

Please note that this is the English translation of the original "Notice" which is written in Japanese; therefore, in the event of any conflict between the Japanese original and this English translation, the Japanese original shall be controlling in all respects.

(TSE Code 4185)  
May 23, 2012

Dear Shareholders,

**Notice of Convening the 67th Ordinary General Meeting of Shareholders**  
**of**  
**JSR Corporation**

We are pleased to announce the convening of the 67th Ordinary General Meeting of Shareholders of JSR Corporation as detailed below:

You are cordially invited to attend the meeting and we do hope you will be able to attend and participate.

If you are unable to attend the meeting in person, please exercise your voting rights, by returning the ballot form or via electromagnetic transmission (Internet, etc.) in accordance with the guide on the next page, after reviewing the "Reference Materials for the General Meeting of Shareholders" attached hereto and indicating your approval or disapproval for each agenda item.

Sincerely,

Mitsunobu Koshiba  
Representative Director and President  
JSR Corporation  
1-9-2, Higashi-Shinbashi  
Minato-ku, Tokyo

1. **Date and Time** June 15, 2012 (Friday) 10:00 a.m.
2. **Venue** Conrad Tokyo  
Annex 2F, "Kazanami"  
1-9-1, Higashi-Shinbashi, Minato-ku, Tokyo, Japan
3. **Agenda**  
**Matters to be Reported**
  1. Business Report, Consolidated Financial Statements for the 67th Fiscal Term (from April 1, 2011 to March 31, 2012) and Audit Report thereon by the Accounting Auditors and the Board of Corporate Auditors
  2. Non Consolidated Financial Statements for the 67th Fiscal Term (from April 1, 2011 to March 31, 2012)

**Matters to be Resolved**

- Proposal 1. Appropriation of Surplus
- Proposal 2. Partial Amendments to the Articles of Incorporation
- Proposal 3. Election of Eight (8) Directors
- Proposal 4. Election of One (1) Corporate Auditor
- Proposal 5. Election of One (1) Substitute Corporate Auditor
- Proposal 6. Payment of Bonus to Directors

**4. Matters related to exercising your voting rights**

(1) Participating in the General Meeting of Shareholders in person:

Please hand over the ballot form attached hereto at the reception

(2) By Post:

Please return the ballot form attached hereto after indicating your approval or disapproval so that your ballot reaches us by 5:00 pm on Thursday, June 14, 2012 (Japan Time).

(3) Voting via electromagnetic transmission (Internet, etc.) :

Please exercise your voting rights via Internet by accessing our web site for online voting (<http://www.web54.net>) by 5:00 pm on Thursday, June 14, 2012 (Japan Time) after reviewing the “Reminders for Exercising Voting Rights via Internet” on page 9 (of this translation).

**Please note, however, the above web site for online voting is only available in the Japanese language.**

(4) Exercising your voting rights in duplicate

- i) If you exercise your voting rights in duplicate by post and via electromagnetic transmission (Internet, etc.), we will treat the voting made via electromagnetic transmission (Internet, etc.) as the effective one
- ii) If you exercise your voting rights via electromagnetic transmission (Internet, etc.) more than once, we will treat the last voting as the effective one.

(5) Voting by Proxy

If you would like to exercise your voting rights by proxy, please assign another shareholder of the Company as your proxy and make such proxy submit to the Company a certificate evidencing the power to vote on your behalf.

(6) Use of Electronic Proxy Voting Platform

If you are a shareholder among institutional investors, you may be able to exercise your voting rights through the Electronic Proxy Voting Platform operated by ICJ Inc. for its participants as a way to exercise your voting rights.

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Notice

Should it become necessary to correct the information contained in the “Reference Materials for the General Meeting of Shareholders”, “Business Report”, “Non Consolidated Financial Statements” and “Consolidated Financial Statements”, we will post the correction on our web site ([http://www.jsr.co.jp/jsr\\_e/ir/shareholder.shtml](http://www.jsr.co.jp/jsr_e/ir/shareholder.shtml)).

Please note that this is the English translation of the original "Reference Materials for the General Meeting of Shareholders" which are written in Japanese; therefore, in the event of any conflict between the Japanese originals and this English translation, the Japanese originals shall be controlling in all respects.

## **Reference Materials for the General Meeting of Shareholders**

### **Agenda and Referential Materials**

#### **Proposal 1. Appropriation of Surplus**

The Company considers it vitally important to improve corporate performance on a long-term basis by strengthening its research and development activities from a long-term view point and enhancing competitiveness through development of new businesses. Our basic policy for dividends is, based upon the above understanding, sustaining continual and stable dividends while further distributing profits in accordance with the growth of its consolidated results.

The Company comprehensively determines the dividends while maintaining consistency with internal reserves required for future business developments. With respect to the utilization of the internal reserves, the Company endeavors to reward its shareholders by achieving higher corporate values through investments in research and development and strategic investments for new growth, as well as by acquiring its treasury shares on medium and long term basis.

The Company would like to propose the following year-end dividends after thorough consideration of the points mentioned above.

(1) Matters related to disbursements of dividends to shareholders and total amount thereof

The Company would like to provide ¥16 per ordinary share of the Company, with the total amount of ¥3,859,831,584.-

As a result, the dividends including the interim dividends will be ¥32 per share, with the total amount of ¥7,719,672,256.-

(2) Effective Date of dividends from surplus  
June 18, 2012

#### **Proposal 2. Partial Amendments to the Articles of Incorporation**

(1) Reasons for the Amendments

For the purpose of further enhancing corporate governance by dividing roles and responsibilities of the President, the chief executive officer, and the person who is to convene and chair a meetings of the Board of Directors of which function is to monitor and direct the management of the Company, the Company likes to change the person who is to convene and chair a meeting of the Board of Directors in the event of inability or absence of the Chairperson from the President to a Director, other than the President, designated in accordance with the order set forth by the Board of Directors in advance.

(2) Details of the Amendments

The Company proposes necessary amendments to the 1st Clause of Article 23 of the current Articles of Incorporation.

The details of the Amendments are as follows:

(Underlines indicate amended sections)

| Current Articles of Incorporation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Proposed Amendments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>(The Person who Convenes and Chairs Meeting of the Board of Directors and the Notice of Convocation)</b></p> <p><b>Article 23.</b></p> <p>The Chairperson shall convene and chair a meeting of the Board of Directors. In the event that the Chairperson is unable to convene and/or chair the meeting of the Board of Directors or that the Company does not have the Chairperson, <u>the President shall assume the responsibility of the Chairperson to convene and/or chair the meeting. In the event that the President is unable to convene and/or chair the meeting of the Board of Directors,</u> the designated Director in accordance with the order set forth by the Board of Directors in advance shall assume the responsibility to convene and/or chair the meeting.</p> <p>2. (Text Omitted)</p> | <p><b>(The Person who Convenes and Chairs Meeting of the Board of Directors and the Notice of Convocation)</b></p> <p><b>Article 23.</b></p> <p>The Chairperson shall convene and chair a meeting of the Board of Directors. In the event that the Chairperson is unable to convene and/or chair the meeting of the Board of Directors or that the Company does not have the Chairperson, <u>the Director, other than the President, designated in accordance with the order set forth by the Board of Directors in advance shall assume the responsibility to convene and/or chair the meeting.</u></p> <p>2 (unchanged)</p> |

**Proposal 3. Election of Eight (8) Directors**

As the tenures of all six (6) current Directors will expire at the close of this general meeting of shareholders, the Company proposes, for the purpose of further enhancing its management and corporate governance, that eight (8) Directors be newly elected.

The details of the candidates for Directors are as follows:

| No. | Name<br>(Date of Birth)                 | Brief personal record, position, responsibilities,<br>and other important concurrent positions held                                                                                                                                                                                                                                                                              | Number of<br>the shares of<br>the<br>Company<br>owned |
|-----|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| 1   | Mitsunobu Koshiba<br>(November 9, 1955) | Oct. 1981 Joined JSR<br>Jun. 2004 Director<br>Jun. 2005 Senior Officer, General Manager, Electronic Materials Division<br>Jun. 2006 Managing Director<br>Jun. 2008 Senior Managing Director<br>Apr. 2009 Representative Director and President (current position)<br>(Other important concurrent position held )<br>Representative Director and President, Japan Butyl Co., Ltd. | 23,700                                                |

| No. | Name<br>(Date of Birth)                  | Brief personal record, position, responsibilities,<br>and other important concurrent positions held                                                                                                                                                                                                                                                                                                                                                                                                                                     | Number of<br>the shares of<br>the<br>Company<br>owned |
|-----|------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| 2   | Masaki Hirose<br>(July 25, 1948)         | Apr. 1971 Joined JSR<br>Jun. 2002 Director<br>Jun. 2005 Senior Officer, General Manager, Human Resources<br>Department<br>Jun. 2006 Director and<br>Senior Officer, General Manager, Human Resources<br>Jun. 2007 Managing Director<br>Jun. 2011 Representative Director and Executive Managing<br>Officer (current position) currently responsible for CSR,<br>General Affairs, Legal and Human Resources.                                                                                                                             | 18,322                                                |
| 3   | Yoshinori Yoshida<br>(December 18, 1939) | Apr. 1964 Joined JSR<br>Jun. 1988 Director<br>Jun. 1993 Managing Director<br>Jun. 1997 Senior Managing Director<br>Jun. 1998 Representative Director and Vice President<br>Jun. 2001 Representative Director and President<br>Apr. 2009 Representative Director and Chairman<br>Jun. 2011 Chairman (current position)<br>Jun. 2011 Outside Director, The Innovation Network Corporation<br>of Japan (current position)<br>(Other important concurrent positions held )<br>Outside Director, The Innovation Network Corporation of Japan | 34,856                                                |
| 4   | Hozumi Sato<br>(May 17, 1952)            | Apr. 1977 Joined JSR<br>Jun. 2004 Director<br>Jun. 2005 Senior Officer, General Manager, Yokkaichi R&D<br>Center<br>Jun. 2006 Director and Senior Officer, General Manager,<br>Yokkaichi R&D Center<br>Jun. 2007 Managing Director<br>Jun. 2011 Director and Managing Officer (current position)<br>currently responsible for Research & Development and<br>Strategic Businesses.                                                                                                                                                       | 10,700                                                |
| 5   | Hayato Hirano *<br>(May 15, 1961)        | Apr. 1986 Joined JSR<br>Jun. 2006 General Manager, Administrative Department,<br>Business Planning Center, Opto-Electronic Materials<br>Apr. 2009 General Manager, Finance Division<br>Jun. 2010 Officer and General Manager, Finance Division<br>Jun. 2011 Officer (current position) currently responsible for<br>Finance, Accounting, and Corporate Communications<br>and General Manager, Finance Division                                                                                                                          | 6,500                                                 |
| 6   | Takuya Goto<br>(August 19, 1940)         | Apr. 1964 Joined Kao Soap Co., Ltd. (currently known as Kao<br>Corporation)<br>Jun. 1990 Director, Kao Corporation<br>Jul. 1991 Managing Director, Kao Corporation<br>Jun. 1996 Senior Managing Director, Kao Corporation<br>Jun. 1997 Representative Director and President, Kao Corporation<br>Jun. 2004 Chairman, Board of Directors, Kao Corporation<br>Jun. 2008 Advisor, Kao Corporation                                                                                                                                          | 0                                                     |

