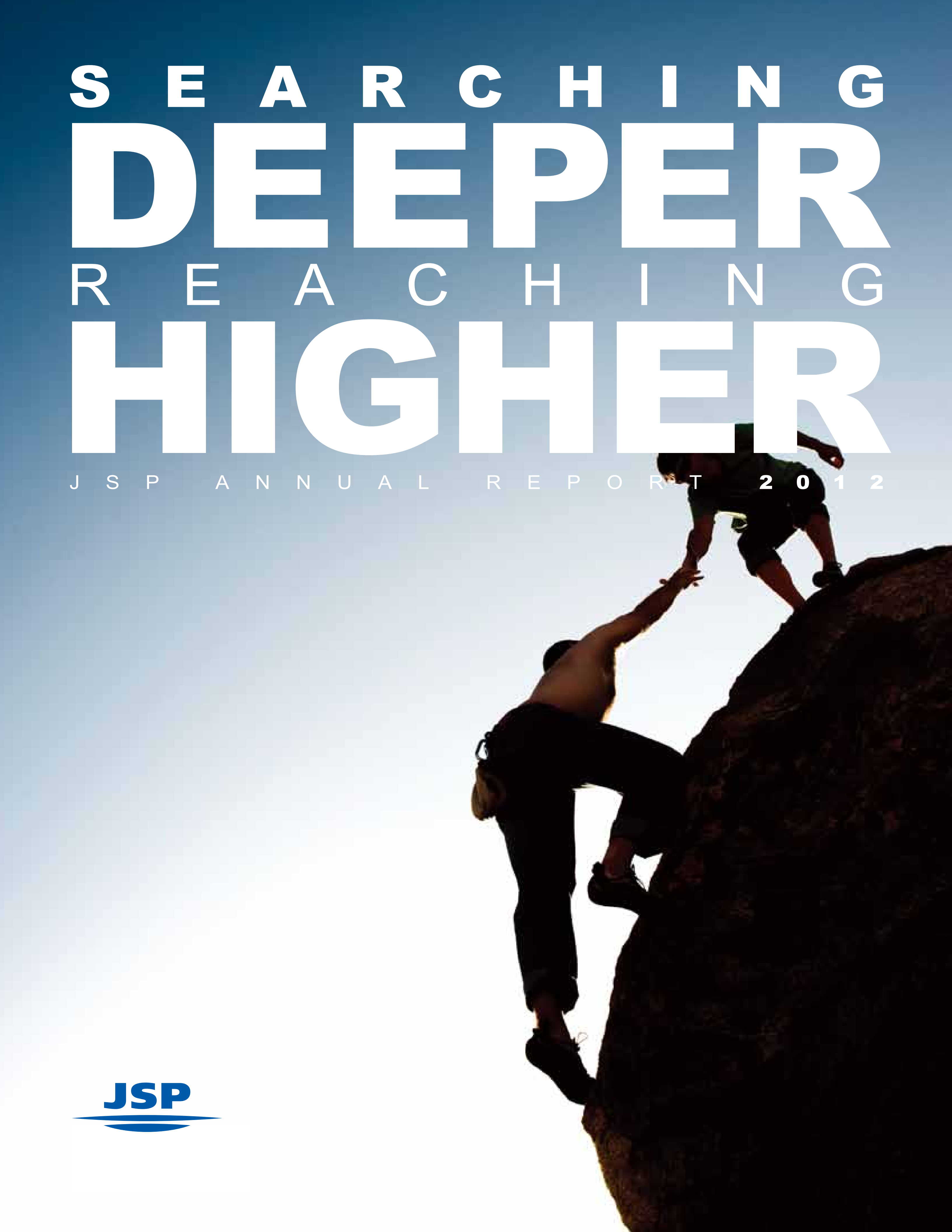
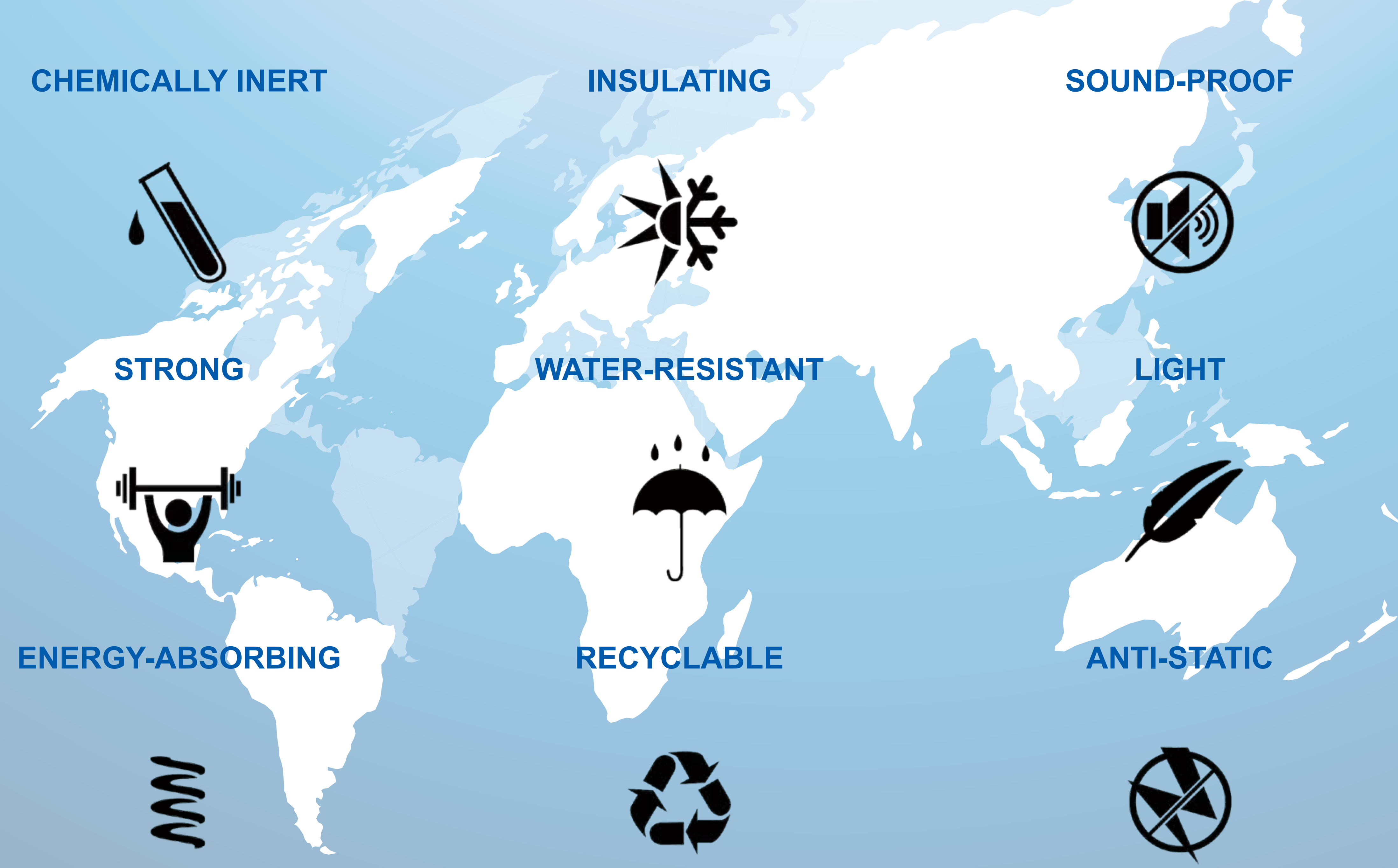
SEARCHING DEEPER REACHING HIGHER

JSP ANNUAL REPORT 2012



OUR PRODUCTS ARE...



