

JSR Corporation



Materials Innovation



With chemistry, we can.

C O N T E N T S



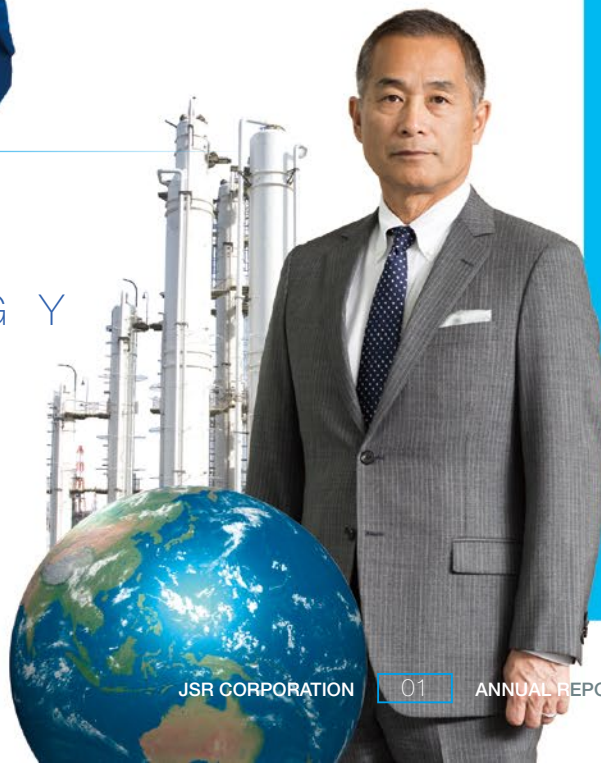
02 O V E R V I E W

- 02 PROFILE
- 03 BUSINESS OUTLINE
- 04 CONSOLIDATED FINANCIAL HIGHLIGHTS



05 O U R S T R A T E G Y

- 06 JSR'S VISION
- 07 TO OUR SHAREHOLDERS
- 11 SPECIAL FEATURE



13 C R E A T I N G C O R P O R A T E V A L U E

- 14 AT A GLANCE
- 15 PETROCHEMICAL PRODUCTS BUSINESS
- 17 FINE CHEMICALS AND OTHER PRODUCTS BUSINESS
 - 17 SEMICONDUCTOR MATERIALS
 - 18 DISPLAY MATERIALS
 - 19 STRATEGIC BUSINESSES
- 20 R&D POLICY AND ORGANIZATION

22 C R E A T I N G S U S T A I N A B L E V A L U E

- 23 CORPORATE MISSION AND CSR
- 24 CORPORATE SOCIAL RESPONSIBILITY
- 26 CORPORATE GOVERNANCE SYSTEM
- 33 DIRECTORS, AUDIT & SUPERVISORY BOARD MEMBERS, AND OFFICERS
- 34 JSR GLOBAL NETWORK
- 35 CORPORATE DATA

FINANCIAL SECTION (SUPPLEMENTARY VOLUME)

Forward-Looking Statements

Statements regarding the Company's future plans, strategies, projected performance and outlook are based on information available at the time of writing. Readers are cautioned that economic trends in JSR's target markets and other risks, and factors beyond the Company's control could cause actual results to differ materially from those projected by management.

O V E R V I E W

PROFILE

JSR Corporation (formerly Japan Synthetic Rubber Co., Ltd.) was established in December 1957 under the Special Measures Law for the Synthetic Rubber Manufacturing Industry with the aim of pioneering synthetic rubber production in Japan. Since that time, the Company has remained among Japan's market share leaders in synthetic rubber and other petrochemical materials. We also apply our polymer technologies in the field of fine chemicals to produce semiconductor materials, display materials, and other products, which command among the highest market shares in the industry.

JSR aims to leverage its stable core businesses of petrochemical products and fine chemical materials, to pursue sustained growth through strategic development of two new businesses: life sciences and lithium ion capacitors (LICs).



CORPORATE MISSION

Materials Innovation

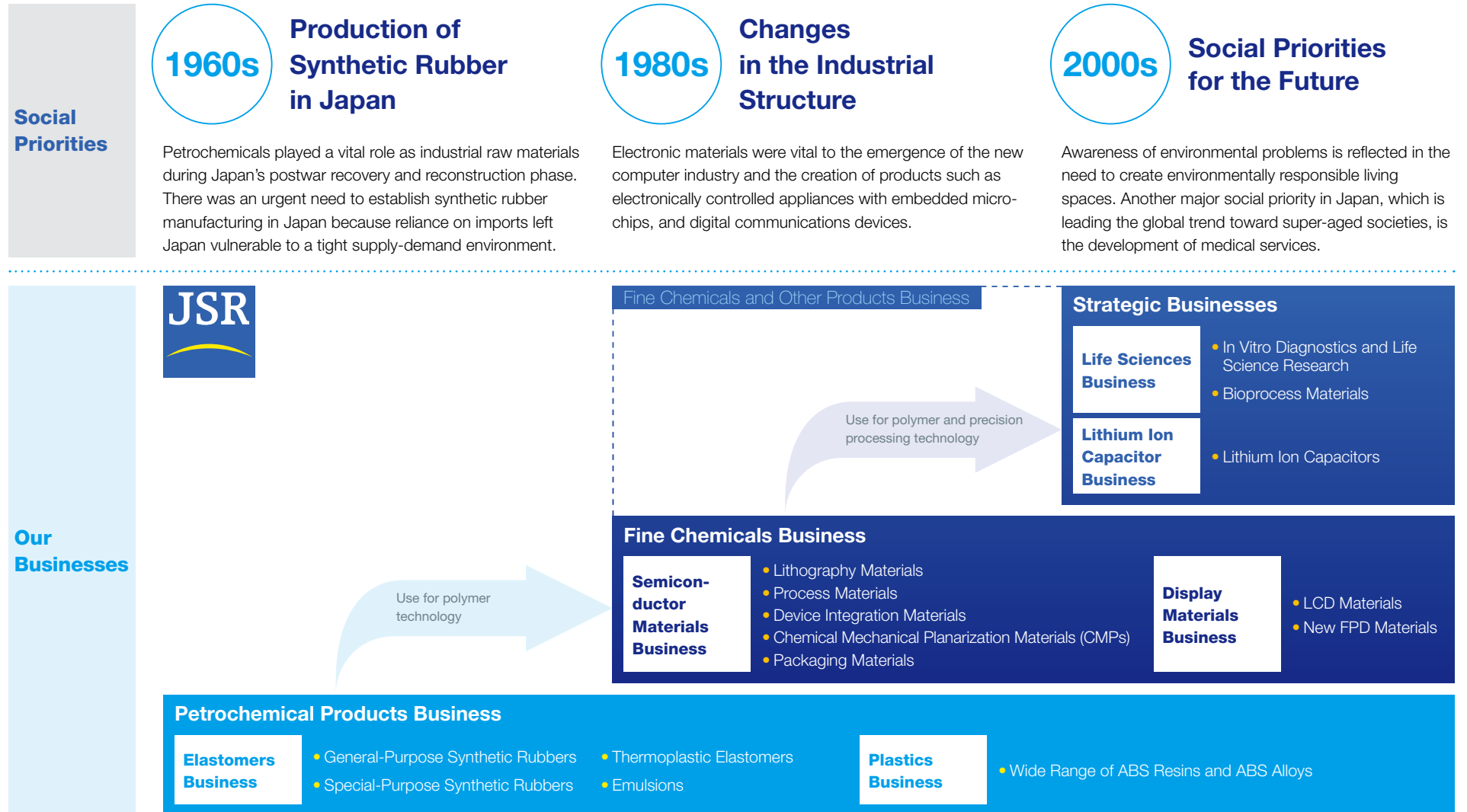
We create value through materials to enrich society, people and the environment



OVERVIEW

Business Outline

The JSR Group aims to create new value through materials and to help in solving social problems.



O V E R V I E W

Consolidated Financial Highlights

In the year ended March 2015, strong performance by the Fine Chemicals and Other Products Business offset a downturn in the Petrochemical Products Business, allowing us to achieve growth in sales and income.

Note: Fiscal year means year ended March 31

¥ 404.1 billion
 ▲ (+2.5%) ¥ 394.3 billion

Net Sales

Despite a marginal decline in petrochemical products because of deteriorating market prices, revenues were higher thanks to strong sales of advanced semiconductor materials and a firm trend in sales of display materials.

¥ 364.7 billion
 ▲ (+8.1%) ¥ 337.3 billion

Net Assets

Net assets were higher primarily because of an ¥11.3 billion year-on-year increase in shareholders' equity, and a ¥15.7 billion year-on-year increase in cumulative comprehensive income. The equity ratio was 67.0%.

¥ 38.1 billion
 ▲ (+5.6%) ¥ 36.1 billion

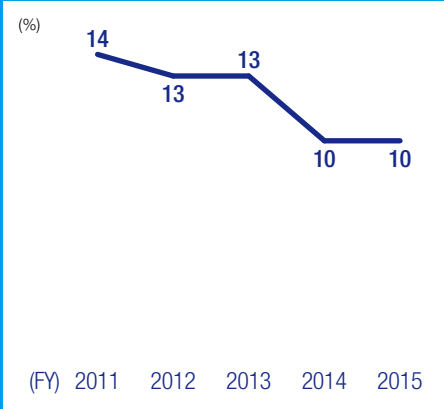
Operating Income

Income from the Petrochemical Products Business was significantly lower because of deteriorating market prices, but operating income was higher year on year thanks to a firm trend in income from the Fine Chemicals and Other Products Business.

10%
 ▶ (±0.0%) 10%

ROIC

ROIC remained even despite higher growth investment. Contributing factors included an 18.9% year-on-year increase in net income, which reached ¥29.9 billion.

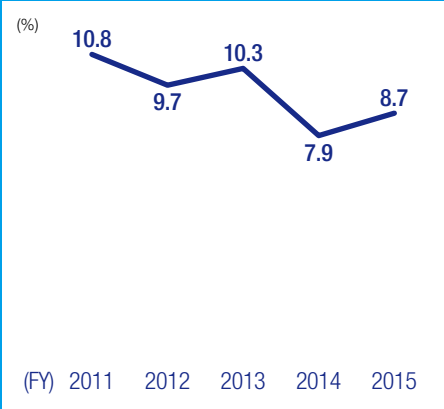


(FY)	2011	2012	2013	2014	2015
ROIC (%)	14	13	13	10	10

8.7%
 ▲ (+0.8%) 7.9%

ROE

Income growth helped to produce a moderate increase in ROE, which we regard as a key financial indicator.



(FY)	2011	2012	2013	2014	2015
ROE (%)	10.8	9.7	10.3	7.9	8.7



Policies Focusing on the Realization of Our Goals

In the year ended March 2015, growth in the Fine Chemicals and Other Products Business allowed us to achieve results that were moderately higher than our initial targets, despite a slower trend in the Petrochemical Products Business. We provide maximal effort to the realization of our goals that reflect environmental changes over the past year and progress in each business segment.

MITSUNOBU (Nobu) KOSHIBA
Representative Director and President

OUR STRATEGY

The JSR Vision

The trends toward diversification and the formation of a multipolar world are expected to accelerate. We see these environmental changes as opportunities to expand our corporate value through initiatives based on our business philosophy.

Vision for 2020

- Establish a corporate structure resistant to changes.
- Build up competitiveness that enables us to achieve sustainable growth.
- Develop a third pillar of business.

Become an esteemed company with ¥1 trillion market capitalization

Post JSR20i6

Phase III

Sustained Growth

Development of strategic businesses as third core source of earnings

Emergence as a company capable of stable, sustainable growth

* The "i" in "JSR20i6" (twenty-sixteen) emphasizes the "Innovation" to realize Materials Innovation, which is the heart of our corporate mission.

JSR20i6

Phase II

Following Our Path to Growth

Sustained efforts to link priority measures implemented under JSR20i3 to earnings

Core business areas (Solution Polymerization SBR (S-SBR), advanced lithography materials, etc.) as growth drivers

JSR20i3

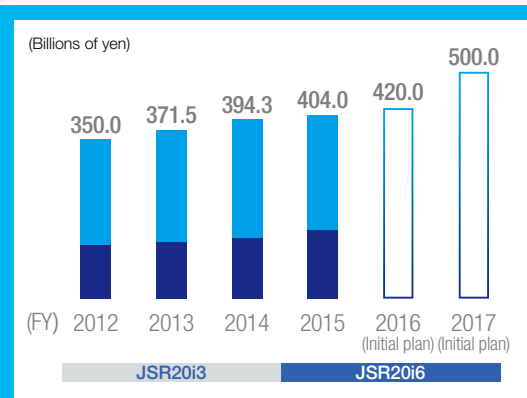
Phase I

Activation toward Growth

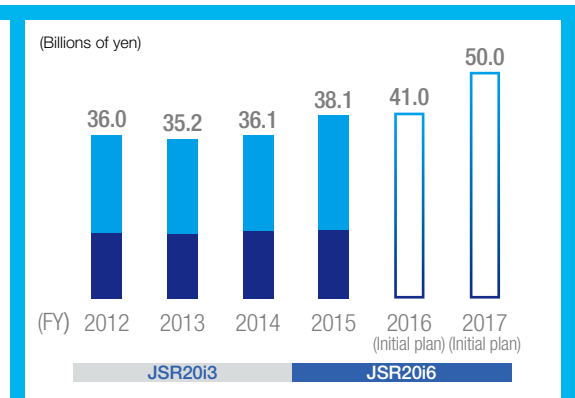
Concentration on key business areas and products capable of driving sustainable growth

Investment, business infrastructure development, improvement of competitiveness in core business areas

Net Sales



Operating Income



□ Petrochemical Products Business ■ Fine Chemical and Other Products Business

Note: Fiscal year means year ended March 31

OUR STRATEGY

To Our Shareholders

How would you describe the market environment in the year ended March 2015?

Question



The Petrochemical Products Business was affected by stagnating conditions, but we recorded excellent performance trends in the Fine Chemicals and Other Products Business.

The market environment in the year ended March 2015, drastically changed in the second half of the period; raw material prices fell along with the prices of finished products due to a plunge in crude oil prices. The yen rapidly weakened against major currencies. Meanwhile, the environment for our major customer industries was generally stable. There was a global increase in production by automotive tire and motor vehicle manufacturers, and the production of semiconductors was steady due to strong demand, especially for use in smartphones, tablets and other mobile devices. Trends in production of flat panel displays (FPDs) for large-screen TVs were also strong.

The impact on the elastomer business was particularly severe. Despite global growth in demand, market prices fell due to a worsening supply-demand balance caused by an over-supply situation, especially in East Asia. The result was reduced spreads between the prices of key raw materials and the prices of our products. Despite stagnating markets, net sales from the Petrochemical Products Business were about the same as

in the previous year, in part because of price adjustments implemented in the first half of the year to reflect higher raw material prices.

On the other hand, buoyant market trends helped to expand sales of semiconductor materials and display materials. Our withdrawal from the precision materials and processing business, which had become unprofitable, also contributed to a substantial year-on-year increase in net sales and operating income from the Fine Chemicals and Other Products Business. This offset the downturn in the Petrochemicals Product Business.

As a result, consolidated net sales in the year ended March 2015 were 2.5% higher year on year at ¥404.1 billion, while operating income rose by 5.6% to ¥38.1 billion, and net income by 18.9% to ¥29.9 billion.

OUR STRATEGY

To Our Shareholders

What were your priority initiatives in the year ended March 2015?

Question



We established JBE to provide production capacity for Solution Polymerization SBR (S-SBR), and we made preparations to put our Strategic businesses activities on a growth track.

Our main priority for the Petrochemical Products Business was the start-up of the first phase of S-SBR production facilities for our Thai joint venture, JSR BST Elastomer Co., Ltd. (JBE). The project fell behind schedule because of delays in obtaining customer approvals, but the plant is fully operational in now. We are also proceeding with a second phase of plant construction at JBE in order to double the plant's production capacity in anticipation of demand growth in the medium- to long-term future.

In the Semiconductor Materials business, major customers started full-scale production of leading-edge 20nm-generation products in which we holds large market share. Because of our high market share in this area and our capability of supplying high quality product consistently, this resulted in higher sales.

We were able to enhance the competitiveness of the Display Materials business through in-depth localized operations by our South Korean and Taiwanese group companies, and through the establishment of a technical service organization. In addition, we decided to establish a Chinese joint

venture, JSR Micro (Changshu) Co., Ltd., to expand sales in the Chinese market, which is expected to show rapid growth.

In the Strategic business category, we concentrated our resources in the areas of life sciences and lithium ion capacitors (LICs). In the life sciences area, we made significant progress toward the establishment of structures to support non-organic growth. In the LIC area, we steadily increased the number of companies using our products, and while this business is still small, there was a significant increase in sales. We also completed a new plant for the mass production of miniaturized products with the aim of expanding our sales.

As a result of these efforts, JSR was able to achieve the revenue targets set down at the beginning of fiscal 2015, which was the first year under JSR20i6. However, new strategies will be needed in the petrochemical products area because of the effects of a chronic over-supply situation and market stagnation. I intend to work tenaciously toward the achievement of our operating income target of ¥50 billion in the final year of JSR20i6.

OUR STRATEGY

To Our Shareholders

What is your growth scenario going forward?

Question

We aim to strengthen our structure in the Petrochemical Products Business in anticipation of worsening profitability, while working toward non-organic growth in the new Life Science business, which we have positioned as a new core segment.

There are two major changes in our strategies. First, we will strengthen the structure of our Petrochemical Product business. The breakeven point for the Petrochemical Products Business has improved by 20 points compared with the position before the Lehman shock, but profitability is expected to deteriorate over the next few years because of harsh trends in demand and market prices. By seizing opportunity now that financial resources are being generated by breakeven point improvement, we will invest ¥30-40 billion over the next four or five years in initiatives to bring facilities, some of which were built around 40 years ago, up to date and ensure safety. By doing so, we will make them more robust and more sustainable, so that they will still be usable 20 or 30 years from now. In addition to this facility improvement, we will also prepare for medium and long-term growth by restructuring our product portfolios.

In the Life Science business area, we have focused on collaboration with other companies. For example, we have strengthened our relationship

with MEDICAL & BIOLOGICAL LABORATORIES CO., LTD. (MBL), a pioneering Japanese manufacturer of antibodies, and jointly acquired KBI Biopharma, Inc. (KBI), a contract developer and manufacturers of biopharmaceuticals in the United States. These moves will allow us to go beyond the expansion of our existing group business activities, and to expand into other business areas, including not only raw materials but also the development of reagents and reagent manufacturing processes, and contract manufacturing of reagents. For example, we could use the knowledge and sales channels of MBL in the area of reagents, and contract biopharmaceutical manufacturing capabilities of KBI in area of bioprocess materials. From a business portfolio perspective, the life sciences field is less vulnerable to raw material prices or economic trends than other business segments and offers opportunities to apply the strengths of JSR. We aim to achieve net sales of ¥30 billion in the year ending March 2017.

OUR STRATEGY

To Our Shareholders

What is your thinking on capital strategy?

Question



While giving priority to investment in growth, we will also work to improve ROE and maintain a flexible approach to shareholder returns.

Apart from the period affected by the Lehman shock, long-term trends in our operating cash flows have generally remained stable despite fluctuations in earnings. During the period covered by mid-term management plan JSR20i6, we expect to generate cumulative cash flows amounting to around ¥160 billion.

Our capital allocation policy calls for growth investment of around ¥100 billion, including organic investment in existing business activities and inorganic investment, such as the acquisition of shareholdings in other companies, as typified by our investments in MBL and KBI. We intend to use our remaining cash flows and other cash reserves to maintain a gross payout ratio, including dividends, share buy-backs and other shareholder returns, of 50% or higher during the period of JSR20i6. This represents a change in policy on shareholder returns, which previously called for a payout ratio of 30%. Going forward, our policy on shareholder returns will be to combine stability with flexibility.

In addition to our commitment to shareholder returns, this change was also motivated by our desire to achieve a double-digit ROE. We aim to increase ROE from its present level of 8.7% to over 10% in the near future.

We have made decisions about a number of targets for growth investment, including the expansion of overseas business sites, and M&A activities.

The dividend for the year ended March 2015 was ¥40. The dividend ratio was 31.2%, and the gross payout ratio was 64.6%.

We will continue to give priority to growth investment in the allocation of resources. We will also implement shareholder return policies that target further improvement in ROE, while also taking into account prevailing economic conditions and our financial position.

Special Feature

Life Sciences Business—

Contributing to Sustainable Society where people can enjoy health and longevity



The extension of healthy lifespans and the reduction of health-care expenditure are priorities in developed countries. Efforts to achieve these goals are reflected in a trend toward individualized medicine, and in a shift in emphasis from cure to prevention. Individualized medicine enhances the effectiveness of therapies by matching treatment methods more precisely to the condition of each individual patient. To achieve this, doctors can use biopharmaceuticals, which cause fewer side-effects, and advanced, personalized diagnostics to identify conditions and determine which drugs will be the most effective for a specific patient. The shift in emphasis from cure to prevention is helping to reduce the healthcare burden by preventing diseases from occurring, or by discovering them earlier when they do occur. The keys to this approach are the ability to diagnose the potential for diseases, and day-to-day health monitoring.