| No. | Name<br>(Date of Birth)             | Brief personal record, position, responsibilities,<br>and other important concurrent positions held                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Number of<br>the shares of<br>the<br>Company<br>owned |
|-----|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
|     |                                     | Jun. 2010 Retired from Advisor, Kao Corporation<br>Jun. 2011 Director, JSR (current position)<br>Apr. 2012 Outside Director, Olympus Corporation (current position)<br>(Other important concurrent positions held )<br>Outside Director, Olympus Corporation<br>Chairman, Japan Marketing Association<br>Chairman, Asia Marketing Federation                                                                                                                                                                                                                                                                                                                                      |                                                       |
| 7   | Michio Kariya<br>(January 5, 1942)  | Apr. 1967 Joined Nippon Kogaku K.K.(currently known as Nikon Corporation)<br>Jun. 1995 Director, Nikon Corporation<br>Jun. 2001 Managing Director and Senior Officer, Nikon Corporation<br>Jun. 2003 Senior Managing Director and Senior Officer, Nikon Corporation<br>Jun. 2004 Representative Director and Vice President, Nikon Corporation<br>Jun. 2005 Representative Director and President, CEO and COO, Nikon Corporation<br>Jun. 2010 Representative Director and Chairman, Nikon Corporation (current position)<br>Jun. 2011 Director, JSR (current position)<br>(Other important concurrent position held )<br>Representative Director and Chairman, Nikon Corporation |                                                       |
| 8   | Kazunori, Yagi *<br>(April 1, 1949) | Apr. 1972 Joined Yokogawa Electric Works Ltd. (currently known as Yokogawa Electric Corporation)<br>Oct. 1999 Officer, Yokogawa Electric Corporation<br>Jun. 2001 Director and Managing Officer, Yokogawa Electric Corporation<br>Jun. 2002 Director and Executive Managing Officer, Yokogawa Electric Corporation<br>Jun. 2011 Advisor, Yokogawa Electric Corporation (current position)<br>Jun. 2011 Outside Corporate Auditor, Yokogawa Bridge Holdings Corporation. (current position)<br>(Other important concurrent positions held )<br>Advisor, Yokogawa Electric Corporation<br>Outside Corporate Auditor, Yokogawa Bridge Holdings Corp.                                 |                                                       |

(Notes)

1. No conflict of interest exists between each of the candidates for Directors and the Company.
2. (\*) denotes candidates for new Directors.
3. The following are the items relating to the candidates for Outside Directors;
  - (1) Messrs. Takuya Goto, Michio Kariya, and Kazunori Yagi are candidates for Outside Directors.
  - (2) Period from the date of appointment as Outside Director of the Company;  
For both Messrs. Takuya Goto and Michio Kariya, it will reach one (1) year at the close of this meeting.
  - (3) Reasons for the nomination of candidates for Outside Directors;

- i) The Company acknowledges that Mr. Takuya Goto has been greatly contributing 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 his vast experiences, as well as neutral and fair view point as an independent outsider, for managing companies cultivated during his long period acting as Representative Director and President, and Chairman, Board of Directors, of Kao Corporation, a leading manufacturer and marketer of consumer products and industrial chemicals on global basis.
  - ii) The Company acknowledges that Mr. Michio Kariya has been greatly contributing 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 his vast experiences, as well as neutral and fair view point as an independent outsider, for managing a companies cultivated during the period acting as Representative Director and Chairman of Nikon Corporation, a leading manufacturer and marketer of precision equipment and imaging products on global basis.
  - iii) The Company is of the view that Mr. Kazunori Yagi, 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 his vast experiences, as well as neutral and fair view point as an independent outsider, for managing companies cultivated during the period acting as Director and Executive Managing Officer, and Advisor of Yokogawa Electric Corporation, a leading manufacturer and service provider of industrial automation and control systems on global basis.
- (4) Summaries of agreement to limit Outside Directors' liability;  
 The Company has entered into an agreement with each of Messrs. Takuya Goto and Michio Kariya to limit the liabilities under Paragraph 1 of Article 423 of the Corporation Law to the maximum amount set forth under Paragraph 1 of Article 425 thereof. Subject to the approval of this Proposal 3 at this general meeting of shareholders, the Company intends to renew the agreement with each of them and to enter into the similar agreement with Mr Kazunori Yagi.
- (5) As the Company has registered Messrs. Takuya Goto and Michio Kariya as independent directors at the Tokyo Stock Exchange ("TSE") and the Osaka Stock Exchange ("OSE") and as Mr. Kazunori Yagi is meeting the criteria for independent directors and auditors set by TSE and OSE, Messrs. Takuya Goto, Michio Kariya, and Kazunori Yagi will be registered as independent directors at TSE and OSE subject to and upon approval of this Proposal 3 at this general meeting of shareholders. .
- (6) No conflicts of interest exist between the Company and each of Olympus Corporation, Japan Marketing Association or Asia Marketing Federation where Mr. Takuya Goto holds con-current important positions. The Company has business relationship with Kao Corporation where Mr. Takuya Goto had served as Representative Director and President, and Chairman of Board of Directors involving purchases of chemicals by the Company of which amount is less 0.1% of the sales of Kao Corporation during the previous fiscal year ending on 31st March 2011. The Company is, therefore, confident of independence of Mr. Takuya Goto.
- (7) Mr. Michio Kariya has a con-current important position at Nikon Corporation with which the Company has business relationship involving purchases of Optical machinery and sale of electronics materials by the Company. The sales amount involved in the transactions are less than 0.1% of those of Nikon Corporation and the Company respectively during the previous fiscal year ending on 31st March 2011. The Company is, therefore, confident of independence of Mr. Michio Kariya.
- (8) Mr. Kazunori Yagi has a concurrent important position at Yokogawa Electric Corporation ("YEC") and Yokogawa Bridge Holdings Corporation ("YBHC"). The Company has business relationship with YEC involving purchases of plant control systems by the Company of which amount is less than 0.1% of the sales of YEC during the previous fiscal year ending on 31st March 2011, while no conflicts of interest exist between the Company and YBHC. The Company is, therefore, confident of independence of Mr. Michio Kariya.

**Proposal 4. Election of One (1) Corporate Auditor**

As the tenure of Mr. Nobuo Bessho as Corporate Auditor will expire at the close of this general meeting of shareholders, the Company proposes that one (1) Corporate Auditor be newly elected. The Board of Corporate Auditors has consented to the submission of this proposal in advance.

The details of the candidate for Corporate Auditor are as follows:

| Name<br>(Date of Birth)               | Brief personal record, position,<br>and important concurrent positions held                                                                                                                                                                                 | Number of<br>the shares<br>of the<br>Company<br>owned |
|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| Shoichi Kataoka<br>(February 9, 1951) | Apr. 1974 Joined Sumitomo Corporation<br>Apr. 2001 Joined JSR Corporation<br>Jun. 2004 General Manager, Legal Department<br>Apr. 2009 General Manager, General Affairs & Legal Department<br>Apr. 2011 General Manager, Legal Department (current position) | 2,400                                                 |

(Notes)

No conflict of interest exists between the candidate for Corporate Auditor and the Company.

**Proposal 5. Election of One (1) Substitute Corporate Auditor**

As a provision for the contingency of a shortage in the number of Corporate Auditors required by law, the Company proposes that one (1) Substitute Corporate Auditor be elected to substitute for Mr. Shoichi Kataoka who will become a Corporate Auditor subject to the approval of the Proposal 4 at this general meeting of shareholders.

The Board of Corporate Auditors has consented to the submission of this proposal in advance.

The details of the candidate for Substitute Corporate Auditor are as follows:

| Name<br>(Date of Birth)              | Brief personal record, position,<br>and other important concurrent positions held                                                                                                                 | Number of<br>the shares<br>of the<br>Company<br>owned |
|--------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| Makoto Doi<br>(December 25,<br>1959) | Apr. 1983 Joined Sumitomo Metal Industries, Ltd.<br>Nov. 2002 Joined Unicharm Corporation<br>Dec. 2003 Joined JSR<br>Apr. 2011 General Manager, Legal Office, Legal Department (current position) | 900                                                   |

(Notes)

No conflict of interest exists between the candidate for Substitute Corporate Auditor and the Company.

**Proposal 6. Payment of Bonus to Directors**

The Company would like to pay, considering the business performance of the Company for the current fiscal term, bonuses to four (4) Directors incumbent as of the end of the current fiscal term in a total amount for ¥ 57 million.



## Reminders for Exercising Voting Rights via Internet

Dear shareholders,

You may exercise your voting rights via Internet solely by accessing our web site designed for online voting (<http://www.web54.net>). Please check the items listed below when exercising your voting rights via Internet.

Please also note that you need, for online voting, “Voting Code” and “Password” indicated in the right part of the ballot form.

### ■ Remarks on the Password

1. Please securely keep your Password until the close of the Ordinary General Shareholders Meeting as the Password can prove your legitimacy as a shareholder of the Company. In addition, we will be unable to answer any inquiries relating to the Password by phone etc.
2. The access to the web site for online voting will be locked if you enter wrong Password a certain times, in such an event, please follow the instructions to be provided on the screen.

### ■ System Requirements for Online Voting

1. The following system environments are required for accessing our web site for online voting;
  - (1) The resolution rate of the screen shall be higher than 800 (horizontal) x 600 (vertical) (SVGA)
  - (2) Microsoft® Internet Explorer Ver.5.01SP2 or later and Adobe® Acrobat® Reader™ Ver.4.0 or later, or Adobe® Reader® Ver6.0 or later must be installed in your PC.
2. You, as a user of online voting system, will have to bear all of the costs related to connecting to your Internet provider, as well as communication charges for accessing the web site for online voting.
3. Your cellular phone cannot be used as terminal for accessing web site for online voting.

Please note that this is an English translation of the original "Business Report" which is written in Japanese; therefore, in the event of any conflict between the Japanese original and this English translation, the Japanese original shall be controlling in all respects.

**(Appendix to the Notice of the 67th Ordinary General Meeting of Shareholders)**

**Business Report**

(from April 1, 2011 to March 31, 2012)

**1. Items relevant to Current Status of the JSR Group**

**(1) Business Developments and Results**

In the current fiscal year, modest growth of the world economy as a whole was maintained thanks to the economies of emerging countries, particularly China. Despite this, the stagnant mood of the world economy prevailed due to continuing high unemployment in the U.S. and worsening monetary and financial crisis in the EU. Sluggishness in the EU economy and growing fear of an economic slowdown in China and other emerging countries in the latter half of the fiscal year contributed to today's continuing uncertainty about the future despite signs of recovery in the US economy.