WE DELIVER INNOVATIVE, VALUE-ADDED PRODUCTS TO THE MARKET, CREATING GROWTH AND NEW OPPORTUNITIES FOR OUR CUSTOMERS

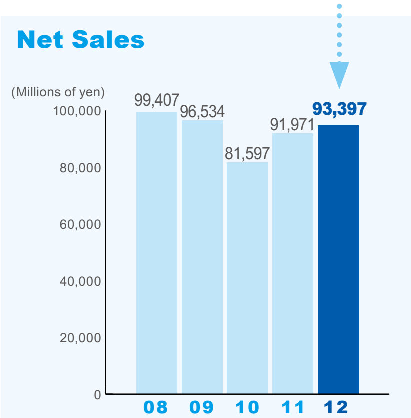
CONTENTS

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

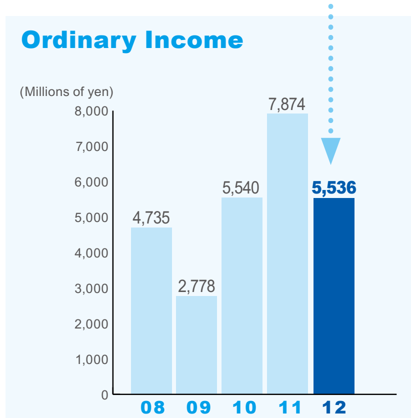
JSP CORPORATION
2012 FINANCIAL HIGHLIGHTS

	Millions of yen					Thousands of U.S. dollars (Note 1)
Years ended March 31	2012	2011	2010	2009	2008	2012 (US$)
FOR THE YEAR:						
Net Sales	**¥93,397**	¥91,971	¥81,597	¥96,534	¥99,407	**$1,136,364**
Operating Income	**5,296**	7,552	5,685	2,701	5,046	**64,437**
Ordinary Income	**5,536**	7,874	5,540	2,778	4,735	**67,356**
Income before Income Taxes	**5,176**	7,470	5,096	2,605	4,431	**62,986**
Net Income	**3,100**	4,881	3,209	1,366	2,589	**37,721**
AT YEAR-END:						
Total Assets	**89,072**	89,152	86,197	84,316	94,993	**1,083,737**
Total Net Assets	**47,362**	46,481	45,912	42,001	48,057	**576,258**
Capital Stock	**10,128**	10,128	10,128	10,128	10,113	**123,234**
AMOUNTS PER SHARE OF CAPITAL STOCK:			Yen			U.S. dollars (Note 1)
Net Income per Share	**¥103.98**	¥161.25	¥103.35	¥43.74	¥82.74	**$1.27**
Cash Dividends	**30.00**	30.00	19.00	14.00	14.00	**0.37**
Total Net Assets	**1,499.89**	1,470.44	1,391.92	1,278.38	1,425.83	**18.25**

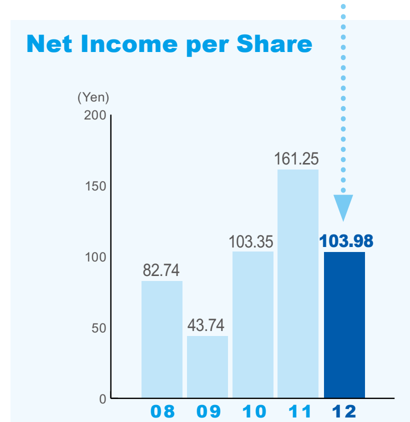
Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥82.19=U.S.$1.
2. Net income per share is computed based on the weighted average number of shares of common stock outstanding during each year.



+1.6%
net sales



−29.7%
ordinary income



−35.5%
net income per share

MESSAGE FROM THE PRESIDENT

DEEPEN & GROW

The direction of the global economy remained uncertain throughout the fiscal year ended March 2012. The Euro crisis and high crude oil prices, resulting from the change situation in the Middle East and Northern Africa, were the major causes of uncertainty. The Japanese economy was heavily impacted by electricity shortages following the natural disaster which also resulted in the accident at the nuclear power plant. In addition, the strength of the Yen has been a further brake on the Japanese economy.

In the face of these challenges, we set about improving revenues by focusing on value-added products that utilize our exclusive technologies and thereby expanding globally.

We believe that protecting our irreplaceable global environment requires us to create a balance between nature and production activity. We aim to further reduce our impact on the environment. As well as benefiting the environment, this should further validate the continuing public trust we enjoy and be a long-term competitive advantage.

Deepen and Grow is the current medium-term (2012 to 2014) management plan for our business.

We aim to *deepen and grow* through:

1. Strengthening our current business activities
2. Expanding business activities globally
3. Creating entirely new business activities

To strengthen our current business, we will selectively and intelligently reduce costs, drive for increased penetration and achieve more diversification through new applications and indeed new value-added grades of materials.

Our global presence is now firmly established and strengthened by our recent investments in Brazil. Our business in China will benefit from a four-base operating structure (North, East, Southwest and South). We are also accelerating our reach in the Southeast Asia, South America, and Africa to expand our business more quickly. Our existing global operations will even further deliver on co-operation and co-ordination as well as building on our technological capabilities in order that we deliver value to our clients.

We have committed significant attention and resources to creating entirely new business activities. Some of the projects we have in hand are very exciting and have the potential to deliver profitable global businesses of scale.

Our *deepen and grow* plans are underpinned by specific achievement targets. No later than March 2014 we target to achieve Sales of ¥110,000 million and an operating margin of 8.0%. We are confident that we will continue to work as one global JSP, developing new ideas to achieve further growth and delivering value to our clients.

K. Tsukamoto

Kozo Tsukamoto
President

REVIEW OF OPERATIONS

Bead Business

Sales in the Bead segment increased 5.3% year-on-year to 52,869 million yen and operating income fell 29.5% to 3,212 million yen. The major reason of profit decline in this segment was that the demand for STYRODIA® (expandable polystyrene beads) has been rapidly decreasing in the disaster area.

ARPRO®/P-BLOCK™ (expanded polypropylene), manufactured and sold globally, is used in automotive parts such as bumper cores, interior parts, and seat cores, packaging for consumer electronic equipment, containers for medical applications and food, and for materials for construction and civil engineering. Global sales of ARPRO®/P-BLOCK™ increased compared with the previous year. In North America, demand for ARPRO®/P-BLOCK™ has continued to be strong driven by an increase in automotive builds. In South America, the current plant has been operating at full capacity, and further expansion of production capacity has been in progress to meet the increasing demand in this region. In Europe, despite the Euro crisis, strong business performance has been sustained this fiscal year thanks to the increasing penetration of ARPRO®/P-BLOCK™ in automotive applications and the diversification of applications such as heating, ventilation, air-conditioning and refrigeration (HVAC-R) and reusable industrial packaging (dunnage). In Asia, there was growing demand for automotive applications. Indeed, demand was so strong in China that we supplemented supply from our factory in Singapore. Production capacity in China is being increased and will be on-stream later in 2012. In Japan, the business environment remained difficult, primarily due to the effects of the natural disaster and the accident at the nuclear power plant, both of which led to serious electric power shortages. Sales of ARPRO®/P-BLOCK™ used in automotive and packaging applications temporarily decreased, but the demand subsequently recovered to the same level as the previous fiscal year. Sales of STYRODIA® decreased as there still has not been a full recovery in demand for fish boxes, which is the primary application for the product, in the areas damaged by the natural disaster. The demand for packaging for home appliances also declined, due the shift of production outside of Japan as a counter to the strength of the Yen. FOAMCORE™, (a hybrid molded product used as a ceiling material for prefabricated bathroom units) and SUPERFOAM™, (used in automotive air conditioning ducts) were included in the Bead segment from fiscal year 2011. Sales of FOAMCORE™ increased as a consequence of tighter thermal insulation standards, while sales of SUPERFOAM™ were lower because of the decline in automotive production.

Extrusion Business

Sales in the Extrusion segment decreased 2.4% year-on-year to 34,585 million yen and operating income decreased 17.3% to 2,557 million yen. The major reason of decreasing profit was the delay of selling price increase for some products in this segment in the face of surge of raw material price.

MIRAMAT® (expanded polyethylene sheet) and P-BOARD™ (expanded polypropylene sheet) are used as industrial packaging materials, mainly for the transport of substrates for LCD TVs and other digital home appliances. Sales of these two products decreased due to the contraction of the production of home appliances resulting from the natural disaster as well as reduced demand from export markets resulting from the strength of the Yen. Sales of STYRENE PAPER™ (expanded polystyrene sheet used in food packaging) were sluggish for the same reasons. In advertising displays and folding boxes, sales of MIRABOARD™ (expanded polystyrene sheet) were about the same as the previous year. In home insulation material, sales of MIRAFOAM™ (extruded board made of expanded polystyrene) were at the same level as the previous year, supported by Government subsidies for environmentally friendly housing and the increased demand for temporary housing in the disaster area. Sales of MIRAPLANK™ (extruded board made of expanded polyethylene), used as a cushioning material for cargo in trucks and in returnable containers for transporting home appliances and automotive parts, decreased due to a general decline in transportation volume.

2012 Performance

¥93,397million

Net Sales

Up 1.6% from 2011

Other Business

Our trading and special fabrication of general packaging materials businesses had lower sales because of the natural disaster and the strength of the Yen serving to inhibit demand.

As a result, sales in this segment declined 6.0% to 5,942 million yen and there was an operating loss of 214 million yen (compared to operating income of 7 million yen a year earlier).

REGIONAL REPORTS

Shinji Yamada — Asia/China

The automotive market in China, the World's largest, reached sales of 18.5 million units in 2011. In addition, further steady growth in the passenger car sector is expected. This is driven by the expanding middle-class, particularly in the wealth growth cities of the inland area.

