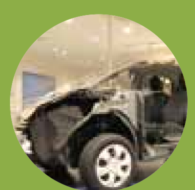
JSP

JSP Annual Review 2017

Year ended March 31, 2017

SEARCHING DEEPER
REACHING HIGHER

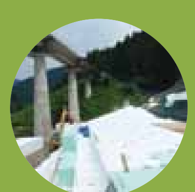


Automotive

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

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.

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.

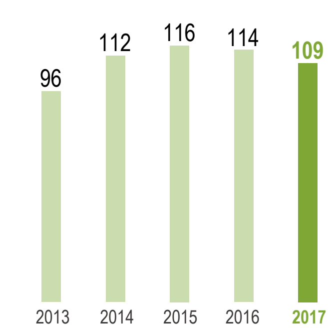
Financial Highlights

JSP Corporation and Consolidated Subsidiaries—Years ended March 31

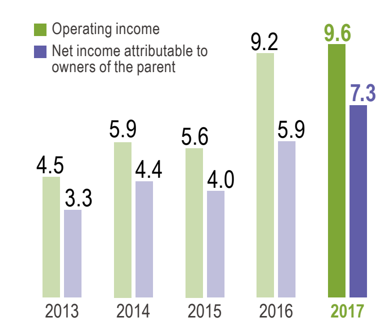
	Millions of yen					Thousands of U.S. dollars[1]
	2017	2016	2015	2014	2013	**2017**
For the Year:						
Net sales	**¥109,048**	¥114,904	¥116,923	¥112,128	¥96,038	**$971,993**
Operating income	**9,612**	9,278	5,667	5,909	4,575	**85,676**
Ordinary income	**10,033**	9,101	6,044	6,509	4,927	**89,428**
Income before income taxes	**10,013**	8,752	6,000	6,536	4,752	**89,250**
Net income attributable to owners of the parent	**7,301**	5,914	4,039	4,404	3,324	**65,077**
At Year-End:						
Total assets	**113,151**	115,136	116,717	108,420	95,565	**1,008,565**
Total net assets	**76,778**	72,497	70,352	62,375	53,431	**684,356**
Shareholders' equity	**72,532**	67,890	65,307	57,853	49,838	**646,510**
	Yen					U.S. dollars[1]
Per Share Information:						
Net income[2]	**¥ 244.94**	¥ 198.40	¥ 135.50	¥ 147.73	¥ 111.49	**$ 2.18**
Cash dividends	**50.00**	40.00	30.00	30.00	30.00	**0.45**
Total net assets	**2,433.10**	2,277.32	2,190.61	1,940.48	1,671.55	**21.69**

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥112.19=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.

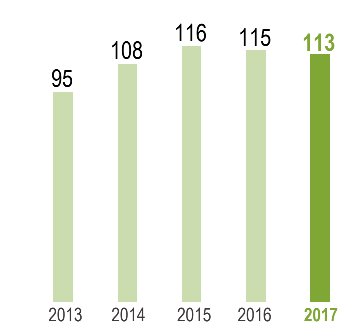
Net sales
(Billions of yen)



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



Total assets
(Billions of yen)



NET SALES –5.1%

Net sales declined 5.1% year on year. Sales volume expanded on efforts to generate new demand and to develop and market high value-added products along with concentrated investment in growth fields and regions boosted sales volume, but the net sales result declined primarily due to price revisions for core products and a weaker foreign exchange rate from the strong yen.

OPERATING INCOME +3.6%

Operating income rose 3.6% year on year, building on the record level of the previous fiscal year to reach another record high. In Japan, sales were strong for high-value-added products and the margin spread of raw material costs and sales prices recovered. Operations overseas also posted strong sales of high-value-added products while raw material prices remained low. The strong sales in Japan and globally overcame the foreign exchange impact as the company reached new heights in operating income.

NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT +23.5%

Net income attributable to owners of the parent company rose 23.5% year on year. Net income attributable to owners of parent benefitted substantially from the markedly lower non-operating expenses versus the previous fiscal year as it recorded a foreign exchange gain rather than loss and without the restructuring charges that were the majority of extraordinary losses in the previous year.

Message from the President

Second straight year of record-high profits

as we establish JSP as a high-profit company

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 %

Corporate Philosophy

Creatively and Actively Contribute to Society

Management Policy

Growth-oriented

Looking back on my first year as Company President

When I was appointed President in June of last year, I outlined four themes that would guide my administration.

1. Ensuring safe and stable manufacturing operations
2. Deepening understanding of our corporate principles
3. Creating open and comfortable worksites
4. Formulating strategies that galvanize employees

The reason I made ensuring safe and stable manufacturing operations my first directive is because in the manufacturing industry safety is always the first and foremost priority. Safe operating activities are the foundation of our corporate activities and ensuring the safe conditions for our employees and stakeholders is our corporate duty to society. At every opportunity over the past year, I have stressed that safety is our overriding priority not just at our manufacturing plants but at our headquarters and all our business sites as well as for each and every one of our employees from the staff to directors. Moreover, the safety activities are a means to achieving our greater goals of zero accidents in our activities and stable supply to our customers.

My second key theme of deepening understanding of our corporate principles corresponds precisely to the JSP corporate philosophy to creatively and actively contribute to society. We are not selling products to make a profit; we are earning profit because customers value JSP products. This means we approach our business not as the maker of products but from the point of view of the customer, the actual users of our products. In my view, we are doing just that and we are doing it successfully. Nevertheless, I know we can still benefit greatly from developing that awareness even deeper.

Communication is essential to realizing the third theme of creating open and comfortable worksites. I have visited every JSP plant and worksite and attended all of the Quality Control Report meetings in the past year to ensure I have a first-hand understanding of our worksites. It has been inspiring to see the full capabilities of JSP production strength, and I have renewed conviction that we can do wonderful things when we bring our strengths together. I will continue to encourage open communication and plan to do even more to create work environments that make it easy and natural for all employees to share opinions and ideas to make our operations better.

Our fourth theme of formulating strategies that galvanize employees will soon be realized when we unveil the next medium-term business plan to move JSP decisively closer to our ideal.

Record profits in fiscal year 2016 Aiming to further establish JSP as a high-profit company in fiscal year 2017

We had a record year for profits in fiscal year 2016. Despite net sales slipping 5.1% year on year to ¥109,048 million, we built on the record profit levels of the previous fiscal year to post new highs in each profit category with growth in operating income of 3.6% to ¥9,612 million, ordinary income of 10.2% to ¥10,033 million, and net income attributable to owners of the parent of 23.5% to ¥7,301 million. The main driver for profits was the strong sales of our high-value-added products along, which were further supported by improving profit margins from lower raw material costs.

