Editorial Policy

The JSR Group’s corporate social responsibility (CSR) is to act with integrity as a good corporate citizen and carry out initiatives to meet the expectations of society. We publish our CSR reports to inform all stakeholders of JSR Group policies and initiatives with a view to a sustainable society.

In the CSR Report 2013, Feature Article 1 gives an overview of how the JSR Group’s businesses relate to society, with particular focus placed on strategic businesses, while Feature Article 3 presents a dialogue between external experts and our executives, that discusses the JSR Group’s CSR from a broad perspective. Our CSR activities are reported for each target stakeholder.

A third-party opinion and an independent review regarding our activities and initiatives regarding “Responsible Care” (the environment, health, and safety) and many other responsibilities for our stakeholders.

The JSR Group’s CSR Report 2013 is available both in printed and online versions.

## Online

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## The JSR Group’s Essential Elements and CSR

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A large number of materials are utilized for a wide variety of products available to general end-users, even if they do not recognize or are not aware of such materials. Items useful in your daily life and products to improve the world are underpinned by the power of the chemical industry. By pursuing new possibilities of materials through the power of chemistry, and contributing to the development of society, the JSR Group would like to ensure our own sustainable growth.
We will Continue to Take on Challenges to Enrich Society under the Corporate Mission of “Materials Innovation,” Remaining Alert to the Ever-changing Times

Keeping up with the changing times and developing a growth scenario

As part of the process to realize its vision of what the Group should be by 2020, the JSR Group has been implementing JSR 2013 (“twenty thirteen”), the mid-term business plan, for three years since FY 2012 (April 1, 2011 to March 31, 2013), a period positioned as the stage for “activation toward growth.” For the financial crisis period that followed the Lehman crash, we considered that the keywords of the time were “uncertainty” and “diversification,” of the times, but since FY 2013 we have seen some signs of the emergence of a new global framework. One of these signs is the shale gas revolution. When stable production and procurement of shale gas becomes possible, it will certainly lead to the diversification of raw materials and a shift in the geopolitical balance. Global economic conditions are more likely to be better than worse and we must make sure to pounce on this opportunity. We will continue to be alert to these changes and develop a scenario for steadfast growth that reflects the new trends for the next mid-term business plan starting from FY 2015.

The petrochemical product business, one of our core businesses, is affected greatly by stability in the available volume and price of raw materials procured. Procuring a stable supply of butadiene, one of the most important raw materials, is an ongoing issue. We are currently studying the use of alternative raw materials to produce butadiene, while also developing production technologies for synthetic butadiene. As a matter of fact, JSR had already studied synthetic butadiene about 40 years ago. However, the depletion of natural resources was not a serious social problem at that time, and synthetic butadiene did not appear to be very effective from an economic perspective. These R&D efforts, initially aimed at pouncing on this opportunity, slowly began to change the course of business.

The fine chemicals business, which has traditionally been based in Japan and is the other of our core businesses, is currently undergoing a change in business style. While carefully monitoring changes in the fine chemicals market, we are shifting our focus to Korea and Taiwan in the case of flat panel display materials and more globally in the case of semiconductor materials to better meet customer needs. These core businesses are our major sources of income, but it is difficult for us to become a globally influential corporate group even if these businesses are now on a steady growth path. Our aim is to become a company with a market value that exceeds one trillion yen. To achieve this challenging goal, we need to continue expanding our businesses in the petrochemical and fine chemicals businesses.

The pioneering spirit of each of our diverse employees will shape our future

As the scope of our business grows from petrochemicals to fine chemicals and strategic businesses, and the geographical areas in which we operate expand, human resource development has become our most important management issue.

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Possibilities of Our Materials

The JSR Group’s materials are used in a wide range of products. By deploying technologies and human resources developed through petrochemical and fine chemical businesses, as well as by utilizing internal and external resources globally, we are strategically expanding our business to new fields, such as the environment, energy, and biomedical materials, that will help address social issues.

1. Elastomers
   - JSR has been offering a wide spectrum of petrochemical products, including rubber for tires, TPEs, and emulsions, which are used in people’s daily lives.

2. Plastics
   - JSR delivers various ABS products with unique characteristics developed through its flexible thin-film formation and precision processing technologies.

3. Electronics Materials
   - JSR’s electronic materials play a key role in the shrinking and higher-integration density of semiconductors, the heart of ever-evolving electronics products.

4. Display Materials
   - JSR’s optical fiber coating materials and other optical materials for flat panel display (FPD) materials, as well as microprocessors, are widely used.

5. Optical Materials
   - JSR’s optical fiber coating materials and other optical materials support high-speed fiber optic data communications.

6. Semiconductor Materials
   - JSR offers a wide range of semiconductor materials critical to manufacturing such as novolac resists, chemical mechanical planarization (CMP) materials.

7. Environment & Energy
   - JSR holds the largest share of synthetic rubber used for automobile tires in Japan. Due to its unique structure, the synthetic rubber developed for fuel-efficient tires realize both excellent wet grip and low rolling resistance, minimizing tire-derived fuel efficiency loss.

8. Biomedical Materials
   - Innovative materials developed using our accumulated material technologies and leading-edge technologies acquired through our global network will open up the future of life sciences.

9. Thermoplastic Elastomers (TPEs)
   - JSR-developed TPEs soften, facilitating molding and processing. They are used for the soles of sneakers and other footwear.

10. Styrene-Butadiene Rubber
    - JSR provides styrene-butadiene rubber (SBR) used for automobile tires in Japan. Due to its unique structure, SBR realizes both excellent wet grip and low rolling resistance.

11. Li-ion Capacitors
    - JSR develops and sells lithium-ion capacitors that can charge and discharge large amounts of energy almost instantly. The capacitors are used for effective use of power generated from natural energy such as wind and solar, and to store regenerative energy.

12. Paper Coating Latex (PCL)
    - JSR offers paper coating latex (PCL) used as paper coating on various printed materials, such as magazines, pamphlets, and art prints.