We have enhanced our local design and development resources in order to further promote new automotive applications, such as ARPRO®/P-BLOCK™ pedestrian protection bumper systems and seat cores. This will provide growth in the period from 2012 to 2014.

The high demand for plant-to-plant transportation packaging of digital home electronics, especially smart phones and tablet PC's is expected to continue.

We are completing the 2nd phase capacity extension at our Dongguan plant, which will be operational from the 2nd half of this year, with capacity of 14,000 t/y.

We expect that demand will grow sufficiently to require the 3rd and 4th manufacturing locations.

Koichi Teranishi — Asia/Japan

Following the natural disaster, the Japanese economy is now on a gradual recovery trend. The Japanese domestic market, however, is contracting; as companies accelerate and prioritize investment outside of Japan. Under these economic circumstances, we will act to reduce costs and concentrate on products with high added value.

There are two major business segments in Japan, Extrusion and Bead.

In the Extrusion business, one of our core products, MIRAMAT® ACE, used as surface protection material for glass substrates and panels of LCD TVs, has now been adopted as a protection material for organic EL TVs and tablet computer parts. We are also planning to cultivate a new market by providing high value-added products with excellent properties such as permanent antistatic or static dissipation for packaging materials for IT related products.

In the food packaging sector we are working to create new markets by using innovative materials that are alternatives to solid sheet or high density sheet.

In the Bead business, on top of the existing major applications for fish and vegetable boxes, STYRODIA® has been expanding in application for insulation material for construction, heat resistant application for boilers and tanks, and structural parts for air conditioning equipment. We will further drive for the application development by introducing our new functional grades such as ELEMPOR NEO™ (expandable polyethylene and Polystyrene copolymer bead) and HEATPOR® (expandable heat-resistant bead).

We do not expect any significant increase of automotive production in Japan. Nevertheless, we strive to increase the penetration of ARPRO®/P-BLOCK™ in automotive applications.

Due to the delay of the Japanese Government action for recovery in the disaster area, strong demand for the necessary construction and civil engineering materials will be expected only in 2013. Consequently, demand will increase for MIRAFOAM™ which has the world leading level of insulation performance, as well as for WALLBLOCK™ which is a construction method using our STYRODIA® that serves to shorten construction time.

Inwon Chang — Asia/Korea

The World economy, which had been recovering from the financial crisis, is now exposed to the effects of the sovereign debt and currency crisis in Europe. In addition, the rate of growth in Brazil and China has slowed. All of these global influences impact the demand for ARPRO®/P-BLOCK™. However, the drivers of the short-term demand issues also present opportunities. The high performance at reduced

Shinji Yamada — Asia/China


Koichi Teranishi — Asia/Japan


Sachio Suzuki — Asia/Southeast & South Asia and Oceania


Inwon Chang — Asia/Korea

weight provided by ARPRO®/P-BLOCK™ is a unique opportunity to expand utilization over the medium-term.

The range of applications continues to diversify; incorporating automotive seat parts, as well as new concepts in returnable/re-usable packaging for refrigerator and other domestic goods.

Despite the uncertain economic environment, we are optimistic about the future.

Sachio Suzuki — Asia/Southeast & South Asia and Oceania

Our ARPRO®/P-BLOCK™ activities cover a wide geographic area; South-East & South Asia to Oceania. The market demand in Thailand, a significant market, was badly damaged by the flooding in late 2011. However, this has recovered much faster than we expected initially. In addition, other ASEAN demand from Malaysia and the Philippines has seen continuous modest growth. These factors resulted in satisfactory returns in 2012.

Demand from India is expected to represent a significant growth opportunity in the near future. We intend to build an ARPRO®/P-BLOCK™ factory at Mahindra World City in Chennai.

Indonesia, with a population of some 240 million people, is also expected to be an important automotive market growth opportunity. The capacity of automotive production in Indonesia has been increasing. It is anticipated to increase from 1 million passenger cars per year in 2011 to 1.7 million passenger cars by 2014. Total automotive builds in Thailand, India and Indonesia are expected to reach 7.5 million cars per year in 2012 and climb to 9.2 million cars per year by 2014.

We are enhancing our technical development support and commercial services at warp speed, to best serve the dynamic, growing and ever-changing market we serve. These efforts underpin the next stages of our growth strategy.

REGIONAL REPORTS

Toru Yamaguchi — Asia/Taiwan

The prospects for the Taiwan economy are inevitably influenced by the world economic situation. However, it is expected that the production and sales of flat-panel TVs in Taiwan will show steady growth, due to the demand in China. In addition, the ever increasing demand for smart-phones and tablet PC's also present opportunities for us. ARPRO®/P-BLOCK™ delivers excellent quality, is available to short lead times and provides clients with class leading value.

We are planning for investment in increased production capacity to meet the forecast demand growth.

Paul Compton — EMEA (Europe, Middle-East & Africa)

Our strong business performance reflects the strong value proposition of ARPRO®/P-BLOCK™ and results in our leading market position. The growth in ARPRO®/P-BLOCK™ sales serves to demonstrate the benefit of a large loyal client base and also how a strong value offering attracts significant new clients and end-users. The continuing high cost and volatility of propylene, driven both by the cost of crude oil and specific demand dynamics, does however make holding price levels difficult.

The continuing value offered by ARPRO®/P-BLOCK™ is underpinned by; our focus on speed of delivery, a culture of client service, a focus on constant innovation and relentless attention to and improvement in all elements of quality and consistency.

Whilst the economic outlook is uncertain, our business model is strong and the financial position is robust. The strategy of driving and capturing growth through innovation has worked well and will continue. This is targeted to achieve double-digit growth over the coming years. Our efforts have and will continue to fuel growth through increased penetration and diversification. The increasing penetration of ARPRO®/P-BLOCK™ in automotive applications has and is designed to continue to insulate our business from sector demand shocks. Whilst future demand shocks may occur, as a result of weakening consumer demand for cars due to the impacts of both the continuing Euro crisis and the austerity measures to deal with problematic Sovereign debt in many countries in Western Europe, success in application spread (penetration) reduces the impact. We also look to continued success through diversification of application sectors and geography. ARPRO®/P-BLOCK™ is increasingly used in heating, ventilation, air-conditioning and refrigeration applications (HVAC-R) and also continues its strong presence in reusable industrial packaging (dunnage). Particular areas of new geographic growth within the EMEA area are; Russia, the Middle-East and Africa. We also underpin growth through constant efforts to improve process and product development.

The growth opportunities are exciting and are fuelled by the rigor of our penetration and diversification efforts. Even if the near-term economic situation is not encouraging, this approach can, at least, in part insulate our business. The medium-term view remains very encouraging and a growth trend is anticipated.

Rich. C. Alloway — North America

For North America, the period from 2012 through 2014 is expected to be one of significant growth and opportunity. Our core automotive business will continue to flourish. Automotive builds are scheduled to extend their rebound from a low of 9,000,000 units in 2009 to 14,500,000 units in 2012 and eventually up to the 16,000,000 unit mark by 2014. In addition to the increase in vehicle builds, we forecast continued penetration for ARPRO®/P-BLOCK™ into the automotive market via new applications, most notably seat cores.

Growth is also projected in our other markets. Plank sales, which have been averaging 10% annual increases, should accelerate as a result of new capacity and product offerings. Our underlayment business will increase significantly as the field market rebounds with the economy and our landscaping product line is introduced on a national basis. We also anticipate


Toru Yamaguchi — Asia/Taiwan


Paul Compton — EMEA (Europe, Middle-East & Africa)


Rich. C. Alloway — North America


Raul Sanchez — South America

growth in our new product lines with recent investment in the integxion™ high performance sheet foam business and in a molding plant for returnable packaging. We have the capacity and flexibility to pursue numerous new markets and applications.

This growth will be challenging. We have a substantial capital plan in place to ensure that we meet these demands in a safe, environmentally responsible and profitable manner. As always, we will undergo this challenge with an unrelenting focus on customer satisfaction.

Raul Sanchez — South America

The period of 2012 through 2014 for South America is expected to be one of consolidation and continued growth. In 2012 we are starting up our "SAP" (Santo Antonio de Posse) Plant. The new ARPRO®/P-BLOCK™ capacity comes on-stream in the summer of 2012; with additional molding capacity coming in the second half of the year. Our Campinas Plant is completely full so the new capacity from SAP is awaited with eagerness by the markets in Argentina and Brazil.

The automotive sector in Brazil is expected to continue to grow. The Brazilian economy is now the 5th largest in the World and the Brazilian automotive industry will soon be 4th in the world, surpassing Germany and smaller only than China, the US, and Japan. Automotive builds are expected to surpass the 4 million/year mark in 2013/14 and continue with over 5% growth beyond that.