Fiscal year 2017 is the final year of the current medium-term management plan. Although we continue to face considerable challenges from the fluctuations in raw material prices and foreign exchange rates since the plan was launched, we remain unwavering in our fundamental commitment to become an organization with a highly profitable business structure.

We focus our operations in Japan on marketing products differentiated by our proprietary technologies, including thermal resistant food containers, highly thermal insulating materials for building and home construction, cushioning packing material for shipping LCD-TV panels, and seat core materials for automobiles.

In our global businesses, we expect sustaining rapid sales growth supported by continued progress broadening the applications for our seat core materials and other automobile components in Europe and the United States. We also see sales increasing in China from the growing market for automobiles and rising demand for lighter vehicles. We expect our overall sales volume to continue expanding, but anticipate profits to decline moderately from the previous fiscal year due to higher raw material costs.

Looking ahead to JSP in 10 years

We plan to introduce the next medium-term business plan in the second half of 2017. Our reference point for framing the plan's strategies will be our vision for the company we want JSP to be 10 years from now. When that image is crystal clear, we will frame specific strategies to make the vision a reality.

Even before we start, we are certain of two things. First, we will continue building one of our core strengths—the trust we have earned with our customers—and make JSP the first company customers turn to for solutions. Second, we will create and develop a second core product to complement our established success with ARPRO®.

We will also continue reinforcing the sustainability of our business. We are constantly working to ensure an effectively functioning and proactive corporate governance to continue boosting corporate value, maintaining comprehensive environmental and safety management, fortifying internal controls for full risk and compliance management, and creating a stronger corporate structure to cultivate our human resources.

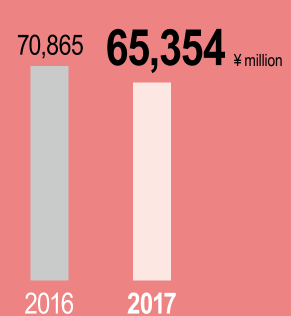
All of us at JSP are grateful for the ongoing support of our shareholders and stakeholders. We look forward to your continued support and guidance as we endeavor to make JSP the best company we can be.

Yukio Sakai
President, Representative Director

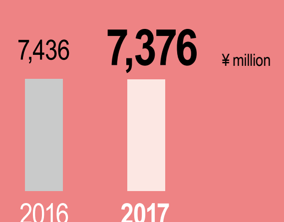
BEAD BUSINESS

Bead Business sales volume expanded healthily. Sales and income results ultimately declined from the product price revisions and decreased overseas business revenue due to the weaker foreign exchange rate from the strong yen.

Sales ↓ 7.8%



Operating income ↓ 0.8%



Sales by Region

North America

North America sales volume grew on increased demand for our automotive components and increased sales in new fields. Sales declined, however, due to the price revisions and strong yen.

Asia

Asia sales volume grew on increased demand from the automotive industry, particularly in China, Southeast Asia, and India. Sales declined, however, due to the price revisions and strong yen.

South America

South America sales declined as deteriorating business conditions in Brazil led to a drop in automobile production unit volume and the strong yen.

Europe

Europe sales volume grew substantially on increased demand for our automotive components and other factors. The sales result was ultimately down owing to the price revisions and strong yen.

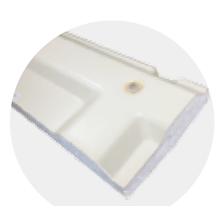
Sales by Product

ARPRO®

Our expanded polypropylene ARPRO® products are used for automotive applications, including bumper cores, interiors, and seat cores, and as material used in home construction and for packaging for electronic products, cushioning for household electric appliances, and ground surface cushioning for sports facilities. ARPRO® product sales grew on new products offering expanded applications in automobiles and targeting new fields.

STYRODIA®

Sales volume for our expandable polystyrene STYRODIA® beads increased in the home appliance and functional products sectors while remaining flat in the construction materials and civil engineering sectors. Sales declined, however, from reduced product prices and weaker demand in the fisheries and agricultural sectors due to unseasonable weather.



FOAMCORE™

Sales declined for our hybrid molded FOAMCORE™ products, which are mainly used as a ceiling material for prefabricated bathroom units.

Sales by Product

MIRAMAT®

MIRAMAT® is our expanded polyethylene sheet used as an industrial packaging material for shipping LCD-TV panel and consumer electronics. MIRAMAT® sales increased on solid sales of high-value-added products.

CAPLON™

Decreased demand led to lower sales of our CAPLON™ air-bubble polyethylene cushioning material.

STYRENE PAPER™

Sales declined for our STYRENE PAPER™ expanded polystyrene sheet as the impacts from lower sales for food tray applications and reduced prices more than offset solid sales for microwaveable containers and instant noodle bowls.

MIRABOARD™

Sales of our MIRABOARD™ expanded polystyrene board used for advertising displays and collapsible boxes declined amid weak demand.

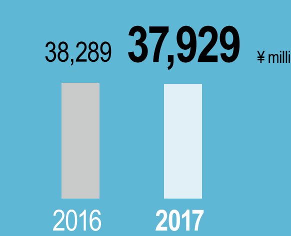
MIRAFOAM™

Overall sales rose for our expanded polystyrene MIRAFOAM™ extruded board products for construction and civil engineering applications. Sales were strong in the construction sector for pre-cut products and thermal insulation and grew in the civil engineering sector on demand related to reconstruction the Tohoku region.

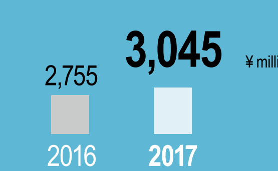
EXTRUSION BUSINESS

Extrusion Business profits increased despite the impact on sales from price revisions as the company boosted sales of high-value-added products and enhanced profitability by cutting manufacturing costs and improving margin spreads.

