and has left a number of unanswered questions. No one is certain of the real recovery, but we can safely assume things will get better.

At this moment, we forecast the next fiscal year to deliver slightly higher revenues, but lower profits, compared with the last fiscal year.

We expect strong growth in China and that other economies will compensate for the above negative impact in Japan. We also forecast stable demand in America and Europe. We believe our acquisition in Brazil will contribute to earnings growth. In addition to demand growth, the revenue of the next fiscal year will also slightly increase as a result of necessary price rises.

In most geographic areas we expect profit to increase in-line with increased sales volume. However, in Japan, the profit will decrease with decreased sale volume since the disaster negatively affected the demand.

Given these factors, we forecast consolidated sales to outperform the prior year by a slight margin, with operating income and ordinary income slightly lower:

Of course, these forecasts are our best effort based on the information we have at this time. So forecasts may change due to future events or new information.

PROJECTED CONSOLIDATED EARNINGS

Net Sales
¥93,000million
101%

Operating Income
¥6,300million
83%

Ordinary Income
¥6,400million
81%

Net Income
¥4,100million
84%

Kanuma Research Center

Question 3.
How much have you invested in R&D over the last several years? Will the investment level change going forward?

Over the last three years, we have invested about 2% of Net Sales on average in R&D. We plan on increasing this figure somewhat over the next several years to focus on enabling a "Zero-Waste" approach and deliver energy-saving products and facilities.

Q&A

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MAXIMIZING OUR STRENGTHS

Question 4.
How did the March 11 earthquake and tsunami affect your business? How long will it take to recover?

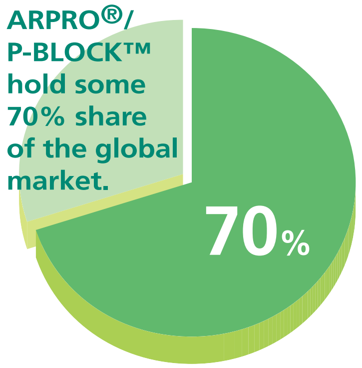
First of all, we need to explain the damage of production facilities in Japan. In our Kashima Plant for expandable polystyrene, subsidence was the main problem which led to some damage to equipment and pipes. After remedial work, we were able to restart production on April 27. In our Kanuma Plants, some facilities were slightly damaged, but there was no impact on our operations. We recorded extraordinary losses of about ¥401 million, most of which was to repair damage at the Kashima Plant.

Secondly, some of our Japanese customers also sufferred damage to their facilities and some customers stopped or decreased their production due to parts supply shortages. Our own supply system recovered quickly from the disaster, but we expect it requires some time before our customers recover to the pre-disaster levels though they are moving gradually towards recovery.

Question 5.
What do you see as JSP's strengths? How do you plan to capitalize on them?

I think our strengths are the trust and confidence our customers have in us together with our focus on innovation. We've created a truly global network to serve customers all over the world. We have well-established locations in North and South America, Europe and throughout Asia for production and sales of ARPRO®/P-BLOCK™. We are now well advanced in buiding strong foundations in the fast growing BRIC regions.

ARPRO®/
P-BLOCK™
hold some
70% share
of the global
market.



JSP products are used in auto bumper cores, door panels, seats, air conditioner ducts, and more. See arpro.com to learn more.

Question 6.
What do you see as your weaknesses as a company? How are you overcoming them?

The rising cost of crude oil serves to drive up material, utility and freight costs. We're forced to adjust our price quotes to our customers even as we're in the middle of negotiations. Once prices have been settled, we have to bear the cost of any price increases during the contract period, which of course has a negative effect on our profits. Some products have a long lead time before price renegotiations, which again leaves us vulnerable to cost increases.

One way we deal with this uncertainty is to share information with our customers so they understand our position. They therefore aren't surprised when we're forced to change our prices. The most important thing to minimize the impact of oil price increases is to increase various value-added products (anti-static properties, water-permeability, sound-insulation, etc.) We are also developing products and production methods with low energy consumption to cope with increasing utility prices. Of course, we are always looking for more efficiencies in our logistics and operations.

Question 7.
Of the countries JSP has gone into over the last few years, which do you see as having the most potential to impact your business in the coming two or three years?

We started the operation of ARPRO®/P-BLOCK™ in China in 2003. Most recently, we opened a sales office in Moscow, Russia and are to build a factory in Chennai, India in the near future. In addition, we had the acquisition in Brazil to serve the market in South America. These countries represent growing economies with large populations, and thus terrific business opportunities.

If I had to say, I think China offers the most promising opportunities in the short term. We are going to expand the production capacity of the Dongguan Plant to keep up with the increasing demand for automotive parts and packaging materials in southern China to come up to a 14,000 tonne annual production capacity in China. Our next target is to build a new plant in northern China such as Tianjin and Dalian where demand is also increasing.

South America has also promising opportunities for automotive parts and other industries. We expect to grow the automotive market in Brazil which is predicted to be the world's third-largest market in the near future. We have been producing automotive parts at high operation rates and need to expand production capacilty in the very near future.

"We deliver value through; quality, Service and innovation."

THE DOOR OF THE FUTURE

Expanded Biomass Materials show promise for lighter, greener and smarter solutions.

An innovative door panel with up to 80% biomass content was unveiled in 2010 at EVEX (Electric Vehicle Development Technology Exhibition) in Yokohama, Japan. The car door panel is produced using expanded biomass materials encased in FRP (fiber-reinforced plastic) and generated a great deal of interest. PLA, (polylactic acid) foam, a renewable material derived from certain plants, was selected as the core material. The door panel solution brings 25% weight reduction (as much as 30kg/car) and through weight reduction cuts fuel consumption.

The core material, PLA, has adhesion properties and is not dissolved when in contact with the FRP. Conventional materials were not functional when combined with FRP. In addition, the PLA foam provides superior heat resistance; a vital attribute during the car painting process.

Strict EU and US regulations require car makers to be fuel efficient and minimize emissions. This possible solution can bring: low investment, rapid tool production, cost efficient parts, as well as contributing reduced weight and enhanced insulation.

While this application is still in the development phase, the door panel made of PLA foam and FRP has benefited from widespread media coverage and generated significant OEM interest.

PLA (polylactic acid) foam was selected as the core material for the new door. JSP has trademarked its PLA foam composition under the name LACTIF®.

WINNER OF KINOSHITA AWARD

Antistatic Features further Enhance JSP's Market-Leading ARPRO®/P-BLOCK™

ARPRO®/P-BLOCK™ is an industry leading product used in; automotive parts such as energy-absorbing bumper cores, seat core and other interior parts, bicycle helmets, furniture, packaging materials. As a matter of fact, JSP components are used in more than half of all cars annually produced in the world.

We earned the Kinoshita Award as superior packaging technology in 2010. This product is a special grade which reduces dust and dirt attracted by static electricity on packaging materials, whilst offering superior shock absorption and heat insulation property. The durability of antistatic property allows re-use, helping customers make their own contribution to environmental impact reduction.

