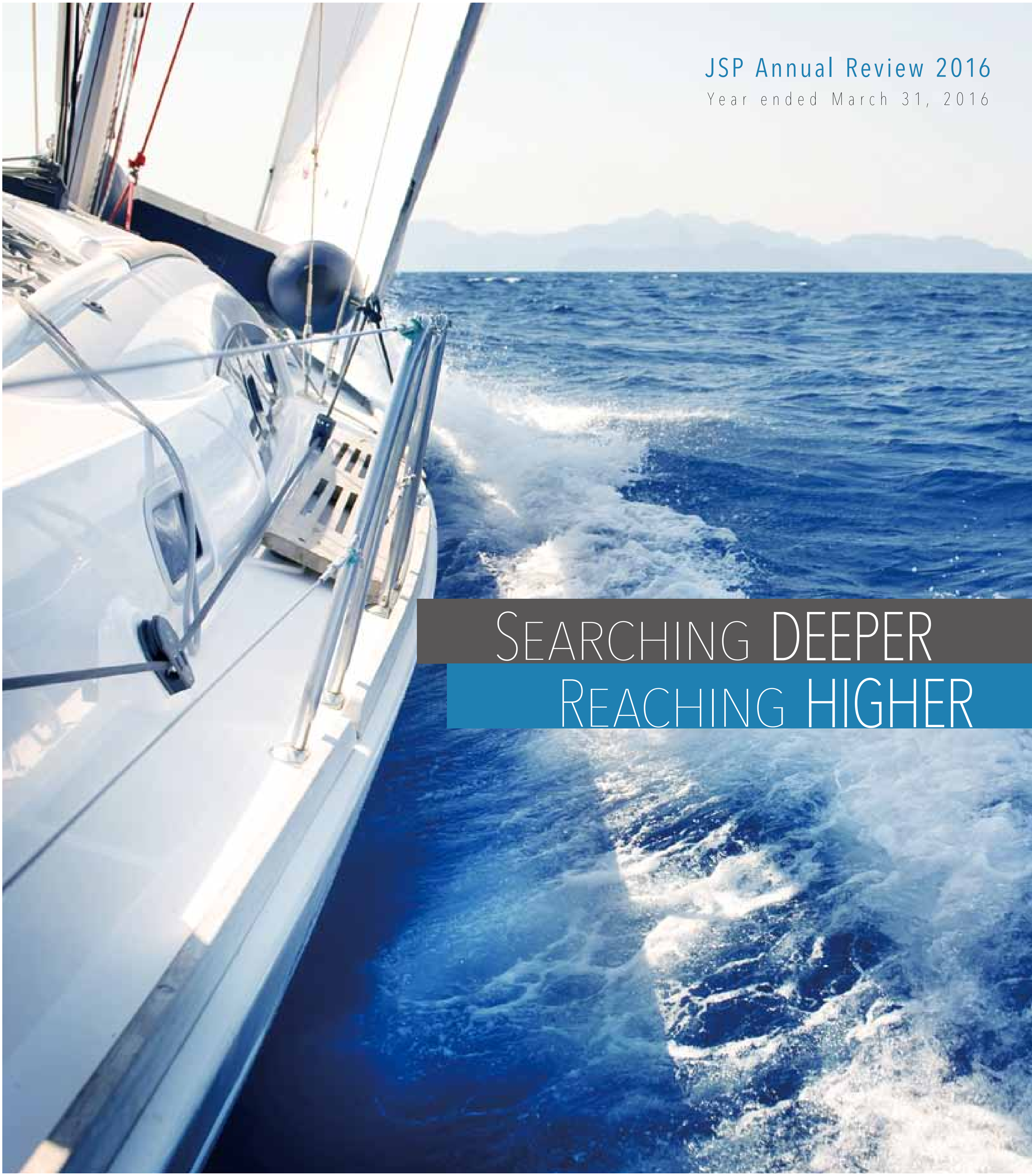
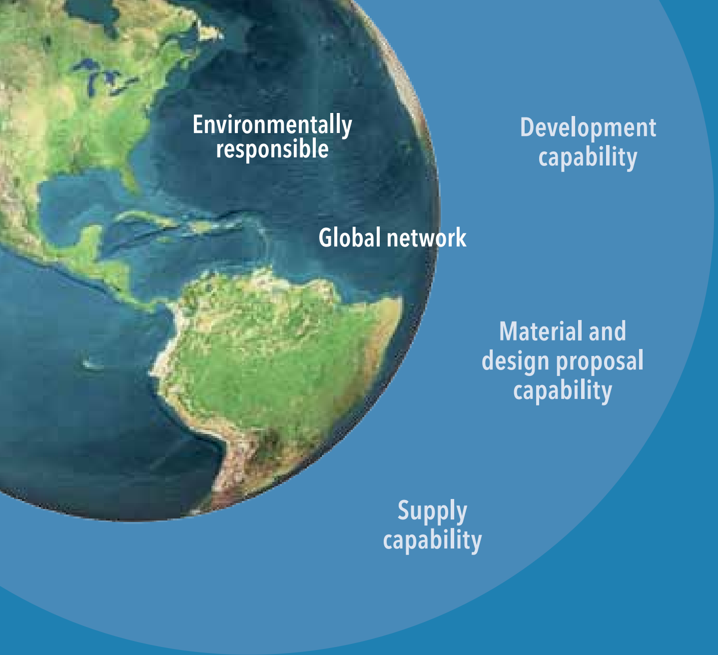
JSP Annual Review 2016

Year ended March 31, 2016



SEARCHING DEEPER
REACHING HIGHER

JSP



Global supplier of foamed plastic

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

We develop products that take full advantage of the potential of plastic and for virtually every field of industry, where they contribute to developing industry and enriching people's lives around the world.

We have cultivated our business activities in line with our deep respect for the natural environment and design each of our products from the earliest R&D stages to have minimal impact on the environment.

JSP is creating new value for customers worldwide through foamed plastics utilizing our leading capabilities developing products that "break the mold" of existing concepts, proposing products and materials that meet current and future market needs, and supplying customers from a worldwide network of production bases.

Automotive

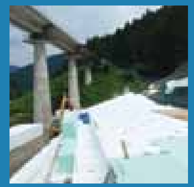
JSP technologies offer a wide range of performance benefits to automobile manufacturers, from enhancing collision safety performance to reducing vehicle weight and improving fuel efficiency. JSP supplies leading automakers with automotive components that take full advantage of the unique capabilities of high-performance plastics, highlighted by our revolutionary lightweight and shock-absorbent ARPRO® (Expanded Poly Propylene) material.

Construction

JSP insulation materials contribute to creating comfortable home living environments by providing exceptional insulation performance for heat and cold retention and water shedding. Our core expanded polystyrene product MIRAFOAM™ is widely used in homes, apartment and office buildings, and other large structures and by commercial operators with refrigerated warehouses.

Civil engineering

JSP products help ensure the safety of social infrastructure as key components in road construction, soft-ground stabilization, landslide prevention, and other civil engineering applications. Our STYRODIA® BLOCK products combining expandable polystyrene and lightweight mortar wall surfacing materials enable fast and easy wall construction. The blocks, which are lightweight, easy to work with, and highly resistant to corrosion, make the most of the unique characteristics of foamed plastic to provide new value in the civil engineering field.



Packaging

JSP develops and provides packaging solutions for safe transport of items ranging from household electronics to precision equipment and ceramics. Our MIRANET® series of low-density expanded polyethylene products provides exceptional cost and performance advantages from its combination of extreme versatility, high durability, and reusability. These attributes have made MIRANET® a leading packaging material in the distribution field, particularly for use as long-lasting and reliable cushioning for items requiring extended shipping and storage periods.