Sales ↓ 0.9%



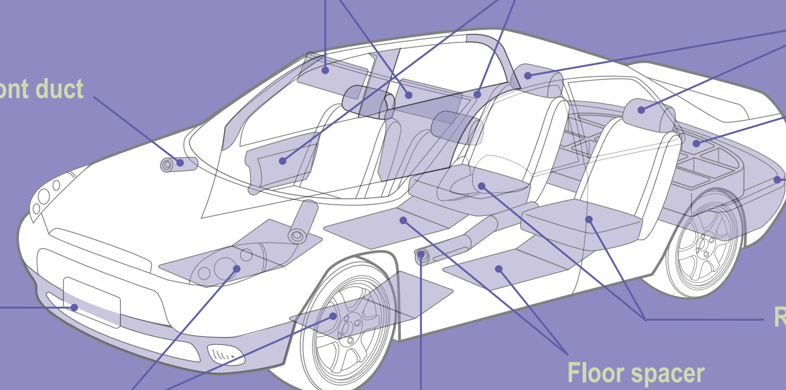
Operating income ↑ 10.5%



Increasing applications for automobiles

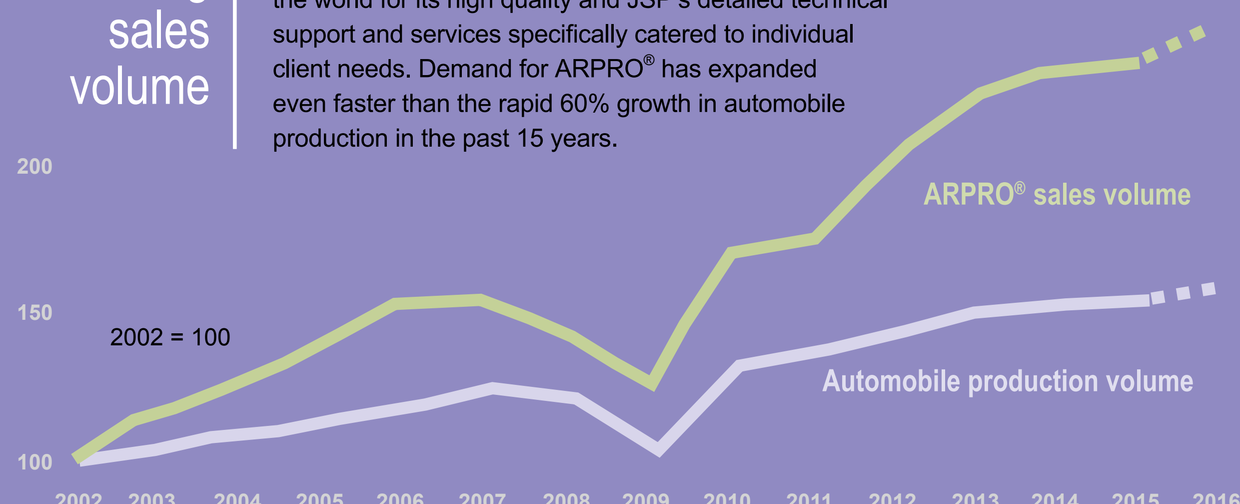
Wide range of applications

JSP created ARPRO®, the world's first uncrosslinked expanded foam polypropylene material, offering six properties that enhance automobile performance: lightweight, energy absorption, thermal insulation, chemically inert, recyclable, and acoustic absorption. Automakers worldwide seeking to produce lighter weight vehicles to meet tighter fuel efficiency and environmental regulations are increasingly using ARPRO® throughout their vehicles. Originally used as a bumper core material, ARPRO® is now in demand for applications ranging from car interior materials to rear seat cores.



Growing sales volume

ARPRO® is used by virtually every automaker around the world for its high quality and JSP's detailed technical support and services specifically catered to individual client needs. Demand for ARPRO® has expanded even faster than the rapid 60% growth in automobile production in the past 15 years.



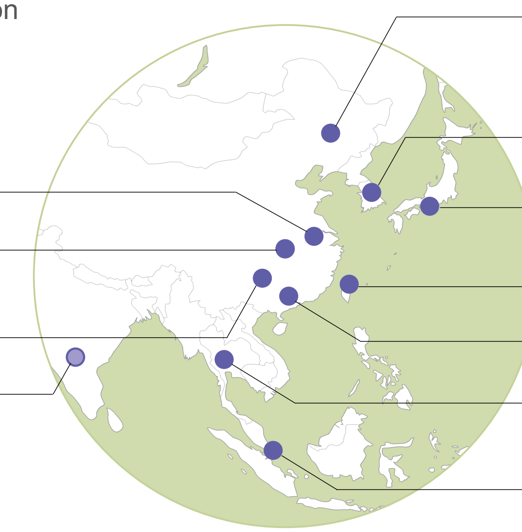
Plant

JSP is expanding production capacity at all of its plants to keep pace with the rapidly growing demand.

Asia

Increasing annual production capacity in China to

24,000 tons



Japan

Molding plant constructed at Yokkaichi to meet growing demand

ARPRO® products have been chiefly used by automakers in North America and Europe, but an increasing number of Japanese automakers are using ARPRO® in rear seat cores. JSP is responding to the growing domestic demand by constructing a new Yokkaichi No. 2 Plant in Mie Prefecture. Construction is scheduled for completion in December 2018. In Japan, ARPRO® is marketed under the brand name P-BLOCK®.

China

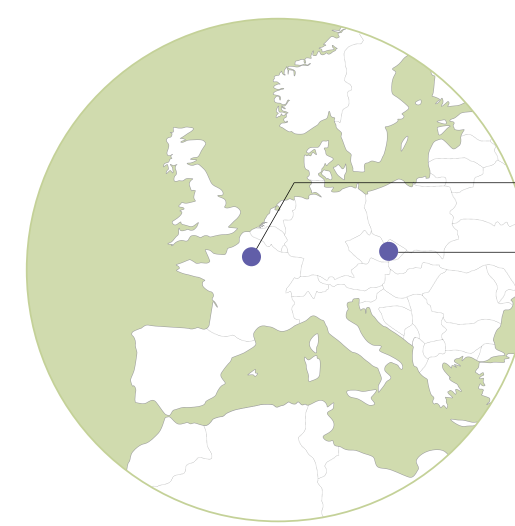
Wuhan Plant operations started, JSP's fifth plant in China

The Wuhan Plant commenced production of ARPRO® in May 2017 to meet the growing demand accompanying the ongoing brisk automobile production in China and fortify the ARPRO® supply structure for the central and southwest regions of the country. The Wuhan Plant is currently operating at an annual production capacity of 3,000 tons, and JSP plans to double annual output in the near future.

Europe

Raising production capacity by

40%



Corporate Governance

As of June 29, 2017

Basic Policy on Corporate Governance

JSP places top priority on realizing sustained business growth and enhancing corporate value following our corporate philosophy to “creatively and actively contribute to society” and with the objective of fulfilling our promise to be an internationally competitive company that emphasizes safety and environmental awareness. We aim for the management of our Company to earn the trust of and fulfill the expectations of all stakeholders. We believe that effectively functioning corporate governance and constant effort to maintain and improve management efficiency, transparency, and soundness are essential to fulfilling this objective.

Basic Policy

1. The Company has adopted the Company with a Board of Company Auditors framework in which the Board of Directors makes decisions on important issues for the Company and seeks to provide an environment enabling management to make sound decisions to carry out the decisions of the Board of Directors.
2. The Company respects the rights and viewpoints of all stakeholders and seeks to maintain appropriate and cooperative relations.
3. The Company provides appropriate information disclosure and seeks to ensure transparency for all stakeholders.
4. As a Company with a Board of Company Auditors, the Company appoints independent outside directors and auditors to monitor the Company’s management activities and ensure sound management practices.
5. The Company engages in constructive dialogue with shareholders.