Noteworthy features are:

- The antistatic performance is retained in low humid environment.
- It is retained even after washing.
- Antistatic agents do not transfer to customers' products during tranportation.

The most popular application is for reusable shipping containers for LCD TV screens and car navigation equipment. We expect this product to be used for many other precision applications in the near future.

About the Kinoshita Award

Established as a way to recognize notable advancements in the packaging industry, the well-respected Kinoshita Award with long history more than 30 years is given yearly for the best contributions to industry.

Dongguan, China

FURTHER GLOBAL EXPANSION

In the last financial year, JSP expanded its ARPRO®/P-BLOCK™ business globally including in: Brazil, Russia, India, and China (BRIC). ARPRO®/P-BLOCK™ is used in energy absorbing automotive parts; including; bumper cores, interior components, and seat cores as well as packaging materials for IT products and electrical appliances. Our aim is to leverage our global operations to drive and capture demand growth in all regions.


Campinas, Brazil

CHINA/Increase in production capacity

In China, we currently have two production sites manufacturing ARPRO®/P-BLOCK™ for automotive and packaging applications. In order to meet increasing demand in southern China, we have increased capacity to 14 kt/a at our Dongguan Plant in Guangdong, China. The increased capacity will be on-line by March 2012.

RUSSIA/New customer support office

A new ARPRO®/P-BLOCK™ customer support office was established in Moscow, Russia in April 2010, which made the considerable capabilities of the company's global network of technical centers more accessible to customers in Russia and the CIS.

INDIA/New manufacturing site

Production of ARPRO®/P-BLOCK™ will commence at Chennai, India in the near future. In recent years, many major automotive manufacturers and parts makers moved into the Indian market and it is expected the demand for automotive-related products will continue to increase in the area.

BRAZIL/Major force in South America

As a result of a recent acquisition, we are now a major force in South America. From its new base in Sao Paulo, we are manufacturing ARPRO®/P-BLOCK™ to supply the expanding automotive industry and other sectors across South America. Further investment in capacity has been determined ahead of increased automotive demand. Brazil alone produces over 3 million vehicles per year and the global automotive industry has been present for over 50 years. Starting in 1950s with Toyota and Volkswagen and followed by Chevrolet, Ford, Mercedes and Fiat in the 60s, the remaining global brands entered Brazil in the mid-90s. The global automotive industry is under increasing pressure to produce cars with reduced CO_2 emissions. Utilizing ARPRO®/P-BLOCK™ in automotive components, particularly in bumpers, seat backs, and seat cores reduce a car's weight in a cost effective and environmentally friendly way.

SPECIAL REPORT

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CELEBRATING 50 YEARS OF INNOVATION

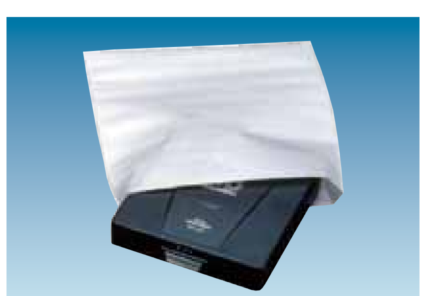
January 2012 will mark the 50th anniversary of JSP. Through its half-century in business, JSP has established a position as a global leader in foamed plastics.

1962
Foundation

JSP was initially established to produce and sell synthetic paper which was expected to replace conventional paper produced from wood pulp. The main application, however, became food trays; thanks to the waterproof and cushioning properties of the product.

1967
Product development

In 1967 JSP entered a new stage of growth by developing and introducing MIRAMAT®. This innovative and cost-effective product has been widely accepted as an industrial packaging material. With the growing demand of home electronic appliances, the sales of MIRAMAT® as a cushioning material for transportation of electronic appliances rapidly increased. Thus, MIRAMAT® became our second leading product.



1978
Third business field

In 1978 MIRAFOAM™ was developed, based on the extruded technology of synthetic paper. This product is used as insulation material for the construction industry. This product has grown to become one of our core products.

Making greater contributions to society as a worldwide supplier JSP moves forward, in step with the world

The JSP 50th anniversary logo represents a half-century of gratitude and looking forward to the next generation. It communicates our mission to contribute to society through creative action based on our foundation of unique foaming technologies as a worldwide supplier. It tells all that we will continue to move forward, in step with the world.

The elements forming our commemorative logo are the earth and the hexagon, bringing JSP foaming technologies to mind. The colors represent the JSP corporate colors, as well as blue and green earth tones. Explained in terms of deeper meanings, the colors represent harmony, creation, freedom, metamorphosis, integrity, charity, and so forth.

Bee hives, snow crystals, graphite, chemical compounds, the planet Saturn, the fullerene, turtle shells...there is a near infinite number of instances of hexagonal shapes occurring in nature, and the honeycomb structure of connected hexagons is said to represent the universal ultimate in terms of bond and stability.

1980
Rapid Growth

JSP entered the next step of growth in the 1980s and early 1990s.

In 1982 ARPRO®/P-BLOCK™ was successfully brought to market, and has made a massive contribution to the profitability and globalization of JSP.

1990
Stock Exchange Listing

JSP was listed on the Tokyo Stock Exchange in 1990.

2003
Merger and Acquisition

In 2003 JSP merged with Mitsubishi Chemical Foam Plastic which was the leading manufacturer of expandable polystyrene in Japan. Furthermore, JSP acquired the expandable polystyrene business from Hitachi Chemical in 2008.

2011
Accelerating Global Expansion

JSP continues to innovate and develop both through improvements to existing products and technologies as well as through active R&D in pursuit of entirely new products.

JSP now serves global markets and has a presence in the main industrial centers of the World.

GOVERNANCE

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Hitoshi Yamamoto
Director
Executive Officer
General Manager of
Finance & Accounting Division

Hiroshi Usui
Director
Senior Executive Officer
Bead Business Division

Ken Shiosaka
Director
Senior Executive Officer
EPS Division
Bead Business Division

Rokuro Inoue
Representative Director
Chairman

Kozo Tsukamoto
Representative Director
President

Koichi Teranishi
Director
Executive Vice President
Senior Executive Officer
Extrusion Business Division

Hideo Ono
Director
Executive Officer
Construction and Civil
Engineering Materials Division
Extrusion Business Division

Yoshinari Saito
Director
Executive Officer
General Manager
General & Personnel Affairs Division