In addition to the core automotive growth, we are promoting other automotive applications such as seat and trunk components. We are also actively working to diversify into other markets such as the mattress and packaging industries. Other business opportunities and indeed business areas are constantly under evaluation. The management of the exciting organic growth and new areas of opportunity demand significant resource; thus our focus during the period from 2012 to 2014 will be to manage growth efficiently and effectively, plant the seed to diversify our book of business and consolidate our presence in the region.

GLOBAL REACH

New molding facility in Michigan, US.

Plant expansion in Dongguan Plant

New production site in Brazil

We now have operations in all of the major global markets and are adding to our production capacity to meet growing demand. We have continuously improved our production and sales structure and capability to meet the wide range of needs of global markets.

Brazil

In February 2011, we made a strategic acquisition in Brazil. We are now running close to capacity and are in the final stages of construction of a new factory outside Sao Paulo that will start production in July 2012. This will triple our production capacity in the country. We expect the Brazilian economy will grow rapidly with the benefit from the soccer World Cup and 2016 Olympic Games. At present, Brazil produces 3.5 million automobiles annually, with that number expected to reach 5 million soon.

India

We have established a presence in India and expect to build a manufacturing plant in the near future.

China

In China, we are adding production capacity at our Dongguan plant to meet the growing demand sparked by the country's incredible economic growth. We completed the construction work in July 2012. In addition to our current Wuxi and Dongguan plants, we are planning to gain ground in the North and Southwest parts of China to establish a four-base operating structure.

North America

In August 2011, we purchased an ARPRO®/P-BLOCK™ molding plant located west of Detroit, Michigan. This facility positions us to respond to the increasing auto production. The need for energy-saving, safe vehicles have led to continuously increasing demand for ARPRO®/P-BLOCK™ which is light-weight and has energy management properties. We now have six strategically positioned production plants in North America, with all locations running at high operating rate. There remains scope for further significant growth.

NEW PRODUCTS

Barrier Tank

New Fuel Tank

"Barrier Tank" (trademark in progress) utilizes MX Nylon resin layers impregnated with high-density polyethylene (HDPE) to offer barrier capabilities that restrict gasoline permeation.

The product was a co-development utilizing JSP's blow-moulding technology and MX Nylon from Mitsubishi Gas Chemical. The Barrier Tank is targeted at engines of 1.0 to 1.5 litre capacity, and represents exceptionally high value for the price.

The Barrier utilizes existing high-density polyethylene tank blow molding investments and offers advantages versus tanks produced by fluorine coating or multilayer blow molding. Additionally process waste is easily recycled.

Already adopted by Suzuki for use in outboard motors, Barrier Tank has global market potential and is particularly suited to the demands of the North American market, where regulations on fuel permeation are already in effect.

Barrier Tank is also ideal for chain saws, power generators, lawn mowers, golf cars, tractors, and dune buggies.

The annual global demand for this type of solution is estimated at four to five million units.

P-SHINE™ SD

Charge-Free, Protects Products from Static Electricity

Sales have commenced of our newly developed P-SHINE™ SD, a non-cross linked high-density polypropylene foam sheet for molding, featuring static dissipative properties making it ideal for use in shipping trays used in the transport of electronic components and equipment.

New technology has made it possible to incorporate charge-free properties into this product, allowing it to protect packaged items from static electricity buildup. This new product overcomes a long-time weakness in other anti-static products, namely that they allow the additives to transfer to the packaged product during shipping. P-SHINE™ SD delivers high-value to clients.

JSP first created a series of permanent anti-static cushioning and packaging materials for commercial applications in 2001. In recent years we have extended the range of permanent anti-static products we offer.

The introduction of P-SHINE™ SD sheets to the market represents an evolution in the JSP lineup of permanent anti-static products. This new non-charge technology not only protects products from static electricity, but also reduces the risk of dielectric breakdown in electronics components due to electrostatic discharge by maintaining the optimum surface resistance of the sheet. The new technology also reduces the risk of the additives being transferred to the packaged product.

JSP EXHIBITS AT THE INTERNATIONAL PLASTIC FAIR

JSP exhibited at the 2011 International Plastic Fair, held in October at the Makuhari Messe in Chiba, Japan

Held once every three years, this event covers technology and services related to all aspects of plastic and rubber, including; raw materials, equipment, products, recycling equipment, and fabricating.

The JSP display was designed to allow visitors to see the different ways in which our products are found in our daily lives.

To demonstrate the range of automotive applications for ARPRO®/P-BLOCK™, we displayed a real scale car replica. ARPRO®/P-BLOCK™ is used in an ever-widening range of automotive applications as it provides shock absorption/energy management properties and is light-weight. ARPRO®/P-BLOCK™ is used in all types of passenger vehicles, including hybrids and electric vehicles. The pursuit by the automotive industry of improvements to fuel efficiency are answered by the high property yet light-weight nature of ARPRO®/P-BLOCK™.

We also featured MIRAFOAM™, an extruded foamed board made of polystyrene used as an insulation material in home building. The high insulation efficiency of MIRAFOAM™ makes it ideal for thermal insulation of outer walls. Thereby making homes and building more energy efficient. The MIRAFOAM™ display featured a house, complete with walls, ceiling, and floors to highlight the use of our insulation materials.

Visitors could also learn more about other of our products and how they are in fact already part of our daily lives. Exhibits included; MIRAMAT® a cushioning material for cargo transport, STYRODIA® used in fish boxes and fruit boxes, and STYRENE PAPER™ used in food trays and instant ramen (noodle) cups. Other displays featured; permanent anti-static technologies and simultaneous blow molding and bead forming in a single mold.

The event was a great success and has resulted in a high level of interest and many enquiries.

THE ARPRO® ADVENTURE

Paul Compton – the future

Tom Peters Company

The ARPRO® Awards

The ARPRO® Adventure is our EMEA annual client event that aims to stimulate and inform. The ARPRO® Adventure allows us to share our enthusiasm and how we are continuously developing and investing in ARPRO® with our valued client base, in an engaging and interactive manner.

The event has been held in a different location each October since 2008. Locations so far have been; Weggis/Luzern, Frankfurt, Prague and Geneva.
The 2012 event is to be held in Barcelona at Camp Nou, the home of the incomparably successful and current World Club Champions F C Barcelona. Each ARPRO® Adventure is unique and is built around a time pertinent business theme. The theme for 2012, given the location, is teamwork, strategy and efficient and effective execution.

The majority of speakers are drawn from JSP, but we also have highly relevant and thought provoking external speakers, with whom we as a business or our employees have relationships. Some tremendous individuals have spoken, including: President Martti Ahtisaari (former President of Finland and Nobel Peace Prize Winner), Sir Nick Scheele (former President of FORD), Tim Harford (Editor of the Financial Times) and Professor Jok Madut Jok (who among many other achievements started and funded a school in war stricken South Sudan).

Companies and organisations who have spoken at the ARPRO® Adventure include: BMW, Dimplex, ECOmove, Environmental Resource Management, FIA, J D Power, PSA Peugeot Citroen, Skoda, Tom Peters Company, WWF and Williams Formula 1.

A small taste of the ARPRO® Adventure can be seen at: arpro.com/adventure2011

A further feature of the event are the prestigious ARPRO® Awards. The highly respected and valued ARPRO® Awards recognise; technical achievement, excellence, environmental performance and career achievement. Past winners include: BMW, Dimplex, ECOmove and Rowenta.

CORPORATE GOVERNANCE

1 Basic Stance

We recognize that our basic mission as management is to increase shareholder value in a sustainable manner. Further, we understand the need to meet our responsibilities to all of our stakeholders, including employees, customers, consumers, the local citizens, and the communities which we serve.

In light of this stance, we believe that proper corporate governance represents an indispensable part of our business. It is important for us as a company to be consistent in our pursuit of efficiency, transparency, and soundness in management, from the election of corporate directors through the establishment of corporate compliance mechanisms.

2 Governance Organizations

The board of directors deliberate and decide important company business matters. The board and the audit committee ensure business is performed in an appropriate manner.

We also hold management meetings made up of regular members who discuss important business. We have adopted a system of executive officers to ensure the efficient execution of our business. In this way, we have established a system to assign both authority over the execution of our business and responsibility.

3 Internal Controls, Risk Management

We have taken measures to institute appropriate systems and structures for internal controls and risk management. We have policies in compliance with legal statutes, continually reviewing these systems and revising as necessary.

We have established the risk management and compliance committee chaired by the representative director. This committee has responsibility for cross-organizational monitoring and audit, taking the lead in exercising risk and compliance management for JSP.

4 External Audits

Our external and internal auditors assess legal compliance and the validity of company operations and assets. External and internal auditors have dynamic exchange and coordination.