Corporate Governance Structure

1. Status of Business Execution

As stipulated in the Articles of Incorporation, the Company maintains a Board of Directors and Board of Auditors comprising up to 16 directors and up to four auditors.

As of June 29, 2017, the Company maintains a structure of 12 directors and four auditors. The Board of Directors meets, in principle, on a monthly basis to deliberate and make decisions on items as stipulated by law and internal company regulations and on items important to the management of the Company and to supervise the execution of business activities. The Management Meetings serve as a supplementary function to the Board of Directors. The meetings, attended by representative directors, managing executives, and personnel in higher positions, are held to conduct preliminary discussions on important management issues. The Company additionally uses an executive director structure as a system for executing business operations and seeks to enhance the efficiency of business execution by delegating executive power and accountability.

Evaluation of the Effectiveness of the Board of Directors

The Company issues questionnaires to directors on an annual basis and uses the questionnaires as a basis for assessing the effectiveness of the Board of Directors. The Board of Directors analyzes and evaluates the results of the questionnaires and incorporates the views of the independent outside directors and outside auditors.

In fiscal year 2016, the questionnaire was distributed to the individual that served as directors and auditors in the previous fiscal year. The results of the questionnaires provided a basis for improving a portion of the duties conduced by the Board of Directors.

2. Status of Audits

(1) Audits by auditors

The Board of Auditors comprises four auditors, including two outside auditors. The four auditors carry out audits of the Company’s business operations informed by the input from the highly independent outside auditors. All of the auditors are highly knowledgeable about financial and accounting operations and have abundant experience in various aspects of the accounting process, including as auditors in the chemicals industry.

The auditors and outside auditors attend meetings of the Board of Directors and important company meetings and hold monthly auditor meetings in which they conduct discussions with managers in charge of specific operations to supplement and guide their detailed audits of the legality and appropriateness of the business operations and the financial standing of the companies in the JSP Group. The auditors also regularly and when deemed necessary solicit the advice of accounting auditors regarding specific accounting issues.

(2) Internal audits

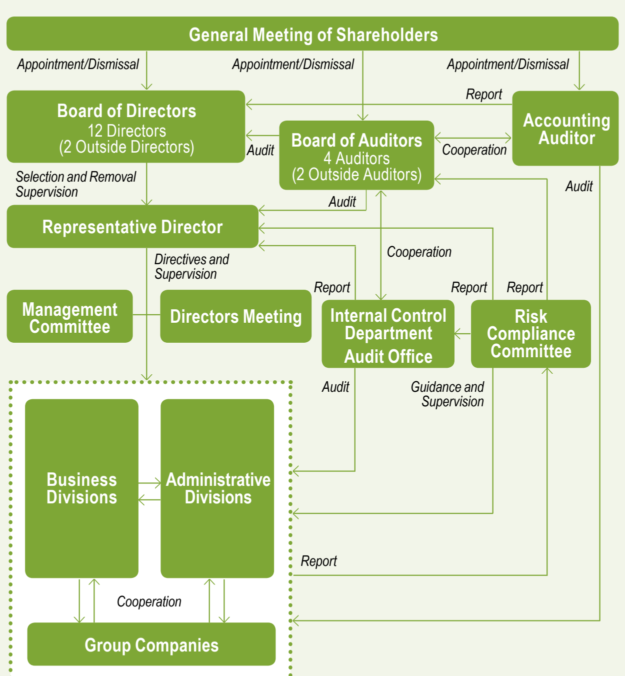
The Audit Office of the Internal Auditing Division comprises five auditors conducting regular audits of the Company and group companies and seeks to enhance the effectiveness of internal controls. In addition to the functions of the Audit Office, the company assigns a Process Owner to each business division to strengthen the monitoring of each business process.

The Audit Office also conducts internal audits in line with the internal audit plan for each year and reports the results to each auditor with the aim of facilitating dialogue and further strengthening mutual collaboration.

(3) Auditing of accounts

In accordance with the Financial Instruments and Exchange Act and the Companies Act, the Company has contracted with Deloitte Touche Tohmatsu LLC to perform accounting audits. The Company does not have an interest in the auditing corporation or the executive members of the auditing organization.

Corporate Governance Structure Diagram



Outline of the Corporate Governance Structure

Organizational structure

…Company with auditors

Directors

…Number of Directors stipulated in the Articles of Incorporation: **16**

…Term of office stipulated in the Articles of Incorporation: **1 year**

…Chair of the Board of Directors: **President**

…Number of Directors: **12**

…Number of Outside Directors: **2**

Auditors

…Number of Auditors stipulated in the Articles of Incorporation: **4**

…Number of Auditors: **4**

…Number of Outside Auditors: **2**

Number of Independent Executive Officers

…**4**

… Outside Directors: **2**

… Outside Auditors: **2**

Director and Auditor Remuneration

Remuneration for Directors (excluding non-executive directors) is configured as base compensation and reserve-type remuneration to be paid upon retirement, a portion of which (as stock based compensation) is deposited in the Company’s executive shareholder association. Remuneration for non-executive directors and auditors is configured as base compensation and fixed compensation. The aggregate amount of remuneration is set within the limit determined by a resolution passed at the General Meeting of Shareholders.

The Company President, as authorized by the Board of Directors, sets the amount of remuneration for each director based on the recommendations of the Remuneration Advisory Board and in consideration of the business environment, operating conditions, Company earnings, the Company’s financial status, and the contribution to be provided by each individual. Remuneration for auditors is set based on negotiations and in consideration of the contribution to be provided by each individual.

Director and Auditor Remuneration Totals for Fiscal Year 2016

Position	Number	Total Remuneration (Millions of yen)
Director	13	322
Of which Outside Director	2	14
Auditor	6	41
Of which Outside Auditor	3	22
Total	19	363

1. The above table includes one Director and two Auditors (including one Outside Auditor) appointed at the close of the Ordinary General Meeting of Shareholders convened on June 29, 2016.
2. At the close of the Ordinary General Meeting of Shareholders convened on June 29, 2016, the Company abolished the system of providing a bonus to retiring directors and adopted the reserve-type remuneration to be paid upon retirement. The amount of the remuneration and other payments include the provision of allowance for director bonuses maintained prior to the abolishment of the system providing a bonus to retiring directors and the current account maintained for the reserve-type remuneration to be paid upon retirement.
3. Remuneration amounts and other payments to individual executives are omitted because no individual was paid a total amount exceeding 100 million yen.