The JSR Group will respond to these trends by expand-

ing its related activities, especially in the areas of advanced diagnostics and the development and manufacture of biopharmaceuticals.

China is working toward the domestic production of diagnostics for hepatitis, influenza and other infectious diseases. The JSR Group is collaborating with Chinese companies in the development, manufacture and sale of these diagnostics. Our aim is to achieve in-house production in China using JSR raw materials.

In addition to our work in these advanced fields, our strategy also includes the utilization of existing products and technologies in emerging countries.

Advanced Diagnostics

Companion diagnostics are used to optimize treatment methods for individualized medicine. Designed for external use, they are employed in conjunction with the clinical admin-

istration of pharmaceuticals to carry out prior diagnoses and determine whether or not particular drugs and therapies will be effective. They are used to identify patients who are likely to suffer side-effects. One of the most important measurement methods used involves diagnosis through the detection of disease-related substances adhering to antibodies attached to beads. Diagnostics designed to react to a wide range of antigens can be created by combining the JSR Group's beads technology with antibodies developed by MEDICAL & BIOLOGICAL LABORATORIES CO., LTD.

Biopharmaceuticals

Biopharmaceuticals include antibody drugs, which are used in the treatment of cancer and other serious diseases. There has been a rapid increase in the development of these drugs in the past few years as they are highly effective and produce minimal side-effects. The JSR Group is contributing to the development of production processes for these biopharmaceuticals. Antibody drugs are extremely large biomolecules. They are cultured using microorganisms and animal cells, and the antibodies are then separated and refined to create pharmaceutical products. Biopharmaceuticals minimize side-effects by using biological and cytological functions that affect only disease sites, such as cancerous cells. At present the development and manufacture of biopharmaceuticals involves complex and expensive processes. The JSR Group is working to overcome these problems so that biopharmaceuticals can become more widely available.

OUR STRATEGY

Special Feature

Further expanding our business domains by increasing strategic partners not only in our group, but also linking raw material technologies with end users.

In the area of diagnostics, we have increased our shareholding, and strengthened our collaboration, with MBL, which possesses expertise relating to the use of antigens as biopharmaceuticals. We are also acquiring shareholdings in other companies, such as KBI Biopharma, a developer of biopharmaceutical production processes and a contract developer and manufacturer of biopharmaceuticals in the United States. These investments support our efforts to create new value across all stages of biopharmaceutical manufacturing.

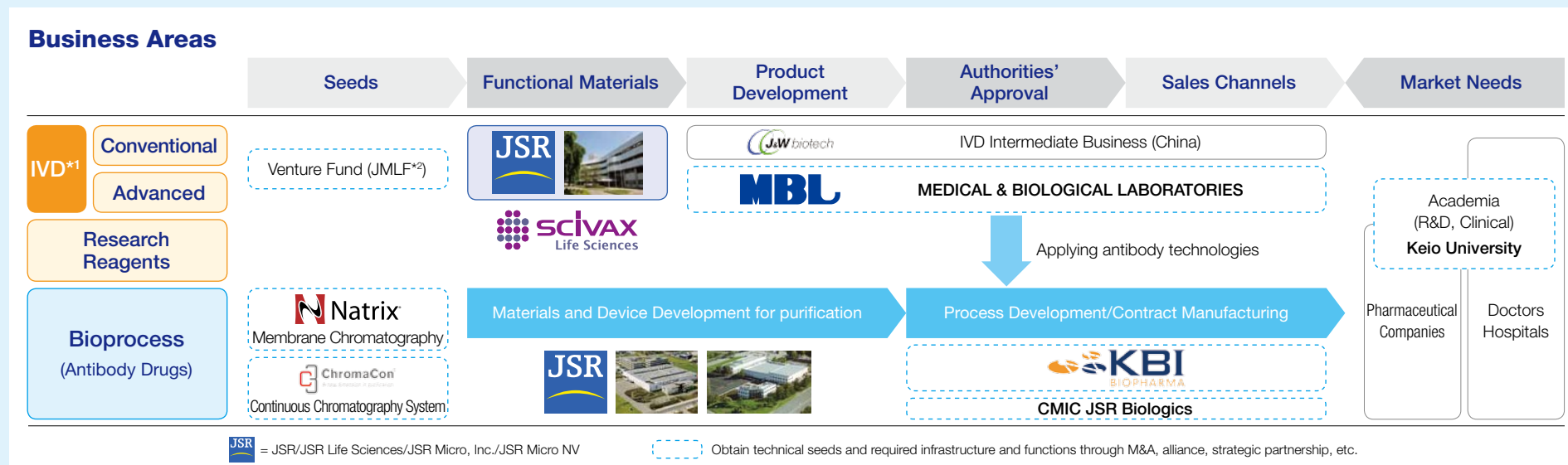
We also plan to commence joint research with Keio University, which has its own hospital. This will allow us to foster collaboration with hospitals and medical professionals.

Our priority for the Life Sciences business was to link functional materials manufactured by the JSR Group with value chains leading to end users. Even if we create useful raw materials, they are unlikely to be adopted by pharmaceutical manufacturers unless there are also effective manufacturing processes for those materials. Our recent joint

acquisition of KBI has given us access to a company with the ability to develop manufacturing processes and carry out actual manufacturing if a pharmaceutical company discovers a substance with medicinal effects. The establishment of this cooperative relationship was the final step in the creation of a value chain linking our functional materials with product development, approval, sales channels and pharmaceutical companies.

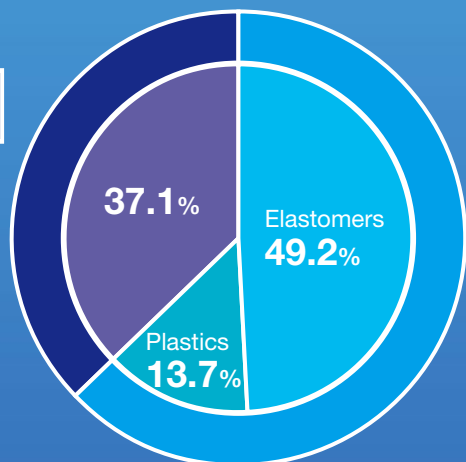
*1 IVD: In Vitro Diagnostics

*2 JSR-mblVC LifeScience Investment Limited Partnership



Revenue Breakdown by Business Segment

Fine Chemicals and
Other Products Business



Petrochemical
Products Business



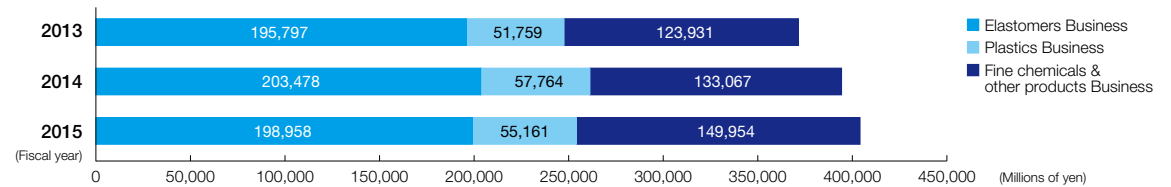
Creating Corporate Value

The three strategic domains for the JSR Group are Petrochemical Products, Fine Chemicals, and Strategic Businesses. In each of these areas, we are developing business activities based on medium- and long-term perspectives.

CREATING CORPORATE VALUE

At a Glance

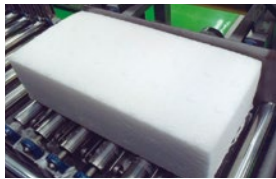
Segment Sales



* Note: Fiscal year means year ended March 31

Petrochemical Products Business

Elastomers



General-Purpose Synthetic Rubbers

Solution Polymerization Styrene-Butadiene Rubber (S-SBR), Emulsion polymerization Styrene-Butadiene Rubber (E-SBR), Polybutadiene Rubber (BR)

Special-Purpose Synthetic Rubbers

Nitrile Rubber (NBR), Butyl Rubber (IIR), Ethylene-Propylene Rubber (EPM/EPDM)

Thermoplastic Elastomers (TPEs)

Syndiotactic 1, 2-Polybutadiene "JSR RB™"
Hydrogenated Polymer "JSR DYNARON™"
Styrene-Butadiene Thermoplastic Elastomers "JSR TR™"
Styrene-Isoprene Thermoplastic Elastomers "JSR SIS™," etc.

Emulsion Products

Paper Coating Latex, SB Latex, Acrylic Emulsions, etc.

Performance Chemicals

High-Functional Dispersant "DYNAFLOW™"
Organic/Inorganic Hybrid Coating Materials "GLASCA™"
Battery Materials
Thermal Management Materials

Plastics



Styrenic Resins

Acrylonitrile-Butadiene-Styrene (ABS) Plastic
Acrylonitrile-Ethylene-Propylene-Styrene (AES) Plastic

Fine Chemicals and Other Products Business

Fine Chemicals

Semiconductor Materials



Lithography Materials

Photoresists, multilayer materials, etc.

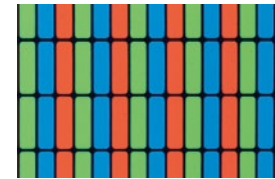
CMP (Chemical Mechanical Planarization) Materials

CMP slurries and pads

Packaging Materials

Thick-film photoresists, photosensitive insulation materials, etc.

Display Materials



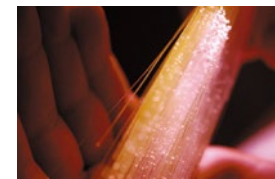
LCD Materials

Alignment films, protective coatings, color pigment dispersed resists, photosensitive spacers, etc.

New FPD Materials

Optical Coatings, OLED, etc.

Optical Materials



Precision Materials and Processing Business

Heat-Resistant Transparent Resin "ARTON™"
ARTON™ Optical Films, etc.

Optical Materials

UV Curing Optical Fiber Coatings, etc.

Strategic Businesses

Life Sciences Materials



In-vitro Diagnostic and Research Reagents

Beads for Clinical Diagnostics
Research Reagents
Magnetic Beads
Size Standard Beads

Bioprocess Materials

Protein A affinity material
Ion-exchange material

Lithium Ion Capacitors



Cells

Laminate Cell
Prismatic Cell

Modules

Laminate Cell Module
Prismatic Cell Module

Petrochemical Products Business



Using Our Technological Advantage in Solution Polymerization SBR (S-SBR)

JSR has targeted demand for high-performance S-SBR, especially the high-end and middle-high markets. In the year ended March 2015, we responded to deteriorating market conditions by restructuring our product portfolio and bringing forward the introduction of products for the high-end market. These products have been well-received in South Korea, Europe and Japan and have allowed us to gain a lead over our competitors through differentiation based on superior technology.

We also worked to expand our presence in the middle-end market by increasing supplies of products based on our exclusive technology in the year ended March 2015. We have not previously targeted this market because of the large number of competitors. However, we expect to achieve growth in this area by using our original technology to develop products that allow us to achieve high productivity and cost-competitiveness. The predicted shift toward electric vehicles is expected to result in an increase in use of high-torque vehicles. We will respond to this trend by supplying products with enhanced wear characteristics.

Note: Fiscal year means year ended March 31

Elastomers

Performance Overview

¥199.0 billion

-2.2%

Net Sales

¥10.7 billion

-38.1%

Operating Income

- Moderate year-on-year decline in total elastomer sales volumes
- Decrease in operating income from recurring expenses including the cost of regular maintenance
- Major decline in profit, mainly because of shrinking margins caused by a worsening supply-demand balance

Plastics

Performance Overview

¥55.2 billion

-4.5%

Net Sales

¥2.8 billion

-27.5%

Operating Income

- Sales decline due to decreasing domestic production of motor vehicles and industrial materials, including building materials and miscellaneous goods
- A weaker yen and price adjustments in the first half of the period to reflect rising raw material costs not sufficient to offset reduced sales volumes, net sales down
- Operating income significantly affected by reduced sales volumes, despite current improvement in profit margins

CREATING CORPORATE VALUE

S-SBR Business Strategy

JSR aims to be number one in terms of its share of the global market for Solution Polymerization SBR (S-SBR). We have three strategies for achieving this goal.

First, we will prepare predicted growth in demand over the medium- to long-term future by expanding the total supply capacity of the JSR Group. This strategy calls for the creation of a global network of production sites located close to user markets through the completion of a second phase of construction at the facilities of JBE in Thailand, and the planned construction of a plant in Hungary.

Second, we will strengthen our cost-competitiveness. Both JBE and the production operation in Hungary are joint ventures with local manufacturers. We will be able to ensure the constant supply of raw materials.

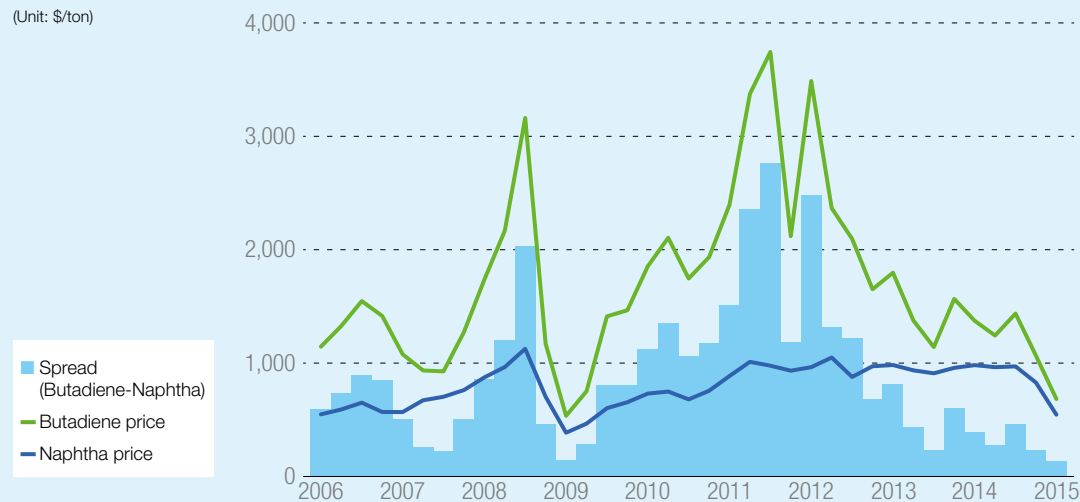
Butadiene supplies are expected to fall short of demand in the future, and we aim to establish a structure that will allow us to source this material at competitive prices.

Third, we will differentiate our products and establish a technological advantage by introducing products into the high-end market ahead of our competitors. We will maintain a dominant share of expanding demand in the high-end market through continual performance and quality-based differentiation. We will also introduce products based on our original technology into the large middle-end market.

We aim to achieve sustained growth by steadily implementing these three strategies.

Change in butadiene and naphtha prices

(Unit: \$/ton)



Source: JSR prepared the chart based on statistics of Platts and JSR, etc.

The change in raw material prices

Since butadiene is produced from naphtha, the cost of naphtha production closely approximates our raw material cost. Because butadiene is the main raw material, its price is linked to the price of butadiene-based synthetic rubber, so the price spread between naphtha and butadiene is the key to higher profits.

From 2013, the supply-demand balance for butadiene has gone from bad to worse, and the price spread between naphtha and butadiene has shrunk. In particular, the year ended March 2015, the benchmark butadiene price in the fourth quarter was \$700/t, dramatically reducing the price spread with naphtha. As a result, for year ended March 2015, profit was a key concern in the Petrochemical Products Business. Earnings will improve with a rise in the butadiene price or a drop in the price of naphtha, but since we forecast a continuation of the butadiene oversupply situation in the next fiscal year, the market doldrums are expected to continue. We anticipate that it will take about two years to fully eliminate the glut.

CREATING CORPORATE VALUE

Fine Chemicals and Other Products Business

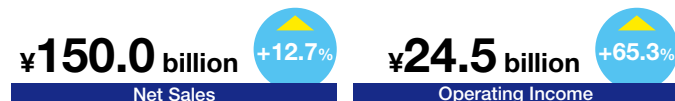


Semiconductor Materials: Yokkaichi Centralization Strategy

In the year ended March 2015, growth in the net sales of the Semiconductor Materials Business outpaced market growth. This reflects the start of full-scale high-volume manufacturing of leading-edge 20nm-generation products, an area in which JSR has a large market share, by major customers and other users. Emerging trends, such as Big Data and the Internet of Things (IoT) are expected to drive continuing growth in the semiconductor market. We aim to maintain our high market share when the 20nm generation is superseded by the 14nm generation and beyond, by developing new products and expanding sales. We will also focus on the development of products for the 10nm and later generations, especially through the development of EUV technology.

In 2014, we responded to this environment by changing our strategy for the Semiconductor Materials business. That strategy now calls for concentrated investment at Yokkaichi, which is a key base for the JSR Group's R&D and manufacturing operations. The aim of this investment is to create the best possible environment for product development and quality assurance. By centralizing the development and production of materials, we will speed up development while optimizing cost efficiency. We are working to optimize performance and quality through collaboration among raw material manufacturers, the R&D organization and our manufacturing operations. Most of our key products, including new resists and multilayer materials, are shipped from Yokkaichi.

Performance Overview



- Year-on-year growth in both net sales and operating income from the Fine Chemicals and Other Products Business
- Increased net sales of semiconductor materials and display materials thanks to strong trends in the semiconductor and FPD markets
- Major progress toward the development of a structure to support future business development

Semiconductor Materials

Performance Overview



- Firm trend in semiconductor demand
- Start of full-scale high-volume manufacturing of leading-edge 20nm generation products by major customer—large market share for JSR

Display Materials

Performance Overview



- Firm trend in demand for FPDs for large-screen TVs and multi-functional mobile devices
- Market growth driven by shift to larger TV screens especially significant for year-on-year growth in net sales

CREATING CORPORATE VALUE

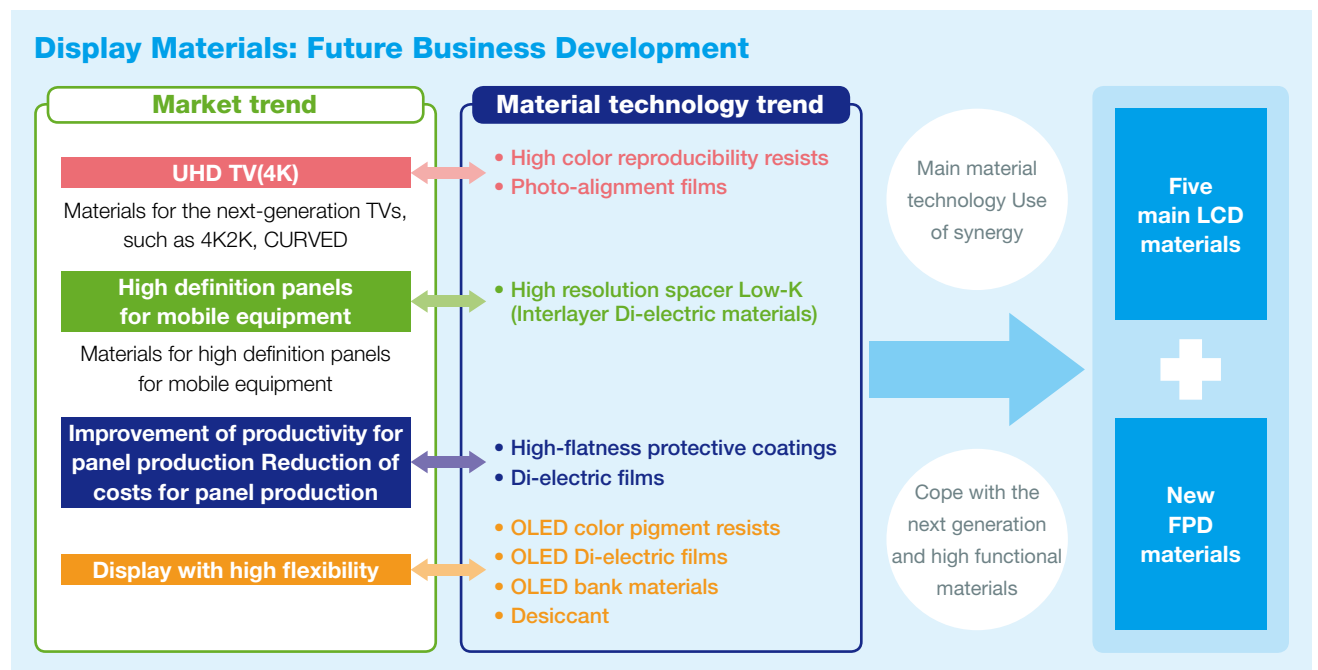
Fine Chemicals and Other Products Business

Semiconductor Materials: Preparing for the EUV Generation

The establishment of Extreme Ultraviolet (EUV) lithography technology is seen as essential to the economic viability of semiconductor fabrication. EUV is one of the key technologies that will take semiconductors forward to the sub-10nm generation. JSR is preparing for high-volume manufacturing of chemically and non-chemically amplified resists developed using its global network. In 2015, we are collaborating with the Belgian organization imec, a leading research institute specializing in nano-electronic technology, to provide manufacturing and quality management services for EUV lithography materials, and there are plans for the establishment of joint venture.