13. Film for Touch Panel Use
    - ARTION™, a heat-resistant resi, is made into a film, which undergoes thin-film formation and transparent electrode formation, and is then supplied in film format as a component in touch panels for smartphones and car navigation systems.

    - JSR provides ABS plastic used in numerous applications due to its excellent hardness, color, and moldability. Such applications include automobile parts, industrial goods, and electrical machinery.

15. Optical Fibers for Communications
    - Optical fibers are indispensable for the Internet and long-distance communications. Our optical fiber coating materials are used for many of the optical fiber cables manufactured domestically.

16. Thermal Management Materials
    - Thermal storage materials for cooling facilities and air-conditioning equipment, resins used for paints for buildings to increase their heat insulation, and other materials that control heat to contribute to energy saving and the creation of a comfortable environment.

17. Lithium-ion Capacitors
    - Lithium-ion capacitors that can charge and discharge large amounts of energy almost instantly. The capacitors are utilized to make effective use of power generated from natural energy, such as wind and solar, and to store regenerative energy.
Technological Expertise Gained over Many Years Opens Up a New Horizon for Our Business

Creating a new pillar of business through continuous efforts at business cultivation

The origin of the JSR Group dates back to 1957 when Japan Synthetic Rubber Co., Ltd. was established to realize the domestic production of synthetic rubber. Ever since then, we have been providing the highest quality class of petrochemical products. In the 1990s, we expanded our business to include fine chemical businesses such as optical and electronic materials. This business expansion, which was based on polymer technologies that we had cultivated in our petrochemical businesses, accelerated our revenue and market share growth. The petrochemical and fine chemical businesses have thus become our core businesses that sustain the Group’s performance.

In the current decade, along with the growth of the JSR Group, the importance of social contribution through the realization of our Corporate Mission of “Materials Innovation” is increasing. We have therefore decided to add precision materials and processing, environment and energy, and biomedical materials to our business portfolios as strategic businesses. While several catastrophic events took place recently that changed the business style and social needs of companies, including the financial crisis following the Lehman crash and the Great East Japan Earthquake, which caused significant economic, supply chain, and energy problems, we nonetheless aspire to become a company that can adapt itself to such sudden environmental changes and pursue continuous and stable growth based on our technological strengths.

Deploying existing technologies and human resources within the Group and external expertise from global sources

In our strategic businesses, it is essential to effectively utilize our existing technologies and develop seeds of innovation realized during R&D into opportunities for our business. For this reason, we have designated the same person to head both the R&D division and the strategic business division, making it possible for the two divisions to collaborate closely and make swift decisions. The Group’s researchers also meet customers directly to deepen their understanding of customer needs, and this along with other activities ensures that both R&D and business are intimately intertwined.

Since some research regarding strategic businesses is more advanced in North America and Europe, and priority countries and regions for the businesses differ from those for our traditional core businesses, we are currently developing a new network of R&D and sales bases in strategically important areas to ensure quick access to the latest strategic business trends. Furthermore, in order to gain highly sophisticated technologies and technical knowledge in a timely manner, we are also promoting business partnerships and strategic investments. These efforts will ensure that internal and external expertise and technologies will be deployed and that our products will offer new value for society.

Three Strategic Businesses

Precision Materials and Processing

The objective of the precision materials and processing business is to offer new value by combining the JSR Group’s superior material, functionality, and processing technologies. Technologies developed in this section can become the foundation of the other two strategic businesses. Information device and precision equipment manufacturers pursue lighter and thinner products at all times and look for innovative materials. As an expert of materials, we meet these needs based on combinations of our different technologies.

AORTON™, OPSTAR™, ELART™

AORTON™ is a heat resistant transparent resin with superior optical characteristics. OPSTAR™ is an antireflection coating material for films. ELART™ is a transparent conductive film developed by reprocessing OPSTAR™ with our precision processing technologies. As a substitute for glass, ELART™ is used for smart phone touch panels and other applications.

Environment and Energy

The JSR Group, whose main business is petrochemicals, is well aware of the importance of using limited resources efficiently and contributing to energy conservation. We deliver various products developed on the basis of our polymer, materials, and energy control technologies.

CALGRIP™

CALGRIP™ is a latent thermal storage material that stores energy released or absorbed during solid to liquid or phase change processes. Parallel is stabilized using our proprietary polymer, making the product safe even during transport. The product can be used for the transport of perishables and vaccines and other pharmaceuticals that need to be stored at a constant temperature. In addition to other applications including building materials and air conditioners.

Biomedical Materials

The strategic businesses focus on energy conservation, support for drug discovery, and other themes that are expected to become significant social issues in the future. This integration of social contribution and business creation businesses that are both challenging and fulfilling.

Since the start of the mid-term business plan, JSR 2013, we have been preparing basic technologies necessary for the businesses and forming partnerships with external organizations. As these preparations are now nearing completion, we position FY 2014, the last year of the plan, as the year for taking action by making the most of what we have built up until today. Our pioneering efforts will continue.

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The Power of Materials Bringing Innovations to Medical Care

Life science is growing rapidly in importance worldwide as well as within the strategic businesses of the JSR Group. This section introduces the issues we are working to solve through the use of our materials and reveals a picture of the future we are trying to create.

**Biomedical Materials Business**

**The JSR Group has been supplying materials used for a variety of medical practices.**

**Medical polymers**

We offer engineering plastics, functionalized elastomers, and thermoplastic elastomers produced under strict quality control for infusion solution bags and tubes, medical gloves, and other medical products.

**Bioprocess materials**

We offer engineering plastics, functionalized elastomers, and thermoplastic elastomers produced under strict quality control for infusion solution bags and tubes, medical gloves, and other medical products.

**Medical support business in the growing Chinese market**

J & W Beijing Biotech Co., Ltd.

Medical support business in the growing Chinese market

Although the government has started to promote the improvement of medical services in rural areas of China, there are still many people who cannot or don’t visit hospitals due to high medical costs, medical insurance problems, and geographical restraints. We therefore aspire to support early detection of diseases such as cancer and rheumatism. *Amsphere™* is a product developed on the basis of our proprietary polymer technology, which makes antibody purification faster and more effective during the production of antibody drugs. We will continue to contribute to the development and dissemination of advanced medical technologies.