The Japanese economy, seriously affected by the Great East Japan Earthquake and the subsequent nuclear power station accident, has gained upward momentum from recovery in production sectors after restoration of supply chains disrupted by the disaster. While Thailand is recovering from damage caused by the flooding in autumn of 2011, the business environment remained unfavorable due to the prolonged historic yen appreciation and surge in crude oil prices caused by uncertainties in the Middle East, among other factors.

As far as the JSR Group's major customer industries are concerned, domestic production of automobiles that declined sharply after the earthquake disaster have been on a steady recovery track as reconstruction progresses. Production of automobile tires, only slightly affected by the disaster, remained buoyant thanks to expansion of global demand throughout the year. Demand for semiconductors remained flat as DRAM market for PCs was sluggish although demand for smart phones, multi-functional mobile terminals was on the rise. Production of flat panel displays (FPDs) remained at a low level due to considerably lower capacity utilization rate at major panel manufacturers caused by the slump in demand for TVs with liquid crystal displays.

As for raw materials, the price of naphtha increased in the 1st and 4th quarters and prices of other major raw materials essential to the petrochemicals business fluctuated widely as well, which adversely affected the earnings of the business.

Under these circumstances, in petrochemicals business the JSR Group strove to realize early restoration and optimization of production and supply chains to minimize the impact of the earthquake disaster and to achieve price increase to cope with the rise in major raw materials prices. In the fine chemicals and other products businesses, information and electronic materials being core products in this segment, we focused our efforts on sales expansion of technical cutting-edges materials in the global market. Moreover, we promoted E-100 Plus, a project to enhance our earning structures, and strove to improve earnings by implementing continuous cost reduction, improvement in productivity, and other efforts throughout our entire group companies.

As a result of the above, the JSR Group, as a whole, recorded an increase in net sales but a decrease in net income for the current fiscal year; net sales of 349,946 million yen (an increase by 2.7% from the previous year); operating income of 35,964 million yen (a decrease by 8.0% from the previous year); ordinary income of 41,573 million yen (a decrease by 2.4% from the previous year); and net income of 26,407 million yen (a decrease by 4.2% from the previous year).

## **Business Segment Overview**

### **Elastomers Business**

#### **(a) Sales of Synthetic Rubber**

Sale volume of synthetic rubber in the first half of the current fiscal year decreased from that of the same period of the previous year. This can be attributed to the unexpected and unavoidable halt in production at the Kashima Plant from the Great East Japan Earthquake until later half of May 2011 in addition to the sharp decrease in automobile production in Japan.

Both sale volume and net sales for the entire fiscal year, however, exceeded those of the previous year as the production of automobile tires remained strong reflecting global demand growth. During this time, we endeavored to revise the price of our synthetic rubber products in order to cope with the fluctuation of the prices of major raw materials.

As for production, in November 2011, we completed a 25,000-ton production capacity expansion of solution polymerization styrene butadiene rubber (S-SBR) at the Yokkaichi plant, which we had been pursuing to satisfy growing global demand for fuel efficient tires especially in Japan and the EU. The plant is already running at full capacity. Combined with the capacity rights at Styrene Europe (former Dow Europe), our production capacity of S-SBR has reached to 90,000 tons per year. In order to meet further demand expansion, we established a joint venture in Thailand to construct a new S-SBR plant with annual production capacity of 50,000 tons. We have launched the construction so that the plant will be up and running in June 2013. Furthermore, we are considering an additional increase of annual capacity by approximately 50,000 tons as the second phase of this plan.

We will continue expanding our S-SBR business on a global basis by further strengthening our supply abilities in Japan, the EU, and Asia,.

In addition,, to meet growing demand for butyl rubber, we decided to increase annual production capacity of halogenated butyl rubber at Japan Butyl Co. Ltd., one of our joint ventures. The 10,000 ton increase to be completed by the end of 2012 will bring annual production capacity to a total of 80,000 tons.

#### **(b) Sales of Emulsions**

As a result of revision of the product prices in response to a surge in major raw material prices, net sales of emulsions as a whole in the current fiscal year exceeded those of the previous year. However, the business environment for paper coating latex, a major products in this segment remained weak and both sales volume and net sales fell below those of the previous year due to decrease in production at paper manufacturers hit by the earthquake disaster.

As a result of the above, in the current fiscal year, elastomers business marked the following: net sales of 180,834 million yen (an increase by 12.4 % from the previous fiscal year) ; and operating income of 19,358 million yen (an increase by 31.3% from the previous year).

### **Plastics Business**

#### **Sales of Plastics**

Domestic sale volume in the current fiscal year was lower than that of the previous year, mainly due to sluggish demand for office equipment and industrial materials despite recovery in demand for automobiles that had sharply declined during the first half of the year. Overseas sales volume was lower than that of the previous year as well due to decrease in demand for automobiles caused by the flooding in Thailand and for amusement machines.

Net sales in the current fiscal year also decreased compared with those of the previous year although we endeavored to adjust our prices to meet the steep rise in major raw materials prices.

As a result of the above, net sales of plastics business in the current fiscal year marked 51,236 million yen (a decrease by 2.0% from the previous year), while operating income was 2,138 million yen (a decrease by 16.6% from the previous year).

## **Fine Chemicals and Other Products Business**

### **(a) Sales of Semiconductor Materials**

Net sales of semiconductor materials as a whole in the current fiscal year were lower than those of the previous year as the semiconductor market remained weak due to lower DRAM production. This is seen as a consequence of continuing yen appreciation at historic level and sluggish PC demand despite global expansion of smart phones and multi-functional mobile terminals. Nevertheless, in this fiscal year, we increased our global sales of competitive cutting-edge materials, including ArF (argon fluoride) photoresists for immersion exposure and multi-layer materials and materials used for the most advanced semiconductors process.

### **(b) Sales of Flat Panel Displays (FPDs) Materials**

Net sales of FPD materials in the current fiscal year were substantially lower than those of the previous year. Though we have succeeded in increasing the usage of new alignment films for liquid crystal TVs with high definition and high luminous efficiency, a number of negative factors pulled down sales. These include the prolonged yen appreciation as well as sluggish demand for TVs with liquid crystal display in Japan, the US and the EU. As a result, LCD manufacturers showed substantially lower capacity utilization rates, adversely affecting sales of LCD materials, a core product in this business.

In order to strengthen our research and development functions in both Korea and Taiwan, we constructed R&D centers with clean rooms and endeavored to further improve local technical services. By strengthening the Japan-Korea-Taiwan tripolar framework for manufacturing, marketing, and development, we will continue focusing on further expansion of our business in the global market.

### **(c) Sales of Strategic Businesses and Other Businesses**

Among precision materials and processing, net sales of ARTON, a heat resistant transparent resin, in the current fiscal year exceeded those of the previous year as ARTON was employed in the steadily growing market of thin polarizing plates for smart phones and multi-functional mobile terminals. In addition, in the current fiscal year, we developed high-performance transparent conductive (indium tin oxide [ITO]) films for touch panels for these mobile devices and established and launched a facility for manufacturing these films in Korea utilizing our own technologies.

In the environment and energy segments, lithium ion capacitors handled by JM Energy Corporation (a consolidated subsidiary), have been commercially used by electric power companies for instantaneous voltage drop/power interruption backup units. JM Energy Corporation has been vigorously developing its market by satisfying expanding requirements for electricity storage through completion of a new plant for manufacturing flat prismatic-type lithium ion capacitors and introduction for mobile and portable applications on commercial basis.

In the field of biomedical materials, by consolidating dispersed functions of development, manufacturing, and marketing, we established a new company, JSR Life Sciences Corporation, which began operation in April 2012. We also established a diagnostic products joint venture in China and intend to commence sales operations in summer 2012.

Meanwhile, in the field of optical fiber coating materials, net sales in the current fiscal year exceeded those of

the previous year because of recovery in production activities at electric wire manufacturers affected by the Great East Japan Earthquake as well as increase in export sales.

As a result of the above, net sales of fine chemicals and other products business in the current fiscal year marked 117,875 million yen (a decrease by 7.6% from the previous year), while operating income stood at 14,468 million yen (a decrease by 33.6% from the previous year).

## **(2) Capital Expenditure**

Our capital expenditure totaled 19.7 billion yen in the current fiscal year which included most notably, the investment in the production capacity expansion of solution polymerization SBR.

## **(3) Financing**

In the current fiscal year, the JSR Group did not procure funds through capital increases or issuance of corporate bonds. The total amount of loans payable of the JSR Group at the end of the current fiscal year was 15.6 billion yen.

## **(4) Issues Facing the JSR Group**

### **[Progress in the current fiscal year]**

The JSR Group launched “JSR 20i3”, a three-year mid-term business plan starting April 2011, aiming at realization of our vision set for 2020 based upon our projections for business environment in 2030. In “JSR 20i3”, we regard petrochemicals business and fine chemicals business including those for semiconductors and FPDs materials as core businesses for further growth. At the same time, we are broadening our business portfolio to include new strategic businesses such as precision materials and processing, environment and energy, and biomedical materials. We are determined to vigorously develop these strategic businesses quickly into our third key business.

In the current fiscal year, the first year of “JSR20i3”, the business environment remained harsh due to such factors as stagnant domestic production caused by the Great East Japan Earthquake and the subsequent nuclear power station accident, the sluggish world economy led by the monetary and financial crisis in the EU, the wide fluctuations in prices of crude oil and petrochemical raw materials, and the prolonged yen appreciation at its historic level.

In our petrochemicals business, we have focused on minimizing the impact of the earthquake disaster as well as satisfying global demand for automobile tires. Moreover, we endeavored to revise our product prices in order to cope with the wide fluctuation of major raw materials prices. As a result, we marked our all-time record operating income.

On the other hand, in fine chemicals business, sluggish global demand for TVs with liquid crystal display and impact of the continuing strong yen at historic level resulted in decreases in overall sales and earnings although we have succeeded in increasing our market share for material with technical edges such as immersion photoresists, multi-layer materials, and new alignment films.

In strategic business, we focused our efforts on strengthening business structures and systems through major reorganization and to establish new manufacturing infrastructures for growth in the future.

In the current fiscal year, financial results were lower than those we targeted for the year (net sales of 370 billion yen; operating income of 41 billion yen; ordinary income of 43 billion yen; and net income of 28 billion yen).

## **[Challenges of the Petrochemicals Business]**

We expect steady demand growth for automobiles and automobile tires in our major user industries of petrochemicals business. Particularly demand for fuel-efficient tires, a high value-added product with lower environmental impact, has been steadily growing on global basis while demand for commodity tires has been increasing continuously in emerging countries, especially China. On the other hand, we anticipate continuing fluctuations of prices of crude oil and naphtha in the market, which will increasingly affect the prices of major raw materials for petrochemical business.

With this basic understanding in mind, we have positioned businesses of S-SBR and butyl rubber as growing businesses for which we expect strong growth potential and we can maintain our technical edge. We are determined to achieve global No.1 or No.2 position in these products by actively pursuing expansion in both production capacity and global sales volume. Construction works for capacity expansions for S-SBR in Thailand for fuel efficient tires and for butyl rubber in Kashima are currently underway, we will make efforts to complete the construction in time without any troubles relating to safety.