Food packaging

JSP food packaging materials play an integral role in food safety. Our STYRENE PAPER™ expanded polystyrene sheet is used as insulation in hot and cold containers to preserve the freshness of fish, meat, and vegetables during transport. We are constantly developing products offering both high performance and convenience to meet the evolving lifestyle needs and food preferences.

CONTENTS

Forward-Looking Statements

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

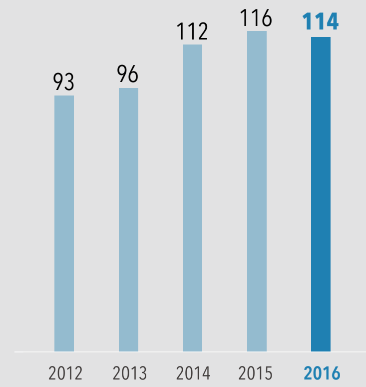
FINANCIAL HIGHLIGHTS

JSP Corporation and Consolidated Subsidiaries–Years ended March 31

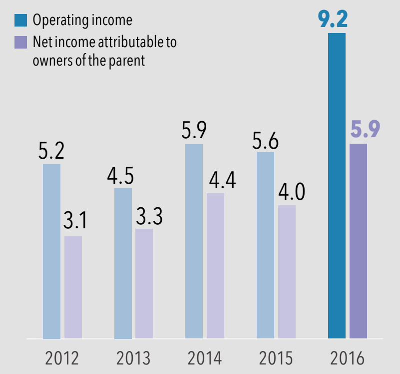
	Millions of yen					Thousands of U.S. dollars[1]
	2016	2015	2014	2013	2012	**2016**
For the Year:						
Net sales	**¥114,904**	¥116,923	¥112,128	¥96,038	¥93,397	**$1,019,737**
Operating income	**9,278**	5,667	5,909	4,575	5,296	**82,339**
Ordinary income	**9,101**	6,044	6,509	4,927	5,536	**80,768**
Income before income taxes	**8,752**	6,000	6,536	4,752	5,176	**77,671**
Net income attributable to owners of the parent	**5,914**	4,039	4,404	3,324	3,100	**52,484**
At Year-End:						
Total assets	**115,136**	116,717	108,420	95,565	89,072	**1,021,796**
Total net assets	**72,497**	70,352	62,375	53,431	47,362	**643,388**
Shareholders' equity	**67,890**	65,307	57,853	49,838	44,721	**602,502**
	Yen					U.S. dollars[1]
Per Share Information:						
Net income[2]	**¥ 198.40**	¥ 135.50	¥ 147.73	¥ 111.49	¥ 103.98	**$ 1.76**
Cash dividends	**40.00**	30.00	30.00	30.00	30.00	**0.35**
Total net assets	**2,277.32**	2,190.61	1,940.48	1,671.55	1,499.89	**20.21**

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥112.68=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.

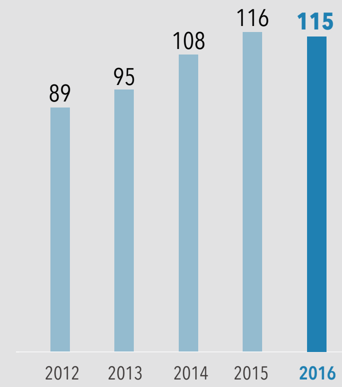
Net sales
(Billions of yen)



Operating income / Net income attributable to owners of the parent
(Billions of yen)



Total assets
(Billions of yen)



MAJOR FACTORS

NET SALES −1.7%

Net sales declined 1.7% year on year. Sales were strong in Europe, the US, and China, and also benefited from a relatively weak yen for foreign exchange conversion. These were offset, however, by the slow pace of Japan's economic recovery, which led to a decrease in automobile production and stagnant demand for housing and durable goods, and the impact of our product price revisions.

OPERATING INCOME +63.7%

Operating income rose 63.7% year on year on sharp rises in Japan and overseas. Overseas sales were strong in EMEA, the United States, and Asia, and were further boosted by low raw material costs and a weak yen. In Japan, revenue improved from our ability to generally adjust the spread between the raw material prices and our product sales prices. Lower depreciation costs, due to an accounting revision, also contributed.

NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT +46.4%

The sharp rise in operating income generated 46.4% year-on-year increase in profit attributable to owners of parent. Non-operating income was unchanged from the previous year. Extraordinary income increased from the booking of subsidy income associated with new plant construction. Non-operating expenses rose substantially primarily due to steep year-on-year increases in foreign exchange loss and extraordinary loss, which included charges for restructuring initiatives.

"Managing for further growth guided by our corporate philosophy"

Corporate Philosophy

Creatively and Actively Contribute to Society

Management Policy

Growth oriented

Yukio Sakai
President, Representative Director

Medium-Term Management Plan (FY2015–2017) "Deepen & Grow 2017"

Basic Policy

- Promoting the Differentiation Strategy
- Promoting the Growth Strategy

Deepen = Dig deep into our current businesses

Extend our unique advantages: Raw materials / Technologies / Markets

Grow = Sustaining growth

Numerical Targets for Fiscal Year 2017

NET SALES ¥135,000 million
including ¥10,000 million from new products

OPERATING MARGIN 6.5 % or more

Reference

ROE	Approx. 8 %
EQUITY RATIO	Approx. 59 %

Upon my appointment as president

I am delighted for this opportunity to introduce myself to our stakeholders and customers following my appointment as company president on June 29, 2016.

My mission as president of JSP, with its half century of history and culture, is to build on the company's business and technological foundations and to fully engage our abundant human capital and other management resources to ensure we continue our heritage of transformation and sustaining growth. The first imperative is to fulfill the objectives of our current medium-term management plan.

Forging ahead from historical highs

In fiscal year 2015, with the support of a favorable external environment, we posted record-high profits even as we were advancing structural reforms. Business conditions, however, continue evolving virtually on a daily basis. The changing environment means that in order to fulfill our medium-term management plan and continue growing, it is essential that we constantly confirm that our action plans are working effectively and be ready to implement improvements whenever necessary.

Our corporate philosophy guides all of our management decisions. Superior companies express an awareness of their reason for being and their corporate philosophy in every aspect of their business activities. JSP's corporate philosophy is to "creatively and actively contribute to society," and we must ensure that all of our development, production, and sales activities are faithful to this philosophy by contributing to society and being conceptualized from the customer's perspective. This means that the growth of our business is guided by our customers, that we approach every business decision from the point of view of the people who actually use our products.

Knowing our strengths and continually making them stronger

Company directors have a responsibility to "set the course for the company" by deciding what the company will and will not do, to consider "the optimal allocation of management resources," and to "motivate personnel" at every operating site. To successfully fulfill these directives, directors must be eminently clear about the company's strengths and they must continually seek to build those strengths.

Steadfastly building our strengths will give us the resilience to forge through even the most challenging business conditions. Taking a long-term perspective as we develop our strengths will enable us to identify domains with business potential and concentrate management resources in areas where our products can be highly marketable and profitable.

This is the approach I will take as I seek to create a highly profitable business structure by developing and offering a full lineup of high-function, high-value-added products encompassing a wide range of applications conceptualized from the customer's perspective.

Safe and stable manufacturing operations and human resource development

Fulfilling our social responsibility as a company also requires that we build a corporate structure that allows us to elevate our business performance and share the growth with our stakeholders.

Safety and stability in our manufacturing operations is essential, and we must aim to achieve a no-accident, no-injury workplace. As president, I will increase opportunities to converse with the people involved in our production chain by visiting each manufacturing facility and affiliated company.