Display Materials: Business Development in Asian-countries

Trends toward higher-definition televisions and large screens are reflected in predictions of continuing growth in the market for display materials. JSR anticipates a sustained contribution to earnings from this area. A key trend in this market is Asian-countries. China in particular is expected to become a major market by 2020 because of its government's policy of establishing a domestic manufacturing industry. JSR has established a Taiwanese joint venture, JSR Micro (Changshu) Co., Ltd., to manufacture display materials in China. Our future activities in this area will center on China, and we plan to relocate grade development and customer support operations to bases in South Korea and Taiwan.



CREATING CORPORATE VALUE

Fine Chemicals and Other Products Business

Strategic Businesses

Performance Overview

¥17.1 billion
Net Sales

-15.5%

- Building a stronger relationship with Japanese antibody manufacturing pioneer Medical & Biological Laboratories Co., Ltd. (MBL)
- Joint acquisition of KBI Biopharma, a contract developer and manufacturers of biopharmaceuticals in the United States
- Start of commercial production at Lithium Ion Capacitor (LIC) plant with capacity for 3 million cells

Life Sciences: Creating Synergies

We further strengthened our Life Sciences business by increasing our shareholding in MBL, an equity method subsidiary. From a development perspective, synergies achieved through closer collaboration with MBL will allow us to speed up development and create added value by combining JSR Group's particle technology with MBL's antibody technology. From a

marketing perspective, we will be able to integrate our organizations and strengthen sales channels in the United States. Manufacturing operations will also be integrated.

Increasing pharmaceutical development costs and other factors have led us to adopt a business model based on outsourcing of manufacturing process development as well as actual manufacturing. A company that provides these services is known as a contract development & manufacturing organization (CDMO). In March 2015, in a joint acquisition, JSR acquired KBI Biopharma, Inc., a CDMO in the United States. KBI has advanced analysis method development technology, which it uses in business operations that center primarily on the European and North American market. It provides pharmaceutical manufacturers and other companies with integrated manufacturing technology development and manufacturing services that range from the initial development of biopharmaceuticals to clinical trials and commercial production. By using these services, pharmaceutical manufacturers are able to focus their efforts on the discovery of pharmaceuticals while reducing their drug development costs. This approach will ultimately contribute to the increased use of biopharmaceuticals.

Lithium Ion Capacitors: Track Record



Automatic Guided Vehicles (AGV)



Hybrid Excavators



Hybrid Buses



Radiographic Cassettes

Lithium Ion Capacitors (LICs): Start of Production at New Plant

The JSR Group has completed a new mass-production plant for flat prismatic can lithium ion capacitors. Products are already being shipped from the new plant, which is the only facility in the world with the capacity to produce three million cells per year. Over 10 companies have started to use the products. We plan to use the new facility to win orders from small-lot customers. Despite the overwhelming performance advantage provided by LICs manufactured by the JSR Group, sales have not yet started to expand rapidly, and our most important priority will be creation of a value chain. Our business model for LICs is based on the transformation of materials and parts into cells and modules, and cells and modules into systems for end users. We aim to strengthen the value chain for LICs of the business going forward, much like the one build for the Life Sciences business.

CREATING CORPORATE VALUE

R&D Policy and Organization



R&D Policy

We will use accumulated technologies to open up new fields of technology

We see our R&D achievements as keys that will unlock the future for JSR. We have built an extensive R&D organization, which has created many

new high-performance materials based on our original technologies. JSR's involvement in the petrochemical field began with elastomer technology. We have since developed our activities globally by creating highly competitive materials and technologies for a wide range of technology fields, including the seemingly disconnected area of IT. We have accumulated a record of continual effort to expand business areas behind our main business. That is, not only to deepen our knowledge of our core polymer technology, but also to develop ways of combining it with other technical fields such as optics, inorganic chemistry, and precision processing technology. We continue to challenge ourselves to develop new fields that offer major growth potential, such as next-generation electronics, life sciences, environment and energy.

Integrating R&D with business activities

After discovering seeds of innovation through our R&D activities, we need to link those seeds to actual business activities. JSR has created an organizational structure that ensures rapid decision-making in this area by giving senior R&D executives management roles in strategic business divisions to ensure close collaboration. Another example of the accelerating integration of R&D and business activities is the identification of needs through direct interaction between our researchers and customers. The priority countries and regions for cutting-edge research vary according to every field such as elastomers, semiconductor materials, display materials, life sciences, environment and energy. By locating our R&D and business sites in the most advanced areas, we are building a structure that will allow us to respond quickly to new trends. We also make extensive use of strategic investments and business partnerships to secure rapid access to the advanced specialist technologies and knowledge, and connect our businesses that we need for our strategic business activities. We are evolving a structure that can provide new value to society by flexibly integrating R&D with business activities within the JSR Group and beyond.

Number of Patents

The number of patents held by JSR is steadily increasing in Japan and overseas, mainly in the Fine Chemicals and Other Products Business.

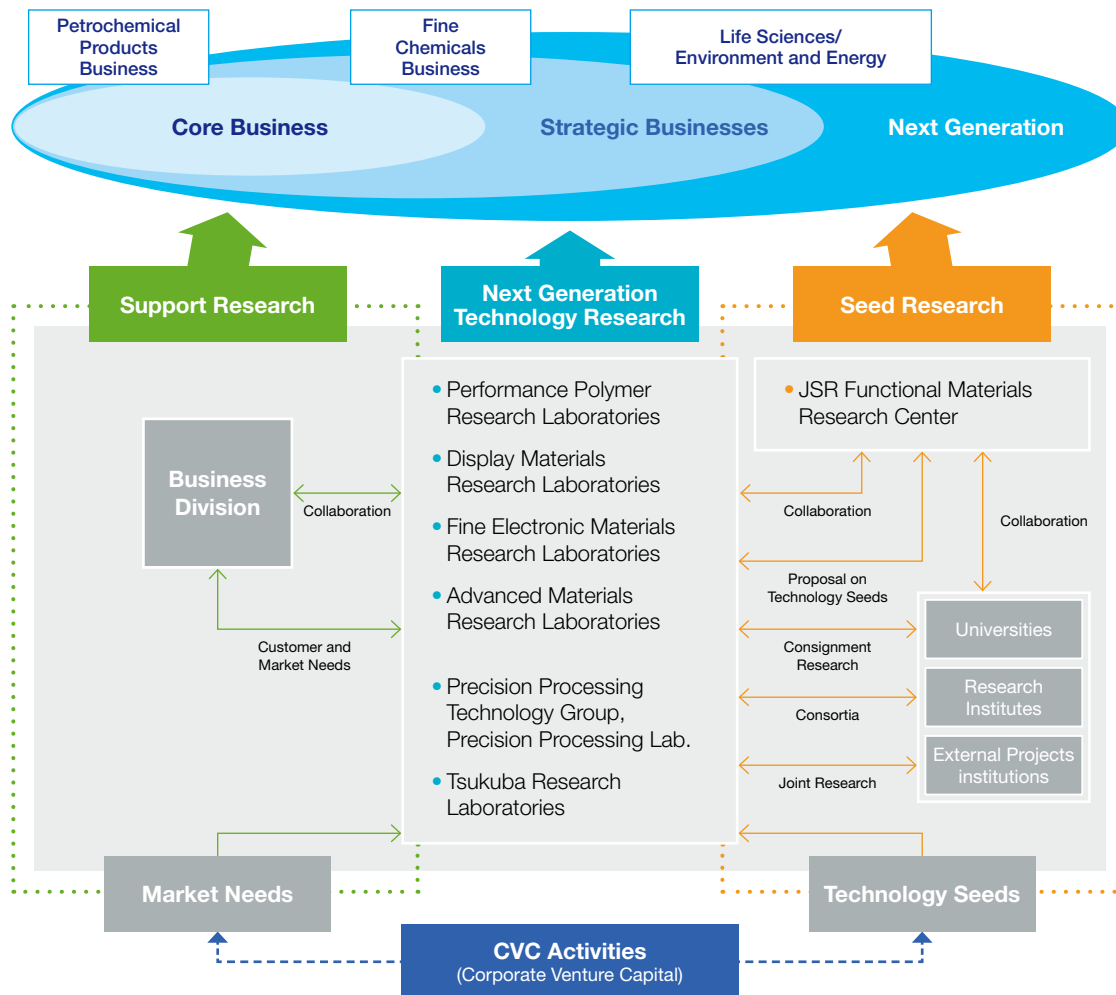
As of March 31		2009	2010	2011	2012	2013	2014	2015
Japan	Petrochemical Products	428	374	377	387	358	334	308
	Fine Chemicals and Other Products	1,269	1,465	1,685	1,972	2,331	2,633	2,717
	Others	73	75	67	79	89	104	99
	Subtotal	1,770	1,914	2,129	2,438	2,778	3,071	3,124
Overseas	Petrochemical Products	512	492	489	507	523	516	531
	Fine Chemicals and Other Products	1,955	2,164	2,365	2,516	2,741	2,957	2,810
	Others	34	39	36	33	34	33	29
	Subtotal	2,501	2,695	2,890	3,056	3,298	3,506	3,370
Total	4,271	4,609	5,019	5,494	6,076	6,577	6,494	

CREATING CORPORATE VALUE

R&D Policy and Organization

Creating materials for the future through materials innovation

R&D Structure



R&D Organization:

A global approach to technology innovation centering on four R&D facilities in Japan

JSR currently has R&D facilities in Yokkaichi and Tsukuba in Japan. These R&D facilities support existing business activities while also helping to create new businesses. They therefore participate in highly innovative and exploratory research initiatives with customers, domestic and international universities, and research institutes. For example, in existing businesses, JSR Micro Korea and JSR Micro Taiwan have both built R&D facilities with clean rooms, allowing them to set up local integrated systems for Display materials, which serves not only the local production of products but also supports consistent development and innovation of technologies.

This capability allows them to promote their business by giving timely support to customers in South Korea and Taiwan.



Creating Sustainable Value

JSR aims to become a corporate group that is essential to a wide range of stakeholders because of its ability to create useful new value through its business activities. We will achieve this by integrating management based on our business philosophy with CSR as an indicator of the appropriateness of our business activities.

C O R P O R A T E M I S S I O N A N D C S R

By integrating business management with CSR, we will generate income for society and JSR and contribute to the creation of a sustainable society.

Corporate Mission

Materials Innovation

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

Management Policies

—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 society
- Responsibility to shareholders

Course of Action (4Cs)

Challenge
Communication
Collaboration
Cultivation

Key Social Priorities and Issues

Energy, resources, water, food, biodiversity, disaster prevention and safety, climate change, human rights, U.N. Global Compact

Business Strategy

JSR 20i6
Materials Innovation

We will base our business activities on specific priorities leading to the realization of our vision for 2020.

To respond to social priorities through business activities based on our corporate philosophy, management policies and medium-term management plan (April 2014–March 2017)

Business Base

A business base is essential to the realization of our strategies and corporate management.

Defensive CSR

A foundation for sustainable business activities

Proactive CSR

We aim to respond to society's needs through our business activities.

Petrochemical Products Business

We will globally market products that offer new value in response to the needs of society and markets, such as Solution Polymerization SBR (S-SBR).

Fine Chemicals Business

By taking JSR's advanced technologies global, we will help support the further growth of digital industries while contributing to the quality of the IT society and social convenience.

Strategic Business

The environment and aging are both major areas of social concern. By combining its materials and technologies to create solutions for these problems, JSR aims to contribute to the creation of a society in which people can enjoy healthy, fulfilling lives while using energy in environmentally responsible ways.

Supply Chain Management

We work to improve value across entire supply chains by establishing standards for CSR initiatives and other actions by suppliers, as part of our efforts to ensure that our customers are reliably supplied with quality products.

Voluntary Environmental, Health and Safety Activities (Responsible Care)

Initiatives by chemical manufacturers to protect the environment and the safety and health of all stakeholders

Compliance

We will maintain our status as a trusted company by complying with rules and moral standards.

Governance

The aim of our management policies is to maintain the value of JSR for society and a wide spectrum of stakeholders.

Human Rights

As a company with a presence in society, we will always consider and respect the individuality of all stakeholders.

E2 Initiative™

Keeping them foremost in mind to qualify our products for environmental labeling

CREATING SUSTAINABLE VALUE

Contributing to Society through Materials Innovation

The JSR Group practices a unique brand of CSR. For us, CSR is about becoming a company that continuously grows while contributing to society through the provision of essential materials and a company that discharges its responsibilities to stakeholders in accordance with the Corporate Mission.

CSR Management

CSR Advancement Structure

JSR promotes CSR through a system of committees and a CSR Department established to reinforce CSR-related initiatives. There are four committees that function under the supervision of the CSR Committee: the Corporate Ethics Committee, which implements corporate ethics standards and works to prevent improper actions throughout the Group; the Responsible Care Committee, which works to realize a sustainable society through the implementation of initiatives that safeguard the environment, health, and safety; the Risk Management Committee, which seeks to further strengthen the Group's risk management system; and the Social Contribution Committee, which devises and promotes activities to help the Group make a contribution to society.

Compliance

The JSR Group's concept of legal compliance is grounded in the principle of ethical action based on compliance with the law. The Corporate Ethics Committee promotes activities to encourage employees to maintain high ethical standards and act with fairness and integrity. We conduct a Corporate Ethics Awareness Survey at business sites in Japan and overseas to ascertain the state of awareness of corporate ethics among employees and identify issues and we prepare a follow-up plan to address any issues identified in the survey. To strengthen compliance, in April 2013 we prepared the Compliance Handbook containing key points

concerning laws and regulations to be observed and distributed it to all employees in Japan.

Risk Management

The JSR Group considers preventing major crises from occurring and minimizing the effects of crises on business activities an important management priority and engages in risk management activities. Using an independently developed system, each division and Group company each year periodically identifies, assesses, and formulates countermeasures against a wide range of risks, including explosion, fire, major earthquake, and pandemic outbreak. We designate particularly serious risks as "major company-wide risks," and the Risk Management Committee and the CSR Committee manage improvement in risk management. In October 2013 we conducted the first-ever business continuity management (BCM) drill at JSR headquarters as a means of final confirmation and verification of the JSR BCM system. We will work to perfect the system in preparation for a group-wide rollout in fiscal March 2015.

Responsibility to Our Stakeholders

The JSR's Group's Essential Elements include values to be shared among all JSR employees to enable them to act responsibly and with confidence towards all stakeholders. For JSR, the term "stakeholder" refers to all customers and business partners, employees, society, and shareholders.

CREATING SUSTAINABLE VALUE

Contributing to Society through Materials Innovation

Responsibility to Customers and Business Partners

We believe that the JSR Group's most important role is to offer innovative materials and excellent products that meet customer needs and contribute to a better society. We devote effort to initiatives to ensure the quality and safety of our products so that our customers can use them with peace of mind. These efforts are recognized and appreciated, and we have received top-rank supplier awards from global customers.

Responsibility to Our Employees

The JSR Group develops mechanisms and fosters a corporate culture that enables all employees to accurately recognize and solve issues and that maintains and enhances organizational capabilities. We have put in place the JSR Group global personnel system and engage in personnel development and management at the Group and global levels. Throughout the JSR Group, synergies are generated through the contributions of a diverse workforce.

Responsibility to Society

The JSR Group engages in responsible care management by means including the creation of highly trustworthy business sites and initiatives to reduce environmental impacts. We also engage in activities that contribute to development of a sustainable society, such as the promotion of biodiversity conservation and socially beneficial activities.

Responsibility to Shareholders

Through investor relations activities, we strive to promptly and accurately communicate to shareholders and investors information about the business situation and corporate policies. We hold the Ordinary General Meeting of Shareholders at an early date, promptly send the notice of convocation to shareholders, enable the exercise of voting rights via the Internet, and take other measures to ensure smooth exercise of voting rights by shareholders. We hold quarterly results briefings, seminars for

institutional investors and analysts, and technical seminars (JSR Tech Seminars) and promote wide-ranging two-way communication.

Aiming to increase corporate value by creating business opportunities through materials

- Constantly enhancing its management efficiencies
- Inspiring trust by being highly transparent and conducting sound corporate management practices
- In April 2009, the JSR Group became a participant in the United Nations Global Compact. Amid growing calls for corporate social responsibility, the Global Compact enables companies that operate on a worldwide level to declare their commitment to observing the Compact's ten principles. The principles include human rights, labor, the environment, and anti-corruption. Having declared its participation in the Global Compact and its commitment to act responsibly as a member of the international community, the JSR Group will work even harder to actively fulfill its social responsibilities.

CREATING SUSTAINABLE VALUE

Contributing to Society through Materials Innovation

JSR Recognized Internationally for Socially Responsible Investment

JSR has been selected for inclusion in three international indices and one investment universe for socially responsible investment (SRI).

In Japan, few companies are selected for inclusion in three indices.

Our selection proves that our corporate activities are highly valued around the world, and guarantees our value.

JSR has also been selected for inclusion in the Global Compact 100.

Recognition for Ethical Investment



MS-SRI (Japan) *

(January 5, 2015)

We have been selected as a member of the Morningstar Socially Responsible Investment Index, Japan's major SRI index, since 2009.



FTSE4Good

FTSE4Good (U.K.)

We have been listed in the FTSE4Good Index Series since 2003.



EURONEXT Vigeo World 120 (France)

We were selected as one of 120 companies worldwide (including 17 Japanese companies) listed in the Euronext Vigeo World 120 Index in June 2014.



ETHIBEL PIONEER & EXCELLENCE Investment Registers (Belgium)

We have been reconfirmed for inclusion in the Ethibel Pioneer & Excellence Investment Registers since June 2015.

* The Morningstar Socially Responsible Investment Index comprises 150 companies selected from among listed companies in Japan by assessing their social responsibility. This index does not guarantee future performance, accuracy, completeness, etc. Morningstar Japan K.K. and Morningstar, Inc. shall not bear any responsibility for damage that might result from use of the index. Copyright and all other rights rest with Morningstar Japan K.K. and Morningstar, Inc. Copies, reproductions, and citations without permission are prohibited.

CREATING SUSTAINABLE VALUE

Corporate Governance System

Aiming to Maintain a Trusted, Appealing Corporate Constitution

JSR is constantly improving its system of corporate governance with the aim of obtaining the trust of shareholders and all other stakeholders and building an appealing corporate constitution. We will strengthen and enhance our corporate governance to ensure that management processes are implemented fairly, transparently and promptly, by implementing initiatives targeting each of the items required under our newly formulated corporate governance code.

Overview of the Corporate Governance System

Organizational structure:

Company that employs the Audit & Supervisory Board member system under which the Board of Directors and Audit & Supervisory Board members are monitoring the execution of the businesses of the Company.

Audit & Supervisory Board:

Consisting of 3 Audit & Supervisory Board members including 2 independent outside members who have highly professional careers either as lawyers or certified public accountants

Board of Directors:

Consisting of 7 directors, including 3 independent outside members

Strengthening Corporate Governance

2004

- Term of office of directors reduced from 2 years to 1 year

2005

- Introduction of the officer system
- Discontinuation of the retirement bonus system for directors and audit & supervisory board members

2011

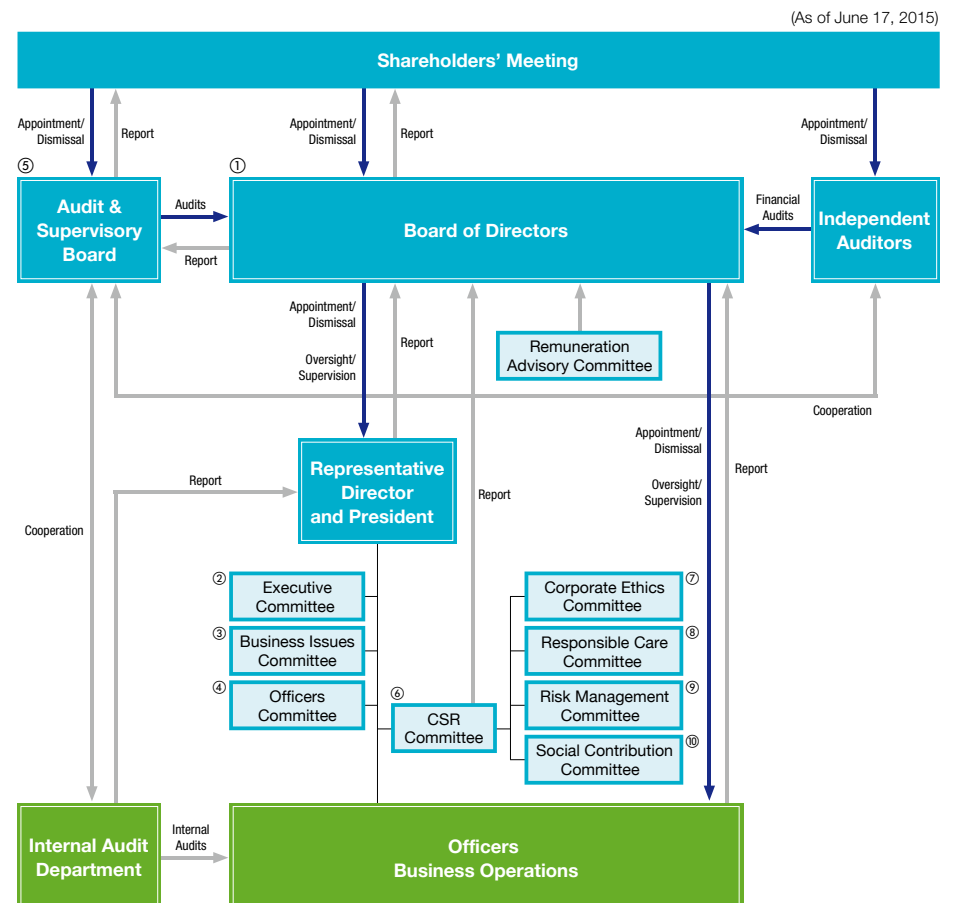
- Invitation of 2 independent outside directors to its Board of Directors consisting of 6 directors

2012

- Establishment of the Remuneration Advisory Committee, with participation by outside directors

2014

- Appointment of 3 independent outside directors to its Board of Directors consisting of 7 directors and appointment of 2 independent outside Audit & Supervisory Board members to its Audit & Supervisory Board consisting of 3 members



Corporate Governance System

Directors and Corporate Auditors

Representative Director and President

Mitsunobu Koshiba

Representative Director

Hozumi Sato

Director

Hayato Hirano

Standing Audit & Supervisory Board Member

Shoichi Kataoka

Outside Director

Takuya Goto

Outside Director

Michio Kariya

Outside Director

Kazunori Yagi

Outside Audit & Supervisory Board Member

Hiroichi Uekusa

Outside Audit & Supervisory Board Member

Hisako Kato

(As of March 31, 2015)

Officer System

Clear segregation of the management and business execution functions

JSR has introduced an officer system to separate Company-wide management monitoring by directors and business execution by officers. The system accelerates decision-making from the functions of business execution by directors and officers, respectively, and also strengthens the supervisory function of directors and clarifies roles and responsibilities.