Consolidated Balance Sheets

JSP Corporation and Consolidated Subsidiaries
As of March 31

ASSETS	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars (Note1) 2017
Current assets			
Cash and deposits	¥ 13,436	¥ 16,003	$ 119,761
Notes and accounts receivable–trade	29,785	30,046	265,487
Electronically recorded monetary claims–operating	2,765	2,909	24,645
Short-term investment securities	139	121	1,238
Merchandise and finished goods	6,310	6,534	56,243
Work in process	779	891	6,943
Raw materials and supplies	4,398	4,044	39,201
Accounts receivable–other	603	566	5,374
Deferred tax assets	825	820	7,353
Other	1,374	1,032	12,247
Allowance for doubtful accounts	(209)	(298)	(1,862)
Total current assets	60,208	62,672	536,661
Noncurrent assets			
Property, plant and equipment			
Buildings and structures	37,446	37,333	333,773
Accumulated depreciation	(21,880)	(21,434)	(195,026)
Accumulated impairment loss	(15)	(13)	(133)
Buildings and structures, net	15,550	15,886	138,604
Machinery, equipment and vehicles	74,303	73,864	662,296
Accumulated depreciation	(58,870)	(58,393)	(524,734)
Accumulated impairment loss	(142)	(151)	(1,265)
Machinery, equipment and vehicles, net	15,289	15,319	136,277
Land	14,451	14,476	128,808
Lease assets	29	92	258
Accumulated depreciation	(15)	(62)	(133)
Lease assets, net	14	30	124
Construction in progress	2,406	1,630	21,445
Other	10,122	9,866	90,221
Accumulated depreciation	(8,826)	(8,796)	(78,670)
Other, net	1,295	1,069	11,542
Total property, plant and equipment	49,008	48,413	436,830
Intangible assets	977	934	8,708
Investments and other assets			
Investment securities	1,650	1,833	14,707
Long-term loans receivable	47	39	418
Deferred tax assets	341	257	3,039
Other	1,471	1,336	13,111
Allowance for doubtful accounts	(554)	(350)	(4,938)
Total investments and other assets	2,957	3,116	26,357
Total noncurrent assets	52,943	52,464	471,904
Total assets	¥113,151	¥115,136	$1,008,565

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars (Note1) 2017
Current liabilities			
Notes and accounts payable–trade	¥ 9,298	¥ 8,520	$ 82,877
Electronically recorded obligations–operating	1,470	1,509	13,102
Short-term loans payable	5,989	6,201	53,382
Current portion of long-term loans payable	3,861	4,961	34,414
Lease obligations	14	13	124
Asset retirement obligations	-	8	-
Accounts payable–other	2,688	2,805	23,959
Income taxes payable	899	1,807	8,013
Accrued consumption taxes	421	599	3,752
Provision for bonuses	1,581	1,479	14,092
Provision for business structure improvement	132	121	1,176
Electronically recorded obligations–facilities	38	76	338
Accounts payable–facilities	841	1,336	7,496
Other	2,429	2,452	21,650
Total current liabilities	29,667	31,894	264,435
Noncurrent liabilities			
Long-term loans payable	4,756	8,415	42,392
Lease obligations	22	7	196
Asset retirement obligations	151	148	1,345
Deferred tax liabilities	697	642	6,212
Provision for business structure improvement	16	185	142
Provision for directors' retirement benefits	10	133	89
Provision for corporate officers' retirement benefits	-	30	-
Net defined benefit liability	134	549	1,194
Other	915	632	8,155
Total noncurrent liabilities	6,705	10,744	59,764
Total liabilities	36,373	42,638	324,208
Net assets			
Shareholders' equity			
Capital stock	10,128	10,128	90,275
Capital surplus	13,405	13,405	119,484
Retained earnings	51,336	45,267	457,580
Treasury stock	(1,382)	(1,380)	(12,318)
Total shareholders' equity	73,488	67,420	655,031
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	239	252	2,130
Foreign currency translation adjustment	(1,694)	68	(15,099)
Remeasurements of defined benefit plans	499	148	4,447
Total valuation and translation adjustments	(955)	469	(8,512)
Non-controlling interest	4,245	4,607	37,837
Total net assets	76,778	72,497	684,356
Total liabilities and net assets	¥113,151	¥115,136	$1,008,565

Consolidated Statements of Income

JSP Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of yen		Thousands of U.S. dollars (Note1)
	2017	2016	**2017**
Net sales	**¥109,048**	¥114,904	**$971,993**
Cost of sales	**75,182**	81,035	**670,131**
Gross profit	**33,865**	33,869	**301,853**
Selling, general and administrative expenses			
Selling expenses	**7,682**	7,966	**68,473**
General and administrative expenses	**16,570**	16,624	**147,695**
Total selling, general and administrative expenses	**24,252**	24,590	**216,168**
Operating income	**9,612**	9,278	**85,676**
Non-operating income			
Interest income	**170**	245	**1,515**
Dividends income	**26**	29	**231**
Rent income	**78**	83	**695**
Foreign exchange gains	**41**	-	**365**
Equity in earnings of affiliates	**6**	10	**53**
Other	**318**	292	**2,834**
Total non-operating income	**642**	661	**5,722**
Non-operating expenses			
Interest expenses	**111**	155	**989**
Foreign exchange loss	**-**	493	**-**
Other	**109**	190	**970**
Total non-operating expenses	**221**	839	**1,969**
Ordinary income	**10,033**	9,101	**89,428**
Extraordinary income			
Gain on sales of noncurrent assets	**32**	14	**285**
Gain on sales of investment securities	**20**	-	**178**
Subsidy income	**-**	301	**-**
Total extraordinary income	**53**	315	**472**
Extraordinary loss			
Loss on retirement of noncurrent assets	**69**	94	**615**
Loss on sales of noncurrent assets	**4**	8	**35**
Impairment loss	**-**	21	**-**
Business structure improvement expenses	**-**	541	**-**
Total extraordinary losses	**73**	664	**650**
Income before income taxes	**10,013**	8,752	**89,250**
Income taxes–current	**2,592**	3,176	**23,103**
Income taxes–deferred	**(66)**	(456)	**(588)**
Total income taxes	**2,525**	2,720	**22,506**
Net income	**7,487**	6,031	**66,735**
Net income attributable to non-controlling interests	**185**	117	**1,648**
Net income attributable to owners of the parent	**¥ 7,301**	¥ 5,914	**$ 65,077**