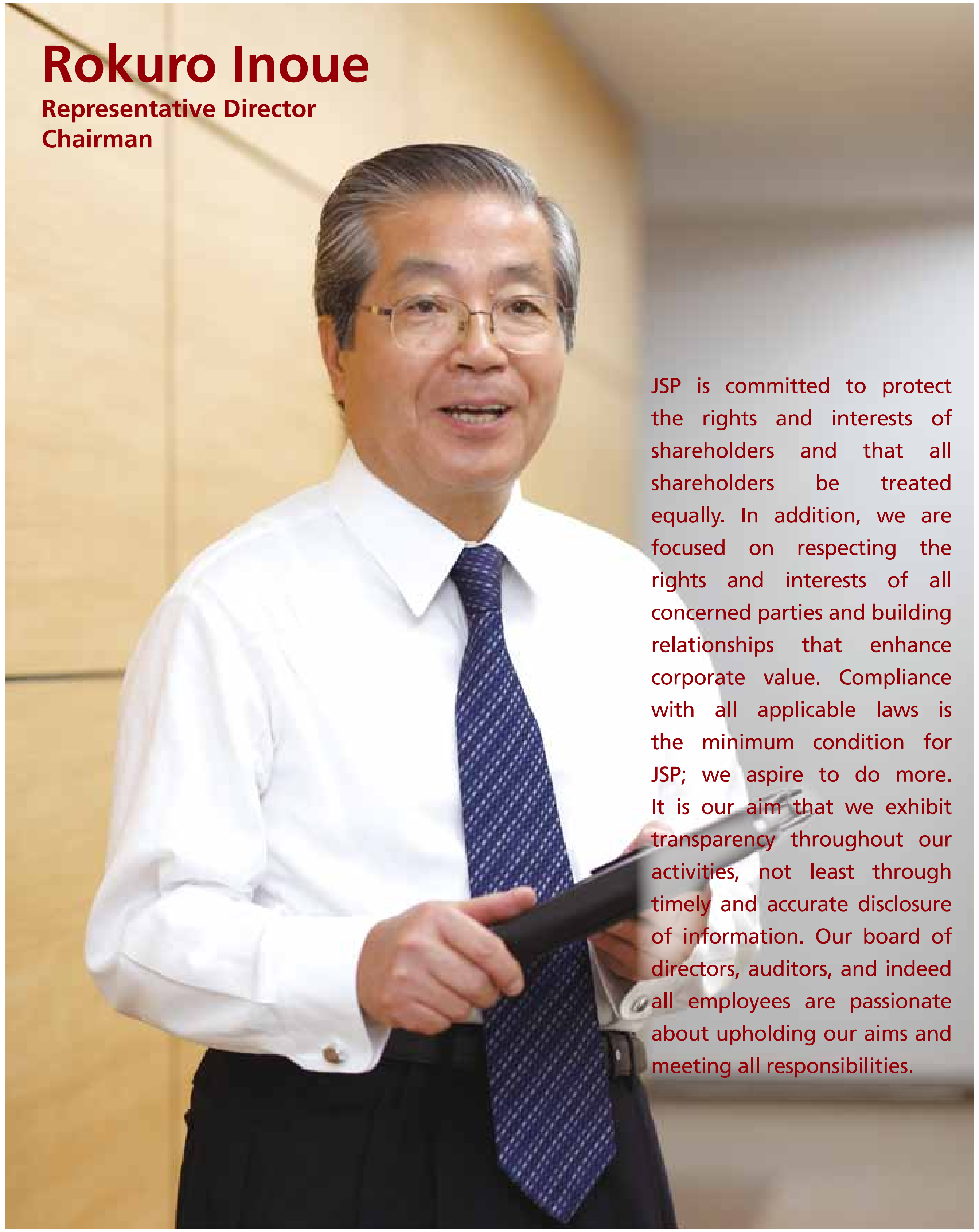
[Not Pictured]

Ken Toyoguchi
Corporate Auditor

Masashi Hashimoto
Corporate Auditor (external)

Katsuhiro Matsumoto
Corporate Auditor

Yukio Sakai
Corporate Auditor (external)