Audit System

Enhancement of the management monitoring function and assurance of transparency

Under the Company's audit system, business execution audits and account audits make significant contributions to fair, transparent, and timely management. Business audits cover the execution of duties by directors, and account audits cover financial statements submitted at Ordinary General Meetings of Shareholders. In order to further enhance monitoring and checking functions of its audit & supervisory board, the Company appoints independent attorney and certified public accountant as outside audit & supervisory board member.

Internal Control System

Efforts to ensure the effectiveness of and improve internal controls

In accordance with The Companies Act of Japan, the JSR Group has established a basic policy governing its internal control system. Guided by this policy, the Company works to strengthen and augment its internal controls. The Internal Audit Department systematically audits business execution and compliance systems in each division and Group company, and confirms that rigorous legal compliance is observed throughout the Group.

Board of Directors

Management decisions that reflect outside opinions

The Board of directors discusses and makes decisions on important business matters, and also supervises directors and officers' execution of business duties. The Board holds meetings monthly, in principle. It also includes three outside directors who, together with three audit & supervisory board members (including two outside ones) engage in robust exchanges of opinions at Board meetings. By introducing independent and neutral outside directors with extensive business experience, we seek to reinforce the appropriateness of judgments made by management and monitor the legality of their execution of duties.

Corporate Governance System

Outside Directors

The Company has appointed three outside directors in order to further reinforce the monitoring function of the Board of Directors. By welcoming outside directors with extensive experience and highly impartial, neutral perspectives, we will ensure more appropriate management decision-making and reinforce our ability to monitor the legality of business execution.

Takuya Goto

Takuya Goto served as Representative Director and President, and Chairman, Board of Directors of Kao Corporation. Mr. Goto has extensive experience in the management of Kao, a prominent international consumer products and chemical company. He has helped strengthen corporate governance by deploying this experience to ensure reasonable judgments by management from external, independent and neutral perspectives, as well as management transparency and soundness. For this reason, Mr. Goto has been named an outside director, as he was in the previous year.



Major activities in the year under review

Mr. Goto participated in all 17 meetings of the Board of Directors held during the year under review, at which he contributed amply to fair and reasonable management decisions and transparent and sound management by addressing the Board as appropriate concerning matters under discussion. Mr. Goto brought to the Board an independent outside perspective based on his extensive experience in the management of a company that operates an international business in consumer products and industrial-use chemicals.

Michio Kariya

Michio Kariya served as president, CEO and COO of Nikon Corporation and is currently a executive advisor. Mr. Kariya has extensive experience in the management of Nikon, a globally renowned optical equipment company. He has helped strengthen corporate governance by deploying this experience to ensure reasonable judgments by management from external, independent and neutral perspectives, as well as management transparency and soundness. For this reason, Mr. Kariya has been named an outside director, as he was in the previous year.



Major activities in the year under review

Mr. Kariya participated in all 17 meetings of the Board of Directors held during the year under review, at which he contributed amply to fair and reasonable management decisions and transparent and sound management by addressing the Board as appropriate concerning matters under discussion. Mr. Kariya brought to the Board an independent outside perspective based on his extensive experience in the management of a company that operates an international business in optical machinery and equipment.

Kazunori Yagi

Kazunori Yagi is a corporate advisor for Yokogawa Electric Corporation. Mr. Yagi has extensive experience in the management of Yokogawa Electric, a globally renowned producer of control systems and measurement instruments. JSR anticipates that Mr. Yagi will help strengthen corporate governance by deploying this experience to ensure reasonable judgments by management from external, independent and neutral perspectives, as well as management transparency and soundness. For this reason, Mr. Yagi has been named an outside director as he was in the previous year.



Corporate Governance System

Major activities in the year under review

Mr. Yagi participated in all 17 meetings of the Board of Directors held during the year under review, at which he contributed amply to fair and reasonable management decisions and transparent and sound management by addressing the Board as appropriate concerning matters under discussion. Mr. Yagi brought to the Board an independent outside perspective based on his extensive experience in the management of a company that operates an international business in control systems and measurement instruments.

② Executive Committee

Rapid response to changes in the business environment

The Executive Committee holds extensive discussions on items concerning fundamental management initiatives, management policies, and management plans, along with important matters concerning the execution of business activities at each department. The committee thus gives direction concerning these issues. As required, certain items submitted to this committee are passed on to the Board of Directors for further discussion.

This committee is made up of the president, officers with directorship status, and officers appointed by the president, and responds to important business execution with the aim to expedite decision-making and improve the efficiency of such operations. As a rule, this committee meets once a week, and is chaired by the president. The standing audit & supervisory board member also attends these committee meetings.

③ Business Issues Committee

Review of policies and strategies for individual projects

The Business Issues Committee engages in broad-ranging debate about items related to fundamental management strategies and policies, basic policies behind specific projects, and changes to business strategies. It

also shares information to ensure a common understanding of such matters and discusses company directions. Its findings are reflected in deliberations of the Board of Directors and the Executive Committee. The Business Issues Committee, which meets once a week, consists of the president, officers with directorship status, and officers appointed by the president.

④ Officers Committee

Sharing of information on business conditions and issues

This committee is held in order to share information from all departments concerning the execution of business activities, to ensure members' thorough understanding of important business matters and to enhance their communications. This committee consists of the president, senior officers, officers and a standing audit & supervisory board member, except overseas representatives. As a rule, this committee meets twice a month and is chaired by the president.

⑤ Audit & Supervisory Board

Auditing by specialists in an independent position

This board meets every month as stipulated in the regulations governing this body. The audit & supervisory board receive reports on important matters, hold discussions, and make decisions.

In accordance with standards for audits by audit & supervisory board members of the Company, the audit & supervisory board members attend meetings of the Board of Directors, and the standing corporate auditor attends Executive Committee and other important committee meetings to monitor how important decisions are reached and business activities are executed. The audit & supervisory board members also receive reports from the independent auditors, directors, and others. Through these activities, the Audit & Supervisory Board holds deliberations in order to form auditing opinions.

Corporate Governance System

Outside Audit & Supervisory Board Members

To ensure the fairness and transparency of management, the Company appoints one standing audit & supervisory board members, as well as two outside audit & supervisory board member. The outside audit & supervisory board members have no personal, financial, or business interests in the Company. They are called upon to ensure the sound governance of the Company while drawing on their respective careers.

Hiroichi Uekusa

Hiroichi Uekusa does not concurrently hold the position of director in another company. Mr. Uekusa contributes to ensuring reasonable judgments by management, as well as management transparency and soundness by auditing the Company from a position of independence while drawing on the extensive knowledge and experience in legal matters he possesses as an attorney.



Major activities in the year under review

Mr. Uekusa attended 16 of the 17 meetings of the Board of Directors and 16 of the 17 meetings of the Audit & Supervisory Board held during the year under review. He contributed amply to the auditing of the Company and to fair and reasonable management decisions and transparent and sound management by addressing the Board of Directors and Audit & Supervisory Board as appropriate concerning matters under discussion. Mr. Uekusa brought to both boards an independent outside perspective based on his extensive experience as an attorney at law and his expert knowledge in a broad range of legal matters.

Hisako Kato (New appointee)

Ms. Kato will greatly contribute to further enhance its corporate governance by providing fair and reasonable judgment for, and accountable and sound management of, the businesses of the Company through utilization of her range of professional knowledge and vast experience on counting and tax matters as a Certified Public Accountant both in Japan and US and as a Certified Tax Accountant, as well as neutral and independent view point as an independent outsider.

Major activities in the year under review

Ms. Kato attended all 13 meetings of the Board of Directors and all 12 meetings of the Audit & Supervisory Board held since assume Audit & Supervisory Board Members. He contributed amply to the auditing of the Company and to fair and reasonable management decisions and transparent and sound management by addressing the Board of Directors and Audit & Supervisory Board as appropriate concerning matters under discussion. Ms. Kato brought to both boards an independent outside perspective based on his extensive experience as a certified public accountant, certified public tax accountant and his expert knowledge in a broad range of finance and accounting.



⑥ CSR Committee

Implementation of CSR activities and rigorous compliance

The CSR Committee was established to ensure that JSR fulfills its responsibilities to society and complies with laws and regulations. Under the CSR Committee, four committees were established: the Corporate Ethics Committee, the Responsible Care Committee, the Risk Management Committee, and the Social Contribution Committee. The CSR Committee integrates and guides the activities of the above four committees and meets four times each year along with special meetings as necessary to further strengthen the Company's CSR efforts.

Corporate Governance System

The CSR Committee is chaired by the officer responsible for CSR and consists of officers, senior officers, and officers. Bureaus of the four committees listed above also attend meetings of the CSR Committee. The Committee clarifies the Company's stance toward CSR and works to strengthen CSR efforts at JSR.

⑦ Corporate Ethics Committee

Promotion of ethical business activities group-wide

The Corporate Ethics Committee, chaired by the officer in charge of general affairs, was established under the CSR Committee to implement corporate ethics standards and prevent improper actions throughout the JSR Group. The JSR Group Principles of Corporate Ethics have been prepared to provide a code of conduct for executives and employees. It is also prepared in Traditional Chinese, Thai, and Korean, in addition to English and Simplified Chinese, so that Group employees all over the world can become better acquainted with the Principles. As for the reporting system, along with the internal hotline linked to the Corporate Ethics Committee and the external hotline linked to an external attorney, JSR introduced a hotline that is linked to a specialized external agency and is also available in English, Chinese, Korean and Thai.

⑧ Responsible Care Committee

Working to enhance safety, the environment, and quality

JSR conducts a Responsible Care program to fulfill its obligations to achieve sustainable development. The Responsible Care Committee was established under the CSR Committee to ensure that Responsible Care activities are conducted effectively across the entire company. The committee is chaired by the managing officer for safety and environmental affairs, demonstrating Responsible Care position as a core component of JSR's management. This committee approves Responsible Care plans, evaluates and verifies results of activities, and helps to maintain

and upgrade JSR's programs to eliminate accidents, reduce environmental impact, manage chemical substances, and ensure safety of products. Details and results of Responsible Care activities are disclosed through the CSR Report and Responsible Care Reports prepared by individual plants.

The CSR Report is audited by a third party to improve the reliability and transparency of the data. Through these activities, the committee is dedicated to winning greater trust from customers and addressing any concerns among residents in the neighborhoods of JSR's facilities.

To make the information widely available, the CSR Report is posted on the JSR website (http://www.jsr.co.jp/jsr_e/csr/index.shtml).

⑨ Risk Management Committee

Further strengthening risk management systems

JSR places strong management priority on preventing serious crises from occurring and on minimizing the impact of crises that do occur on its business activities. To this end, the Company established the Risk Management Committee under the CSR Committee, with the officer responsible for Corporate Planning as chair. The Committee decides policies and plans in response to crises, both present and potential, and promotes continuous improvement.

⑩ Social Contribution Committee

Examining and promoting socially beneficial activities

The Social Contribution Committee was established under the CSR Committee and is chaired by the officer responsible for Corporate Communications. JSR has been involved in many activities that contribute to society at the local level. JSR will expand its activities to cover the whole society and provide more active approaches. The Social Contribution Committee studies the formulation of new programs and pursues initiatives according to its "Basic Approach to Social Contribution," published in January 2009.

Corporate Governance System

Status of Internal Audit, Audits by Audit & Supervisory Board Members and Financial Audits

Management oversight from various perspectives

JSR has adopted the audit & supervisory board member system. There are three audit & supervisory board members, including two from outside the JSR Group. These auditors are staffed by one individual. Audits are performed as described in the section concerning the Audit & Supervisory Board.

The audit & supervisory board members work closely with the independent auditors. The audit & supervisory board members receive reports on the financial accountant's audit plan and audit results. Furthermore, the audit & supervisory board members and financial accountants exchange information and opinions as necessary in the course of each fiscal year. The internal audit has been conducted by the Internal Audit Department as a specialized internal auditing unit. The audit & supervisory board members receive reports on the audit plan and audit results from the Internal Audit Department regularly, exchange opinions, and enhance the auditing system.

Remuneration

Advice on remuneration for corporate officers from the Remuneration Advisory Committee

The remuneration of the Company's directors consists of a basic salary, a bonus based on consolidated performance for the year, and stock options that serve as a long-term incentive. The level of remuneration is commensurate with the Company's business results and is compared with those of other companies in the same industry and of similar size. The total limit for monthly salaries is decided by resolution at the Ordinary General Meeting of Shareholders. Performance-based bonuses and stock options are also approved by resolution at the Ordinary General Meeting of Shareholders. Total remuneration paid in fiscal 2015, ended March 31, 2015, was ¥188 million, paid to eight directors, including three outside directors and a director who retired during fiscal 2015. Audit & Supervi-

sory Board members are paid a basic fixed salary that is not performance-based. In fiscal 2015, total salaries paid to Audit & Supervisory Board members amounted to ¥37 million, including ¥27 million paid to internal Audit & Supervisory Board members and ¥10 million to outside corporate auditors.

The Company recently established the Remuneration Advisory Committee, which deliberates about matters such as the basic remuneration policies, the remuneration system, and the annual bonus scheme and reports to the Board of Directors.

CREATING SUSTAINABLE VALUE

Directors, Audit & Supervisory Board Members, and Officers (As of June 17, 2015)

Directors and Audit & Supervisory Board Members



Representative Director
and President
Mitsunobu Koshiba



Representative Director
Hozumi Sato



Director
Hisao Hasegawa



Director
Hayato Hirano



Standing Audit &
Supervisory Board
Member
Shoichi Kataoka



Outside Director
Michio Kariya



Outside Director
Kazunori Yagi



Outside Director
Yuzuru Matsuda



Outside Audit &
Supervisory
Board Member
Hiroichi Uekusa



Outside Audit &
Supervisory
Board Member
Hisako Kato

Officers (*Directors)

Executive Vice President

Hozumi Sato*

Strategic Businesses, Director of MEDICAL & BIOLOGICAL LABORATORIES CO., LTD., Executive Officer of JSR Life Sciences Limited Liability Company

Executive Managing Officer

Koichi Kawasaki

Petrochemical Products Sector (including Plastics), General Manager of Petrochemical Products Div., President of Japan Butyl Co., Ltd., Vice President of KRATON JSR ELASTOMERS K.K.

Managing Officer

Hisao Hasegawa*

Procurement, Logistics, Manufacturing and Technology, Product Safety & Quality Assurance, IT Strategy, General Manager of Manufacturing and Technology Group

Managing Officer

Yasuhiro Nagahiro

Safety and Environment Affairs

Senior Officer

Atsushi Kumano

President of JSR Micro Korea Co., Ltd.

Senior Officer

Nobuo Kawahashi

Research & Development, General Manager of R&D Department

Senior Officer

Kazuyoshi Nakazawa

Yokkaichi Plant, Yokkaichi Plant Manager

Senior Officer

Hayato Hirano*

Accounting and Finance, Corporate Communications, Group Companies Coordination, Human Resources, General Manager of Group Companies Coordination Department

Senior Officer

Katsuya Inoue

Business Planning and Business Development, Fine Chemicals Business, General Manager of Business Planning, Fine Chemicals Business

Senior Officer

Takatashi Nagatomo

President of JSR MOL Synthetic Rubber Ltd.

Senior Officer

Takeshi Sugimoto

Electronic Materials Business, General Manager of Electronic Materials Division

Senior Officer

Eric Johnson

President of JSR Micro, Inc.

Senior Officer

Takao Shimizu

Corporate Planning, Office of the President, CSR, General Manager of Office of the President

Officer

Tsuyoshi Watanabe

China Business, Chairman of JSR (Shanghai) Co., Ltd.

Officer

Kazumasa Yamawaki

Petrochemical Products Sector (deputy), General Manager of Business Planning Dept. Petrochemical Products

Officer

Eiichi Kobayashi

Strategic Businesses (deputy), President of JM Energy Corporation

Officer

Makoto Doi

Legal, General Affairs, General Manager of Legal Department

Officer

Hiroaki Nemoto

Display Materials Business, General Manager of Display Materials Division, Chairman of JSR Micro (Changshu) Co., Ltd.

Officer

Yoichi Mizuno

Optical Materials Business, General Manager of Optical Materials Division

Officer

Kiichiro Kamiya

Strategic Businesses (deputy), President of JSR Life Sciences Corporation, Director of MEDICAL & BIOLOGICAL LABORATORIES CO., LTD.

Officer

Mika Nakayama

Diversity Development, General Manager of Corporate Planning Dept. and Diversity Development Office

Officer

Yoshikazu Yamaguchi

General Manager of Business Development for Fine Chemical Business



HEAD OFFICE

JSR Corporation

1-9-2, Higashi-Shinbashi, Minato-ku, Tokyo
105-8640, Japan

BRANCH OFFICES

Nagoya Branch

A Wallisellen Branch (Switzerland)

B Taiwan Branch

C Singapore Branch

PLANTS

Yokkaichi Plant

100 Kawajiri-cho Yokkaichi,
Mie 510-8552, Japan

Chiba Plant

5, Chigusakaigan, Ichihara,
Chiba 229-0108, Japan

Kashima Plant

34-1, Tohwada, Kamisu,
Ibaraki 314-0102, Japan

JAPAN

Elastomers Business

ELASTOMIX CO., LTD.

Compounding of crude rubber and sales of compounded products.

Japan Butyl Co., Ltd.

Production, processing, and sales of butyl rubber.

KRATON JSR ELASTOMERS K. K.

Production, purchase, and sales of thermoplastic rubber.

Emulsion Technology, Co., Ltd.

Production and sale of acrylic emulsions, latex processed products including CL, adhesives, and cement admixture.

Plastics Business

Techno Polymer Co., Ltd.

Production, sales, and R&D of synthetic resin.

JAPAN COLORING CO., LTD.

Coloring of synthetic resin and sales of colored products.

Fine Chemicals and Other Products Business

D-MEC LTD.

Commissioned generation of 3D models, sales of solid modeling systems, and optically-hardened resins, and commissioned analysis by CAE.

JSR Micro Kyushu Co., Ltd.

Production of photoresist, semiconductors, and materials for displays.

JSR Optech Tsukuba Co., Ltd.

Production of UV curing type optical fiber coating materials.

JAPAN FINE COATINGS Co., Ltd.

Sales of coating materials for fiber-optic cables reinforced by ultraviolet or electron radiation and for other apparatus.

JM Energy Corporation

Development, manufacturing, and sales of lithium ion capacitors and modules.

Tri Chemical Laboratories Inc.

Production and sales of semiconductor materials and other materials for compound semiconductors.

JSR Life Sciences Corporation

Production and sales of life science related materials.

MEDICAL & BIOLOGICAL LABORATORIES CO., LTD.

Research, development, manufacturing, and sales of diagnostic and research reagents.

SCIVAX Life Sciences, Inc.

Sales of three-dimensional (3D) cell culture plates, technology development, commissioned business, and consulting related to 3D cell culture.

Business in Other Fields

JSR Trading Co., Ltd.

Export, import, purchase, and sales of the following: various chemicals, machinery, equipment, physical distribution materials, living necessities, foodstuffs, beverages, and non-life insurance.