GLOBAL NETWORK

RESULTS OF OPERATIONS

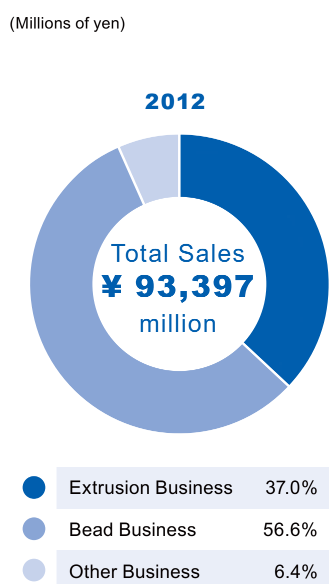
For the fiscal year ended March 31, 2012 (FY2011), JSP Corporation and its consolidated subsidiaries ("the Company") recorded net sales of ¥93,397 million, representing a 1.6% year-on-year increase. Consolidated operating income amounted to ¥5,296 million, a 29.9% year-on-year decrease, while ordinary income fell 29.7% year-on-year, amounting to ¥5,536 million. Consolidated net income amounted to ¥3,100 million, representing a 36.5% decrease compared to the prior fiscal year.

These results reflected both the economic situation in Japan and for the world at large. While the economies in Asia and other emerging markets experienced continued growth, financial issues continued to disrupt the markets in Europe, and instability in the Middle East and Northern Africa resulted in soaring oil prices. In Japan, due to the aftereffects of the Great East Japan Earthquake in March 2011, demand and production has reduced in industrial sector. The strong valuation of the yen against other world currencies led to lower exports and inevitable downward economic pressure.

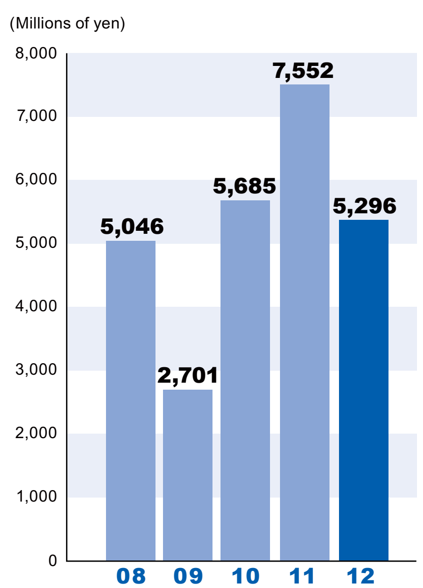
In the face of these challenges, JSP worked as a group to improve our profit structure, building up our production systems and focusing on selling high-value-added products based on our proprietary technologies.

On a consolidated basis, the Company recorded extraordinary income of ¥323 million, including ¥221 million related to negative goodwill. Extraordinary losses amounted to ¥682 million, which included ¥223 million in losses attributable to the aftereffects of the Great East Japan Earthquake in March 2011.

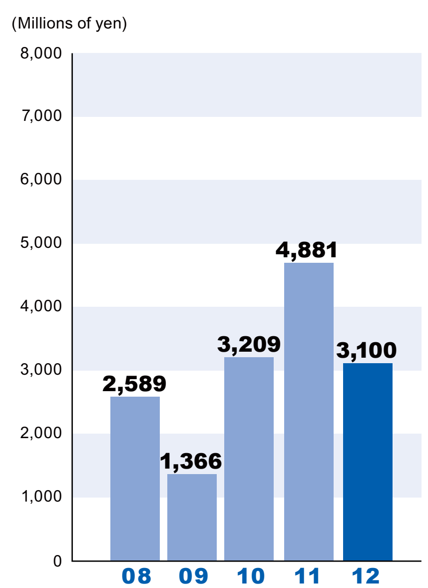
Sales Breakdown by Business Segment



Operating Income



Net Income



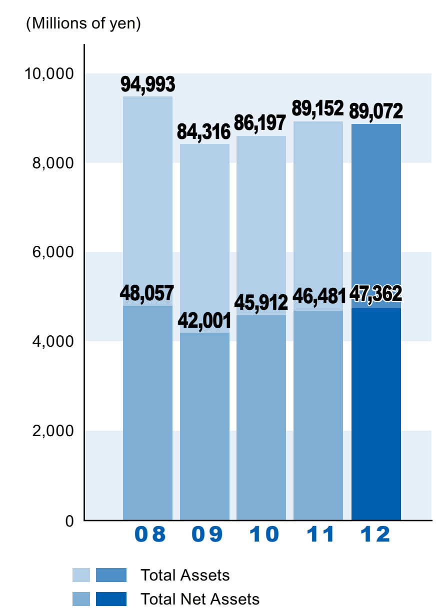
FINANCIAL POSITION

As of March 31, 2012, total consolidated assets amounted to ¥89,072 million, a ¥79 million decrease compared to the end of the prior consolidated fiscal year. This decrease was primarily due to a decrease of ¥1,018 million in current assets, offset somewhat by a ¥938 million increase in noncurrent assets.

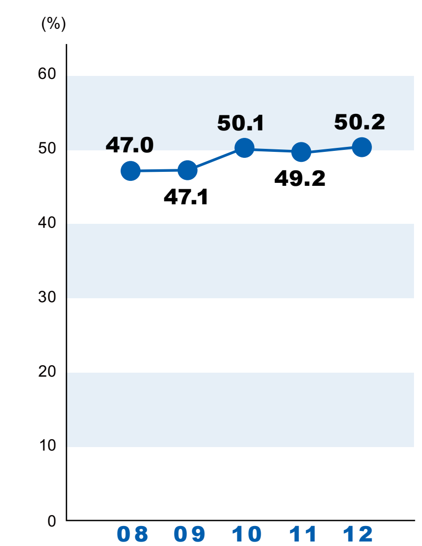
Total consolidated liabilities amounted to ¥41,709 million, which was a ¥960 million decrease compared to the end of the prior consolidated fiscal year. The bulk of this decrease was due to a ¥1,840 million decrease in current liabilities partially offset by a ¥879 million in increased noncurrent liabilities.

As a result, consolidated net assets amounted to a total of ¥47,362 million as of the end of the consolidated fiscal year, representing a 50.2% shareholders' equity ratio, up 1.0% from the end of the prior consolidated fiscal year.

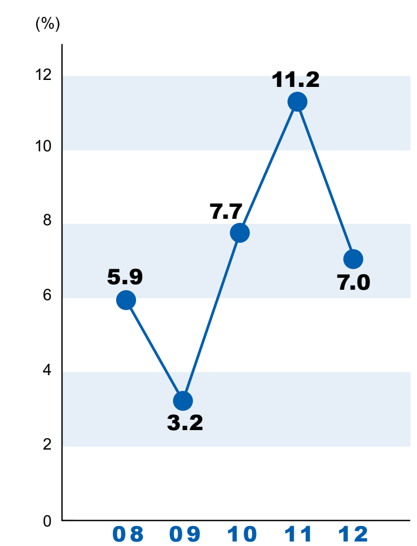
Total Assets/ Total Net Assets



Shareholder's Equity Ratio



Return on Equity



CASH FLOWS

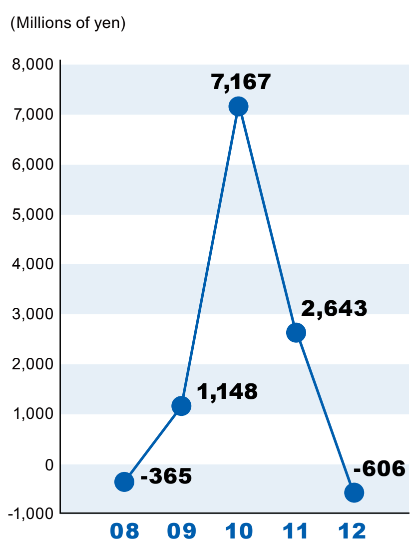
Consolidated cash and cash equivalents as of March 31, 2012 amounted to ¥5,976 million. This represented a ¥4,511 million decrease in total cash and cash equivalents compared to the end of the prior consolidated fiscal year.

Net cash from operating activities amounted to ¥5,532 million, a ¥2,308 million year-on-year decrease. This decrease was primarily due to ¥5,176 million in net income before taxes and adjustments, depreciation and amortization in the amount of ¥4,607 million, and an increase in accounts payable-trade of ¥1,837 million. These increases were offset by an increase of ¥2,739 million in accounts receivable-trade, and income tax payments of ¥1,936 million.