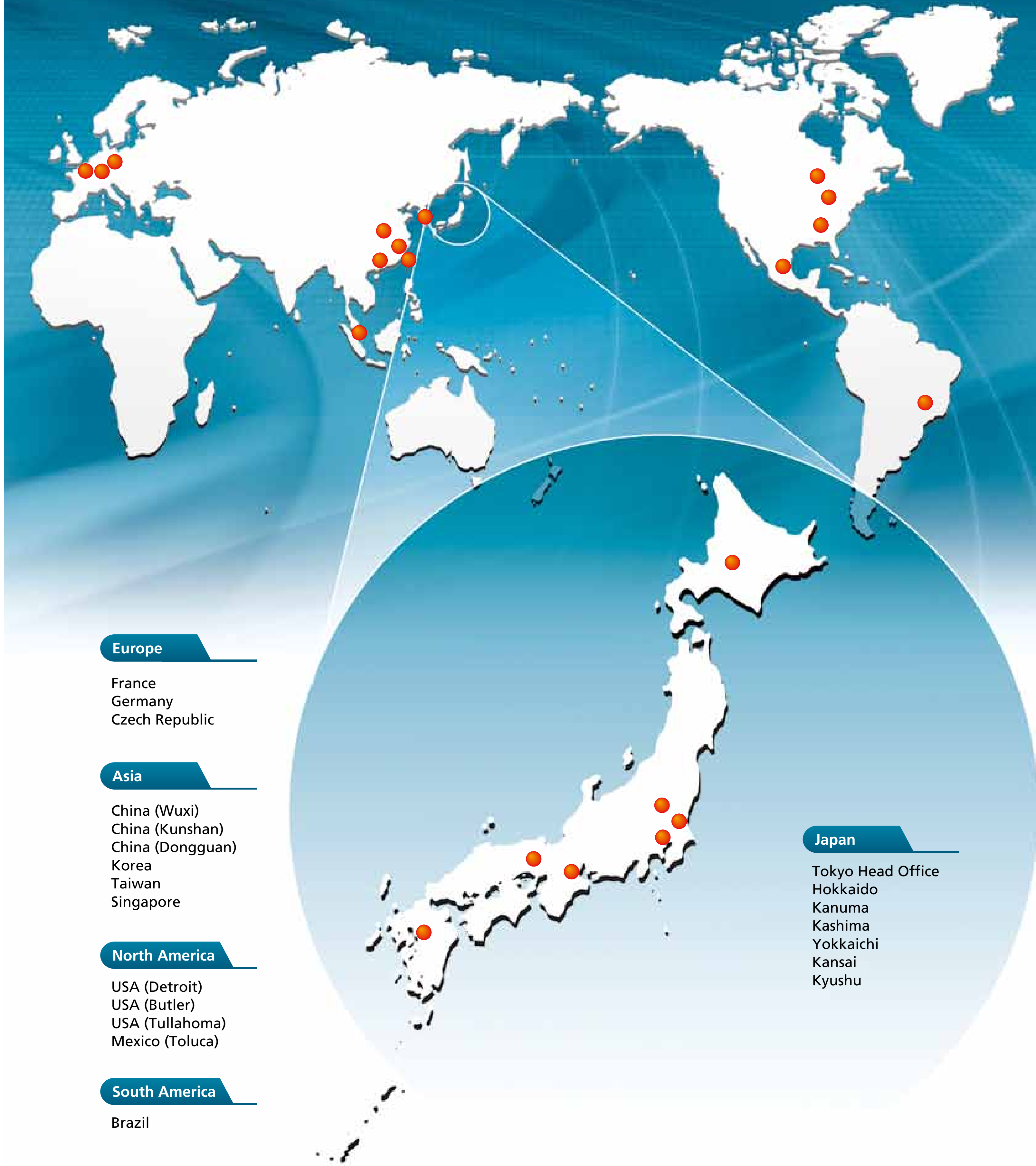


Rokuro Inoue

Representative Director
Chairman

JSP is committed to protect the rights and interests of shareholders and that all shareholders be treated equally. In addition, we are focused on respecting the rights and interests of all concerned parties and building relationships that enhance corporate value. Compliance with all applicable laws is the minimum condition for JSP; we aspire to do more. It is our aim that we exhibit transparency throughout our activities, not least through timely and accurate disclosure of information. Our board of directors, auditors, and indeed all employees are passionate about upholding our aims and meeting all responsibilities.

Global Network



Europe

France
Germany
Czech Republic

Asia

China (Wuxi)
China (Kunshan)
China (Dongguan)
Korea
Taiwan
Singapore

North America

USA (Detroit)
USA (Butler)
USA (Tullahoma)
Mexico (Toluca)

South America

Brazil

Japan

Tokyo Head Office
Hokkaido
Kanuma
Kashima
Yokkaichi
Kansai
Kyushu

FINANCIALS

RESULTS OF OPERATIONS

For the fiscal year ended March 31, 2011 (FY2010), JSP Corporation and its consolidated subsidiaries ("the Company") recorded net sales of ¥91,971 million, representing a 12.7% year-on-year increase. This increase in net sales is primarily due to increased exports to emerging economic regions, government economic incentives, and a reorganization along business lines that helped the Company develop, manufacture and sell higher-value foamed plastics products to its customers.

Consolidated operating income amounted to ¥7,552 million, a 32.8% year-on-year increase. Meanwhile, ordinary income rose 42.1% year-on-year, reaching ¥7,874 million. These gains reflected the Company's efforts at cost-cutting, as well as the aforementioned reorganization, which created greater operating efficiencies.

Despite ¥401 million in extraordinary losses recorded due to the March 11 earthquake and tsunami in northeastern Japan, JSP Corporation was able to record consolidated net income of ¥4,881 million, representing a 52.1% gain compared to the prior fiscal year.

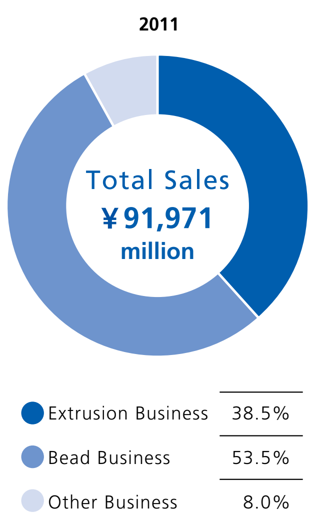
FINANCIAL POSITION

As of March 31, 2011, total assets amounted to ¥89,152 million, a ¥2,954 million increase compared to the end of the prior consolidated fiscal year. This increase was primarily due to an increase in current assets of ¥4,103 million, offset by a ¥1,149 million decrease in fixed assets.

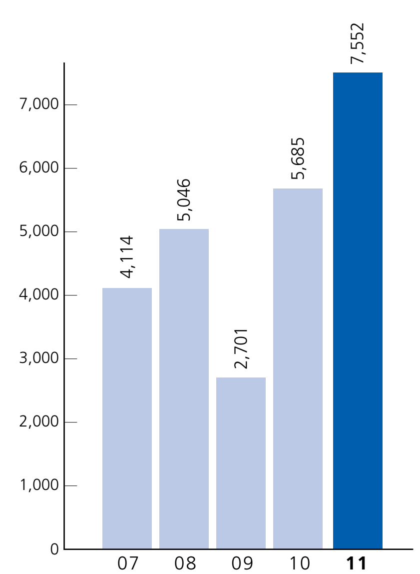
Total liabilities amounted to ¥42,670 million, which was a ¥2,384 million increase compared to the end of the prior consolidated fiscal year. Most of this increase was due to increases of ¥3,413 million in current liabilities, offset by a decrease of ¥1,028 million in noncurrent liabilities.

As a result, total net assets at the end of the fiscal year amounted to ¥46,481 million, with a shareholders' equity ratio of 49.2%.

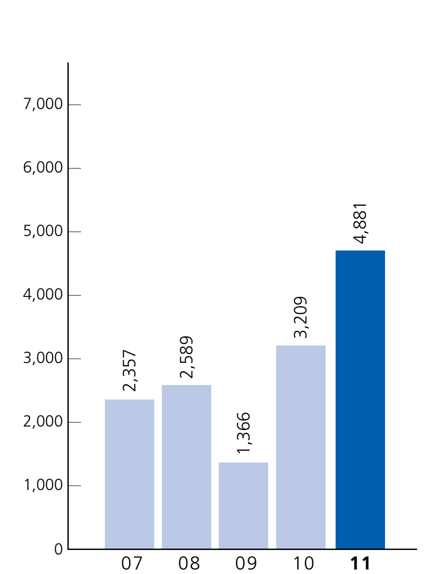
Sales Breakdown by Business Segment
(Millions of yen)



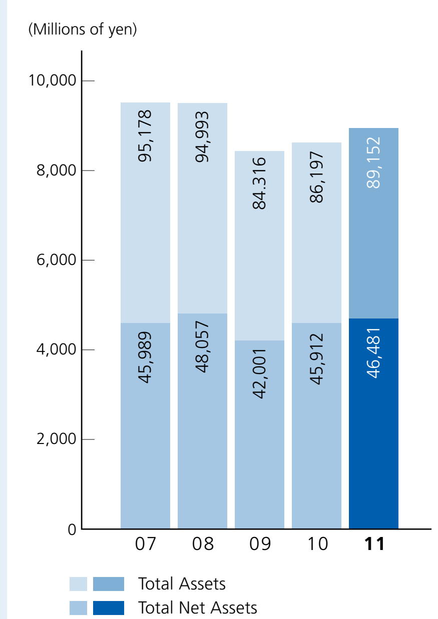
Operating Income
(Millions of yen)



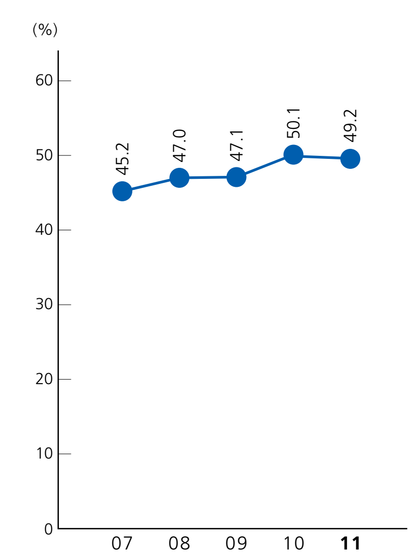
Net Income
(Millions of yen)