Developing our human resources will be another main theme while I am president. It's essential that JSP has a corporate structure that encourages employees to hone their skills and develop their abilities. I also believe it's important to support each person's dreams and aspirations and encourage each employee to think how they can play a role in society so they can take action on their own initiative.

I want to make JSP a company where all group employees are proud that they are doing meaningful work at a good company.

Creating a solid corporate structure

JSP adopted a new Corporate Governance Code in 2015.

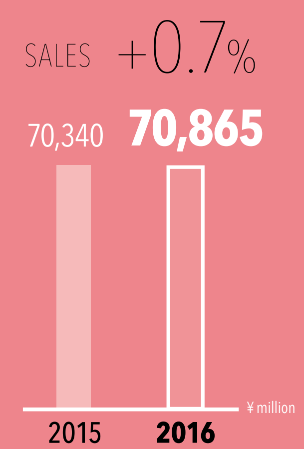
Another part of my mission is to construct a solid corporate structure for the JSP Group. Following our corporate philosophy, I will seek to maintain the effective functioning of corporate governance, implement comprehensive environmental and safety management, fortify internal controls for thorough risk and compliance oversight, and cultivate personnel to effectively implement our business activities.

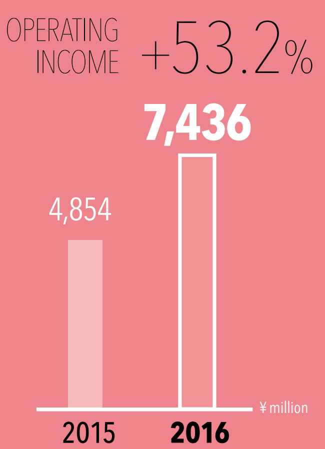
My experience identifying and resolving issues at a number of business assignments has taught me one basic truth: the answers are always at the worksite.

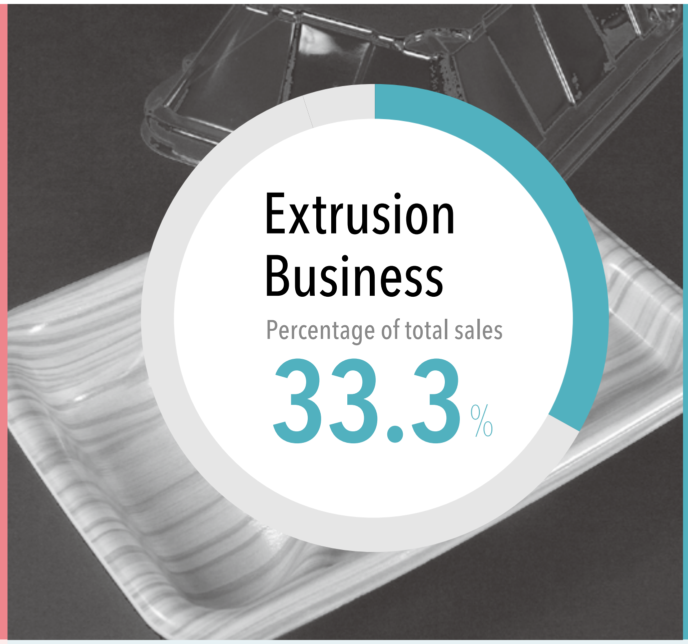
I intend to lead JSP and the JSP Group with management that is firmly rooted in the worksites and actual conditions.

Yukio Sakai
President, Representative Director

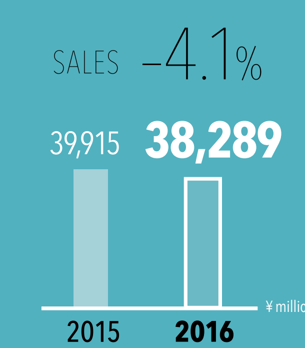
Earnings grew substantially on improved business revenue in Japan and strong results in the U.S., EMEA, and Asia.

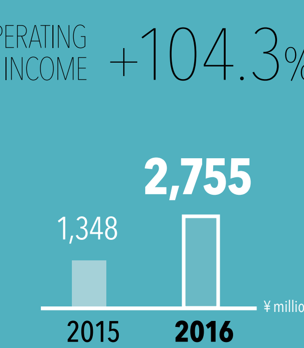




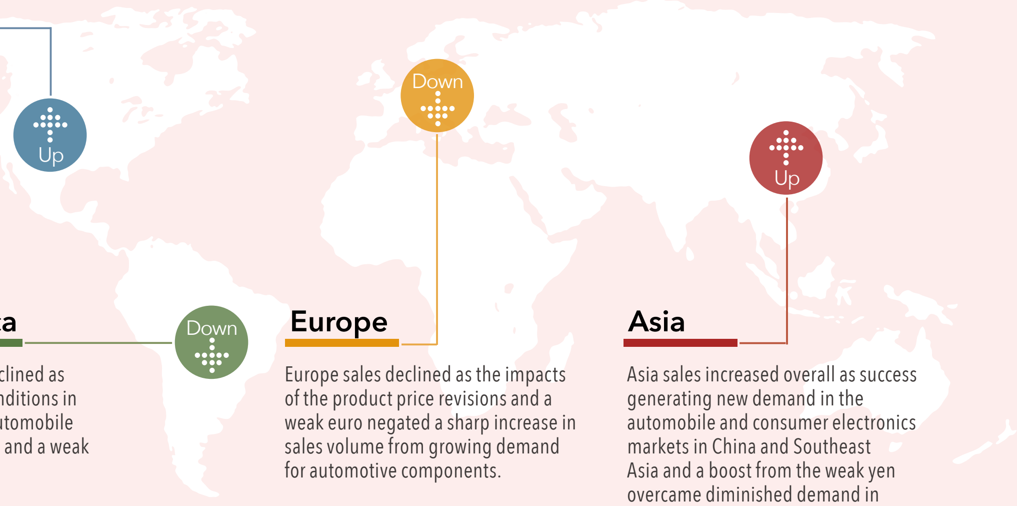


Extrusion Business earnings increased substantially as the adjusted profit margin spreads and lower depreciation costs more than offset the decreased revenue caused by the sales decline and product price revisions.





Sales by Region



North America

North America sales increased sharply supported by growing demand for our automotive components, including expanding use of newly released products, and strong demand for ground surface cushioning for sports facilities and pavement base materials. A favorable forex rate also contributed.

South America

South America sales declined as stagnating business conditions in Brazil led to a drop in automobile production unit volume and a weak Brazilian real.

Europe

Europe sales declined as the impacts of the product price revisions and a weak euro negated a sharp increase in sales volume from growing demand for automotive components.

Asia

Asia sales increased overall as success generating new demand in the automobile and consumer electronics markets in China and Southeast Asia and a boost from the weak yen overcame diminished demand in South Korea and Taiwan.

Sales by Product

ARPRO®

Our expanded polypropylene ARPRO® (Expanded Poly Propylene) products are used in automobile bumpers and seat cores and as cushioning material in a wide range of fields. ARPRO® demand increased worldwide during the year for use in new automotive components and as packaging material for electronic products. Overall sales increased on strong sales in North America, Europe, and China while sales declined in Japan and South America.

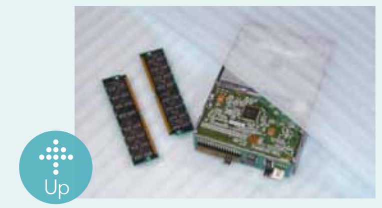
STYRODIA®

Sales of our STYRODIA® expandable polystyrene beads declined during the year. Although demand moved toward recovery in the fisheries and agricultural sectors, demand remained sluggish in the consumer electronics, construction, and civil engineering sectors. The product price revisions also impacted the results.