JEY-TRANS CO., LTD.

Freight forwarding, warehousing, and delivery management.

JSR Logistics & Customer Center Co., Ltd.

Customer service agent and logistics management.

JSR ENGINEERING CO., LTD.

Engineering and consultation for chemical engineering equipment.

JSR Business Services Co., Ltd.

Undertaking of general affairs, accounting, payroll calculation, and welfare.

JN System Partners Co., Ltd.

Computer system design, programming and system operation, and maintenance.

CMIC JSR Biologics Co., Ltd.

Developing design and manufacturing processes for next-generation antibodies

OVERSEAS

Elastomers Business

Kumho Polychem Co., Ltd.(*)

Production and sales of ethylene-propylene rubber (EPR).

ELASTOMIX (THAILAND) CO., LTD.

Compounding of crude rubber and sales of compounded products.

PT.ELASTOMIX INDONESIA

Compounding of crude rubber and sales of compounded products.

ELASTOMIX (FOSHAN) CO., LTD.

Compounding of crude rubber and sales of compounded products.

Tianjin Kuo Cheng Rubber Industry Co., Ltd.

Compounding of crude rubber and sales of compounded products.

JSR BST Elastomer Co., Ltd.

Sales and manufacturing of S-SBR (Solution Polymerization Styrene-Butadiene Rubber).

JSR Trading, Inc.

Purchases and sales of synthetic rubber.

JSR Trading (Shanghai) Co., Ltd.

Export, import, and purchases of industrial-use chemical products.

JSR MOL Synthetic Rubber, Ltd.

Sales and manufacturing of Solution Polymerization Styrene-Butadiene Rubber (S-SBR).

JSR Elastomer Korea Co., Ltd.

Sales agency of products such as synthetic rubbers.

Plastics Business

TECHNO POLYMER HONG KONG CO., LTD.

Sales and technical services of synthetic resin in Hong Kong and neighboring regions.

Techno Polymer (Thailand) Co., Ltd.

Sales and technical services of synthetic resin in ASEAN region.

Techno Europe N.V.

Sales and technical services of synthetic resin in Europe.

Techno Polymer (Shanghai) Co., Ltd.

Sales and technical services of synthetic resin in China.

Techno Polymer Shanghai Technical Development Co., Ltd.

Production and processing of plastics and technical services related to plastics in China.

Techno Polymer Guangzhou Co., Ltd.

Sales and technical services of synthetic resin in Guangzhou and neighboring regions.

TECHNO POLYMER AMERICA, INC.

Sales of plastics and technical services related to plastics in North America.

Fine Chemicals and Other Products Business

JSR Micro N.V.

Production and sales of semiconductor materials.

JSR Micro, Inc.

Production and sales of semiconductor materials.

JSR Micro Korea Co., Ltd.

Production, development, and sales of display materials and semiconductor materials.

JSR Micro Taiwan Co., Ltd.

Production, development, and sales of display materials.

JSR (Shanghai) Co., Ltd.

Sales agency of products such as synthetic rubber, semiconductor materials, liquid crystal display materials, and performance chemicals.

J&W Beijing Biotech Co., Ltd.

R&D of intermediate diagnostics, wholesale of intermediate diagnostics, processed goods, electronic products, and hardware. Import and export of cargo, commission agency services (exclude auction), assignment of technologies, consulting, and services.

JSR Electronic Materials Korea Co., Ltd.

Sales agent for semiconductor materials.

JSR Micro (Changshu) Co., Ltd.

Production of display materials.

JSR Trading Co., Ltd. Korea Branch

Exports, imports and sales of various chemicals.

JSR Trading Bangkok Co., Ltd.

Exports and imports, purchase and sales of chemicals and testing machinery.

KBI Biopharma, Inc.

Biopharmaceutical contract development and manufacturing services.

C O R P O R A T E D A T A

(As of March 31, 2015)

JSR Corporation

Established

December 10, 1957

Capital (Common Stock)

¥23,320 million

Employees

5,990

Closing date

JSR books are closed on March 31, each year.

Shareholders Information (As of March 31, 2015)

Stock Listing

Tokyo Stock Exchange

Number of Shares Issued

237,973,205 shares

Number of Shareholders

17,336

Major Shareholders

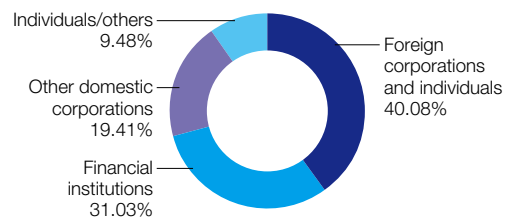
	Percentage of shares held (%)	Number of shares held (thousands)
Bridgestone Corporation	14.02	32,266
STATE STREET BANK AND TRUST COMPANY 505223	4.05	9,337
Japan Trustee Services Bank, Ltd. (Trust Account)	3.84	8,851
The Master Trust Bank of Japan, Ltd. (Trust Account)	3.77	8,680
Mizuho Bank, Ltd.	1.83	4,225
Nippon Life Insurance Company	1.61	3,717
Meiji Yasuda Life Insurance Company	1.57	3,631
THE BANK OF NEW YORK MELLON SA/NV 10	1.44	3,316
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1.34	3,103
STATE STREET BANK AND TRUST COMPANY 505001	1.13	2,611

* 7,861,771 shares of treasury stock held by the Company are not included in the above breakdown of major shareholders.

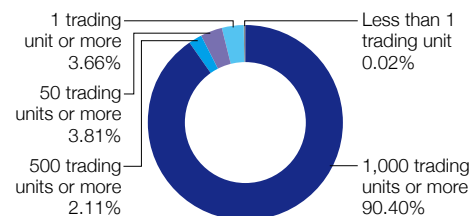
Composition of Shareholders

	Shareholders	Shares held (thousands)
Individuals and others	16,482	70,627
Foreign corporations and individuals	486	95,388
Other domestic corporations	243	46,199
Financial institutions	77	22,545
Securities companies	48	3,215
Total	17,336	237,973

By Type of Shareholders



By Number of Shares Held



Ordinary General Meeting of Shareholders

The annual general meeting of shareholders is held in June each year. The 2015 annual general meeting was held on June 17, 2015.

Transfer Agent and Register

The Chuo Mitsui Trust and Banking Co., Ltd.

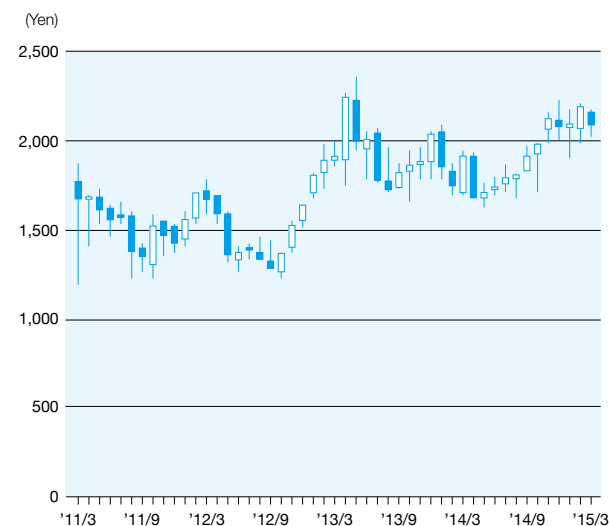
Auditors

KPMG AZSA & Co.

Common stock price range

(Yen/share: Tokyo Stock Exchange)

		1st Q	2nd Q	3rd Q	4th Q
FY2005	High	2,520	2,180	2,265	2,255
	Low	1,892	1,655	1,790	2,040
FY2006	High	2,395	2,635	3,150	2,810
	Low	2,000	2,175	2,370	3,040
FY2007	High	3,710	2,930	3,170	3,240
	Low	2,535	2,280	2,505	2,530
FY2008	High	2,985	3,120	3,020	2,875
	Low	2,540	2,445	2,465	1,886
FY2009	High	2,460	2,180	1,397	1,312
	Low	2,000	1,246	795	990
FY2010	High	1,687	1,960	1,959	1,974
	Low	1,162	1,561	1,545	1,714
FY2011	High	1,999	1,666	1,543	1,875
	Low	1,436	1,201	1,341	1,183
FY2012	High	1,724	1,655	1,582	1,790
	Low	1,413	1,221	1,218	1,408
FY2013	High	1,695	1,455	1,644	1,994
	Low	1,255	1,274	1,224	1,670
FY2014	High	2,360	2,073	2,049	2,085
	Low	1,748	1,713	1,663	1,694
FY2015	High	1,933	1,975	2,229	2,171
	Low	1,622	1,681	1,711	1,893



FINANCIAL SECTION 2 0 1 5

CONTENTS

01	TEN-YEAR SUMMARY
03	MANAGEMENT'S DISCUSSION AND ANALYSIS
05	RISK INFORMATION
07	CONSOLIDATED FINANCIAL STATEMENTS:
07	CONSOLIDATED BALANCE SHEETS
09	CONSOLIDATED STATEMENTS OF INCOME
10	CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
11	CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
12	CONSOLIDATED STATEMENTS OF CASH FLOWS
13	NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
32	INDEPENDENT AUDITORS' REPORT



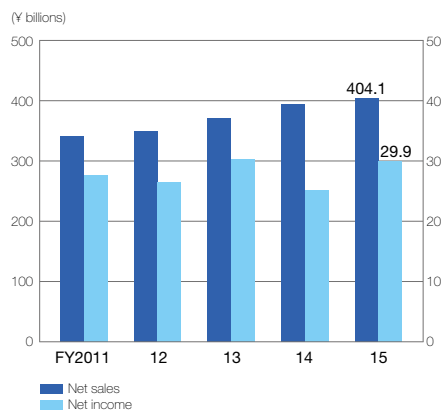
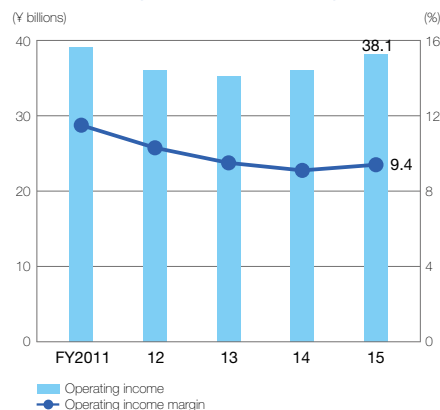
TEN-YEAR SUMMARY

Fiscal year means year ended March 31

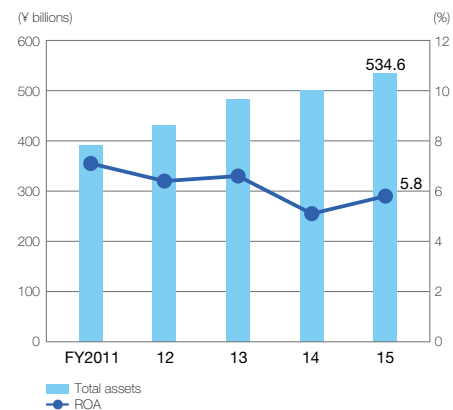
	FY2006	FY2007	FY2008	FY2009
For the fiscal year				
Net sales	¥338,160	¥365,831	¥406,968	¥352,503
Costs and expenses	284,803	310,588	346,958	322,155
Operating income	53,357	55,243	60,010	30,348
Interest and dividend income	635	1,030	1,309	1,230
Interest expenses	(420)	(399)	(256)	(271)
Income before income taxes and minority interests	49,038	53,440	54,867	20,803
Net income	30,555	33,655	36,994	13,981
Capital expenditures	23,361	22,094	29,076	19,081
Depreciation	16,206	18,133	21,180	24,833
At fiscal year-end				
Total assets	381,097	408,949	416,951	339,498
Long-term debt due after one year	1,607	2,745	1,525	1,500
Total liabilities	164,389	168,963	159,288	97,512
Equity	212,751	235,186	252,539	240,896
Current ratio (times)	1.7	1.8	1.9	2.5
Return on assets (%)	8.7	8.2	8.9	4.1
Return on equity (%)	15.5	15.0	15.2	5.7
Equity ratio (%)	55.8	57.5	60.6	71.0
Per share of common stock (Yen and U.S. dollars)				
Net income	119.63	133.10	147.26	56.36
Cash dividends	20.00	24.00	32.00	32.00
Equity	836.31	935.47	1,009.27	986.33

Note: U.S. dollar amounts are translated from yen, for convenience only, at a rate of \$1=¥120.17; the exchange rate prevailing at March 31, 2015.

Net Sales/Net Income

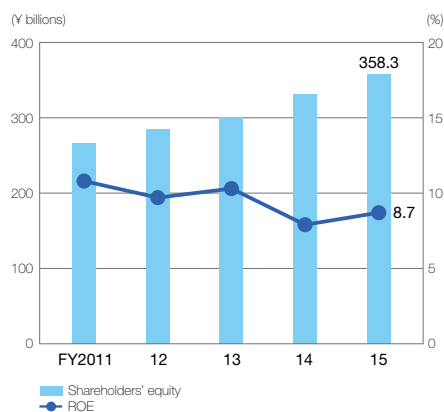
Operating Income/
Operating Income Margin

Total Assets/ROA

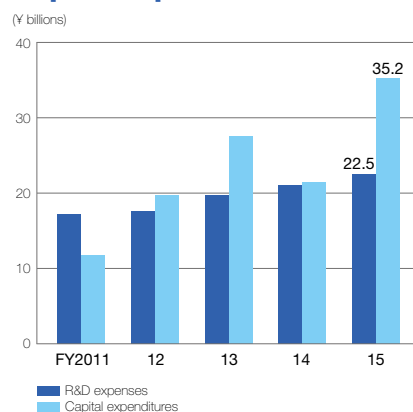


					Millions of yen	Thousands of U.S. dollars	
	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2015
	¥310,184	¥340,666	¥349,947	¥371,487	¥394,309	¥404,073	\$3,362,515
	289,954	301,571	313,982	336,281	358,247	366,005	3,045,727
	20,230	39,095	35,964	35,206	36,062	38,068	316,788
	568	626	634	809	916	1,390	11,570
	(172)	(146)	(147)	(126)	(142)	(345)	(2,874)
	19,458	40,674	41,245	42,847	36,956	41,069	341,755
	13,645	27,571	26,407	30,278	25,173	29,919	248,969
	17,707	11,801	19,728	27,608	21,499	35,157	292,562
	22,380	19,245	17,784	19,145	18,096	17,407	144,851
	373,566	390,591	430,693	482,935	501,320	534,592	4,448,633
	1,500	1,028	500	6,626	11,069	20,387	169,654
	122,865	126,475	148,335	167,202	164,060	169,918	1,413,983
	249,440	262,679	280,955	308,641	331,284	358,303	2,981,633
	2.3	2.4	2.3	2.3	2.5	2.5	2.5
	3.7	7.1	6.4	6.6	5.1	5.8	5.8
	5.6	10.8	9.7	10.3	7.9	8.7	8.7
	66.8	67.3	65.2	63.9	66.1	67.0	67.0
	55.87	113.07	109.46	126.13	106.10	128.19	1.07
	26.00	32.00	32.00	34.00	38.00	40.00	0.33
	1,021.31	1,088.87	1,164.63	1,299.77	1,409.06	1,557.08	12.96

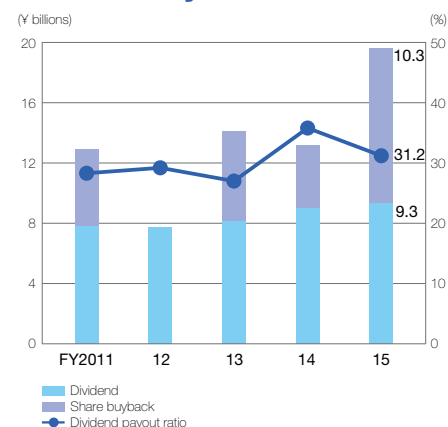
Shareholders' Equity/ROE



R&D Expenses/Capital Expenditures



Shareholder Return/Dividend Payout Ratio



MANAGEMENT'S DISCUSSION AND ANALYSIS

Analysis of Operating Results

Overview of FY2015, ended March 31, 2015

In the year under review, the JSR Group faced an environment in which raw material prices fell in conjunction with a sharp decline in oil prices in the second half, and the market for our products worsened. In addition, the value of the yen fell substantially as we entered the second half. On the other hand, global output increased in the automobile tire and automobile industries, two of the main industries represented by our customers. Demand was also strong across the board in semiconductors, especially demand related to multifunctional mobile devices such as smartphones and tablet computers. Also, production of flat panel displays (FPD) was strong on demand for large-screen TVs.

Under these circumstances, the JSR Group achieved net sales at roughly the same level as the previous fiscal year, while operating income fell substantially below its prior-year value. In the Petrochemical Products Business, demand grew globally, with the main drivers in the Elastomer Business segment. Spreads tightened and market conditions deteriorated in East Asia, in particular, as excess supply made the demand-supply balance less favorable. In the Fine Chemicals and Other Products Business, the Semiconductor Materials and Display Materials Business segments, rising sales were underpinned by strong semiconductor and FPD markets. In addition, the JSR Group's withdrawal from the unprofitable precision materials and processing field helped boost earnings. Net sales rose over the previous fiscal year while operating income was well over the previous year's performance, which helped offset underperformance in the Petrochemicals Products Business. Ordinary income was also up versus the previous fiscal year, but deteriorating income at a petrochemicals equity affiliate detracted from net income.

Financial results for FY2015 consist of net sales of ¥404,073 million (up 2.5% year on year), operating income of ¥38,068 million (up 5.6%), ordinary income of ¥41,609 million (up 5.0%), and net income of ¥29,919 million (up 18.9%).

Review of Operations

Elastomers Business Segment

In the automobile tire industry, one of our chief sources of demand, production in North America and China rose year on year, while Europe had only a small increase, and production in Japan remained constant.

Under these conditions, sales of synthetic rubber products were affected by a brief delay in the startup of Solution Styrene-Butadiene Rubber (S-SBR) at a Thailand joint venture. This venture is now steadily approaching full production. However, due to such factors as the flat year-on-year production of automobile tires in Japan, the overall sales volume for elastomers was down slightly. For the segment, net sales were roughly at the same level as the previous fiscal year, as weak market conditions continued. These results were also affected by yen depreciation and the effect of price revisions in the face of rising raw material prices in the first half. However, a global deterioration in the demand-supply balance for synthetic rubber and butadiene has caused spreads to erode as the synthetic rubber market weakens, resulting in lower sales volume. These conditions, together with higher expenses for periodic maintenance, led to a sizable year-on-year fall in operating income.

As a result, the Elastomers Business segment had net sales of ¥198,958 million (down 2.2% year on year) and operating income of ¥10,736 million (down 38.1%).

Plastics Business Segment

Automobile production, a major demand driver for the JSR Group's products, increased year on year in North America and China, but remained generally flat in Europe while in Japan it was affected by the revision to the consumption tax. On the whole, worldwide production fell year on year.

Under these circumstances, plastics sales volumes were below last year's level, due to lower automobile production in Japan and decreased business in industrial materials, including those for construction and general applications. Sales by value were aided by yen

Segment Sales/Operating Income (¥ millions)

Years ended March 31	2011	2012	2013	2014	2015
Elastomers Business	¥160,854	¥180,835	¥195,797	¥203,478	¥198,958
Operating income	14,739	19,358	17,923	17,330	10,736
Plastics Business	52,297	51,236	51,759	57,764	55,161
Operating income	2,563	2,138	2,962	3,919	2,842
Fine Chemicals and Other Products Business	127,515	117,876	123,931	133,067	149,954
Operating income	21,793	14,468	14,321	14,813	24,490
Net Sales	340,666	349,947	371,487	394,309	404,073
Operating income	¥ 39,095	¥ 35,964	¥ 35,206	¥ 36,062	¥ 38,068

depreciation and the effects of price revisions in conjunction with rising material prices in the first half, but this was unable to make up for the fall in volume; thus, net sales fell as a result. Operating income fell year on year due to the large impact of this sales decline, despite the improving profit picture towards the end of the year.

Owing to these factors, the Plastics Business segment had net sales of ¥55,161 million (down 4.5% versus the previous fiscal year) and operating income of ¥2,842 million (down 27.5%).

Fine Chemicals and Other Products Business Segment

The Fine Chemicals and Other Products Business segment achieved net sales and operating income higher than the previous fiscal year's.

In semiconductor materials, net sales rose year on year, driven by robust semiconductor demand in addition to the full-scale launch of volume production among major customers in leading edge 20nm processing, where JSR boasts a high market share. In display materials, steady demand for multifunctional mobile devices and large-screen TVs, particularly the market growth associated with the trend towards larger TV screen, resulted in a year-on-year increase in net sales.

Key results in the segment were net sales of ¥149,954 million (up 12.7% year on year) and operating income of ¥24,490 million (up 65.3%).