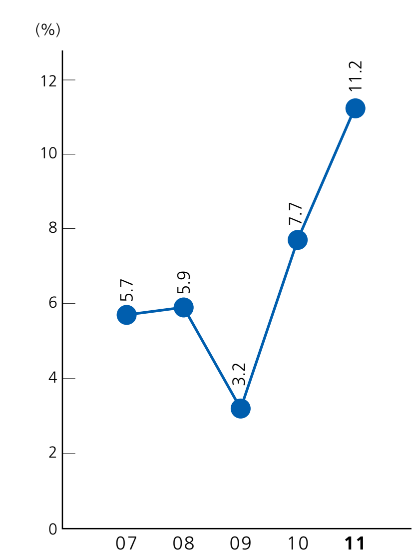
Total Assets/Total Net Assets



Shareholder's Equity Ratio



Return on Equity



FINANCIALS

CASH FLOWS

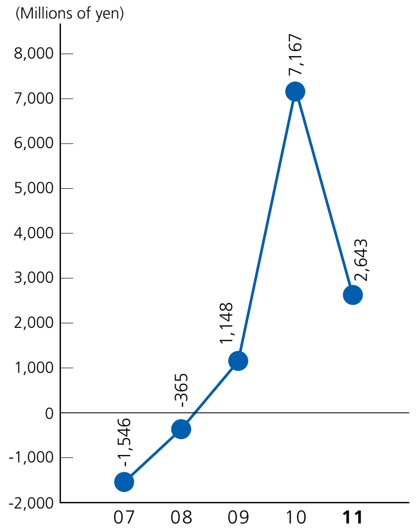
Consolidated cash and cash equivalents as of March 31, 2011 amounted to ¥10,487 million. This represented a ¥1,418 million increase in total cash and cash equivalents compared to the end of the prior consolidated fiscal year.

Net cash from operating activities amounted to ¥7,840 million, a ¥3,443 million year-on-year decrease. This decrease was primarily due to ¥7,470 million in net income before taxes and adjustments and a ¥1,157 million increase in accounts payable, trade. These increases were offset by income tax payments of ¥3,097 million and an increase of ¥2,186 million in accounts receivable, trade.

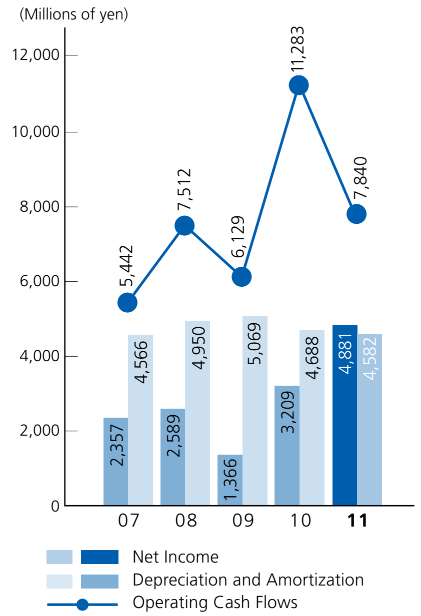
Net cash used in investing activities amounted to ¥5,197 million, representing an increase of ¥1,081 million compared to the prior fiscal year. These funds were used primarily to acquire fixed assets (¥3,368 million), purchase subsidiary company shares in connection with a change in the scope of consolidation (¥1,681 million), and a net outlay of cash for time deposits (¥409 million).

Net cash used in financing activities amounted to ¥475 million, a decrease of ¥4,222 million compared to the prior fiscal year. These funds were used primarily to repay long-term loans (¥4,689 million) and to acquire shares of treasury stock (¥1,159 million). These outlays were offset by cash inflow of ¥3,800 million in new long-term loans.

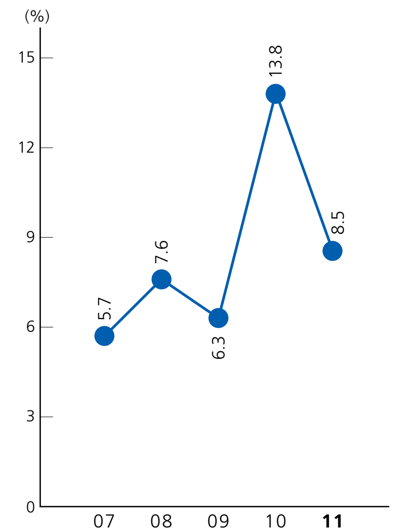
Free Cash Flows



Net Income/ Depreciation and Amortization/ Operating Cash Flows



Operating Cash Flows to Net Sales Ratio



REPORT OF INDEPENDENT ACCOUNTANTS

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, 2011 and 2010, 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, 2011 and 2010, 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, 2011

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.

JSP Corporation and Consolidated Subsidiaries
Years Ended March 31

CONSOLIDATED STATEMENTS OF INCOME

	Millions of yen		Thousands of U.S. Dollars
	2011	2010	2011
Net sales	¥ 91,971	¥ 81,597	$ 1,106,092
Cost of sales	64,320	56,875	773,547
Gross profit	27,651	24,721	332,545
Selling, general and administrative expenses			
Selling expenses	6,498	6,030	78,155
General and administrative expenses	13,600	13,005	163,561
Total selling, general and administrative expenses	20,098	19,036	241,716
Operating income	7,552	5,685	90,829
Non-operating income			
Interest income	166	173	2,007
Dividends income	85	30	1,023
Rent income	61	60	743
Amortization of negative goodwill	120	120	1,450
Other	327	308	3,941
Total non-operating income	762	694	9,166
Non-operating expenses			
Interest expenses	236	308	2,846
Foreign exchange losses	95	72	1,143
Equity in losses of affiliates	11	289	138
Other	97	168	1,169
Total non-operating expenses	440	839	5,297
Ordinary income	7,874	5,540	94,698
Extraordinary income			
Gain on sales of noncurrent assets	6	2	73
Gain on sales of investment securities	257	0	3,095
Reversal of allowance for doubtful accounts	30	16	372
Other	74	13	900
Total extraordinary income	369	32	4,442
Extraordinary loss			
Loss on retirement of noncurrent assets	104	147	1,257
Loss on sales of noncurrent assets	118	2	1,428
Loss on valuation of investment securities	-	2	-
Loss on sales of investment securities	7	-	85
Loss on liquidation of subsidiaries and affiliates	-	6	-
Impairment loss	-	171	-
Loss on valuation of inventories	-	92	-
Loss on disaster	401	-	4,829
Loss on support to subsidiaries and affiliates	100	-	1,202
Other	41	53	494
Total extraordinary loss	773	476	9,297
Income before income taxes	7,470	5,096	89,842
Income taxes-current	2,296	1,835	27,619
Income taxes for prior periods	-	6	-
Refund of income taxes for prior periods	(21)	-	(259)
Income taxes-deferred	(63)	(271)	(757)
Total income taxes	2,211	1,571	26,601
Income before minority interest	5,258	-	63,241
Minority interests in income	376	316	4,532
Net income	¥ 4,881	¥ 3,209	$ 58,708