**Diagnostic reagent materials useful for research on personalized medicine**

**Exosome isolation using ExoCap™**

**Bioprocess materials that change the way of drug development**

**Antibody purification using Amisphere™**

**Global network of life science business**

To quickly address new technologies and evolving needs for drug discovery support, the JSR Group is in addition to refining its own technologies, actively promoting strategic investments and partnerships.

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What the JSR Group Needs to Do to Continue to Step up Its CSR Initiatives

In the face of an increasing number of global issues, what mindset and actions are necessary for the JSR Group to expand its business while fulfilling its social responsibilities?

In this section, we report on the dialogue and exchange of opinions that took place when three external experts joined us to discuss the issues that the JSR Group needs to address in order to step up its CSR initiatives.

Date: Thursday, June 13, 2013 • Place: JSR Roppongi Club

Acknowledging issues of climate change and resource procurement that may affect the basis of the Group’s business

Ms. Sonoda

Firstly, I’d like to make clear, from a long-term perspective until about 2050, what global and social issues the JSR Group will be confronted with and how these issues can affect the Group’s business.

Dr. Yasui

One issue I’d like to point out is climate change, which is becoming more and more serious. As seen in America, hurricanes and other forms of severe weather pose a significant risk to chemical companies that have a complex location by the sea. Important issues include where the threshold for climate change lies and whether people can alter their typical behavior in order to control climate change.

Another important issue is the depletion of natural resources. Oil and coal are usually used as fuel, but we shouldn’t waste these resources by simply burning them. They should be considered more as raw materials. Otherwise we will not be able to maintain a long-term equilibrium between society and such natural resources.

Shimizu

When planning solutions for these issues over the long term until, say 2030, the important point is to think about when we should start preparing for action by taking necessary lead time into account. For example, the JSR Group uses coal boilers to generate a portion of the electricity and steam used at its plants. Coal is a reliable fuel considering the volume of reserves and stability of supply; however, there is a concern regarding CO2 emissions. As Dr. Yasui mentioned, coal is also a precious raw material. If there is a switch from coal to alternative energy sources, several steps will likely be involved, each lasting as long as 10 years. The introduction of renewable energy may be necessary under national energy policy, but we cannot expect much from photovoltaic power generation. Therefore, to fulfill corporate responsibility, chemical companies need to provide guidance to their suppliers and make necessary proposals to their customers as well.

As a company that does what needs to be done in a flexible manner while envisioning the future at all times, the JSR Group is expected to play a leading role in society at large.

While doing business inevitably involves consuming the Earth’s resources, I want the JSR Group to become a company that can assure us that it is doing business in the best way imaginable.

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While doing business inevitably involves consuming the Earth’s resources, I want the JSR Group to become a company that can assure us that it is doing business in the best way imaginable.

Dr. Yasui

As a company that does what needs to be done in a flexible manner while envisioning the future at all times, the JSR Group is expected to play a leading role in society at large.

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It seems to me that, especially in Japan, innovation just means creating innovative materials. It is important that all employees, including researchers, have a vision of how the world should be. Their vision should not only be like that, and in my opinion, we need a kind of “soft knowhow for solving various problems. We have a good leader as well.

Dr. Adachi

I feel that it may be wrong to only emphasize ESG. What we need to do is to carry out our primary business properly, and while doing so, we make sure that the concept of ESG constitutes a natural part of our business—this is what I think is more desirable. The ideal situation is that ESG factors are reflected in the design of our systems and organization as well as in employee education as a matter of course.

Pursuing a clear vision of how our business should be and turning it into an engine to drive our daily operations

Ms. Sonoda

I’d like each of you to wrap up today’s discussion.

Koshide Kawasaki

Managing Officer Safety and Environmental Affairs

Hayato Hirano

Director and Officer CSR

Takao Shimizu

Officer Corporate Planning

Tatsuya Kubo

Senior Manager CSR Department

Message from Ms. Sonoda, the facilitator of the meeting

The JSR Group’s CSR activities are one step ahead of those of other Japanese companies. If these activities are communicated to society more vigorously, the Group’s standing will be boosted, which will lead to further dissemination of these CSR practices to the Group as a result of the boomerang effect. I’m expecting the Group to become the best CSR model among global companies.
The JSR Group’s Essential Elements and CSR

To create a culture in which sustainable growth is achieved consistently regardless of changes in personnel or organizational form, and to ensure that such a culture permeates across the JSR Group, we have established our Essential Elements and have been promoting them to be shared among the employees within the Group as common values so that each employee can act with responsibility and confidence. The Essential Elements consist of the Corporate Mission, Management Policies, and Course of Action.

**Corporate Mission**

We create value through materials to enrich society, people, and the environment.

Our value is not limited to “materials” but includes the components that capitalize on the strengths of the materials themselves. We will research, create and introduce high quality, highly functional chemistries, materials and technologies to the markets we serve. Value will be created throughout all corporate activities across the JSR Group, including manufacturing, sales, research and development, procurement, logistics, planning and administration. We deliver exceptional materials that enhance people’s lives while refusing to compromise on our social and environmental responsibilities.

**Management Policies**

**JSR’s Fundamental Pillars of Management**

- Continuous Creation of Businesses
- Enhancement of Corporate Culture
- Increase in Corporate Value

**Management Policies**

Responsibility to Our Stakeholders

- Responsibility to Our Customers / Business Partners
- Responsibility to Our Employees
- Responsibility to Our Society
- Responsibility to Shareholders

**Course of Action “The 4Cs”**

- **Challenge**: All employees of the JSR Group should share a common, global focus and desire to succeed. Employees should feel comfortable and confident maintaining open lines of bi-directional communication at all levels within the JSR Group. Employees should be encouraged to actively engage in activities and share what they do in their job.
- **Communication**: All employees should feel comfortable and confident communicating and sharing their ideas, opinions, and concerns with their colleagues.
- **Collaboration**: Employees will work together in the spirit of cooperation, valuing common, corporate goals over personal or departmental barriers.
- **Cultivation**: All employees will cultivate an environment that supports professional development, learning, and growth.