FOAMCORE™

Sales of our hybrid molded FOAMCORE™ products increased for its main application as a ceiling material for prefabricated bathroom units and as a flotation material, a new area of application the company is developing.

Sales by Product



MIRAMAT®

MIRAMAT® is our expanded polyethylene sheet used as an industrial packaging material for shipping LCD panel substrates and consumer electronics. MIRAMAT® sales increased as steady sales of high-value-added products offset the negative impacts of a contracting market for LCD panels and a slow-to-materialize demand recovery for large electrical appliances and other durable goods.

CAPLON™

Sales grew for our CAPLON™ air-bubble polyethylene cushioning material supported by a broader range of applications, including as an automotive component cushioning material.

P-BOARD™

The sluggish consumer electronics market led to a decline in sales of our P-BOARD™ expanded polypropylene sheet, which is used mainly for returnable transport containers for automotive parts and consumer electronics.

STYRENE PAPER™

Sales declined for our STYRENE PAPER™ expanded polystyrene sheet, which is used for a wide variety of food packaging applications, from instant noodles and lunch boxes to food trays used at mass retailers. Sales volume increased for instant noodle cups and convenience store lunch boxes but declined for food trays. The product price revisions also impacted the sales result.

MIRABOARD™

Diversifying demand for high-value-added board materials boosted sales of our MIRABOARD™ expanded polystyrene board, which is used mainly for advertising displays.

MIRAFOAM™

Overall sales declined for our expanded polystyrene MIRAFOAM™ extruded board products for construction and civil engineering applications. MIRAFOAM™ sales were strong in the construction sector for our in-house-developed thermal insulation and pre-cut products, but this was more than offset by the slow recovery in housing construction starts. Sales were also down in the civil engineering sector, due to sluggish demand in the public works sector.

TOPIC #1

Thailand ARPRO® plant construction completed

In March 2016, JSP completed construction of an ARPRO® expanded polypropylene plant at JSP Foam Products (Thailand) Co., Ltd. Located in the industrial district of Samut Prakan Province, about 30 kilometers from Bangkok, the 12,586m^2 plant will have an annual production capacity of 1,800 tons.

The new facility was constructed to respond to the rapid increase in demand for ARPRO® products for automotive applications. While low-density expanded beads used to produce ARPRO® were previously shipped to Thailand from Singapore, the new plant, which will have an annual production capacity of 1,800 tons, will provide a steady local supply of materials and reduce delivery costs while also providing various benefits to customers, including accelerating the integration of technical feedback.

Thailand is becoming a key supplier of pickup trucks and compact cars to the world, and currently roughly 60% of the automobiles assembled in the country are produced for export. The country is developing into a core industrial nation in the ASEAN community and its economy is expected to continue growing in the future.

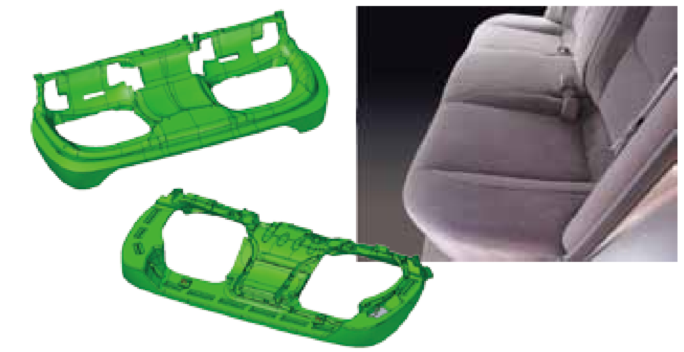
TOPIC #2

Continued Growth of ARPRO® EPP automotive seating

The first automotive seating application using ARPRO® Expanded Polypropylene (EPP) was launched with Lear Corporation in 2004. It was a 60%-40% split rear seat cushion for General Motors' Chevy Impala. Less than 30,000 seat cushions were sold that year. In the four years of 2014-2017, nearly one million vehicles annually will be equipped with an ARPRO® rear seat cushion or component.

Several major automotive OEMs are specifying ARPRO® EPP solutions for seat components in 2016-2020. JSP and its molder partners are preparing nearly 15 projects that will encompass over 2.5 million vehicles annually and generate annual sales revenue of over $25 million.

The growth for ARPRO® EPP in automotive seating is attributed to the weight savings that ARPRO® offers over polyurethane and other traditional technologies. An ARPRO® seat can reduce vehicle weight by as much as two pounds. ARPRO® rear seat systems also offer parts consolidation, faster assembly, and anti-submarining performance. These advantages can save 10-20% in costs with an integrated seat and up to 40% savings in seat assembly costs.

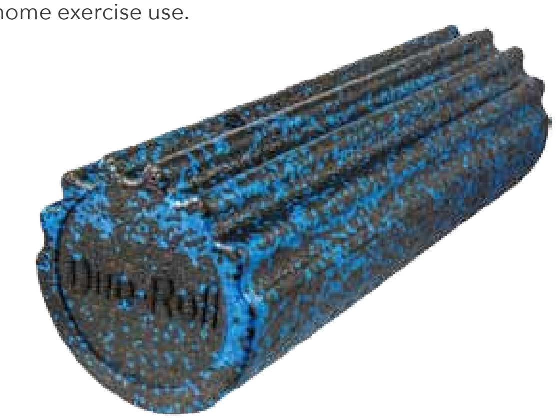


In addition to rear seat cushions like in the Chevy Impala, ARPRO® EPP is also used in rear seat backs, seat risers, and trim rings. The facts that ARPRO® EPP is manufactured without any volatile organic compounds (VOCs) and is recyclable are also contributing to its increasing use in automotive seating.

TOPIC #3

Fitness Rollers —New uses for a time-tested application

Yoga rollers have been used for many years in yoga classes and are evolving into "fitness rollers" with various uses beyond yoga classes. Amateur and professional athletes use fitness rollers for stretching and massaging muscles, and physical therapists commonly use them in rehabilitation centers. Fitness rollers have even become a popular consumer product for home exercise use.



JSP's molding plant in Jackson, Michigan, USA, began producing a small quantity of fitness rollers using one press for a single customer in 2011. Sales have grown over 20% annually, and JSP has now supplied nearly a half million rollers with the plant currently running three presses to handle the demand. JSP's fitness rollers are primarily sold on-line via Amazon but are also increasingly available at retail stores. The most popular roller sizes are 6" in diameter with a length of 36, 18 or 12-inches.

Nearly 90% of the JSP's fitness rollers are made of ARPRO® Expanded Polypropylene (EPP), which offers key advantages over poured urethane. The ARPRO® EPP rollers are more durable and do not flake, and their chemical resistance allows cleaning with alcohol-based cleaners, which would degrade urethane rollers. Fitness rollers made of ARPAK® EPE are popular for home use as they are less rigid than the ARPRO® EPP rollers used by athletes and physical therapists.

The fitness roller industry continues to evolve with new sizes and shapes. A roller with a smaller diameter and length is in the works as a travel-size roller to fit in an airplane carry-on bag.