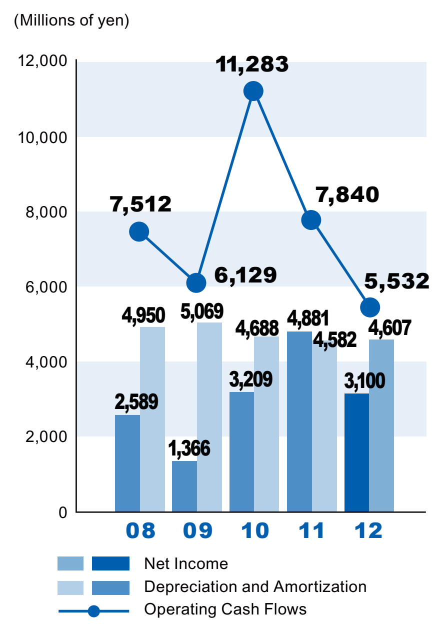
Net cash used in investing activities amounted to ¥6,138 million, representing a year-on-year increase of ¥941 million. These funds were used primarily to acquire noncurrent assets (¥6,006 million) and a net outlay of cash for time deposits (¥614 million).

Net cash used in financing activities amounted to ¥3,602 million, an increase of ¥3,126 million compared to the prior fiscal year. These funds were primarily used to repay long-term loans (¥5,243 million) and short-term loans (¥2,991 million), and to pay dividends (¥894 million). These outlays were offset by cash inflows of ¥5,728 million in new long-term loans.

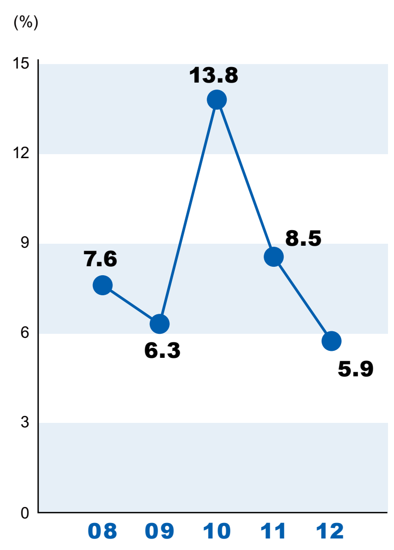
Free Cash Flows



Net Income/ Depreciation and Amortization/ Operating Cash Flows



Operating Cash Flows to Net Sales Ratio



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of JSP Corporation

We have audited the accompanying consolidated financial statements of JSP Corporation and its subsidiaries, which comprise the consolidated balance sheets as at March 31, 2012, and the consolidated statements of income, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of JSP Corporation and its subsidiaries as at March 31, 2012, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Toho Audit Corporation
June 22, 2012
Tokyo, Japan

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

CONSOLIDATED STATEMENTS OF INCOME

JSP Corporation and Consolidated Subsidiaries

Years Ended March 31

	Millions of yen		Thousands of U.S. Dollars
	2012	2011	2012
Net sales	¥ 93,397	¥ 91,971	$ 1,136,364
Cost of sales	67,516	64,320	821,465
Gross profit	25,881	27,651	314,899
Selling, general and administrative expenses			
Selling expenses	6,735	6,498	81,954
General and administrative expenses	13,849	13,600	168,506
Total selling, general and administrative expenses	20,585	20,098	250,461
Operating income	5,296	7,552	64,437
Non-operating income			
Interest income	245	166	2,991
Dividends income	20	85	244
Rent income	53	61	647
Foreign exchange gains	28	—	351
Amortization of negative goodwill	120	120	1,467
Equity in earnings of affiliates	15	—	186
Other	249	327	3,040
Total non-operating income	733	762	8,929
Non-operating expenses			
Interest expenses	240	236	2,921
Foreign exchange losses	—	95	—
Equity in losses of affiliates	—	11	—
Other	253	97	3,090
Total non-operating expenses	494	440	6,011
Ordinary income	5,536	7,874	67,356
Extraordinary income			
Gain on sales of noncurrent assets	17	6	211
Gain on sales of investment securities	0	257	6
Reversal of allowance for doubtful accounts	—	30	—
Gain on negative goodwill	221	—	2,693
Reversal of provision for loss on disaster	84	—	1,027
Other	—	74	—
Total extraordinary income	323	369	3,938
Extraordinary loss			
Loss on retirement of noncurrent assets	54	104	660
Loss on sales of noncurrent assets	39	118	485
Loss on sales of investment securities	—	7	—
Loss on valuation of investment securities	20	—	243
Impairment loss	169	—	2,058
Loss on valuation of inventories	9	—	120
Provision for loss on business liquidation	166	—	2,020
Loss on disaster	223	401	2,719
Loss on support to subsidiaries and affiliates	—	100	—
Other	—	41	—
Total extraordinary losses	682	773	8,308
Income before income taxes	5,176	7,470	62,986
Income taxes-current	1,470	2,296	17,896
Refund of income taxes for prior periods	—	(21)	—
Income taxes-deferred	287	(63)	3,497
Total income taxes	1,758	2,211	21,394
Income before minority interests	3,418	5,258	41,592
Minority interests in income	318	376	3,870
Net income	¥ 3,100	¥ 4,881	$ 37,721

CONSOLIDATED BALANCE SHEETS

JSP Corporation and Consolidated Subsidiaries

As of March 31

	Millions of yen		Thousands of U.S. Dollars
Assets	2012	2011	2012
Current assets			
Cash and deposits	¥ 9,362	¥ 13,474	$ 113,907
Notes and accounts receivable-trade	29,055	26,709	353,516
Short-term investment securities	0	0	1
Merchandise and finished goods	5,416	4,862	65,899
Work in process	680	598	8,282
Raw materials and supplies	3,398	2,868	41,343
Accounts receivable-other	572	710	6,960
Deferred tax assets	858	1,056	10,450
Other	1,011	1,025	12,308
Allowance for doubtful accounts	(282)	(214)	(3,432)
Total current assets	50,073	51,091	609,237
Noncurrent assets			
Property, plant and equipment			
Buildings and structures	28,065	27,650	341,472
Accumulated depreciation	(16,837)	(16,161)	(204,856)
Accumulated impairment loss	(69)	—	(848)
Buildings and structures, net	11,158	11,489	135,767
Machinery, equipment and vehicles	53,926	53,608	656,124
Accumulated depreciation	(45,049)	(44,343)	(548,111)
Accumulated impairment loss	(24)	—	(303)
Machinery, equipment and vehicles, net	8,852	9,265	107,708
Land	13,054	11,995	158,836
Lease assets	120	93	1,472
Accumulated depreciation	(75)	(54)	(915)
Lease assets, net	45	38	557
Construction in progress	1,477	771	17,978
Other	8,198	8,000	99,747
Accumulated depreciation	(7,634)	(7,368)	(92,890)
Accumulated impairment loss	(2)	—	(32)
Other, net	560	632	6,824
Total Property, plant and equipment	35,150	34,194	427,672
Intangible assets	967	986	11,771
Investments and other assets			
Investment securities	1,873	1,673	22,789
Long-term loans receivable	27	27	334
Deferred tax assets	221	253	2,692
Other	778	965	9,471
Allowance for doubtful accounts	(19)	(40)	(231)
Total investments and other assets	2,881	2,880	35,056
Total noncurrent assets	38,999	38,060	474,500
Total assets	¥ 89,072	¥ 89,152	$ 1,083,737

The accompanying notes are an integral part of these statements.

Liabilities	Millions of yen 2012	2011	Thousands of U.S. Dollars 2012
Current liabilities			
Notes and accounts payable-trade	¥ 11,868	¥ 10,210	$ 144,402
Short-term loans payable	6,122	9,200	74,493
Current portion of long-term loans payable	4,582	4,533	55,749
Lease obligations	36	34	445
Accounts payable-other	3,086	2,541	37,548
Income taxes payable	307	967	3,739
Accrued consumption taxes	111	306	1,355
Deferred tax liabilities	10	6	123
Provision for bonuses	1,168	1,326	14,211
Provision for loss on business liquidation	166	—	2,020
Provision for loss on disaster	32	340	399
Notes payable-facilities	87	59	1,065
Accounts payable-facilities	853	637	10,389
Other	1,634	1,743	19,891
Total current liabilities	30,068	31,908	365,836
Noncurrent liabilities			
Long-term loans payable	9,753	9,307	118,674
Lease obligations	49	41	597
Deferred tax liabilities	469	355	5,717
Provision for retirement benefits	714	508	8,691
Provision for directors' retirement benefits	152	130	1,857
Provision for corporate officers retirement benefits	27	12	328
Negative goodwill	120	241	1,467
Other	354	164	4,307
Total noncurrent liabilities	11,641	10,761	141,642
Total liabilities	41,709	42,670	507,479
Net assets			
Shareholders' equity			
Capital stock	10,128	10,128	123,234
Capital surplus	13,405	13,405	163,103
Retained earnings	30,681	28,475	373,299
Treasury stock	(1,371)	(1,371)	(16,692)
Total shareholders' equity	52,843	50,638	642,945
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	148	11	1,803
Foreign currency translation adjustment	(8,270)	(6,805)	(100,630)
Total valuation and translation adjustments	(8,122)	(6,794)	(98,827)
Minority interests	2,641	2,638	32,139
Total net assets	47,362	46,481	576,258
Total liabilities and net assets	¥ 89,072	¥ 89,152	$ 1,083,737