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				
	2017				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance, beginning of period	¥10,128	¥13,405	¥45,267	¥(1,380)	¥67,420
Cumulative effects of changes in accounting policies					-
Restated balance, beginning of period	10,128	13,405	45,267	(1,380)	67,420
Changes of items during the period:					
Dividends from surplus			(1,341)		(1,341)
Net income attributable to owners of the parent			7,301		7,301
Purchase of treasury stock				(2)	(2)
Change of scope of consolidation			109		109
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	6,069	(2)	6,067
Balance, end of period	¥10,128	¥13,405	¥51,336	¥(1,382)	¥73,488

	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	¥252	¥ 68	¥148	¥ 469	¥4,607	¥72,497
Cumulative effects of changes in accounting policies						-
Restated balance, beginning of period	252	68	148	469	4,607	72,497
Changes of items during the period:						
Dividends from surplus						(1,341)
Net income attributable to owners of the parent						7,301
Purchase of treasury stock						(2)
Change of scope of consolidation						109
Net changes of items other than shareholders' equity	(13)	(1,763)	350	(1,425)	(361)	(1,786)
Total changes of items during the period	(13)	(1,763)	350	(1,425)	(361)	4,280
Balance, end of period	¥239	¥(1,694)	¥499	¥(955)	¥4,245	¥76,778

	Thousands of U.S. dollars (Note1)				
	2017				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance, beginning of period	$90,275	$119,484	$403,485	$(12,300)	$600,953
Cumulative effects of changes in accounting policies					-
Restated balance, beginning of period	90,275	119,484	403,485	(12,300)	600,944
Changes of items during the period:					
Dividends from surplus			(11,952)		(11,952)
Net income attributable to owners of the parent			65,077		65,086
Purchase of treasury stock				(17)	(17)
Change of scope of consolidation			971		971
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	54,095	(17)	54,077
Balance, end of period	$90,275	$119,484	$457,580	$(12,318)	$655,040

	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	$2,246	$ 606	$1,319	$4,180	$41,064	$642,017
Cumulative effects of changes in accounting policies						-
Restated balance, beginning of period	2,246	606	1,319	4,180	41,064	642,017
Changes of items during the period:						
Dividends from surplus						(11,952)
Net income attributable to owners of the parent						651,086
Purchase of treasury stock						(17)
Change of scope of consolidation						971
Net changes of items other than shareholders' equity	(115)	(15,714)	3,119	(12,701)	(3,217)	(15,919)
Total changes of items during the period	(115)	(15,714)	3,119	(12,701)	(3,217)	38,149
Balance, end of period	$2,130	$(15,099)	$4,447	$(8,512)	$37,837	$692,877

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)
	2017	2016	**2017**
Net cash provided by (used in) operating activities			
Income before income taxes	**¥10,013**	¥ 8,752	**$89,250**
Depreciation and amortization	**4,952**	4,903	**44,139**
Impairment loss	**-**	21	**-**
Business structure improvement expenses	**-**	541	**-**
Increase (decrease) in allowance for doubtful accounts	**129**	165	**1,149**
Increase (decrease) in provision for bonuses	**113**	427	**1,007**
Increase (decrease) in net defined benefit liability	**(410)**	337	**(3,654)**
Increase (decrease) in provision for directors' retirement benefits	**(152)**	26	**(1,354)**
Loss (gain) on sales and retirement of noncurrent assets	**40**	88	**356**
Loss (gain) on sales of investment securities	**(20)**	-	**(178)**
Interest and dividends income	**(197)**	(274)	**(1,755)**
Subsidy income	**-**	(301)	**-**
Interest expenses	**111**	155	**989**
Foreign exchange losses (gains)	**(156)**	272	**(1,390)**
Equity in (earnings) losses of affiliates	**(6)**	(10)	**(53)**
Decrease (increase) in notes and accounts receivable–trade	**(719)**	(438)	**(6,408)**
Increase (decrease) in notes and accounts payable–trade	**1,029**	(1,004)	**9,171**
Decrease (increase) in inventories	**(219)**	835	**(1,952)**
Increase (decrease) in accrued consumption taxes	**(112)**	101	**(998)**
Other, net	**84**	231	**748**
Subtotal	**14,480**	14,828	**129,066**
Interest and dividends income received	**229**	273	**2,041**
Subsidy income	**-**	301	**-**
Interest expenses paid	**(138)**	(153)	**(1,230)**
Business structure improvement expenses paid	**(131)**	(59)	**(1,167)**
Income taxes paid	**(3,751)**	(1,340)	**(33,434)**
Net cash provided by (used in) operating activities	**10,688**	13,849	**95,266**
Net cash provided by (used in) investing activities			
Purchase of noncurrent assets	**(6,236)**	(6,341)	**(55,584)**
Proceeds from sales of noncurrent assets	**105**	117	**935**
Payments for retirement of noncurrent assets	**(39)**	(16)	**(347)**
Purchase of investment securities	**(5)**	(5)	**(44)**
Proceeds from sales of investment securities	**170**	20	**1,515**
Net decrease (increase) in time deposits	**(168)**	219	**(1,497)**
Other, net	**(14)**	4	**(124)**
Net cash provided by (used in) investing activities	**(6,188)**	(6,001)	**(55,156)**
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	**(178)**	(1,549)	**(1,586)**
Proceeds from long-term loans payable	**199**	2,600	**1,773**
Repayment of long-term loans payable	**(4,915)**	(5,788)	**(43,809)**
Purchase of treasury stock	**(2)**	(2)	**(17)**
Cash dividends paid	**(1,341)**	(894)	**(11,952)**
Dividends paid for non-controlling interests	**(233)**	(250)	**(2,076)**
Other, net	**(26)**	(22)	**(231)**
Net cash provided by (used in) financing activities	**(6,497)**	(5,907)	**(57,910)**
Effect of exchange rate change on cash and cash equivalents	**(354)**	(531)	**(3,155)**
Net increase (decrease) in cash and cash equivalents	**(2,351)**	1,408	**(20,823)**
Cash and cash equivalents at beginning of period	**10,295**	8,893	**91,763**
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	**22**	(7)	**196**
Cash and cash equivalents at end of period	**¥ 7,965**	¥10,295	**$70,995**

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, 2017 using an exchange rate of ¥112.19 to U.S. $1.

2. Summary of Significant Accounting Policies

1. Valuation Standards and Valuation Method for Important Assets

(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) Derivatives

Derivatives are stated at fair market value.

(3) Inventories

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

2. Depreciation Methods for Significant Depreciable Assets

(1) 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

(2) 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).

(3) 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.

3. Significant Allowances and Provisions

(1) 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.

(2) 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.

(3) Provision for Director Retirement Benefits
The Company reserves an amount for company and certain subsidiary 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.

(4) Provision for Corporate Officer Retirement Benefits
The Company reserves an amount for corporate 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.

(5) 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.