CONSOLIDATED BALANCE SHEETS

JSP Corporation and Consolidated Subsidiaries
As of March 31

ASSETS	Millions of yen 2016	2015	Thousands of U.S. dollars (Note1) 2016
Current assets			
Cash and deposits	¥ 16,003	¥ 15,314	$ 142,021
Notes and accounts receivable-trade	30,046	30,762	266,648
Electronically recorded monetary claims-operating	2,909	2,513	25,816
Short-term investment securities	121	7	1,073
Merchandise and finished goods	6,534	7,127	57,987
Work in process	891	1,030	7,907
Raw materials and supplies	4,044	4,422	35,889
Accounts receivable-other	566	878	5,023
Deferred tax assets	820	718	7,277
Other	1,032	1,819	9,158
Allowance for doubtful accounts	(298)	(489)	(2,644)
Total current assets	62,672	64,106	556,194
Noncurrent assets			
Property, plant and equipment			
Buildings and structures	37,333	36,317	331,318
Accumulated depreciation	(21,434)	(20,740)	(190,220)
Accumulated impairment loss	(13)	(18)	(115)
Buildings and structures, net	15,886	15,557	140,983
Machinery, equipment and vehicles	73,864	72,522	655,520
Accumulated depreciation	(58,393)	(56,920)	(518,219)
Accumulated impairment loss	(151)	(101)	(1,340)
Machinery, equipment and vehicles, net	15,319	15,500	135,951
Land	14,476	14,438	128,470
Lease assets	92	94	816
Accumulated depreciation	(62)	(44)	(550)
Lease assets, net	30	49	266
Construction in progress	1,630	2,040	14,465
Other	9,866	9,877	87,557
Accumulated depreciation	(8,796)	(8,937)	(78,061)
Other, net	1,069	940	9,487
Total property, plant and equipment	48,413	48,527	429,650
Intangible assets	934	1,014	8,288
Investments and other assets			
Investment securities	1,833	1,882	16,267
Long-term loans receivable	39	45	346
Deferred tax assets	257	313	2,280
Other	1,336	837	11,856
Allowance for doubtful accounts	(350)	(9)	(3,106)
Total investments and other assets	3,116	3,069	27,653
Total noncurrent assets	52,464	52,611	465,601
Total assets	¥115,136	¥116,717	$1,021,796

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of yen 2016	2015	Thousands of U.S. dollars (Note1) 2016
Current liabilities			
Notes and accounts payable-trade	¥ 8,520	¥ 10,189	$ 75,612
Electronically recorded obligations-operating	1,509	1,181	13,391
Short-term loans payable	6,201	7,757	55,031
Current portion of long-term loans payable	4,961	5,578	44,027
Lease obligations	13	20	115
Asset retirement obligations	8	-	70
Accounts payable-other	2,805	3,139	24,893
Income taxes payable	1,807	342	16,036
Accrued consumption taxes	599	477	5,315
Deferred tax liabilities	-	21	-
Provision for bonuses	1,479	1,065	13,125
Provision for business structure improvement	121	-	1,073
Notes payable-facilities	-	22	-
Electronically recorded obligations-facilities	76	41	674
Accounts payable-facilities	1,336	1,395	11,856
Other	2,452	2,229	21,760
Total current liabilities	31,894	33,460	283,049
Noncurrent liabilities			
Long-term loans payable	8,415	10,987	74,680
Lease obligations	7	16	62
Asset retirement obligations	148	-	1,313
Deferred tax liabilities	642	1,068	5,697
Provision for business structure improvement	185	-	1,641
Provision for directors' retirement benefits	133	118	1,180
Provision for corporate officers' retirement benefits	30	19	266
Net defined benefit liability	549	217	4,872
Other	632	478	5,608
Total noncurrent liabilities	10,744	12,905	95,349
Total liabilities	42,638	46,365	378,399
Net assets			
Shareholders' equity			
Capital stock	10,128	10,128	89,882
Capital surplus	13,405	13,405	118,965
Retained earnings	45,267	40,253	401,730
Treasury stock	(1,380)	(1,378)	(12,247)
Total shareholders' equity	67,420	62,409	598,331
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	252	269	2,236
Foreign currency translation adjustment	68	2,348	603
Remeasurements of defined benefit plans	148	281	1,313
Total valuation and translation adjustments	469	2,898	4,162
Non-controlling interest	4,607	5,044	40,885
Total net assets	72,497	70,352	643,388
Total liabilities and net assets	¥115,136	¥116,717	$1,021,796

CONSOLIDATED STATEMENTS OF INCOME

JSP Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of yen		Thousands of U.S. dollars (Note1)
	2016	2015	**2016**
Net sales	**¥114,904**	¥116,923	**$1,019,737**
Cost of sales	**81,035**	88,240	**719,160**
Gross profit	**33,869**	28,683	**300,576**
Selling, general and administrative expenses			
Selling expenses	**7,966**	7,605	**70,695**
General and administrative expenses	**16,624**	15,410	**147,532**
Total selling, general and administrative expenses	**24,590**	23,015	**218,228**
Operating income	**9,278**	5,667	**82,339**
Non-operating income			
Interest income	**245**	240	**2,174**
Dividends income	**29**	21	**257**
Rent income	**83**	55	**736**
Foreign exchange gains	**-**	13	**-**
Equity in earnings of affiliates	**10**	3	**88**
Other	**292**	323	**2,591**
Total non-operating income	**661**	658	**5,866**
Non-operating expenses			
Interest expenses	**155**	191	**1,375**
Foreign exchange loss	**493**	-	**4,375**
Other	**190**	89	**1,686**
Total non-operating expenses	**839**	280	**7,445**
Ordinary income	**9,101**	6,044	**80,768**
Extraordinary income			
Gain on sales of noncurrent assets	**14**	9	**124**
Gain on sales of investment securities	**-**	30	**-**
Subsidy income	**301**	-	**2,671**
Total extraordinary income	**315**	40	**2,795**
Extraordinary loss			
Loss on retirement of noncurrent assets	**94**	38	**834**
Loss on sales of noncurrent assets	**8**	1	**70**
Loss on valuation of investment securities	**-**	40	**-**
Office transfer expenses	**-**	3	**-**
Impairment loss	**21**	-	**186**
Business structure improvement expenses	**541**	-	**4,801**
Total extraordinary losses	**664**	84	**5,892**
Income before income taxes	**8,752**	6,000	**77,671**
Income taxes-current	**3,176**	1,321	**28,186**
Income taxes-deferred	**(456)**	329	**(4,046)**
Total income taxes	**2,720**	1,651	**24,139**
Net income	**6,031**	4,349	**53,523**
Net income attributable to non-controlling interests	**117**	309	**1,038**
Net income attributable to owners of the parent	**¥ 5,914**	¥ 4,039	**$ 52,484**

The accompanying notes are an integral part of these statements

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

JSP Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of yen 2016 Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance, beginning of period	¥10,128	¥13,405	¥40,253	¥(1,378)	¥62,409
Cumulative effects of changes in accounting policies					-
Restated balance, beginning of period	10,128	13,405	40,253	(1,378)	62,409
Changes of items during the period:					
Dividends from surplus			(894)		(894)
Net income attributable to owners of the parent			5,914		5,914
Purchase of treasury stock				(2)	(2)
Change of scope of consolidation			(6)		(6)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	5,014	(2)	5,011
Balance, end of period	¥10,128	¥13,405	¥45,267	¥(1,380)	¥67,420

	Valuation and translation adjustments					
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total valuation and translation adjustments	Minority interests	Net assets
Balance, beginning of period	¥269	¥2,348	¥281	¥2,898	¥5,044	¥70,352
Cumulative effects of changes in accounting policies						-
Restated balance, beginning of period	269	2,348	281	2,898	5,044	70,352
Changes of items during the period:						
Dividends from surplus						(894)
Net income attributable to owners of the parent						5,914
Purchase of treasury stock						(2)
Change of scope of consolidation						(6)
Net changes of items other than shareholders' equity	(16)	(2,279)	(132)	(2,428)	(437)	(2,866)
Total changes of items during the period	(16)	(2,279)	(132)	(2,428)	(437)	2,145
Balance, end of period	¥252	¥ 68	¥148	¥ 469	¥4,607	¥72,497