**CSR Management Framework**

The JSR Group’s mission is to create value through materials to enrich society, people, and the environment. In this process, it is important for us to act with integrity as a good corporate citizen and live up to the trust that our stakeholders place in us. Our CSR represents the initiatives we employ to successfully achieve our mission, and as such we view CSR as a key management issue. The CSR Committee serves as the central mechanism for responding to new issues that emerge in the needs of society as it becomes more complex.

**Major Activities Promoted in FY 2013**

**Activities to ensure penetration of Essential Elements across the Group**

- Dialogue with the President and other management (39 meetings with 422 participants in total)
- Penetration level survey to capture quantitative data regarding activities conducted during the previous fiscal year
- Sharing of the results of the previous year’s penetration level survey and identified issues
- Training for recruitment staff and interviewers (141 trainees in total)
- Education on the Corporate Mission for each employee level (168 trainees in total)
- Explanation and discussion meeting at each workplace organized by Penetration Project members
- Improvement of the Management by Objective Card

**Analysis based on ISO 26000**

The JSR Group’s CSR activities were conducted based on ISO 26000 to understand current progress and identify remaining issues. The results will be used to plan our future activities.

**Participation in the United Nations Global Compact**

In 2000, the JSR Group became a participant in the United Nations Global Compact. Amid increasing pressure to engage in corporate social responsibility, businesses operating at a global level need to make a greater commitment to human rights, labor, the environment, and anti-corruption, as expressed in the 10 Principles of the Global Compact. We consider our participation in the Global Compact to be a proclamation of our dedication to acting responsibly in the international community, and will strive to work even harder to fulfill our corporate social responsibility.

**The 10 Principles of the United Nations Global Compact**

1. Businesses should support and respect the protection of internationally proclaimed human rights.
2. Businesses should make sure that they are not complicit in human rights abuses.
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. Businesses should respect the right to decent working conditions.
5. Businesses should support the elimination of all forms of forced and compulsory labor.
6. Businesses should support the elimination of all forms ofchild labor.
7. Businesses should support the effective abolition of all forms of exploitation.
8. Businesses should support the elimination of all forms of discrimination in respect of employment and occupation.
9. Businesses should support the protection against discrimination in respect of employment and occupation.
10. Businesses should support the effective abolition of all forms of discrimination in respect of employment and occupation.

**CSR Committee**

- Advancement of corporate ethics for the JSR Group
- Continues to formulate and enhance management policies
- Advances corporate ethics for the JSR Group
- Continues to formulate and enhance management policies

**Corporate Ethics Committee**

- Continues to formulate and enhance management policies for companies involving the JSR Group

**Risk Management Committee**

- Continues to formulate and enhance management policies for companies involving the JSR Group

**Social Contribution Committee**

- Examines and advances social and community initiatives in which the JSR Group ought to engage
FY 2013 Activity Highlights

Commitments by Global Group Companies

The JSR Group addresses issues and needs that vary by region and location, and shares the common Elements and mid-term business plan. In this section, each Group company leader will describe their respective business environment and outline the social responsibilities they are required to fulfill.

JSR BST Elastomer Co., Ltd.

Mr. Takahisa Nagato, President

In Thailand, attention is being paid to economic development and environmental protection issues (environmental problems in industrial zones and infrastructural development in particular), and improvement in the quality of life is being sought. Although people’s awareness of CSR remains low, we have already started engaging in dialogue with local residents and working on environmental measures to save energy, increase recycling, and for other purposes. We will not only put great effort into enhancing employee education and providing periodic training to ensure employees’ understanding of corporate ethics.

Elastomix (Thailand) Co., Ltd.

Mr. Makoto Goto, President (as of this writing)

In Thailand, attention is being paid to economic development and environmental protection issues (environmental problems in industrial zones and infrastructural development in particular), and improvement in the quality of life is being sought. Although people’s awareness of CSR remains low, we have already started engaging in dialogue with local residents and working on environmental measures to save energy, increase recycling, and for other purposes. We will not only put great effort into enhancing employee education and providing periodic training to ensure employees’ understanding of corporate ethics.

JSR Micro Kousa Co., Ltd.

Mr. Kenji Yasuda, President

China is progressing from placing priority on economic and national development to paying greater attention to security, environment, health, and social responsibility. We are working to further strengthen our company, such as by maintaining standards (as of this writing) and environmental protection of the chemicals we use and regularly employing new chemistry in our business in line with applicable national and local regulations. As we intend to export more products from China, we will develop a system to ensure compliance with chemical substance control regulations and trade rules of countries we export to.

Techno Polymer Hong Kong Co., Ltd., Techno Polymer Guangzhou Co., Ltd.

Mr. Shintaro Uehara, Manager

Although Thailand is undergoing rapid economic development, the country is still confronted with many unaddressed environmental and social problems and concerns. Accordingly, we are expected to play a key role in solving these problems. Because Thailand faces issues such as water management and environmental protection, we can carry out our activities not only as a local subsidiary but also as a representative of the JSR Group. As a first step, we have started activities we do everyday, such as recycling cardboard boxes and newspapers.

Techno Polymer (Thailand) Co., Ltd.

Mr. Masaru Hirata, Managing Director

China is in the process of changing from an agricultural country to a manufacturing country. By 2020, China is expected to become the world’s largest consumer of energy, energy conservation and renewable energy are of great concern. In this situation, we are therefore adopting energy-saving measures, primarily for our plant, “green areas” throughout our plant, and other areas. It is our mission to ensure an in an attempt to maintain harmony with the local ecosystem, and as a result of our efforts, we are recognized as one of the local industrial area. In June 2013, our company introduced this policy following our victory last year. We will continue promoting CSR activities by being active in the local community.

JSR Micro N.V.