Business Outlook for FY2016

JSR Group's FY2016 outlook for its main customer industries is as follows. In the automobile tire and automobile industries, we do not expect major growth in Japan from last year's level, but do expect strong global growth especially in China and Southeast Asia, and even expect Europe and America to show some growth. In semicon-

ductors, we expect new demand to emerge for multifunctional mobile devices spurred by the active use of big data, and therefore our favorable outlook remains in place. We also believe that the FPD market will show improved strength as the trend towards large-screen TVs progresses along with the production of medium- to small-size panels for multifunctional mobile devices.

In the Elastomers Business segment, global demand growth is expected to expand, but due to the fall in crude oil prices and the slowness at which the supply-demand balance for synthetic rubber and butadiene is improving, we believe market conditions will continue to be soft. In this environment, steady increases can be expected in demand for S-SBR as the eco-tire market grows. Accordingly, we plan to expand global sales through use of the new factory in Thailand, which has now reached full production.

In the Fine Chemical and Other Products Business, we plan to expand sales of semiconductor materials focusing on greater sales of lithographic materials for 14nm processes, the successor to today's leading-edge 20nm generation, as this new generation hits full steam. In the Display Materials Business segment, we have been responding to the movement towards large-screen TVs and ultra-precision LCD panels. We are also moving ahead with business expansion in China, where we expect to see future growth.

In consideration of the above, our consolidated earnings outlook for FY2016 consists of net sales of ¥420 billion (3.9% year-on-year increase), operating income of ¥41 billion (7.7% increase), ordinary income of ¥42 billion (0.9% increase), and profit attributable to owners of parent of ¥31 billion (3.6% increase). The assumptions behind this forecast are an exchange rate of ¥115 JPY per U.S. dollar and a naphtha price of ¥50,000 per kiloliter.

Analysis of Financial Position

Total assets at the fiscal year ended on March 31, 2015, amounted to ¥534,592 million, up ¥33,272 million from a year earlier.

Current assets totaled ¥319,397 million, down ¥7,107 million, due to increases in cash and deposits and decreases in and notes and accounts receivable—trade and securities.

Noncurrent assets totaled ¥215,195 million, up ¥40,379 million. Major factors were an increase in investment securities as a result of capital contributions in Japan and overseas and changes in the market value of certain securities in addition to an increase in plant, property and equipment as a result of plant construction at a joint

venture in Thailand.

Total liabilities amounted to ¥169,918 million, up ¥5,858 million from a year earlier. Major factors include an increase in long-term loans payable and a decrease in notes and accounts payable—trade.

Net assets amounted to ¥324,321 million, including an ¥11,287 million increase in shareholders' equity. Accumulated other comprehensive income was ¥33,981 million, up ¥15,731 million year on year. After subscription rights to shares and minority interests are also accounted for, total net assets come to ¥364,674 million, up ¥27,414 million.

Analysis of Cash Flows

Cash and cash equivalents ("funds") on March 31, 2015, stood at ¥77,906 million, down ¥13,208 million from a year earlier.

Net cash provided by operating activities was a net inflow of

¥51,481 million, up ¥16,005 million from a year earlier. Major factors include income before income taxes and minority interests of ¥41,069 million, depreciation of ¥17,407 million, decrease in notes and ac-

counts receivable—trade of ¥8,875 million, decrease in notes and accounts payable—trade of ¥15,565, and income taxes paid of ¥12,680 million.

Net cash from investing activities was a net outflow of ¥54,836 million, an additional outflow of ¥63,057 million from the previous year. Major factors include expenditures of ¥32,542 million for the purchase of non-current assets, ¥11,300 million for investment

securities, and ¥5,743 million for purchase of shares of subsidiaries resulting in change in scope of consolidation.

Net cash used in financing activities was a net outflow of ¥12,359 million, up ¥4,236 million from the previous year. Major factors include ¥10,272 million for purchase of treasury shares, ¥9,136 million for cash dividends paid, and ¥9,102 million for proceeds from long-term loans payable.

Profit Appropriation

The Company regards its most critical challenge as the long-term enhancement of business performance. To this end, we strive to strengthen our research and development from a long-term standpoint and intend to enhance our business competitiveness through new business expansion.

In consideration of business earnings and long-term demand for finances, the JSR Group takes into account the balance between returning profits to shareholders and retaining earnings for future Company growth and will continue to pay a stable cash dividend.

Our policy with respect to returning profits to shareholders is to supplement the payment of cash dividends with the flexible execution of the purchase of Company shares, while taking into account the market environment. Retained earnings shall be appropriated to various investments that contribute to the enhancement of corporate

value while leading to new growth. In the period covered by the medium-term business plan, JSR20i6 (“JSR twenty-sixteen”), we aim for a combined return to shareholders, including both share buybacks and cash dividends, of 50% or greater.

In accordance with this policy, we have decided to pay a year-end dividend of ¥20 per share as previously announced. This amount is the same as the interim dividend, and the total annual dividend for fiscal year 2015, including the interim dividend already paid, will be ¥40 per share.

For the next fiscal year (FY2016 ending on March 31, 2016), in consideration of the business outlook, we plan to increase the cash dividend to ¥50 per year, consisting of an interim dividend of ¥25 and a year-end dividend of ¥25.

Risk Information

The JSR Group is exposed to the following risks that may impact on operating results, financial position, cash flows and other aspects of performance. Forward-looking statements in this discussion are based on JSR’s judgments as of March 31, 2015. Risks at JSR include, but are not limited to, the following items:

(1) Changes in Demand due to Economic Trends

In the major industries where the JSR Group’s products are sold, such as automobiles and electronics, demand is influenced by the economic climate in a country or region. An economic slowdown could reduce demand in an industry and adversely affect the JSR Group’s operating results.

(2) Fluctuation in Prices for Crude Oil, Naphtha and Other Major Raw Materials

Higher prices for crude oil and naphtha, or changes in the markets for JSR’s major raw materials, could raise prices of raw materials and adversely affect the JSR Group’s operating results, especially in the petrochemical products sector of elastomers, emulsions and plastics.

(3) Fluctuation in Exchange Rates

As the JSR Group undertakes product exports in foreign currencies and imports goods such as raw materials, the Company takes measures to reduce risks such as entering into forward exchange contracts; however, fluctuation in exchange rates could give rise to adverse outcomes. In addition, operating results of consolidated subsidiaries and equity-method affiliates located overseas are converted into Japanese yen amounts for the purposes of preparing the consolidated financial statements. However, due to the yen’s appreciation, the JSR Group’s business results could be adversely affected.

(4) Procurement of Raw Materials

The JSR Group works to ensure a stable supply of raw materials by procuring materials from a number of sources. However, an interruption to the supply of raw materials due to an accident, bankruptcy or quality problem at a supplier could adversely affect production activities and the JSR Group’s operating results.

(5) Development of New Products

Rapid technological progress is constantly taking place in the electronics industry, which is the primary source of demand for semicon-

ductor manufacturing materials, FPD materials and optical materials, the major products of the JSR Group's fine chemicals and other products business. JSR is constantly working on developing state-of-the-art materials in line with this progress. However, unforeseen changes in the industry or market could prevent the timely development of new products and adversely affect the JSR Group's operating results.

(6) R&D Involving Next-Stage Growth Businesses

The JSR Group makes substantial investments in R&D to create next-stage growth businesses. However, there is no guarantee that these R&D activities will always yield worthwhile results. Depending on R&D results, there could be an adverse effect on the JSR Group's operating results.

(7) Protection of Intellectual Property

Protection of intellectual property is extremely important for the JSR Group's business activities. JSR has established a system for protecting its intellectual property and takes various actions as required. However, a dispute about intellectual property with another company or an infringement on JSR's intellectual property by another company could adversely affect the JSR Group's operating results.

(8) Product Quality Assurance and Product Liability

The JSR Group has a product quality assurance system and product liability insurance. However, damage or injury caused by a product manufactured by the JSR Group could adversely affect the JSR Group's operating results.

(9) Natural Disasters and Accidents

To minimize the negative effect on its business activities of any disruption to manufacturing activities, all JSR Group manufacturing facilities have established countermeasures based on the identification of all potential sources of a crisis and conducts periodic inspections of facilities. The Group also works constantly on safety measures with regard to earthquakes and other natural disasters. However, a major natural disaster or accident that damages a production facility or disrupts manufacturing could adversely affect the JSR Group's operating results.

JSR's main production facility, the Yokkaichi Plant, houses private power generation equipment, and the Kashima Plant is able to access electric power from shared power generation facilities when necessary. In the event that electric power shortages become severe due to natural disasters and the like, however, the JSR Group's operating results could be affected.

(10) Environmental Issues

Positioning environmental protection as an important element of its operations, the JSR Group complies with all laws and regulations concerning the environment. The Group also takes actions aimed at reducing its environmental impact, lowering and eliminating waste materials, and cutting energy and resource consumption. The Group has taken many actions to prevent the external release of all types of chemicals.

However, in the event that a spill occurs or that environmental regulations become stricter, the Group's business activities could be restricted, the Group may have to pay compensation and other expenses, or the Group may have to make substantial capital expenditures. Any of these events could adversely affect the JSR Group's operating results.

(11) Overseas Operations

The JSR Group is aggressively expanding operations on a global scale, conducting manufacturing, sales and other activities in countries and regions in the North America, Europe, Asia and other parts of the world. Overseas operations are exposed to a number of risks that include, but are not limited to, an unfavorable political environment or economic trends; labor disputes and other problems due to differences in labor laws and other working conditions; difficulty in recruiting and retaining employees; an adverse impact on business activities due to an inadequate social infrastructure; and the impact of wars, terrorism and other social instability. Any of these events could adversely affect the JSR Group's operating results.

(12) Laws and Regulations

In the countries where it operates, the JSR Group is subject to various laws and regulations involving business and investment permits, export and import activities, trade, labor relations, intellectual property, taxes, foreign exchange and other items. The Group has established a clear compliance policy in order to ensure strict observance of laws and regulations as well as ethical standards. In the event that a law or regulation is violated, or a law or regulation becomes stricter or is significantly altered, there could be limitations to the Group's business activities or additional compliance costs. Any of these events could adversely affect the JSR Group's operating results.

(13) Litigation

In conjunction with its business activities in Japan and overseas, the JSR Group may be sued or be involved in other litigation concerning a dispute with a supplier, customer or other external party. The outcome of significant litigation could adversely affect the JSR Group's operating results.

CONSOLIDATED BALANCE SHEETS

JSR Corporation and Consolidated Subsidiaries
As at March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2015	2015
ASSETS			
Current assets (Note 17):			
Cash and deposits (Notes 3, 5 and 7)	¥ 33,391	¥ 47,984	\$ 399,304
Notes and accounts receivable—trade, net (Notes 4, 5, 7 and 16)	87,614	83,122	691,707
Short-term investment securities (Notes 3, 5 and 6)	81,005	67,997	565,841
Inventories (Note 7)	78,690	79,321	660,073
Other (Notes 3, 5, 7, 9, 13 and 16)	45,804	40,973	340,949
Total current assets	326,504	319,397	2,657,874
Noncurrent assets (Note 17):			
Property, plant and equipment (Note 15):			
Buildings and structures, net (Note 7)	30,623	36,897	307,039
Machinery, equipment and vehicles, net (Note 7)	37,267	41,582	346,022
Land (Note 7)	18,626	17,762	147,805
Construction in progress	4,697	14,056	116,966
Other, net (Note 7)	4,417	5,616	46,744
Total property, plant and equipment	95,630	115,913	964,576
Intangible assets			
Goodwill (Notes 15 and 17)	664	6,480	53,923
Other (Note 7)	6,586	7,819	65,064
Total intangible assets	7,250	14,299	118,987
Investments and other assets			
Investment securities (Notes 5 and 6)	60,952	74,510	620,038
Other, net (Notes 4, 5, 7 and 9)	10,984	10,473	87,158
Total investments and other assets	71,936	84,983	707,196
Total noncurrent assets	174,816	215,195	1,790,759
Total assets (Note 15)	¥501,320	¥534,592	\$4,448,633

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2015	2015
Current liabilities (Note 17):			
Notes and accounts payable—trade (Notes 5 and 16)	¥ 85,334	¥ 72,442	\$ 602,826
Short-term loans payable (Notes 5 and 7)	15,579	18,640	155,113
Other (Notes 9 and 13)	31,529	35,245	293,297
Total current liabilities	132,442	126,327	1,051,236
Noncurrent liabilities (Note 17):			
Long-term loans payable (Notes 5 and 7)	11,069	20,387	169,654
Net defined benefit liability (Note 8)	15,243	13,746	114,387
Provision for environmental measures	1,734	1,308	10,888
Deferred tax liabilities (Note 9)	2,721	6,700	55,758
Other (Note 13)	851	1,450	12,060
Total noncurrent liabilities	31,618	43,591	362,747
Total liabilities	164,060	169,918	1,413,983
Contingent liabilities (Note 18)			
Net assets (Note 11)			
Shareholders' equity			
Common stock:			
Authorized—696,061,000 shares			
Issued—237,973,205 shares in 2014 and 2015	23,320	23,320	194,060
Capital surplus	25,180	25,179	209,532
Retained earnings	269,621	291,151	2,422,829
Treasury stock			
2,862,706 shares in 2014 and 7,861,771 shares in 2015	(5,087)	(15,329)	(127,567)
Accumulated other comprehensive income			
Unrealized gains on securities, net of taxes	11,467	19,257	160,250
Foreign currency translation adjustment	6,972	14,576	121,290
Remeasurements of defined benefit plans (Note 8)	(189)	149	1,239
Subscription rights to shares (Note 12)	793	852	7,094
Minority interests	5,183	5,519	45,923
Total net assets	337,260	364,674	3,034,650
Total liabilities and net assets	¥501,320	¥534,592	\$4,448,633

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2015	2015
Net sales (Notes 15, 16 and 17)	¥394,309	¥404,073	\$3,362,515
Costs and expenses (Notes 14 and 16):			
Cost of sales	294,924	300,304	2,498,992
Selling, general and administrative expenses	63,323	65,701	546,735
	358,247	366,005	3,045,727
Operating income (Note 15)	36,062	38,068	316,788
Other income (expenses):			
Interest income	257	241	2,008
Dividends income	659	1,149	9,562
Interest expenses	(142)	(345)	(2,874)
Foreign exchange gains	1,672	3,021	25,140
Share of profit of entities accounted for using equity method	1,546	—	—
Share of loss of entities accounted for using equity method	—	(276)	(2,296)
Subsidy income	—	629	5,234
Taxes and dues	(8)	(313)	(2,604)
Compensation income	—	1,895	15,769
Gain on transfer from business divestitures	—	325	2,705
Loss on valuation of investment securities	—	(2,643)	(21,991)
Restructuring loss	(2,410)	—	—
Other, net (Note 6)	(680)	(682)	(5,686)
	894	3,001	24,967
Income before income taxes and minority interests (Note 17)	36,956	41,069	341,755
Income taxes (Note 9):			
Current	11,637	11,202	93,218
Deferred	1,124	703	5,847
	12,761	11,905	99,065
Income before minority interests	24,195	29,164	242,690
Minority interests in net income of consolidated subsidiaries	(978)	(755)	(6,279)
Net income (Note 17)	¥ 25,173	¥ 29,919	\$ 248,969
	Yen	U.S. dollars (Note 1)	
	2014	2015	2015
Per share of common stock:			
Net income	¥ 106.10	¥ 128.19	\$ 1.07
Diluted net income	105.85	127.87	1.06
Cash dividends applicable to the year	38.00	40.00	0.33

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2015	2015
Income before minority interests	¥24,195	¥29,164	\$242,690
Other comprehensive income			
Unrealized gains on securities, net of taxes	2,968	7,718	64,230
Foreign currency translation adjustment	4,335	6,647	55,314
Remeasurements of defined benefit plans, net of tax (Note 8)	—	338	2,810
Share of other comprehensive income of associates accounted for using equity method	3,134	1,695	14,107
Other comprehensive income (Note 10)	10,437	16,398	136,461
Comprehensive income	¥34,632	¥45,562	\$379,151
Comprehensive income attributable to			
Comprehensive income attributable to owners of the parent	¥35,548	¥45,576	\$379,264
Comprehensive income attributable to minority interests	(916)	(14)	(113)

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2014 and 2015

Millions of yen

	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains on securities, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Subscription rights to shares	Minority interests
Balance at April 1, 2013	237,973	¥23,320	¥25,179	¥253,009	¥ (930)	¥ 8,470	¥ (407)	¥ —	¥728	¥ 6,364
Changes of items during the period										
Dividends of surplus	—	—	—	(8,549)	—	—	—	—	—	—
Net income	—	—	—	25,173	—	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	(4,182)	—	—	—	—	—
Disposal of treasury stock	—	—	1	—	25	—	—	—	—	—
Change of scope of consolidation	—	—	—	(12)	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	2,997	7,379	(189)	65	(1,181)
Total changes of items during the period	—	—	1	16,612	(4,157)	2,997	7,379	(189)	65	(1,181)
Balance at March 31, 2014	237,973	¥23,320	¥25,180	¥269,621	¥ (5,087)	¥11,467	¥ 6,972	¥(189)	¥793	¥ 5,183
Cumulative effects of changes in accounting policies	—	—	—	964	—	—	—	—	—	—
Restated balance	237,973	23,320	25,180	270,585	(5,087)	11,467	6,972	(189)	793	5,183
Changes of items during the period										
Dividends of surplus	—	—	—	(9,166)	—	—	—	—	—	—
Net income	—	—	—	29,919	—	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	(10,271)	—	—	—	—	—
Disposal of treasury stock	—	—	(1)	(5)	29	—	—	—	—	—
Change of scope of consolidation	—	—	—	(182)	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	7,790	7,604	338	59	336
Total changes of items during the period	—	—	(1)	20,566	(10,242)	7,790	7,604	338	59	336
Balance at March 31, 2015	237,973	¥23,320	¥25,179	¥291,151	¥(15,329)	¥19,257	¥14,576	¥ 149	¥852	¥ 5,519

Thousands of U.S. dollars (Note 1)

	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains on securities, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Subscription rights to shares	Minority interests
Balance at April 1, 2014	237,973	\$194,060	\$209,536	\$2,243,662	\$ (42,335)	\$ 95,425	\$ 58,017	\$(1,571)	\$6,596	\$43,132
Cumulative effects of changes in accounting policies	—	—	—	8,025	—	—	—	—	—	—
Restated balance	237,973	194,060	209,536	2,251,687	(42,335)	95,425	58,017	(1,571)	6,596	43,132
Changes of items during the period										
Dividends of surplus	—	—	—	(76,279)	—	—	—	—	—	—
Net income	—	—	—	248,969	—	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	(85,476)	—	—	—	—	—
Disposal of treasury stock	—	—	(4)	(42)	244	—	—	—	—	—
Change of scope of consolidation	—	—	—	(1,506)	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	64,825	63,273	2,810	498	2,791
Total changes of items during the period	—	—	(4)	171,142	(85,232)	64,825	63,273	2,810	498	2,791
Balance at March 31, 2015	237,973	\$194,060	\$209,532	\$2,422,829	\$(127,567)	\$160,250	\$121,290	\$ 1,239	\$7,094	\$45,923

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2015	2015
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 36,956	¥ 41,069	\$ 341,755
Adjustments to reconcile income before income taxes and minority interests to cash provided by operating activities:			
Depreciation and amortization	18,096	17,407	144,851
Interest and dividends income	(916)	(1,390)	(11,570)
Interest expenses	142	345	2,874
Share of (profit) loss of entities accounted for using equity method	(1,546)	276	2,296
Compensation income	—	(1,895)	(15,769)
Loss (gain) on valuation of investment securities	—	2,643	21,991
Restructuring Loss	2,410	—	—
Changes in operating assets and liabilities—net:			
Decrease (increase) in notes and accounts receivable—trade	6,050	8,875	73,855
Decrease (increase) in inventories	(2,262)	2,662	22,149
Increase (decrease) in notes and accounts payable—trade	(14,467)	(15,565)	(129,526)
Other, net	1,234	6,333	52,708
Subtotal	45,697	60,760	505,614
Interest and dividends income received	1,751	1,825	15,190
Interest expenses paid	(125)	(319)	(2,655)
Proceeds from compensation	—	1,895	15,769
Income taxes paid	(11,848)	(12,680)	(105,518)
Net cash provided by operating activities	35,475	51,481	428,400
Cash flows from investing activities:			
Decrease (increase) in time deposits	6,736	(2,248)	(18,705)
Net decrease (increase) in short-term investment securities	28,500	(11,300)	(94,033)
Purchase of noncurrent assets	(21,108)	(32,542)	(270,797)
Purchase of investment securities	(1,003)	(805)	(6,698)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(5,743)	(47,793)
Purchase of stocks of subsidiaries and affiliates	(1,036)	(3,733)	(31,061)
Payments for investments in capital of subsidiaries and associates	(2,800)	—	—
Payments of loans receivable	(3,226)	(2,884)	(23,998)
Collection of loans receivable	2,699	3,071	25,556
Other, net	(541)	1,348	11,209
Net cash provided by (used in) investing activities	8,221	(54,836)	(456,320)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	144	470	3,911
Repayment of long-term loans payable	—	(2,481)	(20,649)
Proceeds from long-term loans payable	4,538	9,102	75,743
Purchase of treasury stock	(4,182)	(10,272)	(85,475)
Cash dividends paid	(8,464)	(9,136)	(76,026)
Cash dividends paid to minority shareholders	(146)	(33)	(271)
Other, net	(12)	(9)	(76)
Net cash used in financing activities	(8,122)	(12,359)	(102,843)
Effect of exchange rate change on cash and cash equivalents	1,723	2,007	16,700
Net increase (decrease) in cash and cash equivalents	37,297	(13,707)	(114,063)
Cash and cash equivalents at beginning of year	53,818	91,115	758,216
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	498	4,147
Cash and cash equivalents at end of year (Note 3)	¥ 91,115	¥ 77,906	\$ 648,300

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2014 and 2015

1. Basis of Consolidated Financial Statements

The accompanying consolidated financial statements of JSR Corporation (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of the Company's overseas subsidiaries and affiliates are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile and make necessary amendments for consolidated financial statements required by Practical Issues Task Force No. 18 issued by ASBJ. The accompanying consolidated financial statements have been restructured and translated into

2. Summary of Significant Accounting Policies

(a) Consolidation—The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries (28 and 33 subsidiaries in 2014 and 2015, respectively).