	Thousands of U. S. dollars (Note 1) 2016 Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance, beginning of period	$89,882	$118,965	$357,232	$(12,229)	$553,860
Cumulative effects of changes in accounting policies					-
Restated balance, beginning of period	89,882	118,965	357,232	(12,229)	553,860
Changes of items during the period:					
Dividends from surplus			(7,933)		(7,933)
Net income attributable to owners of the parent			52,484		52,484
Purchase of treasury stock				(17)	(17)
Change of scope of consolidation			(53)		(53)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	44,497	(17)	44,471
Balance, end of period	$89,882	$118,965	$401,730	($12,247)	$598,331

	Valuation and translation adjustments					
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total valuation and translation adjustments	Minority interests	Net assets
Balance, beginning of period	$2,387	$20,837	$2,493	$25,718	$44,763	$624,352
Cumulative effects of changes in accounting policies						-
Restated balance, beginning of period	2,387	20,837	2,493	25,718	44,763	624,352
Changes of items during the period:						
Dividends from surplus						(7,933)
Net income attributable to owners of the parent						52,484
Purchase of treasury stock						(17)
Change of scope of consolidation						(53)
Net changes of items other than shareholders' equity	(141)	(20,225)	(1,171)	(21,547)	(3,878)	(25,434)
Total changes of items during the period	(141)	(20,225)	(1,171)	(21,547)	(3,878)	19,036
Balance, end of period	$2,236	$603	$1,313	$4,162	$40,885	$643,388

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

JSP Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of yen		Thousands of U.S. dollars (Note1)
	2016	2015	2016
Net cash provided by (used in) operating activities			
Income before income taxes	¥ 8,752	¥6,000	$77,671
Depreciation and amortization	4,903	5,327	43,512
Impairment loss	21	–	186
Business structure improvement expenses	541	–	4,801
Increase (decrease) in allowance for doubtful accounts	165	(11)	1,464
Increase (decrease) in provision for bonuses	427	(165)	3,789
Increase (decrease) in net defined benefit liability	337	229	2,990
Increase (decrease) in provision for directors' retirement benefits	26	(69)	230
Loss (gain) on sales and retirement of noncurrent assets	88	30	780
Loss (gain) on sales of investment securities	-	(30)	-
Loss (gain) on valuation of investment securities	-	40	-
Interest and dividends income	(274)	(261)	(2,431)
Subsidy income	(301)	–	(2,671)
Interest expenses	155	191	1,375
Foreign exchange losses (gains)	272	85	2,413
Equity in (earnings) losses of affiliates	(10)	(3)	(88)
Decrease (increase) in notes and accounts receivable–trade	(438)	235	(3,887)
Increase (decrease) in notes and accounts payable–trade	(1,004)	(1,549)	(8,910)
Decrease (increase) in inventories	835	166	7,410
Increase (decrease) in accrued consumption taxes	101	398	896
Other, net	231	(123)	2,050
Subtotal	14,828	10,491	131,593
Interest and dividends income received	273	262	2,422
Subsidy income	301	-	2,671
Interest expenses paid	(153)	(194)	(1,357)
Business structure improvement expenses paid	(59)	–	(523)
Income taxes paid	(1,340)	(2,269)	(11,892)
Net cash provided by (used in) operating activities	13,849	8,289	122,905
Net cash provided by (used in) investing activities			
Purchase of noncurrent assets	(6,341)	(7,575)	(56,274)
Proceeds from sales of noncurrent assets	117	206	1,038
Payments for retirement of noncurrent assets	(16)	(7)	(141)
Purchase of investment securities	(5)	(125)	(44)
Proceeds from sales of investment securities	20	63	177
Net decrease (increase) in time deposits	219	(2,598)	1,943
Purchase of investments in subsidiaries	-	(34)	-
Other, net	4	2,042	35
Net cash provided by (used in) investing activities	(6,001)	(8,029)	(53,257)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	(1,549)	956	(13,746)
Proceeds from long-term loans payable	2,600	6,600	23,074
Repayment of long-term loans payable	(5,788)	(5,282)	(51,366)
Purchase of treasury stock	(2)	(3)	(17)
Cash dividends paid	(894)	(894)	(7,933)
Dividends paid for non-controlling interests	(250)	(198)	(2,218)
Other, net	(22)	(21)	(195)
Net cash provided by (used in) financing activities	(5,907)	1,156	(52,422)
Effect of exchange rate change on cash and cash equivalents	(531)	504	(4,712)
Net increase (decrease) in cash and cash equivalents	1,408	1,920	12,495
Cash and cash equivalents at beginning of period	8,893	6,972	78,922
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(7)	-	(62)
Cash and cash equivalents at end of period	¥10,295	¥8,893	$91,364

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JSP Corporation and Consolidated Subsidiaries

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 Japanese Financial Instruments and Exchange Act, 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 that 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 that 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, 2016 using an exchange rate of ¥112.68 to U.S. $1.

2. Summary of Significant Accounting Policies

1. Investment Securities

Other Investment Securities

Securities for which market prices are available are stated at fair market value using 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.

2. Inventories

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

3. Depreciation and Amortization

Property, Plant and Equipment (excluding leased assets)

Buildings (excluding attached structures) acquired by the Company and its consolidated companies are depreciated according to the straight-line method under the Tax Law.

The primary useful lives are as follows:

Buildings and structures 7–50 years

Machinery, equipment and vehicles 4–15 years

Changes in accounting policy difficult to distinguish from changes in accounting estimates.

Beginning with the fiscal year under review, the Company and its domestic consolidated companies have adopted the straight-line method—replacing the declining-balance method—as the primary accounting method for calculating depreciation of property, plant and equipment. (Buildings (excluding attached structures) acquired by the Company and domestic consolidated companies between April 1, 1998 and March 31, 2007 are depreciated according to the former straight-line method. Buildings acquired on or after April 1, 2007 are depreciated according to the straight-line method. Buildings owned by overseas consolidated subsidiaries are depreciated according to the straight-line method.)

Upon examining the depreciation method for the company's business facilities when formulating the strategies for the first year of the medium-term management plan, management determined that, considering the low technical obsolescence risk and anticipated stable use of facilities, the straight-line method is able to provide a more accurate reflection in the accounting of profit and loss over time for the Group's manufacturing facilities.

Application of the new accounting method had the effect of increasing consolidated operating profit for the fiscal year by ¥797 million compared to the former method and increasing each of recurring profit and net income before income taxes and minority interests by ¥804 million.

The effect of the new accounting method on a per-share basis is provided where the per-share data is presented.

Intangible Noncurrent Assets (excluding leased assets)

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

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

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

Leased Assets

Assets subject to financing lease transactions 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.

4. Significant Allowances and Provisions

Allowance for Doubtful Accounts

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

Provision for Bonuses

The Company and its 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 Directors' Retirement Benefits

The Company reserves 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.

Business Structure Improvement Expenses

The Company maintains a reasonable estimated amount as a reserve against losses in the event of closures or other incidents associated with its production bases or other tangible assets.

Provision for Employees' Retirement Benefits

The Company and its consolidated companies reserve an estimated amount for employee retirement benefits based on the benefit formula basis 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. Certain consolidated companies apply the simplified method for calculating net retirement benefit liability and retirement benefit cost.

5. Foreign Currency Translation

Domestic consolidated companies translate rights and obligations denominated in foreign currencies 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 the average rate during the period, and translation differences are included in the foreign currency translation adjustment and non-controlling interest of the net assets section of the consolidated balance sheet.

6. Major Hedge Accounts

Hedge Accounting

Accounting for hedges using the deferred treatment method. 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.