Mr. Bruno Roland, President

In China, people’s awareness of environmental issues is increasing year by year, and as a company that handles chemicals, we have to ensure full compliance with laws and regulations while working to expand our business—our basic yet very important policy. It is also becoming increasingly important that we exhibit standard staff with the expansion of our business, and we will manage the company in such a way to encourage each employee to challenge themselves to actively engage in difficult tasks as a member of the JSR Group.

JSR Trading, Inc.

Mr. Ken Tsutsui, President

In China, our awareness of environmental issues is increasing year by year, and as a company that handles chemicals, we have to ensure full compliance with laws and regulations while working to expand our business—our basic yet very important policy. It is also becoming increasingly important that we exhibit standard staff with the expansion of our business, and we will manage the company in such a way to encourage each employee to challenge themselves to actively engage in difficult tasks as a member of the JSR Group.

J & W Beijing Biotech Co., Ltd.

Mr. Kenji Yasuda, President

I feel that in China, public awareness of environmental problems such as PM 2.5 pollutants, which cause great stir this year, is increasing, and the desire for a better environment and better medical care are increasing day by day. Our diagnostic reagent intermediates products help to develop a better medical environment, and it can be said that our business activities themselves are CSR activities. By learning awareness of our status as a joint venture, we are to deepen our interaction with a Chinese company, and plan various activities to actively mingle with the local community, such as traveling together with employees and their families.

Elastomix (Foshan) Co., Ltd.

Mr. Masashi Kato, General Manager

Laws and regulations regarding safety and the environment of engineering and environmental protection guidance provided to companies by the authorities is becoming more and more strict. We have been working hard to maintain and improve safety and the environment area early on each year. To achieve these goals, since our responsibility to our employees is also important, we are working to establish employee benefits, conduct employee surveys, and are implementing other plans to secure and develop human resources.

JSR Trading (Shanghai) Co., Ltd.

Mr. Kayai Oyanagi, President

People’s awareness of environmental protection is increasing rapidly, and China is facing many PM 2.5 pollutants, which caused great stir this year. In order to improve the environment of medical equipment, we need to work hard to secure our employees’ health and safety management. In order to improve the environment of medical equipment, we need to work hard to secure our employees’ health and safety management.
Responsibility to Our Stakeholders

The JSR Group engages in a variety of activities to fulfill its responsibility to stakeholders as specified in the Management Policies. This section introduces some of the major activities conducted in FY 2013.

Customers / Business Partners

Successive awarding of Intel’s Supplier Continuous Quality Improvement (SCQI) Award

We received the Supplier Continuous Quality Improvement (SCQI) Award from Intel Corporation, a world-class semiconductor manufacturer based in California, the United States. The SCQI Award is Intel’s most prestigious award given to suppliers. We had previously received the award for three consecutive years, with the award in FY 2013 marking our fourth overall, in recognition of the excellent quality and performance of advanced lithography solutions and CMOS consumables we supply, as well as our commitment to CSR.

Quality performance audit

As a manufacturer, we are responsible for meeting customer requirements regarding quality, costs, and keeping a steady supply. To fulfill these responsibilities, in FY 2013 we introduced quality performance audits in addition to the existing quality audits. We additionally added the Six Sigma technique to the QC technique and promoted them as the two main drivers of our quality improvement activities. In February 2013, the first quality performance audit was conducted at our three plants under the leadership of the President himself.

Strengthening of our business continuity management (BCM)

We are developing an anti-disaster system with priority placed on business continuity management (BCM) based on lessons learned from the Great East Japan Earthquake in 2011. In FY 2013, we formulated a BCM plan based on a scenario in which the operation of the Yokkaichi Plant was suspended for a certain period of time. Initial response training for business continuity was also conducted so that employees could experience and act properly immediately after a large-scale disaster occurs to activation of the BCM plan. We will gradually introduce the plan to other plants and Group companies to strengthen BCM throughout the Group.

Opening of the JSR Roppongi Club, a training center for the Head Office

The JSR Roppongi Club was opened in January 2013 as the Head Office’s center for education, training, and internal and external communication. Since there are already training facilities at each of our plants that provide technological training and promote human resource development, the opening of the Roppongi Club means that we now have training facilities for the Head Office as well as for each plant. These facilities are expected to support us to achieve one Course of Action of The 4Cs Communication.

Employees

Cross-cultural Communication Workshop

The number of non-Japanese employees in the JSR Group is increasing, and presently accounts for about 20% of the total. The Cross-cultural Communication Workshop allows employees to experience behavior that promotes diversity and inclusion, as well as learn differences in values through case studies, role playing, and discussions. To date, the workshop has covered China, the United States, India, and Korea.

Voice of trainees

Ms. Yumiko Suzuki
Workshop facilitator
Pireco Japan Corporation

I was amazed by the fact that there were many organisms living in such an isolated environment at the plant. By planting trees and improving the stream’s shores, the site will be more suitable for biodiversity.

Mr. Tsubasa Iwabuchi
Tohoku University Ecosystem Adaptability Global COE Fellow in biological diversity

Biodiversity investigations at the Yokkaichi Plant

I was amazed by the fact that there were many organisms living in such a isolated environment at the plant. By planting trees and improving the stream’s shores, the site will be more suitable for biodiversity.

Students and Interns

Acceptance of interns from abroad

In addition to accepting Japanese university students as interns, we began accepting foreign interns from FY 2013.

Activities for the development and education of future generations

Visiting lectures of science

With cooperation of the boards of education from areas where our Group’s plants are located, we periodically hold visiting lectures of science at elementary and junior high schools in these areas. In FY 2013, we implemented this project in Yokkaichi City; Tsukuba City, in which Tsukuba Research Laboratories is located, and Kamisu City, in which the Kachina Plant operates, in the hope that the project would help boost children’s love of science.