4. Provision for Employee Retirement Benefits

The Company and its consolidated companies maintain a provision for liabilities associated with employee retirement benefits equivalent to the estimated retirement benefit obligation payable at the end of the current consolidated fiscal year minus the estimated pension assets.

Retirement benefit obligation is calculated based on benefit formula standards imputing the estimated retirement benefit obligation to the end of the current 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.

Unrecognized actuarial differences and unrecognized prior service costs are adjusted for tax effects and recorded as the remeasurements of defined benefit plans under the accumulated other comprehensive income of net assets on the consolidated balance sheet.

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

(1) Hedge Accounting
Accounting for hedges using the deferred treatment method. However, special treatment is applied for interest rate swaps meeting certain special conditions.

(2) Hedge Method and Transactions
Hedge method: Interest rate swap transaction
Hedge transactions: Interest rates on borrowings

(3) 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.

(4) Evaluation of Hedge Effectiveness
Effectiveness is assessed by confirming a high correlation between the rate fluctuation and cash flows of the hedged transaction, and those of the hedge method in question.

Interest rate swap transactions qualifying for special treatment are not assessed for effectiveness.

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.

Supplemental Information

Application of Guidance on Recoverability of Deferred Tax Assets
The Company has adopted the Implementation Guidance on Recoverability of Deferred Tax Assets (Accounting Standards Board of Japan (ASBJ) Guidance No. 26, issued March 28, 2016) effective from the current fiscal year.

Abolishment of Retirement Benefit System for Directors and Executive Officers
The Company resolved at the Board of Directors meeting convened on April 11, 2016 to abolish the retirement benefit system for directors and executive officers as of the closing of the 58th Annual Meeting of Shareholders on June 29, 2016 and to make a final payment of retirement benefits upon the abolishment of the system.

The final payment of retirement benefits upon the abolishment of the system was also resolved at the Meeting.

Accordingly, the amount of ¥137 million for the outstanding final payment of retirement benefits has been reversed from the provision for director retirement benefits and the provision for corporate officer retirement benefits and recorded as other under the noncurrent liabilities.

3. Securities

Securities as of March 31, 2017.

	Millions of yen		
	2017		
Classification	Book Value	Cost	Difference
Securities with value on consolidated balance sheet greater than acquisition cost			
Stock	¥ 873	¥560	¥312
Subtotal	873	560	312
Securities with value on consolidated balance sheet not exceeding acquisition cost			
Stock	139	139	-
Subtotal	139	139	-
Total	¥1,013	¥700	¥312

Notes: 1. The market value for unlisted stocks, ¥550 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				
	2017	2018	2019	2020	2021
Long-term loans payable	¥2,878	¥1,516	¥360	¥310	-

5. Tax-Effect Accounting

	Millions of yen 2017
Deferred tax assets	
Provision for bonuses	¥ 435
Allowance for doubtful accounts	101
Depreciation	25
Accrued enterprise taxes and accrued business office taxes	72
Unrealized profit on inventories	129
Net defined benefit liability	52
Provision for directors' retirement benefits	3
Provision for corporate officers' retirement benefits	-
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	550
Other	589
Subtotal	2,059
Less: valuation allowances	(460)
Total deferred tax assets	¥1,599
Deferred tax liabilities	
PPE, Insufficient accelerated depreciation	¥ 744
Unrealized gains (losses) on marketable securities, net	73
Valuation differences on assets received in merger	77
Other	233
Total deferred tax liabilities	¥1,129
Net deferred tax assets	¥ 469

	% 2017
Reconciliation of difference between statutory tax rate and effective income tax rate	
Normal effective statutory tax rate	30.9
(Adjustments)	
Entertainment and other non-deductible expenses	1.0
Dividends and other non-taxable income	(0.0)
Per-capita taxation	0.3
Special deduction for R&D	(1.4)
Tax incentives for investment in overseas consolidated subsidiaries	(2.5)
Difference in tax rate on income of consolidated subsidiaries	(2.5)
Adjustment of deferred tax assets at end of period due to change in tax rates	-
Valuation allowances	(0.1)
Other	(0.5)
Actual effective income tax rate	25.2

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	¥7,992
Service costs	478
Interest expense	89
Actuarial differences	(1)
Retirement benefits paid	(351)
Other	(32)
Retirement benefit obligation at end of term	¥8,174

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

	Millions of yen
Pension assets at beginning of term	¥7,845
Anticipated profits	116
Actuarial differences	393
Employer contributions	454
Retirement benefits paid	(348)
Other	(19)
Pension assets at end of term	¥8,441

(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	¥403
Retirement benefits expense	50
Retirement benefits paid	(52)
Net defined benefit liability at end of term	¥401

(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	¥8,174
Pension assets	(8,441)
	(267)
Non-funded system retirement benefit obligation	401
Net liabilities and assets as recorded on the consolidated balance sheet	134
Net defined benefit liability	505
Net defined benefit assets	(370)
Net liabilities and assets as recorded on the consolidated balance sheet	¥ 134

Note: Includes application of simplified accounting method

(5) Retirement benefit expenses and breakdown of amounts

	Millions of yen
Service costs	¥478
Interest expense	89
Anticipated profits	(116)
Appropriated expenses for actuarial differences	83
Appropriated expenses for past service costs	24
Retirement benefit expenses using the simplified method	50
Retirement benefit expenses related to the defined benefit system	¥610

Note: In addition to the above, costs incurred during the previous 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	**478**
Total	**¥502**

(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	**¥ 10**
Unrecognized actuarial differences	**707**
Total	**¥717**

(8) Items related to pension assets

1. Breakdown of main items

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

	%
Equity	**52**
Bonds	**34**
General accounts	**7**
Cash and deposit	**4**
Other	**3**
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 1.500**

3. Defined Contribution System

Amounts contributed to the defined contribution plans of certain consolidated subsidiaries were ¥229 million in the previous consolidated fiscal year and ¥187 million in the consolidated fiscal year under review.

7. Segment Information

1. Reporting Business Segments

(1) Method of determining reporting business 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.

(2) Products and services associated with the reporting business segments

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 conform with the accounting methods used for the Consolidated Financial Statements.

Intersegment sales are based on transaction prices with third parties.