As for commodity products, including emulsion polymerization SBR, nitrile rubber, ethylene propylene rubber, emulsions, and ABS resin, we will continue our efforts to maximize earnings by focusing on improvement in productivity, for instance, achieving higher output from the plant by reducing scheduled maintenance frequency from once a year to once every two years, as well as prompt adjustment of our pricing policies to cope with the possible surge in raw material prices.

We will strive to improve our earning power by upgrading our cost reduction project “E-100” into “E-100 Plus” which includes, in addition to ongoing variable and fixed cost reduction activities, reform of cost structures, improvement in productivities, improvement in efficiency in supply chains with broader scope of the activities involving collaborative companies in the chain in addition to the JSR Group companies.

Moreover, in order to move towards a business structure with higher profitability, we will pursue various efforts to strengthen our earning structure, including the effort to achieve stable supply of butadiene, which is predicted to experience world shortages.

## **[Challenges of Fine Chemicals and Other Products Business]**

### **< Fine Chemicals Business >**

We expect the semiconductor industry and the flat panel display (FPD) industry, our major user industries in our fine chemicals business, to grow continuously on a global basis thanks to growth in mobile electronic devices and communication servers essential to the Internet and to higher penetration of electronic devices in automobiles. At the same time, commoditization of liquid crystal displays for large sized TVs is also expected to progress.

Based on our understanding as above, in our semiconductor materials business, we will make our efforts to further increase market share by satisfying market requirement for miniaturization of semiconductors by continuing aggressive R&D activities for ArF photoresist for ArF immersion lithography and multi-layer materials, competitive fields for JSR in the global market. In addition, we will increase our efforts for development of photoresists for extreme ultraviolet (EUV) exposure, currently receiving attention as a next-generation technology. Moreover, we will, in order to make efficient use of our substantial investment in R&D activities in this field, we will accelerate development and introduction of peripheral materials into the market. These materials include advanced packaging materials such as thick film photoresist used in interconnection processes for three-dimensional packaging and photosensitive insulation materials as well as and chemical mechanical planarization (CMP) materials based upon our unique technologies on materials.

In the FPD industry, in the midst of intensified cost competition, our customers are shifting their manufacturing facilities to Asia. We will strive to enhance our marketing activities by providing sufficient technical support to

local customers through utilization of our R&D centers in Korea and Taiwan that were established in the current fiscal year. Moreover, we will aggressively develop our businesses in China utilizing our newly established local sales office.

On the other hand, in the LCD market, we expect that demand for increasingly high-definition devices will progress, including 3D TVs, tablet PCs, and smart phones. We are determined to expand our share in these markets where we can gain technical advantages, centering on the growth of alignment film which is applied towards the increasing high-definition of displays.

### **< Strategic Businesses and Other Businesses >**

The JSR Group defines “Strategic businesses” as encompassing precision materials and processing, environment and energy, and biomedical materials, namely, promising business segments having significant growth potential in future.

In the precision materials and processing business, we will offer competitive products in the market by taking advantage of our materials development capabilities, micro-fabrication technologies, and added functionalities. We will strive to expand the business of ITO film by supplying cost competitive films manufactured at our manufacturing facility we established in Korea. We will expand sales of retardation films for mobile terminals and mobile phone camera lens by taking advantage of ARTON<sup>®</sup> heat resistant transparent resin. Meanwhile, LUCERA<sup>™</sup>, newly developed super-heat-resistant optically isotropic transparent films, will be promoted in sectors where high functionality is required.

In the environment and energy business, we will expand sales of lithium ion capacitors in addition to lithium-ion battery binders. In the lithium ion capacitors business handled by JM Energy Corporation (a consolidated subsidiary), ultra-low-resistance flat prismatic type lithium ion capacitor cells have been added to the product lineup and have been marketed for mobile and portable applications while commercial usage in instantaneous voltage drop/power interruption backup units has been increasing as well.

In addition, we entered into a joint development agreement with a U.S. company to promote the business for next-generation water meters. By further promoting development of applications, we will expand the business on a global basis. Moreover, we have been engaged in market development for CALGRIP, our unique heat storage material and SIFCLEAR, a material for thermal insulation paints, and BIOLLOY, a differentiated bioplastic and will strive to establish and expand the market for these materials as soon as possible.

In the fields of biomedical materials, we have established our business foundation by setting up the JSR Life Sciences Corporation and a joint venture in China, and by making strategic investments in the EU companies. We will continue our efforts to establish business systems on a global basis by utilizing our cutting edge technologies for particle and micro-fabrication technologies as differentiation factors in order to accelerate development of particles for purification of antibody drugs, particle materials used in diagnostic products and medical polymers. Through these efforts, we will strive to firmly establish and expand our businesses.

### **[Other Challenges for the JSR Group]**

#### **< Human Resource Development >**

Development of human resources is one of the most critical challenges for ensuring sustainable corporate development over the long term. With this in mind, we will continue our efforts to accelerate measures necessary to develop human resources and enhance the organizational competence based on a human resources development policy that gives priority to helping employees achieve self-motivated development.

While ensuring that the JSR Group’ Essential Elements permeate throughout the group and promoting our activities for corporate cultural enhancement, we will continue emphasizing the “4Cs” (Challenge, Communication, Collaboration, and Cultivation) as our course of actions relating to human resource

development. In order to achieve the objectives of JSR by transforming ourselves into what we should be, we will share the objectives and direction with our employees and encourage individual employees and organizations to act on their own initiative

Meanwhile, Japan's declining birthrate and aging population are expected to bring about both quantitative and qualitative changes of the workforce, and promote diversification of values. To meet such social changes, efforts will be made on a group basis to enhance diversity and work-life management (balance) so that we can harness the power of employees with diverse values and increase organizational flexibility. Global operational capabilities will also be upgraded.

#### **< Corporate Governance >**

JSR Corporation is run under a "company with corporate auditors" governance framework. Corporate management is monitored by the board of directors and corporate auditors. We have made efforts to enhance monitoring functions by electing a highly independent lawyer and certified public accountant as outside corporate auditors.

In an effort to further improve both monitoring and decision-making functions of the board of directors, JSR Corporation appointed outside directors in the current fiscal year. By inviting outside directors of highly independent nature with vast experiences in the management of major corporations to our board, we ensure integrity and accountability of the management decisions.

We are determined to further enhance and improve corporate governance to achieve fair, transparent, and effective management and business execution.

#### **< CSR >**

To fulfill our corporate social responsibility (CSR), the JSR Group has promoted CSR activities under the guidance of the CSR Committee in four activity areas: corporate ethics, responsible care, risk management, and social contributions. In particular, activities relating to environment and safety are considered as priority challenges that serve as the bedrock of management as a member of the chemical industry. Activities will be promoted effectively on a group basis to raise the level of commitment.

In April 2009, the JSR Group endorsed and signed the Global Compact, which comprises of action principles advocated by the United Nations. As a company developing business globally, we will place high priority on the areas of human rights, labor, the environment, and anti-corruption as stipulated in the Global Compact, and on ensuring responsible practices in the global community.

In the wake of disasters of the Great East Japan Earthquake, from July 2011 to March 2012, a total of more than 200 employees of the JSR Group participated in recovery volunteer efforts where they removed debris and supported the recovery of the fishing industry in Oshima, Kesenuma City, Miyagi Prefecture.



**(5) Development of Assets and Business Results**

| Category             |             | 64th Term<br>(FY 2008) | 65th Term<br>(FY 2009) | 66th Term<br>(FY 2010) | 67th Term<br>(FY 2011) |
|----------------------|-------------|------------------------|------------------------|------------------------|------------------------|
| Net sales            | (¥ million) | 352,502                | 310,183                | 340,665                | 349,946                |
| Net profit           | (¥ million) | 13,981                 | 13,644                 | 27,570                 | 26,407                 |
| Net profit per share | (¥)         | 56.36                  | 55.87                  | 113.07                 | 109.46                 |
| Total Assets         | (¥ million) | 339,497                | 373,565                | 390,590                | 430,692                |

(Notes)

1. Both sales and net profit for the 64th Term decreased with lower sales in every business.
2. Both sales and net profit for the 65th Term decreased with lower sales in every business.
3. Both sales and net profit for the 66th Term increased with higher sales in every business.
4. Results for the 67th Term are as shown in the “Progress and Results of Businesses” in (1) above.

**(6) Principal Subsidiaries and Affiliates (as of March 31, 2012)**

**1) Principal Subsidiaries**

| Company Name                              | Capital             | Shareholding ratio | Main business                                                                   |
|-------------------------------------------|---------------------|--------------------|---------------------------------------------------------------------------------|
| ELASTOMIX Co., Ltd.                       | ¥415 million        | 98.5 %             | Production and sale of carbon master batches and rubber compounds               |
| ELASTOMIX (THAILAND) CO., LTD.            | Baht 75 million     | 90 (65)            | Production and sale of carbon master batches and rubber compounds               |
| ELASTOMIX (FOSHAN) CO., LTD.              | US\$3,500 thousand  | 100 (100)          | Production and sale of carbon master batches and rubber compounds               |
| JSR BST Elastomer Co., Ltd.               | Baht 3,260 million  | 51                 | Production and sale of solution polymerized SBR (S-SBR)                         |
| Emulsion Technology Co., Ltd.             | ¥168 million        | 100                | Production and sale of latex compounds                                          |
| Techno Polymer Co., Ltd.                  | ¥3,000 million      | 100                | Production, processing and sale of plastics                                     |
| JAPAN COLORING CO., LTD.                  | ¥280 million        | 100 (25)           | Production and sale of plastics color compounds                                 |
| TECHNO POLYMER HONG KONG CO., LTD.        | HK\$2,500 thousand  | 100 (100)          | Procurement and sale of plastics                                                |
| Techno Polymer (Thailand) Co., Ltd.       | Baht 8,010 thousand | 49 (49)            | Procurement and sale of plastics                                                |
| Techno Polymer (Shanghai) Co., Ltd.       | US\$ 200 thousand   | 100 (100)          | Procurement and sale of plastics                                                |
| Techno Polymer Guangzhou Co., Ltd.        | US\$ 300 thousand   | 100 (100)          | Procurement and sale of plastics                                                |
| TECHNO POLYMER AMERICA, INC.              | US\$ 300 thousand   | 100 (100)          | Procurement and sale of plastics                                                |
| Shanghai Rainbow Color Plastics Co., Ltd. | ¥700 million        | 60 (60)            | Production and sale of plastics color compounds                                 |
| JSR Micro Kyushu Co., Ltd.                | ¥300 million        | 100                | Production and sale of semiconductor materials and flat panel display materials |
| JSR MICROTECH INC.                        | ¥50 million         | 100                | Production and sale of IC testing fixtures                                      |
| D-MEC LTD.                                | ¥65 million         | 100                | Sale of solid modeling systems and optically-hardened resins                    |
| JSR Optech Tsukuba Co., Ltd.              | ¥50 million         | 100                | Production, processing, and sale of optical fiber coating materials             |