Communications with shareholders and investors

We make utmost efforts to ensure that our management situation and corporate policies are communicated to shareholders and investors promptly and accurately through proper IR activities. We also make sure through a variety of measures that shareholders can fully exercise their voting rights at annual general shareholders’ meetings. The measures include early notification and holding of shareholders’ meetings and adoption of online execution of voting rights. By conducting briefings on our business results after each quarter, organizing seminars for institutional investors and analysts and technical seminars “JSR Tech Seminars”, as well as through other means, we maintain extensive interactive communication with our shareholders and investors.

Society

The use of company sites to promote biodiversity

We are currently evaluating biodiversity and improving the environment in green spaces at each company site based on the Guidelines for Sustainable Business Sites developed by Japan Business Initiative for Biodiversity (JBI). In FY 2013, we formulated a plan to improve the environment at the Yokkaichi Plant and Tsukuba Research Laboratories. For the Yokkaichi Plant, university researchers, experts, and our employees cooperated to conduct an investigation on the habitats of living species in and around the plant to collect basic information necessary for planning future activities. The results revealed that the plant is home to many living species, including birds, insects, and medaka rice fish (Oryzias latipes). The total number of organisms found was, in fact, above our expectations. Similar investigations will continue to be regularly implemented by employees at each company site. In addition, the National Biodiversity Strategy of Japan 2012-2020, of which we were involved in the development process and which was approved by the cabinet in September 2012, refers to JBI’s Tools for Sustainable Business Sites as a company-owned land management technique. Through this and other activities, we will pursue biodiversity not just for our company, but also for industrial circles and society at large.

Upgrading the risk management system

The JSR Group began identifying, assessing, and planning countermeasures against various risks, including explosions, fires, large-scale earthquakes, and pandemics, as all of our divisions and Group companies each year from FY 2010. Particularly important risks are classified as major company-wide risks, and are monitored by the Risk Management Committee and the CSR Committee to ensure that such risks are managed properly. In FY 2013, an external expert was invited to review this risk management system for upgrading.

Basic approach

Our most important challenge is to strive to strengthen our R&D from a long-term perspective, increase our competitiveness by developing new businesses, and maintain the long-term growth of our business performance. We are also working hard to enhance corporate governance with the aim of developing a trusted and attractive corporate culture.

Questions on the transparency and soundness of management are being raised, and the monitoring and overseeing function of management is being strengthened through the appointment of independent outside directors and auditors.

Communications with shareholders and investors

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Shareholders

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## Targets and Results

### CSR Management

<table>
<thead>
<tr>
<th>Action</th>
<th>FY 2013 Target</th>
<th>FY 2013 Performance</th>
<th>Assessment</th>
<th>Target for FY 2014 Onward</th>
<th>Implementation</th>
<th>Division</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promote activities of the four committees</td>
<td>Promoted the activities of the four committees (Corporate Ethics Committee, Responsible Care Management Committee, Risk Management Committee, and Social Contribution Committee) as planned.</td>
<td>Continuation of current efforts</td>
<td>Continuation of current efforts</td>
<td>Corporate Ethics Committee</td>
<td>CSR Department</td>
<td></td>
</tr>
<tr>
<td>Raise awareness of the activities across the Group</td>
<td>Held the CSR Report Presentations across all Group divisions, and promoted information sharing via internal social media such as internal websites and intranet, including messages from senior management, to raise employee awareness of CSR. Results were confirmed through various surveys.</td>
<td>Continuation of current efforts</td>
<td>Continuation of current efforts</td>
<td>CSR Department</td>
<td>CSR Department</td>
<td></td>
</tr>
<tr>
<td>Utilize the UN Global Compact (GC) network, etc.</td>
<td>Supported activities of Global Compact Japan Network (GC-JN), a member of the Working Group of Stakeholders, Working Group Committee of the Business Awareness Committee of UNGC Working Group, and a member of the Human Rights Working Group.</td>
<td>Continuation of current efforts</td>
<td>Continuation of current efforts</td>
<td>Corporate Ethics Committee</td>
<td>CSR Department</td>
<td></td>
</tr>
<tr>
<td>Conduct a survey on awareness of corporate ethics</td>
<td>Implemented a survey on awareness of corporate ethics and followed up business ethics and social responsibilities</td>
<td>Continuation of current efforts</td>
<td>Continuation of current efforts</td>
<td>Risk Management Committee</td>
<td>CSR Department</td>
<td></td>
</tr>
<tr>
<td>Ensure employees familiar with the Principles of Corporate Ethics</td>
<td>Partially revised the Principles of Corporate Ethics to reflect social responsibilities.</td>
<td>Continuation of current efforts</td>
<td>Continuation of current efforts</td>
<td>CSR Department</td>
<td>CSR Department</td>
<td></td>
</tr>
<tr>
<td>Ensure legal compliance</td>
<td>Permanently confirmed the status of legal compliance and conducted improvement activities for the requirements across the JSR Group, including our overseas companies.</td>
<td>Continuation of current efforts</td>
<td>Continuation of current efforts</td>
<td>Risk Management Committee</td>
<td>CSR Department</td>
<td></td>
</tr>
<tr>
<td>Review and improve the risk management system</td>
<td>Reviewed and partially improved the company-wide risk management system.</td>
<td>Continuation of current efforts</td>
<td>Continuation of current efforts</td>
<td>Risk Management Committee</td>
<td>CSR Department</td>
<td></td>
</tr>
<tr>
<td>Periodically operate the company-wide risk management system</td>
<td>Implemented company-wide risk management activities across the Group, including overseas sites, and utilized 14 major company-wide activities.</td>
<td>Continuation of current efforts</td>
<td>Continuation of current efforts</td>
<td>Risk Management Committee</td>
<td>CSR Department</td>
<td></td>
</tr>
<tr>
<td>Improve management of chemical substances</td>
<td>Continue to improve product quality</td>
<td>Continuation of current efforts</td>
<td>Continuation of current efforts</td>
<td>Procurement Department (and others)</td>
<td>Procurement Department (and others)</td>
<td></td>
</tr>
<tr>
<td>Ensure compliance with ISO 14001*1</td>
<td>Made progress in labelling products shipped in Japan in accordance with the Industrial Safety and Health Law, and performed SDS of DOS as planned.</td>
<td>Continuation of current efforts</td>
<td>Continuation of current efforts</td>
<td>Procurement Department (and others)</td>
<td>Procurement Department (and others)</td>
<td></td>
</tr>
<tr>
<td>Ensure compliance with EHS (READ)<em>2 and CLP</em>3</td>
<td>Communicated information necessary for compliance with READ and confirmed the registration status of materials for the compliance with READ; affected SPE labels to products exported to Europe.</td>
<td>Continuation of current efforts</td>
<td>Continuation of current efforts</td>
<td>Procurement Department (and others)</td>
<td>Procurement Department (and others)</td>
<td></td>
</tr>
<tr>
<td>Implement green procurement*4</td>
<td>Implemented green procurement, covering 96% of raw material suppliers on a purchase basis (95% last fiscal year), and conducted a survey on biodiversity conservation targeted at petrochemical business suppliers.</td>
<td>Continuation of current efforts</td>
<td>Continuation of current efforts</td>
<td>Procurement Department (and others)</td>
<td>Procurement Department (and others)</td>
<td></td>
</tr>
<tr>
<td>Improve employees work-life management</td>
<td>Promote health activities as a part of our corporate culture, take concrete measures, and achieve quantitative targets.</td>
<td>Continuation of current efforts</td>
<td>Continuation of current efforts</td>
<td>Human Resources Department</td>
<td>Human Resources Department</td>
<td></td>
</tr>
<tr>
<td>Ensure diversity in the workplace</td>
<td>Ratio of employees with disabilities (JSR): 1.96% (1.94% last fiscal year)</td>
<td>Continuation of current efforts</td>
<td>Continuation of current efforts</td>
<td>Human Resources Department</td>
<td>Human Resources Department</td>
<td></td>
</tr>
<tr>
<td>Ensure diversity in recruitment</td>
<td>JSR Group has identified long-term actions in various categories and set targets for each year. Major actions targets and results are described below.</td>
<td>Continuation of current efforts</td>
<td>Continuation of current efforts</td>
<td>Human Resources Department</td>
<td>Human Resources Department</td>
<td></td>
</tr>
</tbody>
</table>