JSP Corporation and Consolidated Subsidiaries
As of March 31

CONSOLIDATED BALANCE SHEETS

	Millions of yen		Thousands of U.S. Dollars
Assets	2011	2010	2011
Current assets			
Cash and deposits	¥ 13,474	¥ 11,882	$ 162,050
Notes and accounts receivable-trade	26,709	24,930	321,222
Short-term investment securities	0	39	1
Merchandise and finished goods	4,862	4,633	58,481
Work in process	598	532	7,199
Raw materials and supplies	2,868	2,671	34,500
Accounts receivable-other	710	480	8,543
Deferred tax assets	1,056	1,093	12,701
Other	1,025	972	12,334
Allowance for doubtful accounts	(214)	(250)	(2,585)
Total current assets	51,091	46,987	614,450
Noncurrent assets			
Property, plant and equipment			
Buildings and structures	27,650	27,636	332,540
Accumulated depreciation	(16,161)	(15,720)	(194,359)
Buildings and structures, net	11,489	11,915	138,181
Machinery, equipment and vehicles	53,608	53,983	644,725
Accumulated depreciation	(44,343)	(43,904)	(533,291)
Machinery, equipment and vehicles, net	9,265	10,079	111,434
Land	11,995	11,613	144,261
Lease assets	93	104	1,123
Accumulated depreciation	(54)	(38)	(655)
Lease assets, net	38	65	468
Construction in progress	771	654	9,281
Other	8,000	8,205	96,217
Accumulated depreciation	(7,368)	(7,539)	(88,612)
Other, net	632	666	7,605
Total property, plant and equipment	34,194	34,995	411,233
Intangible assets	986	936	11,862
Investments and other assets			
Investment securities	1,673	1,906	20,130
Long-term loans receivable	27	28	336
Deferred tax assets	253	195	3,052
Other	965	1,190	11,606
Allowance for doubtful accounts	(40)	(44)	(488)
Total investments and other assets	2,880	3,277	34,637
Total noncurrent assets	38,060	39,210	457,732
Total assets	¥ 89,152	¥ 86,197	$ 1,072,183

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS

	Millions of yen		Thousands of U.S. Dollars
Liabilities	2011	2010	2011
Current liabilities			
Notes and accounts payable-trade	¥ 10,210	¥ 9,278	$ 122,796
Short-term loans payable	9,200	6,386	110,649
Current portion of long-term loans payable	4,533	4,569	54,523
Current portion of bonds	-	162	-
Lease obligations	34	37	416
Accounts payable-other	2,541	2,324	30,569
Income taxes payable	967	1,660	11,630
Accrued consumption taxes	306	381	3,689
Deferred tax liabilities	6	4	84
Provision for bonuses	1,326	1,109	15,954
Provision for loss on disaster	340	-	4,090
Notes payable-facilities	59	154	709
Accounts payable-facilities	637	388	7,668
Other	1,743	2,037	20,967
Total current liabilities	31,908	28,495	383,750
Noncurrent liabilities			
Long-term loans payable	9,307	10,113	111,938
Lease obligations	41	79	495
Deferred tax liabilities	355	505	4,275
Provision for retirement benefits	508	409	6,113
Provision for directors' retirement benefits	130	126	1,571
Provision for corporate officers retirement benefits	12	33	152
Negative goodwill	241	361	2,901
Other	164	159	1,976
Total noncurrent liabilities	10,761	11,789	129,425
Total liabilities	42,670	40,285	513,175
Net assets			
Shareholders' equity			
Capital stock	10,128	10,128	121,811
Capital surplus	13,405	13,405	161,220
Retained earnings	28,475	24,413	342,460
Treasury stock	(1,371)	(211)	(16,495)
Total shareholders' equity	50,638	47,736	608,996
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	11	167	136
Foreign currency translation adjustment	(6,805)	(4,682)	(81,851)
Total valuation and translation adjustments	(6,794)	(4,515)	(81,715)
Minority interests	2,638	2,691	31,727
Total net assets	46,481	45,912	559,008
Total liabilities and net assets	¥ 89,152	¥ 86,197	$ 1,072,183

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

	Millions of yen		Thousands of U.S. Dollars
	2011	2010	2011
Shareholders' equity			
Capital stock			
Balance, Beginning of Period	¥ 10,128	¥ 10,128	$ 121,811
Changes of items during the period			
Total changes of items during the period	-	-	-
Balance, End of Period	10,128	10,128	121,811
Capital surplus			
Balance, Beginning of Period	13,405	13,405	161,220
Changes of items during the period			
Total changes of items during the period	-	-	-
Balance, End of Period	13,405	13,405	161,220
Retained earnings			
Balance, Beginning of Period	24,413	21,548	293,612
Changes of items during the period			
Dividends from surplus	(819)	(434)	(9,860)
Net income	4,881	3,209	58,708
Change of scope of consolidation	-	91	-
Total changes of items during the period	4,061	2,865	48,848
Balance, End of Period	28,475	24,413	342,460
Treasury stock			
Balance, Beginning of Period	(211)	(210)	(2,548)
Changes of items during the period			
Purchase of treasury stock	(1,159)	(1)	(13,947)
Total changes of items during the period	(1,159)	(1)	(13,947)
Balance, End of Period	(1,371)	(211)	(16,495)
Total shareholders' equity			
Balance, Beginning of Period	47,736	44,871	574,096
Changes of items during the period			
Dividends from surplus	(819)	(434)	(9,860)
Net income	4,881	3,209	58,708
Purchase of treasury stock	(1,159)	(1)	(13,947)
Change of scope of consolidation	-	91	-
Total changes of items during the period	2,901	2,864	34,900
Balance, End of Period	¥ 50,638	¥ 47,736	$ 608,996