3. Sales and Income (Loss) by Reporting Segment

Millions of yen

	Reporting Segments			Other	Total	Adjustment	Consolidated
Year ended March 31, 2016	Extrusion	Bead	Subtotal	(Note 1)		(Note 2)	(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
Segment assets	¥39,216	¥72,607	¥111,824	¥3,798	¥115,622	¥ (485)	¥115,136
Other items							
Depreciation and amortization	¥ 1,397	¥ 3,432	¥ 4,829	¥ 28	¥ 4,857	¥ 30	¥ 4,887
Amortization of goodwill	-	¥ 16	¥ 16	-	¥ 16	-	¥ 16
Investment in equity-method affiliates	-	¥ 203	¥ 203	-	¥ 203	-	¥ 203
Increase in tangible and intangible fixed assets	¥ 2,136	¥ 3,949	¥ 6,058	¥ 47	¥ 6,132	¥ 47	¥ 6,180

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. Adjustments were as follows.
(1) The ¥931 million adjustment to segment loss consists of ¥928 million in companywide expenses not allocated to a reporting segment and ¥2 million in intersegment eliminations. The majority of these expenses are costs for research and development and common operating expenses not attributable to a reporting segment.
(2) The ¥485 million adjustment to segment assets consists of ¥321 million in companywide assets not allocated to a reporting segment and ¥807 million in intersegment eliminations. The majority of these assets are assets for research and development not attributable to a reporting segment.
(3) The ¥30 million adjustment to segment depreciation and amortization is associated with company assets not allocated to a reporting segment.
(4) The ¥47 million adjustment in increase in tangible and intangible noncurrent assets are company assets not allocated to a reporting segment.
3. Segment income is reconciled with operating income on the consolidated statements of income.

Millions of yen

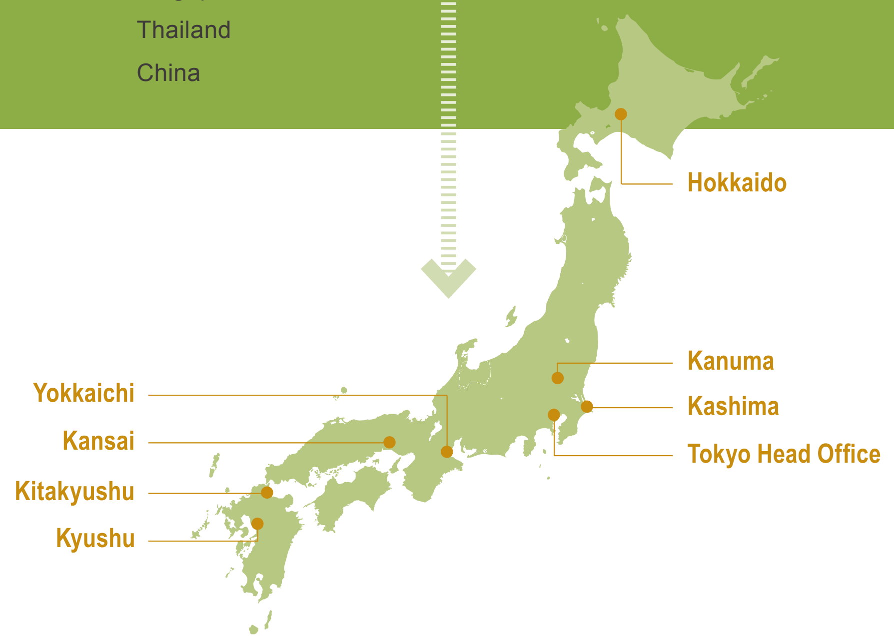
	Reporting Segments			Other	Total	Adjustment	Consolidated
Year ended March 31, 2017	Extrusion	Bead	Subtotal	(Note 1)		(Note 2)	(Note 3)
Sales							
External customers	**¥37,929**	**¥65,354**	**¥103,284**	**¥5,764**	**¥109,048**	**-**	**¥109,048**
Intersegment sales/transfers	**819**	**409**	**1,229**	**207**	**1,436**	**¥(1,436)**	**-**
Total sales	**¥38,749**	**¥65,763**	**¥104,513**	**¥5,971**	**¥110,485**	**¥(1,436)**	**¥109,048**
Segment income (loss)	**¥ 3,045**	**¥ 7,376**	**¥ 10,422**	**¥ 148**	**¥ 10,570**	**¥ (958)**	**¥ 9,612**
Segment assets	**¥37,459**	**¥72,593**	**¥110,052**	**¥3,565**	**¥113,618**	**¥ (466)**	**¥113,151**
Other items							
Depreciation and amortization	**¥ 1,621**	**¥ 3,137**	**¥ 4,758**	**¥ 29**	**¥ 4,788**	**¥ 149**	**¥ 4,937**
Amortization of goodwill	**-**	**¥ 14**	**¥14**	**-**	**¥ 14**	**-**	**¥ 14**
Investment in equity-method affiliates	**-**	**¥ 211**	**¥ 211**	**-**	**¥ 211**	**-**	**¥ 211**
Increase in tangible and intangible fixed assets	**¥ 1,439**	**¥ 4,481**	**¥ 5,921**	**¥ 18**	**¥ 5,939**	**¥ 48**	**¥ 5,987**

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. Adjustments were as follows.
(1) The ¥958 million of adjustment under segment loss consists of ¥963 million in companywide expenses not allocated to a reporting segment and ¥5 million in intersegment eliminations. The majority of these expenses are costs for research and development not attributable to a reporting segment.
(2) The ¥466 million adjustment to segment assets consists of ¥369 million in companywide assets not allocated to a reporting segment and ¥836 million in intersegment eliminations. The majority of these assets are assets for research and development not attributable to a reporting segment.
(3) The ¥149 million adjustment to segment depreciation and amortization is associated with company assets not allocated to a reporting segment.
(4) The ¥48 million adjustment in increase in tangible and intangible noncurrent assets is associated with company assets not allocated to a reporting segment.
3. Segment income is reconciled with operating income on the consolidated statements of income.

Global Network

(As of March 31, 2017)

Europe	Asia	Japan	North America	South America
France	South Korea		U.S.A.	Brazil
Czech Republic	Taiwan		Mexico	
	Singapore			
	Thailand			
	China			



Corporate Data

(As of March 31, 2017)

JSP Corporation

Head Office	Shin Nisseki Bldg., 4-2, 3-chome Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan
President, Representative Director	Yukio Sakai
Founded	January 1962
Paid-In Capital	¥10,128.610 million
Number of Shareholders	18,182
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	53.74
Japan Trustee Services Bank, Ltd.	2,652	8.89
JSP Client Stock Ownership Plan	1,021	3.42
J.P. MORGAN BANK LUXEMBOURG S.A. 380578	999	3.35
The Master Trust Bank of Japan, Ltd.	574	1.92
JP MORGAN CHASE BANK 385166	343	1.15
JSP Employee Stock Ownership Plan	321	1.08
Nippon Life Insurance Company	243	0.81
MSIP CLIENT SECURITIES	203	0.68
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	186	0.62

Notes: 1. The above list of major shareholders does not include treasury stock held by the company (1,602,000 shares).
2. The shareholding ratio does not include treasury stock.

**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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