All significant intercompany accounts and transactions have been eliminated in consolidation.

Effective from the current consolidated fiscal year, the following companies have been included into the scope of consolidation; JSR (Shanghai) Co., Ltd., J & W Beijing Biotech Co., Ltd., and JSR Trading Bangkok Co., Ltd. due to increase in materiality, JSR Logistics & Customer Center Co., Ltd. due to establishment on April 1, 2014 through incorporation-type company split, KBI Biopharma, Inc. and KBI Biopharma Boulder, LLC due to purchase of 51% share of KBI Biopharma Inc.

As the date for acquisition of KBI Biopharma, Inc. and KBI Biopharma Boulder, LLC is deemed to be March 31, 2015, only the balance sheet is consolidated for the fiscal year ending on March 31, 2015.

JSR MICROTECH INC. and Nichigo Kogyo Co., Ltd. were excluded from the scope of consolidation in the fiscal year ended March 31, 2014 due to transfer of all shares thereof.

(b) Equity method—Investments in affiliated companies (all of those 20% to 50% owned and certain others 15% to 20% owned) were accounted for by the equity method (8 and 10 affiliated companies in 2014 and 2015, respectively). Unconsolidated subsidiaries and the other affiliated companies are stated at cost since their net income and retained earnings in the aggregate are not material compared to consolidated net income and retained earnings, respectively.

Effective from the current consolidated fiscal year, JSR LOGISTICS CO., LTD. (renamed to JEY-TRANS CO., LTD. on April 1, 2014) has been excluded from the scope of consolidation and included in the scope of the equity method after transferring 60% of its shares to a

English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2015, which was ¥120.17 to U.S.\$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

company outside of the group companies for consolidation.

JSR Electronic Materials Korea Co., Ltd. established by incorporation-type company split on September 30, 2014 has been included in the scope of the equity method from the current fiscal year after transferring 60% of its shares to a company outside of the group companies for consolidation.

Medical & Biological Laboratories Co. and JN System Partners Co., Ltd. have been included in the scope of the equity method since 2014 due to the increase of materiality and establishment, respectively.

(c) Cash and cash equivalents—In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(d) Short-term securities and investment securities—The Company and its consolidated subsidiaries (the "Companies") had no trading securities or held-to-maturity debt securities. Equity securities issued by subsidiaries and affiliated companies, which are not consolidated or accounted for using the equity method, are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value and unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets via the Consolidated Statements of Comprehensive Income. Realized gains and losses on sale of such securities are computed using moving-average cost. Available-for-sale securities with no available fair market values are stated at moving-average cost or amortized cost.

(e) Inventories—Inventories are stated at cost, which is determined mainly based on the average method (for the value stated on the balance sheet, book value is written down to reflect the lower profitability).

(f) Property, plant and equipment, and depreciation—Property,

plant and equipment are stated at cost. Depreciation is calculated using the declining-balance method at rates based on their estimated useful lives except for buildings acquired after March 31, 1998, which are depreciated based on the straight-line method.

(g) Intangible assets—Goodwill is amortized by the straight-line method over the estimated useful lives up to twenty years.

Software for its own use is amortized over the estimated useful life (five years) using the straight-line method.

(h) Leased assets—Assets of finance leases are depreciated over the lease term using the straight-line method that residual value is zero.

(i) Allowance for doubtful accounts—Allowance for doubtful accounts is provided in amounts sufficient to cover possible losses on collection. Allowance for doubtful accounts consists of the estimated uncollectible amount with respect to specific items, and the amount calculated using the actual percentage of collection losses in the past with respect to other items.

(j) Net Defined Benefit Liability—Employees of the Companies are entitled, under most circumstances, to lump-sum severance payments or pension payments upon reaching the mandatory retirement age, or earlier in the case of voluntary or involuntary termination, based on the compensation at the time of severance and years of service.

In order to prepare for retirement benefit for employees, net defined benefit liability is provided by deducting projected fair value of the pension assets from the amount of retirement benefit obligation recognized to have incurred at the end of the current fiscal year.

The benefit formula basis is applied as the method for attributing expected retirement benefit to the relevant periods ending at the end of the current fiscal year.

Actuarial differences are recognized as expenses at once in the following period.

Unrecognized actuarial gains or losses are, after tax effect adjustment, recorded as re-measurements of defined benefit plans under accumulated other comprehensive income in the net assets section.

(i) The Accounting Change

Effective from the fiscal year beginning April 1, 2014, the Company has applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012; hereinafter the “Accounting Standard”) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, March 26, 2015; hereinafter the “Guidance”) with regard to the provisions prescribed in the main text of Article 35 of the Accounting Standard and Article 67 of the Guidance. As a result, the Company reviewed the calculation methods of retirement benefit obligations and current service costs, applied the benefit formula basis for the method of attributing expected retirement benefit to periods, and changed the calculation method of discount rates.

With regard to the application of the above Accounting Standard and Guidance, in accordance with the transitional

treatment prescribed in Article 37 of the Accounting Standard, the effects of the changes in the calculation methods of retirement benefit obligations and current service costs have been recognized retained earnings at the beginning of the current fiscal year.

Consequently, net defined benefit liability decreased by ¥1,498 million (\$12,469 thousand) and retained earnings increased by ¥964 million (\$8,025 thousand) at the beginning of the current fiscal year. The effect of application of the Accounting Standard on operating income or net income before income taxes and minority interests in the current fiscal year was immaterial.

(k) Provision for environmental measures—A provision for environmental measures is provided based on estimated costs for the disposal of polychlorinated biphenyl (PCB) as mandated by the Law Concerning Special Measures Against PCB Waste.

(l) Income taxes—The Companies provide for income taxes applicable to all items included in the consolidated statements of income regardless of when such taxes are payable. Income taxes based on temporary differences between tax and financial reporting purposes are reflected as deferred income taxes in the consolidated financial statements using the asset and liability method.

(i) Application of consolidated corporate-tax return system

The consolidated corporate-tax return system is applied from the current fiscal year.

(m) Derivative and hedging activities—The Companies use derivative financial instruments to manage their exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Companies to reduce foreign currency exchange and interest rate risks. The Companies do not enter into derivatives for trading purposes or speculative purposes. Derivative financial instruments and foreign currency transactions are classified and accounted for as follows:

- (i) All derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on these derivative transactions are recognized in the consolidated statements of income.
- (ii) The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income as incurred.

(n) Foreign currency transactions—The Companies translate assets and liabilities denominated in foreign currencies into Japanese yen at exchange rates prevailing at the balance sheet dates. Resulting exchange gains or losses are credited or charged to income as incurred.

(o) Translation of foreign currency financial statements—Financial statements of overseas subsidiaries are translated into Japanese yen using the respective year-end rate for assets and liabilities, the aver-

age rate for revenues and expenses, and the historical rates for shareholders' equity accounts. Foreign currency translation adjustments are contained in accumulated other comprehensive income and minority interests.

(p) Amounts per share of common stock—The computation of net income per share of common stock is based on the average number of shares outstanding during each fiscal year. Treasury stock has been excluded in the calculation of amounts per share of common stock.

Cash dividends per share represent actual amounts applicable to the respective years.

(q) Reclassifications—Certain prior year amounts have been reclassified and restated to conform to the current year presentation.

These reclassifications and restatements had no effect on previously reported results of operations or retained earnings.

(r) New Accounting Pronouncements—“Revised Accounting Standard for Business Combinations” (Statement No. 21 by ASBJ on Sep 13, 2013), “Revised Accounting Standard for Consolidated Financial Statements” (Statement No. 22 by ASBJ on Sep 13, 2013), “Revised Accounting Standard for Business Divestitures” (Statement No. 7 by ASBJ on Sep 13, 2013), “Revised Accounting Standard for Earnings Per Share” (Statement No. 2 by ASBJ on Sep 13, 2013), “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (Guidance

No. 10 by ASBJ on Sep 13, 2013) and “Revised Guidance on Accounting Standard for Earnings Per Share” (Guidance No. 4 by ASBJ on Sep 13, 2013) have been issued.

Major changes are as follows:

- (i) How the changes of the shares in subsidiaries, over which the Company continues to control, should be treated by the Company when additional stock of a subsidiary is acquired.
- (ii) Treatment of acquisition related costs
- (iii) Presentation of current net income and the change of shareholder's equity from minority interests to non-controlling interests
- (iv) Provisional application of accounting treatments

Effective Date

Effective from the beginning of the fiscal year ending March 2016. Provisional application of the accounting standards is scheduled to begin for business combinations effective after the beginning of the fiscal year ending March 2016.

Effects of the application of the standards

The Companies expected to apply the revised accounting standard from the fiscal year ending March 31, 2016, and is in the process of measuring the effects of applying the revised accounting standard.

3. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2014 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Cash and deposits	¥ 33,391	¥ 47,984	\$ 399,304
Short-term investment securities	81,005	67,997	565,841
Time deposits over three months	(26,081)	(40,181)	(334,373)
Current assets: Other	2,800	2,106	17,528
Cash and cash equivalents	¥ 91,115	¥ 77,906	\$ 648,300

4. Allowance for doubtful accounts

Allowance for doubtful accounts as of March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Allowance for doubtful accounts			
Current asset: Notes and accounts receivable—trade	¥(332)	¥(326)	\$(2,715)
Investments and other assets: Other	(152)	(140)	(1,168)

5. Fair Value of Financial Instruments

The following is a summary of the amount on consolidated balance sheet, fair value and the difference between these two items by major

financial instruments as of March 31, 2014 and 2015. Financial instruments which fair value is extremely difficult to estimate is excluded from the following table.

	Millions of yen		
	Book value	Fair value	Difference
March 31, 2014:			
(1) Cash and deposits	¥ 33,391	¥ 33,391	¥ —
(2) Notes and accounts receivable—trade	87,945	87,945	—
(3) Short-term investment securities and investment securities	114,615	113,819	(796)
(4) Current assets—other (short-term loans receivable)	2,800	2,800	—
Total assets	¥238,751	¥237,955	¥(796)
(5) Notes and accounts payable—trade	85,334	85,334	—
(6) Short-term loans payable	14,794	14,794	—
(7) Long-term loans payable (included repayment due within one year)	11,854	11,773	(81)
Total liabilities	¥111,982	¥111,901	¥ (81)

March 31, 2015:			
(1) Cash and deposits	¥ 47,984	¥ 47,984	¥ —
(2) Notes and accounts receivable—trade	83,449	83,449	—
(3) Short-term investment securities and investment securities	115,232	116,511	1,279
(4) Current assets—other (short-term loans receivable)	2,106	2,106	—
Total assets	¥248,771	¥250,050	¥1,279
(5) Notes and accounts payable—trade	72,442	72,442	—
(6) Short-term loans payable	16,107	16,107	—
(7) Long-term loans payable (included repayment due within one year)	22,920	22,599	(321)
Total liabilities	¥111,469	¥111,148	¥ (321)

	Thousands of U.S. dollars		
	Book value	Fair value	Difference
March 31, 2015:			
(1) Cash and deposits	\$ 399,304	\$ 399,304	\$ —
(2) Notes and accounts receivable—trade	694,422	694,422	—
(3) Short-term investment securities and investment securities	958,904	969,547	10,643
(4) Current assets—other (short-term loans receivable)	17,528	17,528	—
Total assets	\$2,070,158	\$2,080,801	\$10,643
(5) Notes and accounts payable—trade	602,826	602,826	—
(6) Short-term loans payable	134,039	134,039	—
(7) Long-term loans payable (included repayment due within one year)	190,729	188,062	(2,667)
Total liabilities	\$ 927,594	\$ 924,927	\$ (2,667)

1. Method to determine the estimated fair values of financial instruments and other matters related to securities and derivative transactions
- (1) Cash and cash equivalents, and time deposits
The carrying values of cash and cash equivalents, and time deposits approximate fair value because of their short maturities.
- (2) Notes and accounts receivable—trade
The carrying values of notes and accounts receivable—trade approximate fair value because of their short maturities.
- (3) Short-term investment securities and investment securities
The fair value of securities and investment securities are measured at the quoted market price of the stock exchange for the equity instruments. Negotiable deposit, commercial paper and cash in trust approximate fair value.
- (4) Current assets—other (short-term loans receivable)
The carrying values of short-term loans receivable approximate fair value because of their short maturities.
- (5) Notes and accounts payable—trade
The carrying values of notes and accounts payable—trade approximate fair values because of their short maturities.
- (6) Short-term loans payable
Short-term loans payable approximate fair value.
- (7) Long-term loans payable
The fair value of long-term loans payable is measured at the present value by discounting expected repayments of principal and interest in the remaining period using an assumed interest rate on an equivalent new loan.
The fair value of long-term loans payable subject to a special accounting method for interest rate swaps which qualify for hedge accounting meet specific matching criteria is measured at the present value by discounting expected repayments of principal and interest together with the interest rate swaps in the remaining period using an assumed interest rate on an equivalent new loan.

2. Financial instruments for which it is extremely difficult to estimate the fair values were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2014	2015	2014	2015
Non-listed equity securities	¥27,342	¥27,276	\$226,975	
Investments in capital	4,578	3,948	32,853	

3. Redemptions schedule of monetary claims and securities with fixed maturities were as follows:

	Millions of yen				
	Due within one year	Due after one year and within five years	Due after five years and within ten years	Due over ten years	Total
March 31, 2014:					
(1) Cash and deposits	¥ 2,081	¥—	¥—	¥—	¥ 2,081
(2) Notes and accounts receivable—trade	87,945	—	—	—	87,945
(3) Short-term investment securities and investment securities					
Available-for-sale securities with fixed maturities					
Other	81,057	—	—	—	81,057
(4) Current assets—other (short-term loans receivable)	2,800	—	—	—	2,800
Total	¥173,883	¥—	¥—	¥—	¥173,883
March 31, 2015:					
(1) Cash and deposits	¥ 4,882	¥—	¥—	¥—	¥ 4,882
(2) Notes and accounts receivable—trade	83,449	—	—	—	83,449
(3) Short-term investment securities and investment securities					
Available-for-sale securities with fixed maturities					
Other	67,997	—	—	—	67,997
(4) Current assets—other (short-term loans receivable)	2,106	—	—	—	2,106
Total	¥158,434	¥—	¥—	¥—	¥158,434

	Thousands of U.S. dollars				Total
	Due within one year	Due after one year and within five years	Due after five years and within ten years	Due over ten years	
March 31, 2015:					
(1) Cash and deposits	\$ 40,623	\$—	\$—	\$—	\$ 40,623
(2) Notes and accounts receivable—trade	694,422	—	—	—	694,422
(3) Short-term investment securities and investment securities					
Available-for-sale securities with fixed maturities					
Other	565,841	—	—	—	565,841
(4) Current assets—other (short-term loans receivable)	17,528	—	—	—	17,528
Total	\$1,318,414	\$—	\$—	\$—	\$1,318,414

4. See Note 7 for scheduled repayments of long term debt.

6. Short-term investment securities and Investment Securities

(1) The following tables summarize the acquisition cost and book value of available-for-sale securities with available fair value as of March 31, 2014 and 2015:

(a) Securities with book value exceeding acquisition cost

	Millions of yen		
	2014		
	Acquisition cost	Book value	Difference
Equity securities	¥10,349	¥27,785	¥17,436

	Millions of yen		
	2015		
	Acquisition cost	Book value	Difference
Equity securities	¥12,481	¥40,476	¥27,995

	Thousands of U.S. dollars		
	2015		
	Acquisition cost	Book value	Difference
Equity securities	\$103,860	\$336,826	\$232,966

(b) Securities with book value not exceeding acquisition cost

	Millions of yen		
	2014		
	Acquisition cost	Book value	Difference
Equity securities	¥1,440	¥1,273	¥(167)

	Millions of yen		
	2015		
	Acquisition cost	Book value	Difference
Equity securities	¥2,647	¥449	¥(2,198)

	Thousands of U.S. dollars		
	2015		
	Acquisition cost	Book value	Difference
Equity securities	\$22,030	\$3,736	\$(18,294)

(2) Total sales of available-for-sale securities sold and the related gains and losses for the years ended March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Total sales	¥62	¥103	\$853
Gain	22	1	11
Loss	(0)	—	—

7. Short-term Loans Payable and Long-term Loans Payable

Short-term loans payable at March 31, 2014 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Short-term loans principally from banks with interest rates 0.7% per annum (weighted average interest rate) at March 31, 2014 and 2015:			
Secured	—	603	5,016
Unsecured	14,794	15,504	129,023
	¥14,794	¥16,107	\$134,039

Long-term loans payable (included repayment due within one year) at March 31, 2014 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Loans principally from banks and insurance companies due through 2021 with interest rates 2.0% and 2.2% per annum (weighted average interest rate) in 2014 and 2015, respectively:			
Secured	1	773	6,429
Unsecured	11,853	22,147	184,300
	11,854	22,920	190,729
Less amount due within one year	785	2,533	21,075
	¥11,069	¥20,387	\$169,654

The following assets were pledged as collateral for secured loans at March 31.

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Cash and deposits	¥ —	¥ 408	\$ 3,396
Notes and accounts receivable—trade, net	—	1,508	12,553
Inventories	—	423	3,516
Current assets: Other	—	805	6,701
Buildings and structures, net	2,134	3,132	26,065
Machinery, equipment and vehicles, net	140	1,020	8,492
Land	4,466	4,468	37,179
Property, plant and equipment: Other, net	—	59	490
Intangible assets: Other	—	103	856
Investments and other assets: Other, net	—	75	627
Total	¥6,740	¥12,001	\$99,875

The annual maturities of long-term debt at March 31, 2015 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥ 2,533	\$ 21,075
2017	5,294	44,056
2018	4,471	37,207
2019	4,471	37,207
2020	3,553	29,564
2021 and thereafter	2,598	21,620
	¥22,920	\$190,729

8. Employees' Severance and Retirement Benefits

The Company and domestic consolidated subsidiaries have corporate pension fund plan and lump-sum payment plan as defined benefit plan.

Defined benefit plans

1. Movement in retirement benefit obligation

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Balance at April 1	¥50,080	¥50,262	\$418,257
Cumulative effects of changes in accounting policies	—	(1,498)	(12,469)
Restated balance	50,080	48,764	405,788
Current service cost	2,061	2,389	19,884
Interest cost	727	376	3,127
Actuarial loss (gain)	1,080	1,097	9,132
Benefits paid	(3,104)	(2,389)	(19,881)
Other	(582)	(40)	(333)
Balance at March 31	¥50,262	¥50,197	\$417,717

2. Movements in plan assets

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Balance at April 1	¥35,310	¥35,019	\$291,413
Expected return on plan assets	288	376	3,125
Actuarial loss (gain)	787	1,317	10,962
Contributions paid by the employer	1,076	1,566	13,028
Benefits paid	(2,300)	(1,798)	(14,962)
Other	(142)	(29)	(236)
Balance at March 31	¥35,019	¥36,451	\$303,330

3. Reconciliation from retirement benefit obligation and plan assets to liability (assets) for retirement benefit

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Funded retirement benefit obligation	¥ 39,705	¥ 39,003	\$ 324,564
Plan assets	(35,019)	(36,451)	(303,330)
	4,686	2,552	21,234
Unfunded retirement benefit obligation	10,557	11,194	93,153
Total Net liability (assets) for retirement benefit at March 31	15,243	13,746	114,387
Net defined benefit liability	15,243	13,746	114,387
Total Net liability (assets) for retirement benefit at March 31	¥ 15,243	¥ 13,746	\$ 114,387

4. Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Current service cost	¥2,061	¥2,389	\$19,884
Interest cost	727	376	3,127
Expected return on plan assets	(288)	(376)	(3,125)
Net actuarial loss amortization	(441)	293	2,441
Total retirement benefit costs for the fiscal year ended March 31	¥2,059	¥2,682	\$22,327

5. Other comprehensive income on remeasurements of defined benefit plans, before tax

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Actuarial gains and losses	—	513	4,272
Total balance at March 31	¥—	¥513	\$4,272

6. Accumulated other comprehensive income on remeasurements of defined benefit plans, before tax

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Unrecognized actuarial gains and losses	(293)	220	1,830
Total balance at March 31	¥(293)	¥220	\$1,830

7. Plan assets

(1) Plan assets comprise:

	2014	2015
Bonds	80.3%	71.5%
Equity securities	9.8	8.0
Cash and cash equivalents	0.9	0.7
Other	9.0	19.8
Total	100.0%	100.0%

(2) Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered to determine long-term expected rate of return.