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

	Millions of yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Valuation and translation adjustments			
Valuation difference on available-for-sale securities			
Balance, Beginning of Period	**¥ 167**	¥ 131	**$ 2,010**
Changes of items during the period			
Net changes of items other than shareholders' equity	**(155)**	36	**(1,874)**
Total changes of items during the period	**(155)**	36	**(1,874)**
Balance, End of Period	**11**	167	**136**
Foreign currency translation adjustment			
Balance, Beginning of Period	**(4,682)**	(5,305)	**(56,310)**
Changes of items during the period			
Net changes of items other than shareholders' equity	**(2,123)**	623	**(25,541)**
Total changes of items during the period	**(2,123)**	623	**(25,541)**
Balance, End of Period	**(6,805)**	(4,682)	**(81,851)**
Total valuation and translation adjustments			
Balance, Beginning of Period	**(4,515)**	(5,174)	**(54,299)**
Changes of items during the period			
Net changes of items other than shareholders' equity	**(2,279)**	659	**(27,416)**
Total changes of items during the period	**(2,279)**	659	**(27,416)**
Balance, End of Period	**(6,794)**	(4,515)	**(81,715)**
Minority interests			
Balance, Beginning of Period	**2,691**	2,304	**32,364**
Changes of items during the period			
Net changes of items other than shareholders' equity	**(52)**	386	**(637)**
Total changes of items during the period	**(52)**	386	**(637)**
Balance, End of Period	**2,638**	2,691	**31,727**
Net assets			
Balance, Beginning of Period	**45,912**	42,001	**552,160**
Changes of items during the period			
Dividends from surplus	**(819)**	(434)	**(9,860)**
Net income	**4,881**	3,209	**58,708**
Purchase of treasury stock	**(1,159)**	(1)	**(13,947)**
Change of scope of consolidation	**-**	91	**-**
Net changes of items other than shareholders' equity	**(2,332)**	1,046	**(28,053)**
Total changes of items during the period	**569**	3,910	**6,847**
Balance, End of Period	**¥ 46,481**	¥ 45,912	**$ 559,008**

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Net cash provided by (used in) operating activities			
Income before income taxes	**¥ 7,470**	¥ 5,096	**$ 89,842**
Depreciation and amortization	**4,582**	4,688	**55,113**
Impairment loss	**-**	171	**-**
Amortization of negative goodwill	**(120)**	(120)	**(1,450)**
Increase (decrease) in allowance for doubtful accounts	**(22)**	87	**(265)**
Increase (decrease) in provision for bonuses	**217**	367	**2,618**
Increase (decrease) in provision for retirement benefits	**103**	2	**1,249**
Increase (decrease) in provision for directors' retirement benefits	**(16)**	(21)	**(196)**
Loss (gain) on sales and retirement of noncurrent assets	**217**	146	**2,612**
Loss (gain) on sales of investment securities	**(250)**	(0)	**(3,010)**
Loss (gain) on valuation of investment securities	**-**	2	**-**
Interest and dividends income	**(252)**	(204)	**(3,030)**
Interest expenses	**236**	308	**2,846**
Foreign exchange losses (gains)	**(70)**	(37)	**(852)**
Equity in (earnings) losses of affiliates	**11**	289	**138**
Decrease (increase) in notes and accounts receivable-trade	**(2,186)**	(1,402)	**(26,292)**
Increase (decrease) in notes and accounts payable-trade	**1,157**	197	**13,922**
Decrease (increase) in inventories	**(659)**	1,280	**(7,931)**
Increase (decrease) in accrued consumption taxes	**(140)**	284	**(1,693)**
Other, net	**697**	786	**8,388**
Subtotal	**10,976**	11,926	**132,007**
Interest and dividends income received	**202**	214	**2,439**
Interest expenses paid	**(241)**	(310)	**(2,906)**
Income taxes paid	**(3,097)**	(546)	**(37,248)**
Net cash provided by (used in) operating activities	**7,840**	11,283	**94,292**
Net cash provided by (used in) investing activities			
Purchase of noncurrent assets	**(3,368)**	(3,203)	**(40,509)**
Proceeds from sales of noncurrent assets	**47**	12	**571**
Payments for retirement of noncurrent assets	**(19)**	(25)	**(236)**
Purchase of investment securities	**(9)**	(240)	**(114)**
Proceeds from sales of investment securities	**395**	0	**4,751**
Net decrease (increase) in time deposits	**(409)**	(256)	**(4,928)**
Purchase of stocks of subsidiaries and affiliates	**(300)**	-	**(3,607)**
Purchase of investments in subsidiaries resulting in change in scope of consolidation	**(1,681)**	-	**(20,222)**
Other, net	**148**	(403)	**1,790**
Net cash provided by (used in) investing activities	**(5,197)**	(4,115)	**(62,507)**
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	**2,713**	(2,810)	**32,629**
Proceeds from long-term loans payable	**3,800**	3,700	**45,700**
Repayment of long-term loans payable	**(4,689)**	(4,860)	**(56,398)**
Redemption of bonds	**(162)**	(222)	**(1,948)**
Purchase of treasury stock	**(1,159)**	(1)	**(13,947)**
Cash dividends paid	**(819)**	(434)	**(9,860)**
Cash dividends paid to minority shareholders	**(122)**	(30)	**(1,470)**
Other, net	**(35)**	(39)	**(426)**
Net cash provided by (used in) financing activities	**(475)**	(4,698)	**(5,721)**
Effect of exchange rate change on cash and cash equivalents	**(748)**	44	**(9,004)**
Net increase (decrease) in cash and cash equivalents	**1,418**	2,514	**17,059**
Cash and cash equivalents at beginning of period	**9,069**	6,555	**109,070**
Cash and cash equivalents at end of period	**¥ 10,487**	9,069	**$ 126,130**

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL 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, 2011 using an exchange rate of ¥83.15 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 domestic consolidated companies 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 domestic consolidated companies 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 companies are depreciated according to the straight-line method.

Intangible Noncurrent Assets (excluding leased assets)

Intangible noncurrent assets acquired by domestic consolidated companies 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 domestic consolidated companies 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.

Domestic consolidated companies 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 companies are depreciated according to International Financial Reporting Standards or U.S. GAAP.

(d) Significant Allowances and Provisions

Allowance for Doubtful Accounts

Domestic consolidated companies reserve against losses due to uncollectible debt using actual loan loss ratios for general receivables. For loans questionable as to collectability and under claim of bankruptcy, domestic consolidated companies 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 companies 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 Loss on Disaster

The Company and certain of its domestic consolidated companies has recorded an estimated amount of expected costs likely to be incurred during the next fiscal year in removing and/or restoration expenses for assets damaged in the northeastern Japan Earthquake of March 11, 2011.

Provision for Employees' Retirement Benefits

Domestic consolidated companies 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 years 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

Domestic consolidated companies 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 consolidated companies 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 minority interests of the net assets section of the consolidated balance sheet.

(f) Major Hedge Accounts

Hedge Accounting

Accounting 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) Amortization of Goodwill and Negative Goodwill

Goodwill is amortized over five years under the straight-line method during the period in which said goodwill is considered to provide benefits. Negative goodwill occurring prior to March 31, 2010 is amortized over five years under the straight-line method.

(h) 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.

(i) Accounting for Consumption Taxes

Accounting for consumption taxes using the tax-exclusion method.

3. SECURITIES

Securities as of March 31, 2011

Millions of Yen

Classification	Cost	Book Value	Change
Stocks with Value on Consolidated Balance Sheet Greater than Acquisition Cost			
Stock	224	307	83
Sub-total	224	307	83
Stocks with Value on Consolidated Balance Sheet Not Exceeding Acquisition Cost			
Stock	512	452	(59)
Sub-total	512	452	(59)
Total	737	760	23

(Notes)

The market value for unlisted stocks (¥913 million on consolidated balance sheet) is extremely difficult to discern. Accordingly, such is not included in the table above.