| Company Name                    | Capital              | Shareholding ratio | Main business                                                                                                           |
|---------------------------------|----------------------|--------------------|-------------------------------------------------------------------------------------------------------------------------|
| JSR Micro N.V.                  | EUR 11,155 thousand  | 100 %              | Production and sale of semiconductor materials                                                                          |
| JSR Micro, Inc.                 | US\$ 21,700 thousand | 100 (21.9)         | Production and sale of semiconductor materials                                                                          |
| JSR Micro Korea Co., Ltd.       | KRW 2,000 million    | 100                | Production and sale of flat panel display materials and semiconductor materials                                         |
| JSR Micro Taiwan Co., Ltd.      | NT\$200 million      | 100                | Production and sale of flat panel display materials                                                                     |
| JM Energy Corporation           | ¥300 million         | 100                | Development, manufacture and sale of lithium ion capacitors and modules                                                 |
| JSR Life Sciences Corporation   | ¥310 million         | 100                | Production and sale of biomedical materials                                                                             |
| JSR (Shanghai) Co., Ltd         | US\$ 200 thousand    | 100                | Marketing of synthetic rubber, semiconductor materials and flat panel display materials                                 |
| JSR Trading Co. Ltd.            | ¥480 million         | 100                | Procurement, sale and Import and export of chemicals, etc, casualties insurance agency and life insurance solicitation. |
| JSR Trading, Inc.               | US\$ 1,200 thousand  | 100                | Procurement and sale of synthetic rubber and plastics                                                                   |
| JSR Trading (Shanghai) Co. Ltd. | US\$ 200 thousand    | 100 (100)          | Procurement, sale, import and export of chemicals, etc.                                                                 |
| JSR LOGISTICS CO., LTD.         | ¥170 million         | 100                | Transportation, warehousing, and delivery management                                                                    |
| JSR ENGINEERING CO., LTD.       | ¥180 million         | 100                | Engineering and consultation for chemical engineering equipment                                                         |
| Nichigo Kogyo Co., Ltd.         | ¥50 million          | 50                 | Product packaging, civil engineering, and construction                                                                  |
| JSR Business Services Co., Ltd. | ¥10 million          | 100                | Undertaking of entrusted clerical office works and design, development, maintenance and operation of computer systems.  |

(Notes)

1. Figures in the above “Shareholding ratio” column represent shareholding ratio owned by the Company and its subsidiary (ies) as a whole while those in the brackets in the right hand side indicate the ratio owned by subsidiary(ies) of the Company.
2. JSR BST Elastomer Co., Ltd. and JSR Life Sciences Corporation are added to the list above from this fiscal year.

3. The Company transferred its 100% share of JSR America Inc. to JSR Trading Co., Ltd. and JSR America, Inc. renamed as JSR Trading, Inc. effective from October 1, 2011.

## 2) Principal Affiliates

| Company Name                                | Capital            | Shareholding ratio | Main business                                                                                                                                                |
|---------------------------------------------|--------------------|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Japan Butyl Co., Ltd.                       | ¥3,168 million     | 50 %               | Production and sale of butyl rubber                                                                                                                          |
| Kumho Polychem Co., Ltd.                    | KRW 21,500 million | 50                 | Production, purchasing and sale of ethylene propylene rubber (EPDM)                                                                                          |
| KRATON JSR ELASTOMERS K.K.                  | ¥1,500 million     | 50                 | Production and sale of thermoplastics elastomers (TPE)                                                                                                       |
| JAPAN FINE COATINGS Co., Ltd.               | ¥92 million        | 50                 | Sales of coating materials for optical fibers                                                                                                                |
| TIANJIN KUO CHENG RUBBER INDUSTRY CO., LTD. | US\$2,200 thousand | 50 (23)            | Production and sale of carbon master batches and rubber compounds                                                                                            |
| Tri Chemical Laboratories Inc.              | ¥741 million       | 20                 | Research, development, production and sale of high purity chemical products used in materials for semi-conductors, optical fibers, and solar batteries, etc. |

(Notes) Figures in the above “Shareholding ratio” column represent shareholding ratio owned by the Company and its subsidiary as a whole while those in the brackets in the right hand side indicate the ratio owned by the subsidiary of the Company.

**(7) Major Business Activities (as of March 31, 2012)**

Manufacturing and sales of the following products

| Business Segments               |                                          |                                                 | Products / Materials                                                                                                                                                                                                                                                        |
|---------------------------------|------------------------------------------|-------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Petrochemical Products Business | Elastomers                               | Synthetic Rubber                                | Synthetic rubber such as styrene butadiene rubber, polybutadiene rubber, ethylene propylene rubber, etc. and carbon master batches and rubber compounds                                                                                                                     |
|                                 |                                          | TPEs                                            | Thermoplastic elastomers and processed products                                                                                                                                                                                                                             |
|                                 |                                          | Emulsions                                       | Paper coating latex, general purpose industrial latex, acrylic emulsion, latex compounds, etc                                                                                                                                                                               |
|                                 |                                          | Others                                          | Chemical products such as butadiene monomer                                                                                                                                                                                                                                 |
|                                 | Plastic                                  | ABS resin, AES resin, AS resin, ASA resin, etc. |                                                                                                                                                                                                                                                                             |
| Diversified Products Business   | Semiconductor materials                  |                                                 | Photoresists, CMP materials, packaging materials, multi-layered materials, testing fixtures, etc.                                                                                                                                                                           |
|                                 | Flat Panel Display materials             |                                                 | Color liquid crystal display ( LCD) materials, anti-reflection film materials, functional coating materials, etc.                                                                                                                                                           |
|                                 | Strategic Businesses and other materials |                                                 | Heat-resistant transparent resin and functional film, functional chemical materials (highly functional coating materials, multifunctional/high performance dispersants, functional particles for industrial use, biomedical materials, optical fiber coating materials, etc |

**(8) Sales Offices, Plants, and other facilities (as of March 31, 2012)**

1) The Company

|                          |                                            |                                                 |                  |
|--------------------------|--------------------------------------------|-------------------------------------------------|------------------|
| Head Office              | 1-9-2, Higashi-Shinbashi, Minato-ku, Tokyo |                                                 |                  |
| Business & Sales Offices | Nagoya Branch                              |                                                 | Nagoya, Aichi    |
|                          | Kyushu Sales Office                        |                                                 | Saga, Saga       |
| Plants                   | Yokkaichi Plant                            |                                                 | Yokkaichi, Mie   |
|                          | Chiba Plant                                |                                                 | Ichihara, Chiba  |
|                          | Kashima, Plant                             |                                                 | Kamisu, Ibaraki  |
| Research Institutes      | Yokkaichi Research Center                  | Performance Polymer Research Laboratories       | Yokkaichi, Mie   |
|                          |                                            | Display Materials Research Laboratories         | Yokkaichi, Mie   |
|                          |                                            | Fine Electronic Materials Research Laboratories | Yokkaichi, Mie   |
|                          | Precision Processing Center                | Precision Processing Research Laboratories      | Yokkaichi, Mie   |
|                          | Tsukuba Research Laboratories              |                                                 | Tsukuba, Ibaraki |
| Overseas                 | Switzerland Branch                         |                                                 | Switzerland      |
|                          | Taiwan Office                              |                                                 | Taiwan           |
|                          | Singapore Office                           |                                                 | Singapore        |

(Note) Shanghai Office transferred its business to JSR (Shanghai) Co., Ltd. as of June 9, 2011.

## 2) Principal Subsidiaries and Affiliates

| Business Segments                          | Company                                      | Location of Head Office |
|--------------------------------------------|----------------------------------------------|-------------------------|
| Elastomer Business                         | ELASTOMIX Co., Ltd.                          | Yokkaichi, Mie          |
|                                            | ELASTOMIX (THAILAND) CO., LTD.               | Thailand                |
|                                            | ELASTOMIX (FOSHAN) CO., LTD.                 | China                   |
|                                            | JSR BST Elastomer Co., Ltd                   | Thailand                |
|                                            | Japan Butyl Co., Ltd.*                       | Kawasaki, Kanagawa      |
|                                            | Kumho Polychem Co., Ltd.*                    | South Korea             |
|                                            | KRATON JSR ELASTOMERS K.K.*                  | Minato-ku, Tokyo        |
|                                            | TIANJIN KUO CHENG RUBBER INDUSTRY CO., LTD.* | China                   |
|                                            | Emulsion Technology Co., Ltd.                | Yokkaichi, Mie          |
| Plastic Business                           | Techno Polymer Co., Ltd.                     | Minato-ku, Tokyo        |
|                                            | JAPAN COLORING CO., LTD.                     | Yokkaichi, Mie          |
|                                            | TECHNO POLYMER HONG KONG CO., LTD.           | Hong Kong               |
|                                            | Techno Polymer (Thailand) Co., Ltd.          | Thailand                |
|                                            | Techno Polymer (Shanghai) Co., Ltd.          | China                   |
|                                            | Techno Polymer Guangzhou Co., Ltd.           | China                   |
|                                            | TECHNO POLYMER AMERICA, INC.                 | United States           |
|                                            | Shanghai Rainbow Color Plastics Co., Ltd.    | China                   |
| Fine Chemicals and Other Products Business | JSR Micro Kyushu Co., Ltd.                   | Saga, Saga              |
|                                            | JSR MICROTECH INC.                           | Hidaka, Saitama         |
|                                            | D-MEC LTD.                                   | Minato-ku, Tokyo        |
|                                            | JSR Optech Tsukuba Co., Ltd.                 | Tsuchiura, Ibaraki      |
|                                            | JSR Micro N.V.                               | Belgium                 |
|                                            | JSR Micro, Inc.                              | United States           |
|                                            | JSR Micro Korea Co., Ltd.                    | South Korea             |
|                                            | JSR Micro Taiwan Co., Ltd.                   | Taiwan                  |
|                                            | JM Energy Corporation                        | Hokuto, Yamanashi       |
|                                            | JSR Life Sciences Corporation                | Minato-ku, Tokyo        |
|                                            | JAPAN FINE COATINGS Co., Ltd.*               | Minato-ku, Tokyo        |
|                                            | Tri Chemical Laboratories Inc. *             | Uenohara, Yamanashi     |
|                                            | JSR (Shanghai) Co., Ltd                      | China                   |
|                                            | JSR Trading Co., Ltd.                        | Minato-ku, Tokyo        |
|                                            | JSR Trading, Inc.                            | United States           |
| JSR Trading (Shanghai) Co., Ltd            | China                                        |                         |
| Others                                     | JSR LOGISTICS CO., LTD.                      | Yokkaichi, Mie          |
|                                            | JSR ENGINEERING CO., LTD.                    | Yokkaichi, Mie          |
|                                            | Nichigo Kogyo Co., Ltd.                      | Kamisu, Ibaraki         |
|                                            | JSR Business Services Co., Ltd.              | Minato-ku, Tokyo        |

(Note) \* denotes principal affiliates

## (9) Employees (as of March 31, 2012)

| Number. of employees | Increase/decrease from previous term |
|----------------------|--------------------------------------|
| 5,403                | Increase by 144                      |