7. Amortization of Goodwill and Negative Goodwill

Goodwill is amortized using the straight-line method over periods, up to 10 years, in which said goodwill is considered to provide benefits.

8. Scope of Cash included in the Consolidated Statement of Cash Flows

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

9. Accounting for Consumption Taxes

Accounting for consumption taxes using the tax-exclusion method.

3. Securities

Securities as of March 31, 2016.

	Millions of yen		
	2016		
Classification	Cost	Book value	Difference
Securities with value on consolidated balance sheet greater than acquisition cost			
Stock	¥585	¥ 930	¥345
Subtotal	585	930	345
Securities with value on consolidated balance sheet not exceeding acquisition cost			
Stock	119	109	(9)
Subtotal	119	109	(9)
Total	¥704	¥1,040	¥335

Notes: 1. The market value for unlisted stocks, ¥565 million, on the consolidated balance sheets is extremely difficult to discern. Accordingly, such is not included in the table above.
2. "Cost" in the table above reflects book value after recording impairment losses.

4. Long-Term Loans Payable

Amounts payable for fiscal years ending March 31.

	Millions of yen				
	2016	2017	2018	2019	2020
Long-term loans payable	¥4,961	¥3,845	¥2,811	¥1,449	¥310

5. Tax-Effect Accounting

	Millions of yen
	2016
Deferred tax assets	
Provision for bonuses	¥ 406
Allowance for doubtful accounts	107
Depreciation	23
Accrued enterprise taxes and accrued business office taxes	116
Net defined benefit liability	172
Provision for directors' retirement benefits	41
Provision for corporate officers' retirement benefits	9
Loss on valuation of stocks of affiliates	36
Loss on valuation of investment securities	39
Loss on valuation of golf club memberships	20
Loss carryforward	574
Valuation differences on assets received in merger	5
Other	574
Subtotal	2,128
Less: valuation allowances	(574)
Total deferred tax assets	¥1,553
Deferred tax liabilities	
PPE, Insufficient accelerated depreciation	¥ 698
Unrealized gains (losses) on marketable securities, net	86
Valuation differences on assets received in merger	77
Other	256
Total deferred tax liabilities	¥1,118
Net deferred tax assets	¥ 435

	%
	2016
Reconciliation of difference between statutory tax rate and effective income tax rate	
Normal effective statutory tax rate	33.1
(Adjustments)	
Entertainment and other non-deductible expenses	1.1
Dividends and other non-taxable income	(0.1)
Per-capita taxation	0.4
Special deduction for R&D	(1.3)
Gain in equity in affiliates	(4.1)
Difference in tax rate on income of consolidated subsidiaries	0.0
Income taxes for prior periods	0.4
Valuation allowances	2.3
Other	(0.7)
Actual effective income tax rate	31.1

6. Employee Retirement Benefits

1. Overview of Retirement Plan

The Company and its domestic consolidated companies provide a defined benefit corporate pension plan and a lump-sum retirement benefit system based on regulations for retirement allowance for employees. In certain circumstances, employees may also be granted severance pay when leaving the company.

Some domestic consolidated subsidiaries use the simplified method to calculate the net defined benefit liability and retirement benefit obligation.

Some overseas consolidated subsidiaries use a lump-sum retirement benefit system or defined contribution plan for employee retirement benefits.

2. Defined Benefit Plan

(1) Changes to balance of retirement benefit obligation at beginning and end of term

	Millions of yen
Retirement benefit obligation at beginning of term	¥8,019
Cumulative effects of changes in accounting policies	–
Restated balance, beginning of period	8,019
Service costs	507
Interest expense	89
Actuarial differences	(168)
Retirement benefits paid	(430)
Other	(25)
Retirement benefit obligation at end of term	¥7,992

(2) Changes to balance of pension assets at beginning and end of term

	Millions of yen
Pension assets at beginning of term	¥8,166
Anticipated profits	95
Actuarial differences	(453)
Employer contributions	485
Retirement benefits paid	(430)
Other	(17)
Pension assets at end of term	¥7,845

(3) Changes to balance of net defined benefit liability at beginning and end of term due to application of the simplified accounting method

	Millions of yen
Net defined benefit liability at beginning of term	¥364
Retirement benefits expense	81
Retirement benefits paid	(42)
Net defined benefit liability at end of term	¥403

(4) Changes to balance of retirement benefit obligation and pension assets at end of term and net defined benefit liability and assets as recorded on the consolidated balance sheet

	Millions of yen
Funded system retirement benefit obligation	¥ 7,992
Pension assets	(7,845)
	146
Non-funded system retirement benefit obligation	403
Net liabilities and assets as recorded on the consolidated balance sheet	549
Net defined benefit liability	549
Net defined benefit assets	–
Net liabilities and assets as recorded on the consolidated balance sheet	¥ 549

Note: Includes application of simplified accounting method.

(5) Retirement benefit expenses and breakdown of amounts

	Millions of yen
Service costs	¥507
Interest expense	89
Anticipated profits	(95)
Appropriated expenses for actuarial differences	61
Appropriated expenses for past service costs	24
Retirement benefit expenses using the simplified method	81
Retirement benefit expenses related to the defined benefit system	¥668

Note: In addition to the above, costs incurred during the consolidated fiscal year under review associated with the closure of factories of overseas consolidated subsidiaries are recorded under extraordinary losses as "restructuring charges" of ¥307 million as provision for special retirement benefits and ¥62 million for special retirement benefits.

(6) Adjustments for retirement benefit

	Millions of yen
Past service costs	¥ 24
Actuarial differences	(229)
Total	¥(204)

(7) Remeasurements of defined benefit plans

Breakdown of items recorded under changes related to remeasurements of defined benefit plans (Before deduction of taxes)

	Millions of yen
Unrecognized past service costs	¥ (14)
Unrecognized actuarial differences	231
Total	¥216

(8) Items related to pension assets

1. Breakdown of main items

Allocation of main pension asset items comprising the total is as follows:

	%
Equity	54
Bonds	31
General accounts	7
Cash and deposit	4
Other	4
Total	100

2. Method for determining the expected long-term investment return

In determining the expected long-term investment return, conservative estimates are made of the assumed interest rate for the corporate pension, the current and expected distributions of pension assets, and the current and expected long-term return rate from the various assets that compose the pension assets.

(9) Items related to actuarial calculations

Main components used in actuarial calculations (weighted average)

	%
Discount rate	Primarily 1.163
Expected long-term investment return rate 1.0%	Primarily 1.163

3. Defined Contribution System

Amounts contributed to the defined contribution plans of certain consolidated subsidiaries were ¥194 million in the previous consolidated fiscal year and ¥229 million in the consolidated fiscal year under review.

(Stock and option)
Nothing is applicable.

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's 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

The accounting methods used for the presentation of the reporting business segments follow the provisions of the "Basis for Preparation of the Consolidated Financial Statements."

Intersegment sales are based on transaction prices with third parties.

Beginning in the consolidated fiscal year under review, the Company has changed the profit or loss calculation method, mainly following a review of the allocation of common expenses, with the intention of enabling more appropriate evaluation management of the business results of each reporting segment.

The effect of this change, compared to the previously used calculation method was to increase the profit of the reporting segments in the consolidated fiscal year under review by increased ¥197 million for the extrusion business and ¥116 million for the beads business. The resulting adjusted amount represented a ¥313 million decrease.

As stated in the "Change in accounting policy that is difficult to distinguish from change in accounting estimates," beginning in the fiscal year under review, the Company and its domestic consolidated subsidiaries changed the depreciation accounting method for property, plant and equipment from primarily the former declining-balance method or primarily the declining-balance method to the straight-line method.