4. LONG-TERM LOANS PAYABLE

Amounts payable for fiscal years ending March 31.

Millions of Yen

	2011	2012	2013	2014	2015	After 2015
Long-term loans payable	4,533	3,410	3,207	1,477	704	506

5. TAX-EFFECT ACCOUNTING

2011	Millions of Yen
Deferred Tax Assets	
Provision for Bonuses	527
Allowance for Doubtful Accounts	13
Depreciation	42
Accrued Enterprise Taxes and Accrued Business Office Taxes	86
Retirement Benefits, etc.	217
Provision for Directors' Retirement Benefits	50
Provision for Corporate Officers Retirement Benefits	5
Loss on Valuation of Equity in Affiliates	5
Loss on Valuation of Investment Securities	49
Loss on Valuation of Golf Club Memberships	22
Loss Carryforward	90
Valuation Differences on Assets Received in Merger	7
Other	455
Sub-total	1,574
Less: Valuation Allowances	(95)
Total Deferred Tax Assets	1,479
Deferred Tax Liabilities	
PPE, Insufficient Accelerated Depreciation	255
Provision for Tax-Basis Adjustments of Noncurrent Assets	24
Unrealized Gains (Losses) on Marketable Securities, Net	29
Valuation Differences on Assets Received in Merger	108
Other	114
Total Deferred Tax Liabilities	532
Net Deferred Tax Assets	947
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	1.5%
Dividend and Other Non-Taxable Income	(0.5%)
Per-Capita Taxation	0.4%
Deduction for Foreign Taxes	(0.7%)
Special Deduction for R&D	(1.3%)
Loss in Equity in Affiliates	0.1%
Difference in Tax Rate on Income of Consolidated Subsidiaries	(9.1%)
Less: Valuation Allowances	(0.4%)
Other	(1.1%)
Actual Effective Tax Rate	29.6%

6. EMPLOYEE RETIREMENT BENEFITS

Current Consolidated Fiscal Year

1. Overview of Retirement Plan

Domestic consolidated companies 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 companies have adopted a defined contribution plan for employee retirement benefits.

2. Defined Benefit Plan (as of March 31, 2011)

	Millions of Yen
a. Projected Benefit Obligation	(7,086)
b. Plan Assets	4,518
c. Sub-total (a + b)	(2,567)
d. Unrecognized Actuarial Differences	1,927
e. Unrecognized Past Service Obligation	136
f. Net Accrued Retirement Benefits Recognized in Consolidated Balance Sheets (c+d+e)	(503)
g. Prepaid Pension Cost	5
h. Provision for Retirement Benefits (f – g)	(508)

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

3. Retirement Benefit Expenses (as of March 31, 2011)

	Millions of Yen
a. Service Cost	400
b. Interest Cost	107
c. Expected Return on Pension Assets	(73)
d. Recognized Actuarial Differences	149
e. Amortization of Prior Service Cost	24
f. Net Retirement Benefit Cost (a+b+c+d+e)	608

(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. SEGMENT INFORMATION

1. Reporting Segments

Reporting segments are those segments comprising the Company group for which separate financial information can be obtained. The Company board of directors periodically reviews these segments to determine the allocation of Company resources and to assess performance.

The Company has adopted a business division structure. Each business division is responsible for comprehensive strategy related to domestic and international products handled therein, as well as for their business activities. Accordingly, the business divisions are comprised of the basic products making up that segment, and have been classified into the Extrusion Business and Bead Business reporting segments.

Extrusion foaming technology is the core of the Extrusion Business, which manufactures and sells polystyrene, polyethylene, and polypropylene sheets and boards. Bead foaming technology is the basis of the Bead Business, which manufactures and sells foamed polypropylene, foamed polyethylene, and foamed polystyrene products, etc.

2. Calculation of Net Sales, Profit or Loss, Assets and Other Items for Reporting Segments

JSP follows the provisions of "Summary of Significant Accounting Policies" in accounting for reporting business segments.

Inter-segment sales are based on transaction prices with third parties.

3. Sales and Income (Loss) by Reporting Segment

Consolidated Fiscal Year (April 1, 2009 to March 31, 2010)

2010	Millions of Yen						
	Reporting Segments			Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Extrusion	Bead	Sub Total				
Net Sales							
External Customers	31,999	43,002	75,002	6,595	81,597	-	81,597
Intersegment Sales/Transfers	862	367	1,229	59	1,289	(1,289)	-
Total Net Sales	32,861	43,369	76,231	6,654	82,886	(1,289)	81,597
Segment Profit (Loss)	2,534	3,405	5,939	(183)	5,756	(70)	5,685

(Notes)

1: "Other" represents a classification for a business segment not included in reporting segments. This segment includes the manufacture and sale of FOAMCORE™, SUPER FOAM™, and general packaging products.

2: The ¥70 million of Adjustment under Segment Loss consists of ¥90 million in companywide expenses not allocated to each reporting segment and ¥19 million in intersegment eliminations. The majority of these expenses are costs for research and development not attributable to either reporting segment.

3: Segment Profit (Loss) is adjusted with Operating Income on the Consolidated Statements of Income.

Consolidated Fiscal Year (April 1, 2010 to March 31, 2011)

2011	Millions of Yen						
	Reporting Segments			Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Extrusion	Bead	Sub Total				
Net Sales							
External Customers	35,429	49,217	84,646	7,324	91,971	-	91,971
Intersegment Sales/Transfers	882	495	1,378	33	1,412	(1,412)	-
Total Net Sales	36,311	49,713	86,025	7,358	93,384	(1,412)	91,971
Segment Profit (Loss)	3,090	4,685	7,776	(121)	7,654	(102)	7,552

(Notes)

1: "Other" represents a classification for a business segment not included in reporting segments. This segment includes the manufacture and sale of FOAMCORE™, SUPER FOAM™, and general packaging products.

2: The ¥102 million of Adjustment under Segment Loss consists of ¥103 million in companywide expenses not allocated to each reporting segment and ¥0 million in intersegment eliminations. The majority of these expenses are costs for research and development not attributable to either reporting segment.

3: Segment Profit (Loss) is adjusted with Operating Income on the Consolidated Statements of Income.

JSP joins Japan
and the rest of the world in offering
condolences to all who were
so deeply affected by the March 11
earthquake and tsunami
in northeastern Japan.

It was heart warming to see how many
companies, organizations,
and individuals came together
to offer relief.

We are pleased to know that
Japan has so many friends
around the world.

We are reminded of how much
we are blessed as a nation
and a people.

As the months pass by, we ask that
you continue to keep the victims of
this terrible tragedy, as well as the victims
other disasters, in your thoughts
and prayers as they strive to rebuild
their lives.

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

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