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

JSP Corporation and Consolidated Subsidiaries

Years Ended March 31

	Millions of yen 2012	2011	Thousands of U.S. Dollars 2012
Shareholders' equity			
Capital stock			
Balance, Beginning of Period	¥ 10,128	¥ 10,128	$ 123,234
Changes of items during the period			
Total changes of items during the period	—	—	—
Balance, End of Period	10,128	10,128	123,234
Capital surplus			
Balance, Beginning of Period	13,405	13,405	163,103
Changes of items during the period			
Total changes of items during the period	—	—	—
Balance, End of Period	13,405	13,405	163,103
Retained earnings			
Balance, Beginning of Period	28,475	24,413	346,460
Changes of items during the period			
Dividends from surplus	(894)	(819)	(10,883)
Net income	3,100	4,881	37,721
Total changes of items during the period	2,205	4,061	26,838
Balance, End of Period	30,681	28,475	373,299
Treasury stock			
Balance, Beginning of Period	(1,371)	(211)	(16,688)
Changes of items during the period			
Purchase of treasury stock	(0)	(1,159)	(3)
Total changes of items during the period	(0)	(1,159)	(3)
Balance, End of Period	(1,371)	(1,371)	(16,692)
Total shareholders' equity			
Balance, Beginning of Period	50,638	47,736	616,110
Changes of items during the period			
Dividends from surplus	(894)	(819)	(10,883)
Net income	3,100	4,881	37,721
Purchase of treasury stock	(0)	(1,159)	(3)
Total changes of items during the period	2,205	2,901	26,835
Balance, End of Period	¥ 52,843	¥ 50,638	$ 642,945

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. Dollars
	2012	2011	2012
Valuation and translation adjustments			
Valuation difference on available-for-sale securities			
Balance, Beginning of Period	¥ 11	¥ 167	$ 137
Changes of items during the period			
Net changes of items other than shareholders' equity	136	(155)	1,665
Total changes of items during the period	136	(155)	1,665
Balance, End of Period	148	11	1,803
Foreign currency translation adjustment			
Balance, Beginning of Period	(6,805)	(4,682)	(82,807)
Changes of items during the period			
Net changes of items other than shareholders' equity	(1,464)	(2,123)	(17,822)
Total changes of items during the period	(1,464)	(2,123)	(17,822)
Balance, End of Period	(8,270)	(6,805)	(100,630)
Total valuation and translation adjustments			
Balance, Beginning of Period	(6,794)	(4,515)	(82,670)
Changes of items during the period			
Net changes of items other than shareholders' equity	(1,327)	(2,279)	(16,156)
Total changes of items during the period	(1,327)	(2,279)	(16,156)
Balance, End of Period	(8,122)	(6,794)	(98,827)
Minority interests			
Balance, Beginning of Period	2,638	2,691	32,097
Changes of items during the period			
Net changes of items other than shareholders' equity	3	(52)	42
Total changes of items during the period	3	(52)	42
Balance, End of Period	2,641	2,638	32,139
Net assets			
Balance, Beginning of Period	46,481	45,912	565,537
Changes of items during the period			
Dividends from surplus	(894)	(819)	(10,883)
Net income	3,100	4,881	37,721
Purchase of treasury stock	(0)	(1,159)	(3)
Net changes of items other than shareholders' equity	(1,324)	(2,332)	(16,114)
Total changes of items during the period	881	569	10,720
Balance, End of Period	¥ 47,362	¥ 46,481	$ 576,258

CONSOLIDATED STATEMENTS OF CASH FLOWS

JSP Corporation and Consolidated Subsidiaries

Years Ended March 31

	Millions of yen		Thousands of U.S. Dollars
	2012	2011	2012
Net cash provided by (used in) operating activities			
Income before income taxes	¥ 5,176	¥ 7,470	$ 62,986
Depreciation and amortization	4,607	4,582	56,057
Impairment loss	169	—	2,058
Amortization of negative goodwill	(120)	(120)	(1,467)
Gain on negative goodwill	(221)	—	(2,693)
Increase (decrease) in allowance for doubtful accounts	54	(22)	664
Increase (decrease) in provision for bonuses	(150)	217	(1,835)
Increase (decrease) in provision for retirement benefits	208	103	2,539
Increase (decrease) in provision for directors' retirement benefits	36	(16)	441
Loss (gain) on sales and retirement of noncurrent assets	76	217	933
Loss (gain) on sales of investment securities	(0)	(250)	(6)
Loss (gain) on valuation of investment securities	20	—	243
Interest and dividends income	(265)	(252)	(3,236)
Interest expenses	240	236	2,921
Foreign exchange losses (gains)	19	(70)	235
Equity in (earnings) losses of affiliates	(15)	11	(186)
Decrease (increase) in notes and accounts receivable-trade	(2,739)	(2,186)	(33,327)
Increase (decrease) in notes and accounts payable-trade	1,837	1,157	22,356
Decrease (increase) in inventories	(1,325)	(659)	(16,129)
Increase (decrease) in accrued consumption taxes	(240)	(140)	(2,925)
Other, net	6	697	83
Subtotal	7,373	10,976	89,715
Interest and dividends income received	323	202	3,932
Interest expenses paid	(228)	(241)	(2,778)
Income taxes paid	(1,936)	(3,097)	(23,556)
Net cash provided by (used in) operating activities	5,532	7,840	67,312
Net cash provided by (used in) investing activities			
Purchase of noncurrent assets	(6,006)	(3,368)	(73,082)
Proceeds from sales of noncurrent assets	385	47	4,686
Payments for retirement of noncurrent assets	(23)	(19)	(289)
Purchase of investment securities	(8)	(9)	(100)
Proceeds from sales of investment securities	4	395	55
Net decrease (increase) in time deposits	(614)	(409)	(7,477)
Purchase of stocks of subsidiaries and affiliates	—	(300)	—
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(1,681)	—
Other, net	124	148	1,519
Net cash provided by (used in) investing activities	(6,138)	(5,197)	(74,687)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	(2,991)	2,713	(36,391)
Proceeds from long-term loans payable	5,728	3,800	69,695
Repayment of long-term loans payable	(5,243)	(4,689)	(63,802)
Redemption of bonds	—	(162)	—
Purchase of treasury stock	(0)	(1,159)	(3)
Cash dividends paid	(894)	(819)	(10,883)
Cash dividends paid to minority shareholders	(160)	(122)	(1,958)
Other, net	(40)	(35)	(487)
Net cash provided by (used in) financing activities	(3,602)	(475)	(43,830)
Effect of exchange rate change on cash and cash equivalents	(303)	(748)	(3,686)
Net increase (decrease) in cash and cash equivalents	(4,511)	1,418	(54,892)
Cash and cash equivalents at beginning of period	10,487	9,069	127,603
Cash and cash equivalents at end of period	¥ 5,976	¥10,487	$ 72,710

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In addition, the accompanying notes include certain information which is not required under generally accepted accounting principles and practices in Japan, but is presented herein as additional information. The accompanying consolidated financial statements have also been presented in U.S. dollars by translating all yen amounts for the year ended March 31, 2012 using an exchange rate of ¥82.19 to U.S. $ 1.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Investment Securities

Domestic Consolidated Companies

Other Investment Securities

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

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

Foreign Consolidated Companies

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

(b) Inventories

Domestic Consolidated Companies

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

Foreign Consolidated Companies

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

(c) Depreciation and Amortization

Property, Plant, and Equipment (excluding leased assets)

Buildings (excluding attached structures) acquired by domestic consolidated companies prior to March 31, 1998 are depreciated according to the former declining balance method under the Corporation Tax Law of Japan.

Buildings acquired between April 1, 1998 and March 31, 2007 are depreciated according to the former straight-line method under the Corporation Tax Law of Japan.

Buildings acquired after April 1, 2007 are depreciated according to the straight-line method under the Corporation Tax Law of Japan.

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

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

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

Intangible Noncurrent Assets (excluding leased assets)

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

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

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

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

Leased Assets

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

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

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

(d) Significant Allowances and Provisions

Allowance for Doubtful Accounts

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

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

Provision for Bonuses

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

Provision for Loss on Business Liquidation

Certain of the domestic consolidated companies has recorded a provision for estimated losses in connection with the liquidation of a Company business.