**(10) Major Lenders (as of March 31, 2012)**

| Lenders                                | Outstanding amount of loans |
|----------------------------------------|-----------------------------|
|                                        | ¥ million                   |
| Mizuho Corporate Bank, Ltd.            | 4,055                       |
| Sumitomo Mitsui Banking Corporation    | 3,845                       |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 3,843                       |

**2 Shares of the Company (as of March 31, 2012)**

|                                                    |                    |
|----------------------------------------------------|--------------------|
| (1) Total number of shares authorized to be issued | 696,061,000 shares |
| (2) Total number of issued shares                  | 255,885,166        |
| (3) One unit of shares                             | 100                |
| (4) Number of shareholders                         | 21,334             |
| (5) Major Shareholders                             |                    |

| Name of shareholder                                                                                        | Investments in the Company |                    |
|------------------------------------------------------------------------------------------------------------|----------------------------|--------------------|
|                                                                                                            | Number of shares held      | Shareholding Ratio |
|                                                                                                            | '000 shares                | %                  |
| Bridgestone Corporation                                                                                    | 40,866                     | 16.94              |
| Japan Trustee Services Bank, Ltd. (trust account)                                                          | 15,906                     | 6.59               |
| The Master Trust Bank of Japan, Ltd. (trust account)                                                       | 10,560                     | 4.37               |
| The Master Trust Bank of Japan, Ltd. (trust account for Retirement Allowance of Mitsubishi Chemical Corp.) | 7,927                      | 3.28               |
| THE CHASE MANHATTAN BANK 385036                                                                            | 6,290                      | 2.60               |
| Nippon Life Insurance Company                                                                              | 5,494                      | 2.27               |
| Mizuho Corporate Bank, Ltd.                                                                                | 5,125                      | 2.12               |
| STATE STREET BANK CLIENT OMNIBUS OM 04                                                                     | 4,632                      | 1.92               |
| STATE STREET BANK AND TRUST COMPANY 505225                                                                 | 4,427                      | 1.83               |
| SSBT OD05 OMNIBUS ACCOUNT- TREATY CLIENTS                                                                  | 4,205                      | 1.74               |

(Notes)

1. The numbers in the columns under "Number of shares held" are rounded down to thousands of shares.
2. The Company that owns treasury shares of 14,645,692 is excluded from the above table of the major shareholders.
3. The shareholding ratio is calculated by using 241,239,474 shares (calculated by deducting number of treasury shares (14,645,692 shares) from Total number of issued shares (255,885,166 shares) ) and rounded down to two decimal places.

### 3. Matters Related to stock acquisition rights of the Company (as of March 31, 2012)

#### (1) Stock acquisition rights held by the Directors and Corporate Auditors of the Company at the end of the current fiscal year

| Description        | Name of stock acquisition rights (issuing date)                                    | The number of stock acquisition rights | Class and number of shares to be issued upon exercising the rights | Amount to be paid per share for exercising the rights | Period for exercising stock acquisition rights | Number of holders |
|--------------------|------------------------------------------------------------------------------------|----------------------------------------|--------------------------------------------------------------------|-------------------------------------------------------|------------------------------------------------|-------------------|
| Directors          | JSR Corporation Stock acquisition rights for 2005 (June 17, 2005)                  | 166 units                              | Ordinary shares 16,600 shares                                      | 1 yen                                                 | From June 18, 2005 to June 17, 2025            | 4                 |
|                    | JSR Corporation Stock acquisition rights for 2006 (for Directors) (August 1, 2006) | 111 units                              | Ordinary shares 11,100 shares                                      | 1 yen                                                 | From August 2, 2006 to June 16, 2026           | 4                 |
|                    | JSR Corporation Stock acquisition rights for 2007 (July 10, 2007)                  | 155 units                              | Ordinary shares 15,500 shares                                      | 1 yen                                                 | From July 11, 2007 to July 10, 2027            | 4                 |
|                    | JSR Corporation Stock acquisition rights for 2008 (July 15, 2008)                  | 240 units                              | Ordinary shares 24,000 shares                                      | 1 yen                                                 | From July 16, 2008 to July 15, 2028            | 4                 |
|                    | JSR Corporation Stock acquisition rights for 2009 (July 14, 2009)                  | 333 units                              | Ordinary shares 33,300 shares                                      | 1 yen                                                 | From July 15, 2009 to July 14, 2029            | 4                 |
|                    | JSR Corporation Stock acquisition rights for 2010 (July 13, 2010)                  | 351 units                              | Ordinary shares 35,100 shares                                      | 1 yen                                                 | From July 14, 2010 to July 13, 2030            | 4                 |
|                    | JSR Corporation Stock acquisition rights for 2011 (July 12, 2011)                  | 355 units                              | Ordinary shares 35,500 shares                                      | 1 yen                                                 | From July 13, 2011 to July 12, 2031            | 4                 |
| Corporate Auditors | JSR Corporation Stock acquisition rights for 2005 (June 17, 2005)                  | 24 units                               | Ordinary shares 2,400 shares                                       | 1 yen                                                 | From June 18, 2005 to June 17, 2025            | 1                 |
|                    | JSR Corporation Stock acquisition rights for 2006 (for Directors) (August 1, 2006) | 15 units                               | Ordinary shares 1,500 shares                                       | 1 yen                                                 | From August 2, 2006 to June 16, 2026           | 1                 |

(Note) The Company has issued stock acquisition rights neither to its Outside Directors nor Corporate Auditors as compensation for exercising duties as Outside Directors or Corporate Auditors. The stock acquisition rights held by a Corporate Auditor indicated in the table above were issued to the Corporate Auditor when he held office as a Director of the Company.

#### (2) Stock acquisition rights issued to employees during the current fiscal year

| Qualified individuals   | Name of stock acquisition rights (issuing date)                   | The number of stock acquisition rights | Class and number of shares to be issued upon exercising the rights | Amount to be paid per share for exercising the rights | Period for exercising stock acquisition rights | Number of employees issued |
|-------------------------|-------------------------------------------------------------------|----------------------------------------|--------------------------------------------------------------------|-------------------------------------------------------|------------------------------------------------|----------------------------|
| Officers of the Company | JSR Corporation Stock acquisition rights for 2011 (July 12, 2011) | 455 units                              | Ordinary shares 45,500 shares                                      | 1 yen                                                 | From July 13, 2011 to July 12, 2031            | 17                         |



#### 4. Matters Related to Directors and Corporate Auditors

##### (1) Directors and Corporate Auditors of the Company (as of March 31, 2012)

| Position                              | Name                | Title and Responsibilities as Officers and Important concurrent positions held, etc.                   |
|---------------------------------------|---------------------|--------------------------------------------------------------------------------------------------------|
| Chairman                              | Yoshinori Yoshida   | (Important concurrent positions held)<br>Outside Director, The Innovation Network Corporation of Japan |
| Representative Director and President | Mitsunobu Koshihara | (Important concurrent positions held)<br>Representative Director and President, Japan Butyl Co., Ltd.  |
| Representative Director               | Masaki Hirose       | Executive Managing Officer, CSR, General Affairs, Legal, and Human Resources                           |
| Director                              | Hozumi Sato         | Managing Officer, Research & Development and Strategic Businesses                                      |
| Outside Director                      | Takuya Goto         | Chairman, Japan Marketing Association and Chairman, Asia Marketing Federation                          |
| Outside Director                      | Michio Kariya       | Representative Director and Chairman, Nikon Corporation                                                |
| Full-time Corporate Auditor           | Nobuo Bessho        |                                                                                                        |
| Corporate Auditor                     | Kenji Ito           | Certified Public Accountant                                                                            |
| Corporate Auditor                     | Hiroichi Uekusa     | Lawyer,<br>Partner, Minato- Kyouwa Law Office and Professor, University of Tsukuba Law School          |
| Corporate Auditor                     | Nobuko Kato         | Fellow, Assistant to Vice President & Officer, Central Research, Bridgestone Corporation.              |

(Notes)

- Messrs. Takuya Goto and Michio Kariya are Outside Directors.
- Messrs. Kenji Ito, Hiroichi Uekusa, and Nobuko Kato, Corporate Auditors, are Outside Corporate Auditors.
- Mr. Kenji Ito, Corporate Auditor, is a certified public accountant, having sufficient knowledge of financing and accounting.
- Messrs. Takuya Goto and Michio Kariya, Directors, and Messrs. Kenji Ito and Hiroichi Uekusa, Corporate Auditors are registered as independent directors and auditors at Tokyo Stock Exchange and Osaka Stock Exchange in accordance with their respective definitions.
- No conflicts of interest exist between the Company and Japan Marketing Association or Asia Marketing Federation where Mr. Takuya Goto, Director, holds con-current important positions. The Company has business relationship with Kao Corporation, where Mr. Takuya Goto had served as Representative Director and President and as Chairman in the past, involving purchases of chemicals by the Company of which amount is less than 0.1% of the sales of Kao Corporation during the previous fiscal year ending on 31st March 2011.
- The Company has business relationship with Nikon Corporation, where Mr. Michio Kariya, Director, currently serves as Representative Director and Chairman, involving purchases of optical machinery and sale of electronics materials by the Company of which amount is less than 0.1% of the sales of Nikon Corporation and the Company respectively during the previous fiscal year ending on 31st March 2011.
- Mr. Kenji Ito, Corporate Auditor, does not hold any important concurrent position.

8. No conflict of interest exist between the Company and Minato-Kyouwa Law Office or University of Tsukuba Law School, where Mr. Hiroichi Uekusa, Corporate Auditor, has important concurrent positions.
9. Bridgestone Corporation, where Ms. Nobuko Kato, Corporate Auditor, has an important concurrent position, is a corporation which falls under the category of “specially related companies (major customers)” under the Corporation Law.
10. The following are the list of Directors and Corporate Auditors who retired or resigned during the current fiscal year (Titles are stated as of the date of retirement or resignation )

|                          |                  |                             |
|--------------------------|------------------|-----------------------------|
| Senior Managing Director | Tsugio Haruki    | (retired on June 17, 2011)  |
| Senior Managing Director | Seiichi Hasegawa | (retired on June 17, 2011)  |
| Managing Director        | Yasuki Sajima    | (retired on June 17, 2011)  |
| Director                 | Koichi Kawasaki  | (retired on June 17, 2011)  |
| Director                 | Hisao Hasegawa   | (retired on June 17, 2011)  |
| Corporate Auditor        | Yoshio Tamaki    | (resigned on June 17, 2011) |

Mr. Tsugio Haruki was appointed as Advisor to the Board of Directors while Messrs. Yasuki Sajima, Koichi Kawasaki, and Hisao Hasegawa were appointed as Senior Managing Directors as of June 17, 2011.