The effect of this change compared to the previously used calculation method was to increase the segment profits in the consolidated fiscal year under review by ¥487 million for the extrusion business, ¥292 million for the beads business, and ¥300 million for the other business. The resulting adjusted amount represented a ¥14 million increase.

3. Sales and Income (Loss) by Reporting Segment

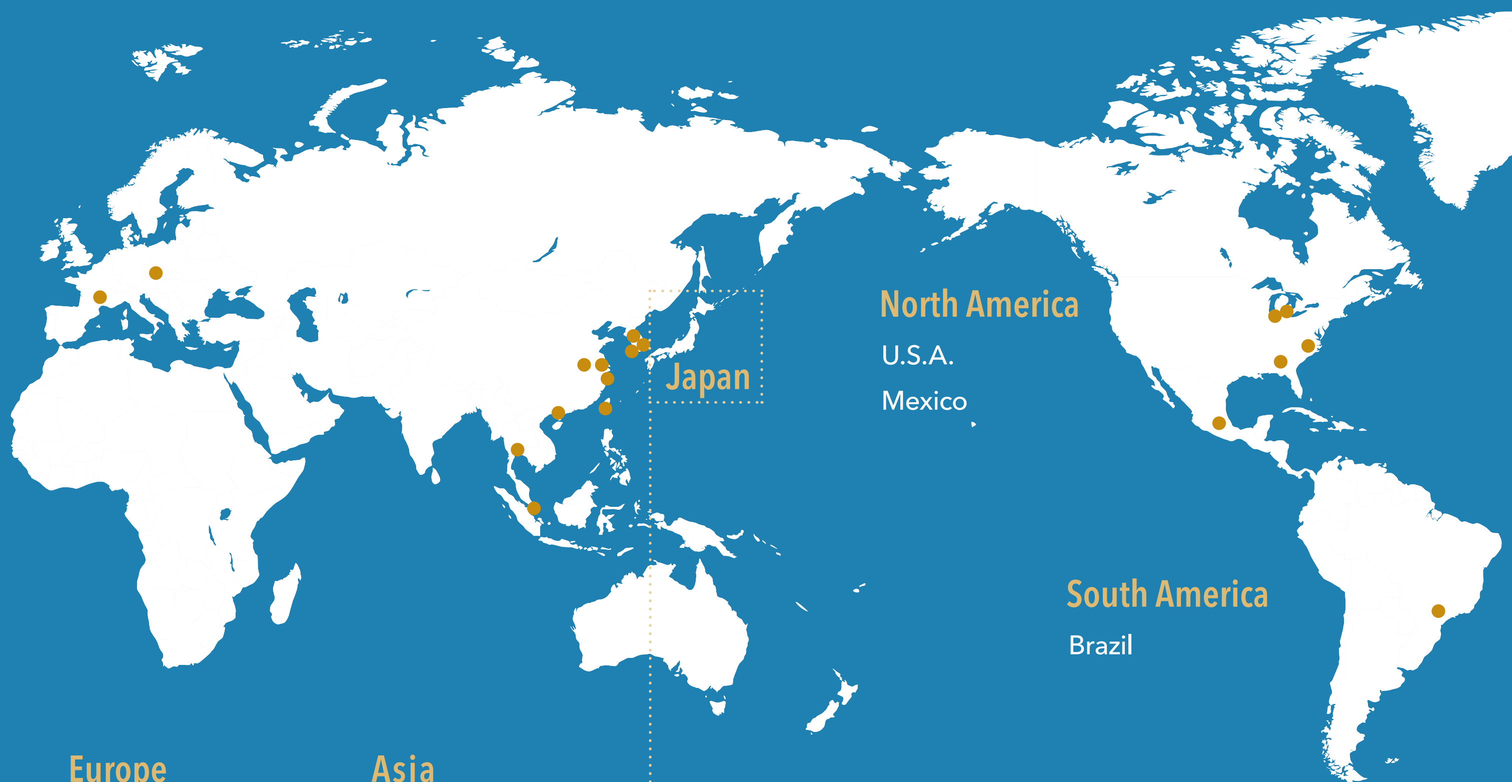
	Millions of yen						
	Reporting Segments						
Year ended March 31, 2015	Extrusion	Bead	Subtotal	Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
Sales							
External customers	¥39,915	¥70,340	¥110,255	¥6,667	¥116,923	–	¥116,923
Intersegment sales/transfers	842	368	1,210	220	1,431	¥(1,431)	–
Total sales	¥40,757	¥70,709	¥111,466	¥6,888	¥118,354	¥(1,431)	¥116,923
Segment income (loss)	¥ 1,348	¥ 4,854	¥ 6,203	¥ 59	¥ 6,262	¥ (595)	¥ 5,667

Notes: 1. "Other" represents a classification for a business segment not included in reporting segments. This segment includes the manufacture and sale of general packaging products.
2. The ¥595 million of adjustment under segment loss consists of ¥596 million in companywide expenses not allocated to each reporting segment and ¥1 million in intersegment eliminations. The majority of these expenses are costs for research and development not attributable to either reporting segment.
3. Segment income is reconciled with operating income on the consolidated statements of income.

	Millions of yen						
	Reporting Segments						
Year ended March 31, 2016	Extrusion	Bead	Subtotal	Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
Sales							
External customers	¥38,289	¥70,865	¥109,155	¥5,749	¥114,904	–	¥114,904
Intersegment sales/transfers	831	359	1,191	223	1,415	¥(1,415)	–
Total sales	¥39,121	¥71,225	¥110,346	¥5,973	¥116,319	¥(1,415)	¥114,904
Segment income (loss)	¥ 2,755	¥ 7,436	¥ 10,192	¥ 17	¥ 10,210	¥ (931)	¥ 9,278

Notes: 1. "Other" represents a classification for a business segment not included in reporting segments. This segment includes the manufacture and sale of general packaging products.
2. The ¥931 million of adjustment under segment loss consists of ¥928 million in companywide expenses not allocated to each reporting segment and ¥2 million in intersegment eliminations. The majority of these expenses are costs for research and development not attributable to either reporting segment.
3. Segment income is reconciled with operating income on the consolidated statements of income.

GLOBAL NETWORK
(As of March 31, 2016)



Europe
France
Czech Republic

Asia
South Korea
Taiwan
Singapore
Thailand
China

CORPORATE DATA
(As of March 31, 2016)

JSP Corporation

Head Office	Shin Nisseki Bldg., 4-2, 3-chome Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan
President, Representative Director	Kozo Tsukamoto
Founded	January 1962
Paid-In Capital	¥10,128.610 million
Number of Shareholders	12,906
Stock Exchange Listing	Tokyo (First Section: 7942)
Fiscal Year-End	March 31
Investor Relations Contact	Public and Investor Relations Department Tel: +81-3-6212-6302
URL	www.jsp.com

Major Shareholders

Shareholders	Shares held (thousands)	Voting right ratio (%)
Mitsubishi Gas Chemical Company, Inc.	16,020	51.00
Japan Trustee Services Bank, Ltd.	2,465	7.85
JSP Corporation	1,601	5.10
J.P. MORGAN BANK LUXEMBOURG S.A. 380578	1,217	3.88
JSP Client Stock Ownership Plan	1,015	3.23
JP MORGAN CHASE BANK 385166	512	1.63
The Master Trust Bank of Japan, Ltd.	432	1.38
JSP Employee Stock Ownership Plan	337	1.08
BBH FOR BBHTSIA NOMURA FUNDS IRELAND PLC/JAPAN STRATEGIC VALUE FUND	275	0.88
Trust & Custody Services Bank, Ltd.	263	0.84

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

jsp.com

Printed in Japan