Provision for Loss on Disaster

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

Provision for Employees' Retirement Benefits

Domestic consolidated companies reserve an estimated amount for employee retirement benefits based on the projected retirement benefit obligation and related pension assets for the current consolidated fiscal year.

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

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

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

Provision for Directors' Retirement Benefits

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

Provision for Corporate Officers Retirement Benefits

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

(e) Foreign Currency Translation

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

(f) Major Hedge Accounts

Hedge Accounting

Accounting for hedges using the deferred treatment. However, special treatment is applied for interest rate swaps meeting certain special conditions.

Hedge Methods and Transactions

Hedge Method: Interest rate swap transaction

Hedge Transactions: Interest rates on borrowings

Hedge Policy

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

Evaluation of Hedge Effectiveness

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

(g) Amortization of Goodwill and Negative Goodwill

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

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

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

(i) Accounting for Consumption Taxes

Accounting for consumption taxes using the tax-exclusion method.

3. SECURITIES

Securities as of March 31, 2012

Millions of Yen

Classification	Cost	Book Value	Change
Securities with Value on Consolidated Balance Sheet Greater than Acquisition Cost			
Stock	478	734	255
Sub-total	478	734	255
Securities with Value on Consolidated Balance Sheet Not Exceeding Acquisition Cost			
Stock	245	220	(25)
Sub-total	245	220	(25)
Total	724	954	230

(Notes)

1: The market value for unlisted stocks (¥918 million on 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 loss. The Company recognized impairment losses for certain securities and recorded ¥20 million in loss on valuation of investment securities during the consolidated fiscal year.

4. LONG-TERM LOANS PAYABLE

Amounts payable for fiscal years ending March 31.

Millions of Yen

	2012	2013	2014	2015	2016	After 2016
Long-term loans payable	4,582	4,393	2,594	1,758	822	185

5. TAX-EFFECT ACCOUNTING

2012	Millions of Yen
Deferred Tax Assets	
Provision for Bonuses	381
Allowance for Doubtful Accounts	44
Depreciation	29
Accrued Enterprise Taxes and Accrued Business Office Taxes	34
Retirement Benefits, etc.	235
Provision for Directors' Retirement Benefits	53
Provision for Corporate Officers Retirement Benefits	9
Loss on Valuation of Stocks of Affiliates	4
Loss on Valuation of Investment Securities	42
Loss on Valuation of Golf Club Memberships	19
Loss Carryforward	62
Valuation Differences on Assets Received in Merger	6
Other	430
Sub-total	1,353
Less: Valuation Allowances	(77)
Total Deferred Tax Assets	1,276
Deferred Tax Liabilities	
PPE, Insufficient Accelerated Depreciation	318
Unrealized Gains (Losses) on Marketable Securities, Net	91
Valuation Differences on Assets Received in Merger	94
Other	171
Total Deferred Tax Liabilities	676
Net Deferred Tax Assets	600
Reconciliation of Differences between Statutory Tax Rate and Effective Income Tax Rate	
Normal Effective Statutory Tax Rate	40.7%
(Adjustments)	
Entertainment and Other Non-Deductible Expenses	2.5%
Dividends and Other Non-Taxable Income	(0.6%)
Per-Capita Taxation	0.7%
Deduction for Foreign Taxes	(0.4%)
Special Deduction for R&D	(2.2%)
Gain in Equity in Affiliates	(0.1%)
Difference in Tax Rate on Income of Consolidated Subsidiaries	(13.2%)
Income Taxes for Prior Periods	0.9%
Reversal of Deferred Tax Assets due to Amendments of the Corporate Tax Act	1.3%
Valuation Allowances	2.9%
Other	1.5%
Actual Effective Tax Rate	34.0%

6. EMPLOYEE RETIREMENT BENEFITS

Current Consolidated Fiscal Year

1. Overview of Retirement Plan

Domestic consolidated companies have adopted a defined benefit plan for employees. At the time of retirement, employees may be given severance pay in some circumstances.

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

2. Defined Benefit Plan (as of March 31, 2012)

	Millions of Yen
a. Projected Benefit Obligation	(7,227)
b. Plan Assets	4,742
c. Sub-total (a + b)	(2,484)
d. Unrecognized Actuarial Differences	1,658
e. Unrecognized Past Service Obligation	112
f. Net Accrued Retirement Benefits Recognized in Consolidated Balance Sheets (c+d+e)	(714)
g. Prepaid Pension Cost	—
h. Provision for Retirement Benefits (f – g)	(714)

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

3. Retirement Benefit Expenses (as of March 31, 2012)

	Millions of Yen
a. Service Cost	447
b. Interest Cost	112
c. Expected Return on Pension Assets	(74)
d. Recognized Actuarial Differences	165
e. Amortization of Prior Service Cost	24
f. Net Retirement Benefit Cost (a+b+c+d+e)	674

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

4. Basis of Projected Benefit Obligation Calculation

a. Period Allocation Method for Projected Benefits	Period Straight-Line Basis
b. Discount Rate	Primarily 1.7%
c. Expected Return on Pension Assets	Primarily 1.7%
d. Years over which Past Service Cost is Amortized (Charged to expense using the straight-line method over the average remaining years of employee service.)	Primarily 14 years
e. Years over which Actuarial Differences are Amortized (Charged to expense in the following consolidated fiscal year using the straight-line method over the average remaining years of employee service.)	Primarily 14 years

7. SEGMENT INFORMATION

1. Reporting Segments

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

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

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

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

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

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

3. Net Sales and Income (Loss) by Reporting Segment

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

2011	Millions of Yen						
	Reporting Segments			Other	Total	Adjustment	Consolidated
	Extrusion	Bead	Sub Total	(Note 1)		(Note 2)	(Note 3)
Net Sales							
External Customers	35,429	50,219	85,648	6,322	91,971	—	91,971
Intersegment Sales/Transfers	882	495	1,378	33	1,412	(1,412)	—
Total Net Sales	36,311	50,715	87,027	6,356	93,384	(1,412)	91,971
Segment Income (Loss)	3,090	4,556	7,647	7	7,654	(102)	7,552

(Notes)
1: "Other" represents a classification for a business segment not included in reporting segments. This segment includes the manufacture and sale of general packaging products.
2: The ¥102 million of Adjustment under Segment Loss consists of ¥103 million in companywide expenses not allocated to each reporting segment and ¥0 million in intersegment eliminations. The majority of these expenses are costs for research and development not attributable to either reporting segment.
3: Segment Income (Loss) is adjusted with Operating Income on the Consolidated Statements of Income.

Consolidated Fiscal Year (April 1, 2011 to March 31, 2012)

2012	Millions of Yen						
	Reporting Segments			Other	Total	Adjustment	Consolidated
	Extrusion	Bead	Sub Total	(Note 1)		(Note 2)	(Note 3)
Net Sales							
External Customers	34,585	52,869	87,454	5,942	93,397	—	93,397
Intersegment Sales/Transfers	829	447	1,276	56	1,333	(1,333)	—
Total Net Sales	35,415	53,316	88,731	5,999	94,730	(1,333)	93,397
Segment Income (Loss)	2,557	3,212	5,769	(214)	5,555	(259)	5,296

(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 ¥259 million of Adjustment under Segment Loss consists of ¥260 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 (Loss) is adjusted with Operating Income on the Consolidated Statements of Income.

4. Matters related to Changes in Reportable Segments

Beginning with the current consolidated fiscal year, the Company has moved some products under the "Other" segment to the "Bead" segment due to changes to the Company's organization.

Net sales and income (loss) by reporting segments for the prior consolidated fiscal year (April 1, 2010 to March 31, 2011) is based on new segment categorization.

CORPORATE DATA (As of March 31, 2012)

JSP Corporation

Head Office: Shin nisseki Bld., 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 Yen

Number of Shareholders: 16,826

Stock Exchange Listing: Tokyo (First Section: 7942)

Fiscal Year-End: March 31

Investor Relations Contact: Investors Relations Department, Tel: +81-3-6212-6302

URL: jsp.com

MAJOR SHAREHOLDERS (As of March 31, 2012)

Shareholders	Shares held (thousands)	Voting right ratio (%)
Mitsubishi Gas Chemical Company, Inc.	13,212	42.06
Japan Trustee Services Bank, Ltd.	2,190	6.97
The Master Trust Bank of Japan, Ltd.	1,565	4.98
JSP Client Stock Ownership Plan	1,081	3.44
JPMorgan Chase Bank, N.A.	575	1.83
JSP Employee Stock Ownership Plan	485	1.54
BBH LUX Fidelity Funds Japan Advantage	424	1.35
Trust & Custody Services Bank, Ltd.	311	0.99
Nippon Life Insurance Company	301	0.95

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

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