**(Reference) : Officers of the Company (as of March 31, 2012)**

| Position                    | Name                | Responsibilities and Title                                                                                                                                                                                                      |
|-----------------------------|---------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Executive Managing Officer, | Masaki Hirose*      | CSR, General Affairs, Legal, and Human Resources                                                                                                                                                                                |
| Managing Officer,           | Hozumi Sato*        | Research & Development and Strategic Businesses                                                                                                                                                                                 |
| Managing Officer            | Yasuki Sajima       | Fine Chemicals Sector                                                                                                                                                                                                           |
| Managing Officer            | Koichi Kawasaki     | Petrochemical Products Sector (including plastics) and Safety and Environment Affairs, and General Manager, Petrochemical Products Division, and President, Techno Polymer Co., Ltd., and President, KRATON JSR ELASTOMERS K.K. |
| Managing Officer            | Hisao Hasegawa      | Manufacturing and Technology, Quality Assurance, Procurement, Logistics, and Information Technology                                                                                                                             |
| Senior Officer              | Atsushi Kumano      | Research & Development (deputy), and General Manager, R & D Department                                                                                                                                                          |
| Senior Officer              | Shin-ichiro Iwanaga | General Manager, Tsukuba Research Laboratories                                                                                                                                                                                  |
| Senior Officer              | Yasuhisa Nagahiro   | Yokkaichi Plant Manager                                                                                                                                                                                                         |
| Senior Officer              | Nobuo Kawahashi     | President, JSR Micro Korea Co., Ltd                                                                                                                                                                                             |
| Officer                     | Takashi Wakabayashi | General Manager, Business Planning Department, Fine Chemical Business                                                                                                                                                           |
| Officer                     | Takatoshi Nagatomo  | Petrochemical Products Sector (deputy) and Deputy General Manager, Petrochemical Products Division, and President of JSR BST Elastomer Co., Ltd.                                                                                |
| Officer                     | Ken Sugimoto        | General Manager, Electronics Materials Division                                                                                                                                                                                 |
| Officer                     | Takeshi Watanabe    | General Manager, Yokkaichi Research Center                                                                                                                                                                                      |
| Officer                     | Hayato Hirano       | Finance, Accounting, Corporate Communications, and General Manager, Finance Department                                                                                                                                          |
| Officer                     | Katsuya Inoue       | Corporate Planning, Group Company, and General Manager, Corporate Planning Department and General Manager, Group Company Coordination                                                                                           |
| Officer                     | Fumio Tsutsumi      | Strategic Businesses (deputy) and General Manager of Performance Chemicals Division                                                                                                                                             |
| Officer                     | Kazumasa Yamawaki   | General Manager, Business Planning Department, Petrochemical Products                                                                                                                                                           |
| Officer                     | Eric Johnson        | President, JSR Micro, Inc.                                                                                                                                                                                                      |
| Officer                     | Eiichi Kobayashi    | Vice President, JM Energy Corporation                                                                                                                                                                                           |

(Note) [\*] denotes Officers concurrently serving as Directors

**(2) Amount of remuneration for Directors and Corporate Auditors**

| Classification                                                                                                                            | Director  |                  | Corporate Auditor |                  |
|-------------------------------------------------------------------------------------------------------------------------------------------|-----------|------------------|-------------------|------------------|
|                                                                                                                                           | Number    | Amount           | Number            | Amount           |
|                                                                                                                                           | (people)  | (¥ million/year) | (people)          | (¥ million/year) |
| Monthly remuneration based on resolution of the general meeting of shareholders<br>(for Outside Directors and Outside Corporate Auditors) | 11<br>(2) | 255<br>(18)      | 5<br>(3)          | 61<br>(16)       |
| Bonus for this fiscal term<br>(for Outside Directors and Outside Corporate Auditors)                                                      | 4<br>(-)  | 57<br>(-)        | -<br>(-)          | -<br>(-)         |
| Stock Option as Remuneration to Directors<br>(for Outside Directors and Outside Corporate Auditors)                                       | 9<br>(-)  | 57<br>(-)        | -<br>(-)          | -<br>(-)         |
| Total<br>(for Outside Directors and Outside Corporate Auditors)                                                                           | 11<br>(2) | 370<br>(18)      | 5<br>(3)          | 61<br>(16)       |

(Notes)

1. The numbers of the Directors and Corporate Auditors and the amount of remunerations thereto in the table above include those for 5 Directors and 1 Corporate Auditor who retired or resigned during the current fiscal year.
2. The maximum monthly remuneration for Directors was set at ¥30 million per month by a resolution of the 44th Ordinary General Meeting of Shareholders held on June 29, 1989.
3. The maximum monthly remuneration for Corporate Auditors was set at ¥10 million per month by a resolution of the 60th Ordinary General Meeting of Shareholders held on June 17, 2005.
4. The amount for bonus is subject to approval on the Proposal 6 of the agenda at this Ordinary General Meeting of Shareholders.
5. The Board of Directors may, upon its resolution, grant Stock Option as Remuneration to Directors as long as the maximum annual amount does not exceed ¥100 million in accordance with the resolution of the 62nd Ordinary General Meeting of Shareholders held on June 15, 2007.  
The amounts in the “Stock Option as Remuneration to Directors” column in the above table are those of the fair value of the stock acquisition rights issued to the Directors of the Company as remuneration and recorded as expenses for the current fiscal year.
6. The above figures do not include the salaries for the employee portion of the Directors who concurrently serve as employees.
7. The above figures are rounded down to ¥1 million.

### (3) Matters related to Outside Directors and Outside Corporate Auditors

#### 1) Major activities during the current fiscal year

| Name            | Position          | Major activities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Takuya Goto     | Director          | Mr. Goto participated in all 12 meetings of the Board of Directors held during the current fiscal year after his appointment as a Director. Mr. Goto has been greatly contributing to enhance fair and reasonable judgment for, and accountable and sound management of, the businesses of the Company, by utilizing range of his knowledge and vast experience, as well as neutral and independent view point, on management of the company that pursues major global businesses of consumer products and industrial chemicals, and by providing appropriate advices at the Board of the Directors meetings etc. from time to time,                                                      |
| Michio Kariya   |                   | Mr. Kariya participated in all 12 meetings of the Board of Directors held during the current fiscal year after his appointment as a Director. Mr. Kariya has been greatly contributing to enhance fair and reasonable judgment for, and accountable and sound management of, the businesses of the Company, by utilizing range of his knowledge and vast experience, as well as neutral and independent view point, on management of the company that pursues major global businesses of imaging products and precision equipment, and by providing appropriate advices at the Board of the Directors meetings etc. from time to time,                                                    |
| Kenji Ito       | Corporate Auditor | Mr. Ito participated in all 16 meetings of the Board of Directors and in all 17 meetings of the Board of Corporate Auditors held during the current fiscal year. Mr. Ito has been effectively performing the audit of the Company and greatly contributing to enhance fair and reasonable judgment for, and accountable and sound management of, the businesses of the Company, by utilizing range of his professional knowledge and vast experience on financing and accounting matters as a Certified Public Accountant, as well as neutral and independent view point, and by providing appropriate advices at the Board of the Directors meetings etc. from time to time,             |
| Hiroichi Uekusa | Corporate Auditor | Mr. Uekusa participated in all 16 meetings of the Board of Directors and in all 17 meetings of the Board of Corporate Auditors held during the current fiscal year.<br>Mr. Uekusa has been effectively performing the audit of the Company and greatly contributing to enhance fair and reasonable judgment for, and accountable and sound management of, the businesses of the Company by utilizing range of his professional knowledge and vast experience on legal matters as a Lawyer, as well as neutral and independent view point, and by providing appropriate advices from the neutral and independent view point at the Board of the Directors meetings etc. from time to time. |
| Nobuko Kato     | Corporate Auditor | Ms. Kato participated in all 16 meetings of the Board of Directors and in all 17 meetings of the Board of Corporate Auditors held during the current fiscal year.<br>Ms. Kato has been effectively performing the audit of the Company and greatly contributing to enhance fair and reasonable judgment for, and accountable and sound management of, the businesses of the Company by utilizing range of her knowledge and vast experience on Research and Development on Elastomers and managing businesses and by providing appropriate advices at the Board of the Directors meetings etc. from time to time.                                                                         |

## **2) Outline of contents of the agreements limiting the liabilities.**

The Company has entered into an agreement with each of Outside Directors and Outside Corporate Auditors that limits the liabilities under Paragraph 1 of Article 423 of the Corporation Law to the maximum amount set forth under Paragraph 1 of Article 425 thereof.

## **5. Accounting Auditors**

**(1) Name** KPMG AZSA LLC

### **(2) Amount of remuneration for Accounting Auditors for the current fiscal year**

- 1) Amount of remuneration as Accounting Auditors of the Company  
Amount of remuneration for services under Paragraph 1, Article 2 of the Certified Public Accountant Law ; ¥56 million
- 2) Total amount of remuneration to be paid by the Company and its subsidiaries; ¥64 million

(Note)

In the contract for auditing services between the Company and the Accounting Auditors, no apparent distinction is made between the remunerations of audits under the Corporation Law and those under the Securities and Exchange Law. Since it is virtually impossible to make a distinction between the two, the figure for remunerations paid in 1) above includes that under the Securities and Exchange Law.

### **(3) Polices for determining dismissal or non reappointment of Accounting Auditors**

The Board of Corporate Auditors of the Company may dismiss the Accounting Auditor upon the consent of all the Corporate Auditors when such Accounting Auditor is deemed to have fallen under any of the items in Paragraph 1, Article 340 of the Corporation Law. In the event of such dismissal, the Corporate Auditor appointed by the Board of Corporate Auditors shall report such dismissal and the reasons for it at the first general meeting of shareholders held after the dismissal.

## **6. Structures to Ensure Propriety of Business Conduct**

The Board of Directors of the Company made a resolution with regard to the structures to ensure propriety of business conduct of the Company as detailed below;

### **(1) Basic policies for management**

The Company holds and relies on the following Corporate Mission and Management Policies for managing and conducting its businesses.

#### Corporate Mission :

Materials Innovation :

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

#### Management Policies:

- Persistently challenge “revolution”, constantly “evolve” globally and strive to be a technology oriented company.
- Pursue efficient, transparent, and sound management practices, and strive to be a company trusted by stakeholders.
- Practice Responsible Care for the world’s future.

### **(2) Structures to ensure that execution of duties of Directors and employees complies with the laws and ordinances and the Articles of Incorporation**

- 1) Under the rules of the Board of Directors and other relevant rules, the Board of Directors inclusive of independent Outside Directors monitors the execution of duties of Directors and Officers (hereafter including Executive Managing Officers, Managing Officers and Senior Officers), as well as makes decisions on important management matters of the Company and on fundamental management matters of JSR group companies consisting of those whose parent company under the Corporation Law is the Company ( inclusive of the Company as “JSR Group”).
- 2) The Company has established CSR Committee chaired by the Officer in charge and consisting of four committees such as Corporate Ethics Committee, Responsible Care Promotion Committee, Risk Management Committee, and Social Contribution Committee, which directs and supervises the activities to ensure and promote CSR of JSR Group including compliance with laws, ordinances and other rules.
- 3) The Company established “JSR Group Principles of Corporate Ethics” as a code of conduct for the Directors and employees of JSR Group, which JSR Group endeavors to make thoroughly understood and penetrated among their respective Directors and employees by continual education and promotion under the supervision of the Corporate Ethics Committee.
- 4) The Company has, in accordance with the Financial Instruments and Exchange Law, established and been managing and maintaining the internal control system to ensure adequacy of its financial report.
- 5) The Company has established Audit Office, independent from the business execution divisions, in order to monitor and internally audit the effectiveness of the internal control system.
- 6) The Company has established a consulting and reporting system so that the Directors, employees and so on can report to the Corporate Ethics Committee or through designated external hotlines including outside attorneys (which may be done anonymously) when they become aware of internal actions that violate or are likely to violate the compliance rules. The Company ensures that the informant suffers no disadvantage as a result of such reporting.
- 7) The Company’s basic principle against the anti-social forces is to cut off all relationships including but not limited to any business transactions with such forces. The management and the entire organization of the Company shall resolutely and firmly reject any claims or requirements made by anti-social forces in collaboration with external entities such as the police forces.