### Customers/Business Partners

- Improve product quality
- Provide customers with environmental and safety information
- Implement and strengthen PLF* activities
- Provide customers with environmentally safe products
- Implement and promote activities to improve product quality and evaluation techniques to prevent quality accidents more effectively
- Use SDS electronic management system to provide customers with appropriate SDS for products and products

### Employees

- Provide employees with the JSR Group’s Mission, Vision, and Core Values
- Improve understanding of the JSR Group’s Mission and Vision, and Core Values among all employees
- Implement measures to increase understanding
- Continue to implement laboratory and other training programs
- Employers’ awareness of the program
- Continue to implement health and safety training programs
- Evaluate the diversity of employees
- Ratio of employees with disabilities (JSR): 1.96% (1.94% last fiscal year)
- Number of in-plant JSR employees: 10.14 (last fiscal year)
- JSR Group has identified long-term actions in various categories and set targets for each year. Major actions targets and results are described below.

### Analysis

- Promote the activities of the four committees
- Raise awareness of the activities across the Group
- Utilize the UN Global Compact (GC) network, etc.
- Conduct a survey on awareness of corporate ethics
- Ensure employees familiar with the Principles of Corporate Ethics
- Ensure legal compliance
- Review and improve the risk management system
- Periodically operate the company-wide risk management system
- Improve management of chemical substances
- Ensure compliance with ISO 14001
- Ensure compliance with EHS (READ) and CLP
- Implement green procurement
- Improve employees work-life management
- Provide employees with the JSR Group's Mission, Vision, and Core Values
- Improve understanding of the JSR Group’s Mission and Vision, and Core Values among all employees
- Implement measures to increase understanding
- Continue to implement laboratory and other training programs
- Employers’ awareness of the program
- Continue to implement health and safety training programs
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- JSR Group has identified long-term actions in various categories and set targets for each year. Major actions targets and results are described below.
**Society**

*Develop products with consideration to the environment and safety*

- Use LCA* in environmental impact reduction activities.*

**Eliminate accidents and disasters**

- Implemented LCA of new products and major products about 70 group products in total from their R&D stage to calculate the expected CO2 emissions during production.

**Reduce environmental impact**

- Continued to implement environmental and safety policies in accordance with environmental and safety management regulations when installing new facilities or modifying existing ones and performing any regular work.

**Minimize explainable relations to prepare for and respond to major earthquakes and tsunamis**

- Continued efforts, during actual disasters, to minimize damages from fires, earthquakes, and tsunamis, and to prevent secondary environmental damage caused by fires from spreading to adjacent environmental areas.

**Maintain ISO 14001 and ISO 9001 certification**

- Passed audits to maintain ISO 14001 and ISO 9001 at three JSR plants.

**Market certification under security-related laws and regulations**

- Obtained permission for the sale of hyperbaric oxygen for the treatment of decompression sickness as per the laws on aviation and marine safety, and health and safety.

**Audit environmental and safety performance of Group companies**

- Implemented environmental and safety audits at 22 sites of 15 Group companies in Japan and one site of one overseas Group company.

**Participate in Japan Safety Competency Center activities**

- Conduct environmental and safety assessment surveys at 22 sites of 15 Group companies in Japan and Korea.

**Conduct energy conservation measures and anti-global warming measures**

- Worked on further sophistication of energy-saving technologies and established a system that is expected to reduce total CO2 emissions from three plants by 3% over FY 1991. CO2 emissions in FY 2013 decreased by approx. 16,000 tons (2.2%) compared to FY 1991. The period until 2033 is 13 CO2 emissions in FY 2013 were 100%.

**Reduce atmospheric release of VOC**

- Reduced VOC emissions by 75% compared to FY 2001 through the static operation of VOC burners at three JSR plants.