8. Actuarial assumptions

Principal actuarial assumptions at March 31

	2014	2015
Discount rate (mainly)	1.53%	0.64%
Long-term expected rate of return (mainly)	0.55	0.57

9. Income Taxes

Income taxes in the accompanying consolidated statements of income comprise corporation, enterprise and inhabitants' taxes. The statutory income tax rate was approximately 35.6%.

Amendments to the Japanese tax regulations were enacted into law on March 31, 2014. As a result of these amendments, the statutory income tax rate will be reduced from 38.0% to 35.6% effective from the year beginning April 1, 2014, thereafter.

Also, amendments to the Japanese tax regulations were enacted into law on March 31, 2015. As a result of these amendments, the statutory income tax rate will be reduced from 35.6% to 33.1% effective from the year beginning April 1, 2015, and to 32.3% effective from the year beginning April 1, 2016, thereafter.

Consequently, the statutory income tax rate utilized for deferred

tax assets and liabilities expected to be settled or realized in the period from April 1, 2015 to March 31, 2016 is 33.1% and for periods subsequent to March 31, 2016 is 32.3%. As a result of this change, net deferred tax liabilities (after deducting deferred tax assets) decreased by ¥212 million (\$1,765 thousand). Income taxes—deferred, unrealized gains on securities and remeasurements of defined benefit plans increased by ¥731 million (\$6,084 thousand), ¥935 million (\$7,788 thousand) and ¥7 million (\$60 thousand) for the year ended March 31, 2015 respectively.

The following table summarizes the significant differences between the statutory income tax rate and the Companies' effective tax rates for financial statement purposes for the years ended March 31, 2014 and 2015:

	2014	2015
Statutory income tax rate	38.0%	35.6%
Tax credit on research and development costs	(4.8)	(4.6)
Lower tax rates for foreign consolidated subsidiaries	(0.3)	(2.1)
Share of loss (profit) of entities accounted for using equity method	(1.6)	0.2
Effect of enacted changes in tax laws and rates on Japanese tax	0.5	1.8
Tax credit on productivity-enhancing equipment	—	(0.7)
Other	2.7	(1.2)
Effective tax rate	34.5%	29.0%

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Deferred tax assets:			
Net defined benefit liability	¥ 5,300	¥ 4,429	\$ 36,853
Loss carried forward	3,905	3,439	28,620
Unrealized gain on sale of inventories	1,330	1,550	12,899
Accrued bonuses	1,415	1,372	11,420
Unrealized gain on sale of noncurrent assets	971	959	7,984
Impairment loss	1,642	501	4,167
Provision for environmental measures	617	423	3,517
Other	2,806	3,050	25,381
Sub-total	17,986	15,723	130,841
Valuation allowance	(4,910)	(4,330)	(36,034)
Total deferred tax assets	13,076	11,393	94,807
Deferred tax liabilities:			
Unrealized gains on securities	(6,352)	(9,171)	(76,320)
Deferred gain on sales of noncurrent assets	(2,988)	(2,736)	(22,764)
Other	(1,620)	(1,539)	(12,810)
Total deferred tax liabilities	(10,960)	(13,446)	(111,894)
Net deferred tax assets (liabilities)	¥ 2,116	¥ (2,053)	\$ (17,087)

10. Comprehensive income

Amounts reclassified to net income in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income were as follows;

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Unrealized gains on securities:			
Occurrence amount	¥ 4,578	¥ 8,288	\$ 68,968
Recycling	30	2,250	18,723
Before tax effect	¥ 4,608	¥10,538	\$ 87,691
Tax effect	(1,640)	(2,820)	(23,461)
Unrealized gains on securities, net of tax	2,968	7,718	64,230
Foreign currency translation adjustments			
Occurrence amount	¥ 4,335	¥ 6,647	\$ 55,314
Foreign currency translation adjustments	¥ 4,335	¥ 6,647	\$ 55,314
Remeasurements of defined benefit plans:			
Occurrence amount	¥ —	¥ 220	\$ 1,830
Recycling	—	293	2,442
Before tax effect	¥ —	¥ 513	\$ 4,272
Tax effect	—	(175)	(1,462)
Remeasurements of defined benefit plans, net of tax	—	338	2,810
Share of other comprehensive income of associates accounted for using equity method			
Occurrence amount	¥ 3,134	¥ 1,695	\$ 14,107
Share of other comprehensive income of associates accounted for using equity method	¥ 3,134	¥ 1,695	\$ 14,107
Total other comprehensive income before tax	¥12,077	¥19,393	\$161,384
Tax effect	¥ (1,640)	¥ (2,995)	\$ (24,923)
Other comprehensive income, net of tax	¥10,437	¥16,398	\$136,461

11. Net Assets

Under the Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Japanese Corporate Law ("the Law"), in the case where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividends or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Japanese laws and regulations.

At the annual shareholders meeting held on June 17, 2015, the shareholders resolved cash dividends amounting to ¥4,602 million (\$38,298 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2015. Such appropriations are recognized in the period in which they are resolved.

12. Stock Option Plans

The shareholders of the Company approved the issuance of stock options to the directors and the executive officers of the Company as follows:

Date of resolution of the general shareholders' meeting	June 17, 2005	June 16, 2006	June 15, 2007
The maximum number of shares to be issued	62,500 shares	39,100 shares	48,500 shares
Exercisable period of stock options	From June 18, 2005 to June 17, 2025	From August 2, 2006 to June 16, 2026	From July 11, 2007 to July 10, 2027
Stock subscription rights which have been vested outstanding as of March 31, 2015	32,700 shares	26,500 shares	36,900 shares
Exercise price per share	¥1 \$0.01	¥1 \$0.01	¥1 \$0.01
Date of resolution of the general shareholders' meeting	June 13, 2008	June 16, 2009	June 18, 2010
The maximum number of shares to be issued	73,900 shares	80,200 shares	84,200 shares
Exercisable period of stock options	From July 16, 2008 to July 15, 2028	From July 15, 2009 to July 14, 2029	From July 14, 2010 to July 13, 2030
Stock subscription rights which have been vested outstanding as of March 31, 2015	59,500 shares	76,200 shares	84,200 shares
Exercise price per share	¥1 \$0.01	¥1 \$0.01	¥1 \$0.01
Date of resolution of the general shareholders' meeting	June 17, 2011	June 15, 2012	June 21, 2013
The maximum number of shares to be issued	81,000 shares	95,200 shares	50,100 shares
Exercisable period of stock options	From July 13, 2011 to July 12, 2031	From July 11, 2012 to July 10, 2032	From July 17, 2013 to July 16, 2033
Stock subscription rights which have been vested outstanding as of March 31, 2015	81,000 shares	95,200 shares	50,100 shares
Exercise price per share	¥1 \$0.01	¥1 \$0.01	¥1 \$0.01
Date of resolution of the general shareholders' meeting	June 17, 2014		
The maximum number of shares to be issued	55,800 shares		
Exercisable period of stock options	From July 31, 2014 to July 30, 2034		
Stock subscription rights which have been vested outstanding as of March 31, 2015	54,000 shares		
Exercise price per share	¥1 \$0.01		

The compensation cost recognized for these stock options for the years ended March 31, 2014 and 2015 was ¥91 million and ¥83 million (\$694 thousand) respectively, and was included in selling, general and administrative expenses in the consolidated statements of income.

13. Derivative Transactions

(1) Qualitative disclosure about derivatives

The Companies enter into foreign exchange forward contracts and interest rate swap contracts as derivative financial instruments. The Companies deal with foreign exchange forward transactions to hedge exchange rate risks of trade receivables and payables denominated in foreign currency. Interest rate swap transactions are made in order to reduce interest rate risks on loans payable.

The Companies do not enter into derivatives for speculative transaction purposes. Hedge accounting is used for interest rate swaps in the case where there is a high degree of correlation between the hedging instruments and the hedged items.

Significant conditions surrounding hedging instruments are the

same as those for the items hedged, the risks of which will likely continue to be hedged through hedge transactions.

Foreign exchange forward contracts that the Companies entered have risks due to fluctuations in foreign exchange rates. Interest rate swap contracts that the Companies entered have risks due to fluctuations in interest rates. Due to the fact that counterparties to the Companies represent major financial institutions that have high creditworthiness, the Companies believe that the overall credit risk related to its financial instruments is insignificant.

Derivative transactions are executed and controlled based on the Companies' internal rules and are approved by the responsible officials. The balances of such transactions with counterparties are periodically confirmed.

(2) Quantitative disclosure about derivatives

The following contract amounts are only nominal or notional amounts of derivatives, and do not necessarily indicate the magnitude of market risk associated with the derivative transactions.

Contract amounts, market values and recognized gains or losses on the derivative transactions, except those accounted for using hedge accounting, at March 31, 2014 and 2015 were as follows:

(a) Related to currencies

		Millions of yen			
		Contract amount	Over one year	Market value	Recognized gains or losses
March 31, 2014:					
Items not traded on exchanges					
Foreign exchange forward contracts					
Selling:	U.S. Dollars	¥1,664	¥—	¥(10)	¥(10)
	Euro	907	—	(31)	(31)
Buying:	U.S. Dollars	170	—	3	3
	Euro	98	—	0	0
	Swiss Francs	8	—	0	0
	Australian Dollars	1	—	0	0
	Japanese Yen	532	—	(1)	(1)
Total		¥ —	¥—	¥(39)	¥(39)

		Millions of yen			
		Contract amount	Over one year	Market value	Recognized gains or losses
March 31, 2015:					
Items not traded on exchanges					
Foreign exchange forward contracts					
Selling:	U.S. Dollars	¥1,812	¥—	¥(19)	¥(19)
	Euro	1,010	—	60	60
Buying:	U.S. Dollars	1,711	—	0	0
	Euro	768	—	(18)	(18)
	Swiss Francs	10	—	0	0
	Australian Dollars	1	—	(0)	(0)
	Japanese Yen	851	—	(6)	(6)
Total		¥ —	¥—	¥ 17	¥ 17

		Thousands of U.S. dollars			
		Contract amount	Over one year	Market value	Recognized gains or losses
March 31, 2015:					
Items not traded on exchanges					
Foreign exchange forward contracts					
Selling:	U.S. Dollars	\$15,081	\$—	\$(160)	\$(160)
	Euro	8,407	—	505	505
Buying:	U.S. Dollars	14,240	—	0	0
	Euro	6,390	—	(150)	(150)
	Swiss Francs	83	—	4	4
	Australian Dollars	10	—	(0)	(0)
	Japanese Yen	7,085	—	(53)	(53)
Total		\$ —	\$—	\$ 146	\$ 146

Market values are calculated using foreign exchange forward rates.

(b) Related to interests

		Millions of yen		
		Contract amount	Over one year	Market value
March 31, 2014:				
Special treatment for interest rate swaps Interest rate swaps (paid fix / received floating) (Hedged item: Long-term loans payable)		¥11,354	¥10,569	¥(31)
Total		¥11,354	¥10,569	¥(31)

		Millions of yen		
		Contract amount	Over one year	Market value
March 31, 2015:				
Special treatment for interest rate swaps Interest rate swaps (paid fix / received floating) (Hedged item: Long-term loans payable)		¥21,437	¥19,202	¥(213)
Total		¥21,437	¥19,202	¥(213)

		Thousands of U.S. dollars		
		Contract amount	Over one year	Market value
March 31, 2015:				
Special treatment for interest rate swaps Interest rate swaps (paid fix / received floating) (Hedged item: Long-term loans payable)		\$178,392	\$159,789	\$(1,770)
Total		\$178,392	\$159,789	\$(1,770)

14. Research and Development Expenses

Research and development expenses of the Companies for the years ended March 31, 2014 and 2015 were, ¥20,801 million and ¥22,253 million (\$185,182 thousand), respectively, which are included in selling, general and administrative expenses or manufacturing costs.

15. Segment Information

The Companies' business segments are classified into the following three business segments: (1) Elastomers business, (2) Plastics business, and (3) Fine chemicals and other products business.

A summary of net sales, costs and expenses, operating income, identifiable assets, depreciation, impairment loss and capital expenditures by segment of business activities for the years ended March 31, 2014 and 2015 were as follows:

	Millions of yen					
	Elastomers	Plastics	Fine chemicals and other products	Total	Reconciliation	Consolidated
For 2014:						
Sales to external customers	¥203,478	¥57,764	¥133,067	¥394,309	¥ —	¥394,309
Inter-segment sales/transfers	4,469	—	—	4,469	(4,469)	—
Sales total	207,947	57,764	133,067	398,778	(4,469)	394,309
Operating income	¥ 17,330	¥ 3,919	¥ 14,813	¥ 36,062	¥ —	¥ 36,062
Identifiable assets	¥223,584	¥38,943	¥131,521	¥394,048	¥107,272	¥501,320
Depreciation and amortization	7,384	1,105	9,607	18,096	—	18,096
Impairment loss	—	—	645	645	—	645
Capital expenditures	10,800	1,086	9,613	21,499	—	21,499
Amortization of goodwill	—	44	—	44	—	44
Goodwill	—	664	—	664	—	664

	Millions of yen					
	Elastomers	Plastics	Fine chemicals and other products	Total	Reconciliation	Consolidated
For 2015:						
Sales to external customers	¥198,958	¥55,161	¥149,954	¥404,073	¥ —	¥404,073
Inter-segment sales/transfers	3,974	—	—	3,974	(3,974)	—
Sales total	202,932	55,161	149,954	408,047	(3,974)	404,073
Operating income	¥ 10,736	¥ 2,842	¥ 24,490	¥ 38,068	¥ —	¥ 38,068
Identifiable assets	¥233,286	¥35,108	¥158,802	¥427,196	¥107,396	¥534,592
Depreciation and amortization	7,521	1,114	8,772	17,407	—	17,407
Capital expenditures	16,472	2,035	16,650	35,157	—	35,157
Amortization of goodwill	—	44	—	44	—	44
Goodwill	—	620	5,860	6,480	—	6,480

	Thousands of U.S. dollars					
	Elastomers	Plastics	Fine chemicals and other products	Total	Reconciliation	Consolidated
For 2015:						
Sales to external customers	\$1,655,638	\$459,029	\$1,247,848	\$3,362,515	\$ —	\$3,362,515
Inter-segment sales/transfers	33,071	—	—	33,071	(33,071)	—
Sales total	1,688,709	459,029	1,247,848	3,395,586	(33,071)	3,362,515
Operating income	\$ 89,337	\$ 23,646	\$ 203,805	\$ 316,788	\$ —	\$ 316,788
Identifiable assets	\$1,941,298	\$292,156	\$1,321,477	\$3,554,931	\$893,702	\$4,448,633
Depreciation and amortization	62,586	9,271	72,994	144,851	—	144,851
Capital expenditures	137,076	16,932	138,554	292,562	—	292,562
Amortization of goodwill	—	368	—	368	—	368
Goodwill	—	5,158	48,765	53,923	—	53,923

Assets in reconciliation are related mainly to Cash, Short-term investment securities and Investment securities of the Company.

Geographic segment information with respect to net sales for the years ended March 31, 2014 and 2015 were as follows:

	Millions of yen				Total
	Japan	Korea	China	Others	
For 2014:	¥196,824	¥43,932	¥41,173	¥112,380	¥394,309
For 2015:	¥188,833	¥47,544	¥45,229	¥122,467	¥404,073

	Thousands of U.S. dollars				Total
	Japan	Korea	China	Others	
For 2015:	\$1,571,379	\$395,637	\$376,375	\$1,019,124	\$3,362,515

The geographical segments consist of Japan, Korea, China and Others. Japan, Korea and China have been divided as independent segments considering the materiality of the sales. Main countries included in Others segment were as follows;

Taiwan, Thailand, United States, Belgium

Geographic segment information with respect to property, plant and equipment for the years ended March 31, 2014 and 2015 were as follows:

	Millions of yen			Total
	Japan	Thailand	Others	
For 2014:	¥69,007	¥16,258	¥10,365	¥ 95,630
For 2015:	¥76,654	¥25,623	¥13,636	¥115,913

	Thousands of U.S. dollars			Total
	Japan	Thailand	Others	
For 2015:	\$637,879	\$213,221	\$113,476	\$964,576

The geographical segments consist of Japan, Thailand and Others. Japan and Thailand have been divided as independent segments considering the materiality of the property, plant and equipment. Main countries included in Others segment were as follows;

Korea, China, Taiwan, United States, Belgium

16. Related Parties

Related party transactions

Significant transactions and balances with related parties as of and for the years ended March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Bridgestone Corporation (a major shareholder):			
Net Sales	¥37,383	¥36,888	\$306,963
Notes and accounts receivable—trade, net	15,151	12,777	106,328
Tobu Butadiene Co., Ltd. (an unconsolidated subsidiary company):			
Purchases	14,769	17,892	148,888
Notes and accounts payable—trade	7,242	5,868	48,831
Supply of raw material gas	12,044	11,538	96,012
Accounts receivable—other	6,033	4,917	40,915
KRATON JSR Elastomers K.K. (an affiliated company):			
Purchases	12,008	10,533	87,654
Notes and accounts payable—trade	4,851	4,683	38,967
Supply of raw material gas	5,688	4,883	40,638
Accounts receivable—other	2,565	2,538	21,122

17. Business Combinations

Acquisition of KBI Biopharma, Inc. and KBI Biopharma Boulder, LLC

1. Summary of business combination

The Companies purchased the 51.0% stake in KBI Biopharma, Inc. on March 12, 2015.

(1) Name and business of the acquired company

Name of the acquired company: KBI Biopharma, Inc. and KBI Biopharma Boulder, LLC

Business: Contract development and manufacturing of biopharmaceutical products

(2) Major reason for business combination

The acquisition of KBI will allow JSR to facilitate the acceleration of the company's growth plans, with increased capacity as well as global expansion, including additional customers in Japan and Asia.

(3) Date of business combination

March 12, 2015

(4) Legal form of business combination

Acquisition of shares for cash consideration

(5) Company name after business combination

KBI Biopharma, Inc. and KBI Biopharma Boulder, LLC

(6) Percentage of acquired voting rights

51%

(7) Basis for determining the acquiring company

The Company acquired 51% of the voting rights in exchange for cash.

2. Period of operating results of the acquired company included in the consolidated financial statements

As the Company deemed the acquisition date as March 31, 2015, operating results were not included in the consolidated financial statements.

3. Acquisition cost

Acquisition cost: \$51,000 thousand

4. Amount of goodwill, reason for recognition, and amortization method and period

(1) Amount of goodwill: \$48,535 thousand

(2) Reason for recognition: Goodwill was recognized as the excess of the acquisition cost over the net fair value of assets acquired and liabilities assumed.

(3) Amortization method and period: Straight-line method over 20 years

5. Details on assets acquired and liabilities assumed on the date of business combination

Current assets	\$26,083 thousand
Non-current assets	\$19,179 thousand
Total assets	\$45,262 thousand

Current liabilities	\$31,346 thousand
Non-current liabilities	\$ 9,083 thousand
Total liabilities	\$40,429 thousand

6. Effect on the consolidated statement of income assuming the business combination had been carried out on April 1, 2014

Net sales	\$64,150 thousand
Income before income taxes and minority interests	\$ (1,708) thousand
Net income	\$ (1,715) thousand

The above amounts represent the difference between the actual figures and the estimates of the figures calculated based on the assumption that the business combination was completed at the beginning of the fiscal year ended March 31, 2015.

The amortized amount of goodwill was calculated assuming that the goodwill recognized at the time of the business combination had arisen at the beginning of the fiscal year ended March 31, 2015.

The above amounts are un-audited.

18. Contingent Liabilities

At March 31, 2015, the Companies were contingently liable as guarantors for loans of CMIC JSR Biologics Co., Ltd., JEY-TRANS CO., LTD., PT.ELASTOMIX INDONESIA and employees in the amount of ¥663 million (\$5,525 thousand), ¥208 million (\$1,731 thousand), ¥188 million (\$1,560 thousand) and ¥3 million (\$26 thousand), respectively.

19. Subsequent Events

At the June 17, 2015 annual meeting, the Company's shareholders approved the following appropriations of retained earnings: Payment of a year-end cash dividend of ¥20.00 (\$0.17) per share aggregating ¥4,602 million (\$38,298 thousand).



Independent Auditor's Report

To the Board of Directors of JSR Corporation:

We have audited the accompanying consolidated financial statements of JSR Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2015 and 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and 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 our judgement, 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, we consider 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, while the objective of the financial statement audit is 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 JSR Corporation and its consolidated subsidiaries as at March 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

KPMG AZSA LLC

June 17, 2015

Tokyo, Japan