**Reduce the environmental impact of wastewater, industrial waste, and other impacts**

- Industrial water, waste water, and waste oil have been reduced every year from FY 2004 to FY 2013. The goal is to reduce industrial water, waste water, and waste oil each by 70% compared to FY 2004.

**Make cooperation in the International Center for Environmental Technology Transfer around the world**

- Cooperated in the International Center for Environmental Technology Transfer (ICTET) and supporting training of environment and safety engineers around the world.

**Introduce measures to improve local environments**

- Started to improve green areas at the Yokkaichi Plant and Toyota Research Institute to make them a habitat for biodiversity. Conducted Living Things Monitoring periodically at each site.

**Continue to support R&D*** activities**

- Continue to support R&D*** activities.

**Establish various activities at each plant area and the emphasis on communication with the local community, including support for local residents and cleaning activities.**

- Continue to hold local events in the cities of Yokkaichi and Tsukuba.

**Share information through various media**

- Provided information regarding the Group in an easy-to-understand manner through the Investor Relations sections of our website, Annual Reports, the “JSR Technoscape” brochure, and the others.

**Promote interactive communication between employees and residents and investors**

- Held interviews on business results after each quarter, seminars for institutional investors and analysts, technical seminars, and plant tours.

**Effective communication with Group members and information to shareholders**

- Introduced various activities in each plant area and the emphasis on communication with the local community, including support for local residents and cleaning activities. Conducted local visits and local events in the cities of Yokkaichi and Tsukuba.

* LCA (Life Cycle Assessment): a method of statistically existing and assessing a product’s environmental impact at all life stages, including raw materials, manufacturing, use, and disposal

**Eliminate accidents and disasters**

- Jr. LTD: Implementation of CO2 reduction projects at local facilities.

**Implement social contribution programs**

- Promised activities based on the Group’s business policies.

**Support disaster-affected areas**

- Implemented various activities at each plant area and the emphasis on communication with the local community, including support for local residents and cleaning activities.

**Corporate Social Responsibility Department**

- Social Contribution Committee

**Improve social contribution activities**

- Support disaster-affected areas.

**Shareholders**

- Better communication with stakeholders and investors.

- Jr. LTD: Implementation of CO2 reduction projects at local facilities.

-实施LCA in environmental impact reduction activities.*

- Continued to implement environmental and safety policies in accordance with environmental and safety management regulations when installing new facilities or modifying existing ones and performing any regular work.

- The focus of the revised Act on the Promotion of the Environmental Management (Japan) is to establish a system to ensure that all facilities and companies involved in environmental management are consistent with the revised Act on Environmental Management (Japan).

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In September 2012, for the first time, we were selected for inclusion in the Dow Jones Sustainability Indexes (DJSI) Asia Pacific, one of the world’s most influential socially responsible investment (SRI) indexes. In September 2009, we were selected as a member of the Morningstar Socially Responsible Investment Index, Japan’s major SRI Index.

In December 2010, we became the only company in the chemical sector in Japan to be selected for inclusion in both Ethibel Pioneer and Ethibel Excellence, internationally recognized SRI indexes.

In April 2013, we were listed in the FTSE4 Good Index Series for the tenth consecutive year.

The Executive Comment from President Koshiba in this CSR Report shows that he is very clear about what he intends to do regarding the management of the company. Currently in Japan, very few people are clear about their goals and how they want to live on this earth. At the very least, the top management of a company should be clear about their future vision—this is what I said during this year’s stakeholder dialogue meeting. The reason I said this was because I had heard about the length of the term of office for the CEO of US General Electric Company.

It was in 2000 that the current CEO Jeffrey R. Immelt took over from former CEO Jack Welch. Immelt was born in 1956 and is still young, but because the term of office for the CEO at GE is about 15 years, the CEO needs to take the term of office for the CEO of GE at around age 50 at the latest to complete the term of office. This long term of office for a CEO is considered by GE as necessary for pursuing long-term growth as a manufacturer.

To secure strong competitiveness, it is essential for manufacturers—material manufacturers in particular—to maintain superior R&D capabilities from a long-term perspective. Although R&D does not always succeed, expanding technical capabilities from a long-term perspective is the social responsibility of material manufacturers, and to fulfill this responsibility, manufacturers need to understand user needs accurately. It is essential to grasp user needs on a global level.

Of course, there are risks. Grouping trends on a global level is something that cannot be done on an individual basis. Nevertheless, decisions must still be made by an individual. This problem can be solved only when a group organization in which everyone makes utmost efforts to accomplish the goals of the head office is established and when an information network is developed. With regard to the JSR Group, the fact that JSR Micro, Inc. in the United States issued their own CSR report after being inspired by the CSR Report of the Group is one piece of evidence that confirms the Group’s strong unity.

The fact that JSR was listed in several SRI indexes and that the company became the only company in the chemical sector in Japan to be selected for inclusion in the Dow Jones Sustainability Indexes Asia Pacific in 2012 proves that the effectiveness of the Group’s CSR framework was justly recognized.

For JSR, a Japanese chemical company that has already begun working on the biodiversity issue and that leads others in CSR, what should be done in the future to prevent being overtaken by competitors? In my view, the company needs to confirm once again what social responsibilities they can fulfill in the conduct of their primary business of material manufacturing, and to make their CSR activities more systematic and easy to understand.

For the company positioned at the top, it is meaningless to try to learn things from the outside world. Just as with developing innovation in materials, the company needs to develop innovative methodologies for CSR by themselves. Toward this end, as pointed out by Ikujiro Nonaka in his book “The Knowledge-Creating Company,” the company needs to create a place for deliberation, discuss issues headway over and over again, and organize and structure the wisdom gained through such discussions, turning it into explicit knowledge that can be understood by the public. This is the very technique that the company needs to maintain.
In September 2012, experts and employees conducted an investigation of the habitats of species living in a stream running across JSR’s Yokkaichi Plant and other areas situated at the plant site. Various insects, birds, and other species, including medaka rice fish (Oryzias latipes), were found there. The illustration on the cover page of this report depicts the plant as well as all the fish, plants and other creatures that live in harmony with it.