### **(3) Structures to ensure efficient execution of duties of Directors**

- 1) The Board of Directors holds regular meetings on monthly basis in principle and ad hoc basis if required in order to consider and resolve important matters relating to the execution of businesses and to monitor and supervise the execution of duties of Directors and Officers.
- 2) Executive Committee consisting of President, Executive Managing Officer, Managing Officers, and Senior Officers and/or Officers designated by President holds meetings on weekly basis in principle in order to consider, direct and/or receive reports well in advance on the matters relating to fundamental management policies, managerial guidelines, management plans and/or major business issues arising from business divisions with the view to ensuring timely decisions and further improvement in managerial efficiency of the businesses. After review and consideration by the Executive Committee, major issues will be brought up to the Board of Directors for resolution while the rest will be determined by the President. In addition, Business Issue Committee consisting of President, Executive Managing Officer, Managing Officers, and Senior Officers and/or Officers designated by President holds meetings on weekly basis in principle in order to, through discussion and by sharing information and views in advance, review and determine the direction of the key issues relating to management principles and fundamental management policies, policies behind the individual business decisions, or the changes in business strategies, which will be further reviewed and discussed at the Board of Directors Meetings or Executive Committee Meetings.
- 3) The Company has established, in relation to business management, its medium-term business plan “JSR 20i3” considering possible changes in business environment in the future, of which implementation plans were broken down into corporate annual targets and budget. Each of the business divisions will set up and implement its action plans to achieve the objectives.
- 4) The Company has shortened the tenure of office of Directors from two years to one year so that the Company can quickly cope with the ever-changing business environment.
- 5) The Company has adopted Officer systems in order to clearly distinguish managerial decision-making and monitoring functions from those of business execution and to enhance respective functions. Officers Committee consisting of President and all of the Officers except for those reside abroad hold two meetings on monthly basis (Officers reside abroad will attend such meeting on quarterly basis) in principle with the aim of ensuring the awareness and necessary actions against the status of and major issues relating to the management of the Company.

### **(4) Structures for loss and risk management and other rules**

- 1) The Company has been continually monitoring the risks associated with the execution and progress of the businesses by way of reporting and discussion at the meetings of the Board of Directors, Executive Committee, Business Issues Committee, Officers Committee, and/or other important meetings as well as controlling budget.
- 2) As for the major risks other than those described in the preceding paragraph 1) above, Risk Management Committee chaired by the Officer responsible for Corporate Planning determines appropriate countermeasures in relation to the degree of visible or potential risks, as well as enhances preparation and implementation of the risk management plans made by the relevant Committees (Corporate Ethics Committee, Responsible Care Promotion Committee) or by individual business divisions, or proceeds company-wide risk management activities.
- 3) In the event of serious crisis, the “Emergency Headquarters” (“Anti-Disaster Headquarters” in the case of accidents or disaster) directed by the President will be set up in order to proceed necessary crisis management in accordance with the “Risk Control Manual.”

### **(5) Structures for maintenance and management of information relating to execution of duties of Directors**



The Company has, in accordance with the relevant laws and “Rules for Documents and Information Management”, been properly maintaining the relevant documents and/or those in electromagnetic forms in relation to the execution of duties of Directors and Officers such as minutes of meetings of the shareholders, the Board of Directors, Executive Committee, Officers Committee and authorization documents so as to make such documents easily accessible by the Directors and Corporate Auditors of the Company.

**(6) Structures to ensure propriety of business conduct of the Group**

- 1) The Company has established a “Guideline for Group Companies Management” to proceed management of JSR Group excluding the Company (“Group Companies”). Each of important management decisions on Group Companies needs relevant approval by the Board of Directors of the Company and/or the Executive Committee in accordance with the rules of the Company.
- 2) Group Companies Coordination Department and relevant business divisions of the Company are responsible for administration and management of respective Group Companies, while other corporate functional departments in charge of, such as Safety Environmental Affairs, Accounting, Finance, and General Affairs and Legal, provide support and services to Group Companies.
- 3) The Company has established “JSR Group Corporate Ethics Guideline” to ensure and promote the compliance with the laws and other rules by JSR Group as a whole.
- 4) The Audit Office regularly conducts internal auditing at Group Companies to monitor the effectiveness of the internal control systems.

**(7) Matters related to audit by Corporate Auditors**

- 2) Matters related to employees assisting Corporate Auditors and ensuring his/her independence  
The Company has appointed a personnel whose responsibilities are to assist Corporate Auditors. Any personnel decisions on such assistant are subject to prior consultation and approval by the Board of Corporate Auditors. In addition, Corporate Auditors evaluate performance of such assistant.
- 3) Structures for Corporate Auditors to receive reports from Directors and employees of the Company and other reports
  - i. The Company ensures that Corporate Auditors can review major decisions on the execution of duties of Directors by ensuring their participation to the meetings of the Board of Directors and Executive Committee and the circulation of authorization documents.
  - ii. The Audit Office regularly reports the results of internal auditing to the Corporate Auditors.
  - iii. The Corporate Auditors may ask, as they deem it necessary, Directors, Officers, business divisions, and group companies to submit reports on the business operations.
- 3) Other structures to ensure effectiveness of auditing by Corporate Auditors  
The Corporate Auditors maintain cooperation and communication from time to time with relevant parties such as the Audit Office, the Accounting Auditors, corporate auditors of Group Companies, and Group Companies Coordination Department.

The above statement was stated as of March 31, 2012, however, the Company added the following new paragraph as (7) 2) iv. in order to further enhance the system of reporting to Corporate Auditors, as a result of the resolution of the Board of Directors meeting held on May 8, 2012;

- iv. Directors and employees of the Company will promptly and effectively report to Corporate Auditors such items, but not limited to, as the fact that might cause material damages to the Company and/or materially violate the laws and/or articles of incorporation of the Company, or as specified in advance in accordance with the prior agreement with the Corporate Auditors.

Please note that this is an English translation of the original "Consolidated Financial Statements" which are written in Japanese; therefore, in the event of any conflict between the Japanese original and this English translation, the Japanese original shall be controlling in all respects.

## Consolidated Balance Sheet

(in millions of yen, as of March 31, 2012)

| Items                                    | Current Fiscal Year | Previous Fiscal Year (Reference) | Items                                         | Current Fiscal Year | Previous Fiscal Year (Reference) |
|------------------------------------------|---------------------|----------------------------------|-----------------------------------------------|---------------------|----------------------------------|
|                                          | Amount              | Amount                           |                                               | Amount              | Amount                           |
| <b>Assets</b>                            |                     |                                  | <b>Liabilities</b>                            |                     |                                  |
| <b>Current Assets</b>                    | <b>292,423</b>      | <b>258,715</b>                   | <b>Current Liabilities</b>                    | <b>129,877</b>      | <b>106,830</b>                   |
| Cash and deposits                        | 20,490              | 44,237                           | Notes and accounts payable-trade              | 83,077              | 65,380                           |
| Notes and accounts receivable-trade, net | 89,193              | 73,323                           | Short-term loans payable                      | 15,183              | 14,611                           |
| Short-term investment securities         | 69,496              | 55,996                           | Income taxes payable                          | 6,330               | 8,780                            |
| Inventories                              | 64,946              | 57,853                           | Other                                         | 25,286              | 18,058                           |
| Accounts receivable-other                | 24,953              | 17,676                           |                                               |                     |                                  |
| Deferred tax assets                      | 3,669               | 4,523                            | <b>Noncurrent Liabilities</b>                 | <b>18,457</b>       | <b>19,644</b>                    |
| Other                                    | 19,673              | 5,104                            | Provision for retirement benefits             | 13,966              | 14,175                           |
|                                          |                     |                                  | Provision for environmental measures          | 2,700               | 2,960                            |
|                                          |                     |                                  | Other                                         | 1,789               | 2,507                            |
| <b>Noncurrent Assets</b>                 | <b>138,269</b>      | <b>131,875</b>                   | <b>Total Liabilities</b>                      | <b>148,335</b>      | <b>126,474</b>                   |
| <b>Property, plant and equipment</b>     | <b>80,504</b>       | <b>79,848</b>                    | <b>Net Assets</b>                             |                     |                                  |
| Buildings and structures, net            | 27,513              | 28,857                           | <b>Shareholders' equity</b>                   | <b>284,279</b>      | <b>265,592</b>                   |
| Machinery, equipment and Land            | 27,398              | 24,831                           | Common stock                                  | 23,320              | 23,320                           |
| Construction in progress                 | 18,452              | 19,149                           | Capital surplus                               | 25,179              | 25,179                           |
| Other, net                               | 4,075               | 3,099                            | Retained earnings                             | 263,100             | 244,413                          |
|                                          | 3,063               | 3,910                            | Treasury stock                                | (27,321)            | (27,320)                         |
| <b>Intangible assets</b>                 | <b>5,166</b>        | <b>5,293</b>                     |                                               |                     |                                  |
| <b>Investments and other assets</b>      | <b>52,597</b>       | <b>46,734</b>                    | <b>Accumulated Other Comprehensive Income</b> | <b>(3,323)</b>      | <b>(2,913)</b>                   |
| Investment securities                    | 37,129              | 29,065                           | Unrealized gains on securities, net of taxes  | 4,217               | 3,606                            |
| Deferred tax assets                      | 3,840               | 5,146                            | Foreign currency translation adjustment       | (7,541)             | (6,519)                          |
| Other                                    | 11,628              | 12,521                           | <b>Subscription rights to shares</b>          | <b>655</b>          | <b>545</b>                       |
|                                          |                     |                                  | <b>Minority interests</b>                     | <b>746</b>          | <b>892</b>                       |
|                                          |                     |                                  | <b>Total Net Assets</b>                       | <b>282,357</b>      | <b>264,116</b>                   |
| <b>Total Assets</b>                      | <b>430,692</b>      | <b>390,590</b>                   | <b>Total Liabilities and Net Assets</b>       | <b>430,692</b>      | <b>390,590</b>                   |

(Note) Amounts less than ¥1 million are rounded off.

**Consolidated Statements of Income**  
(from April 1, 2011 to March 31, 2012)

(in millions of yen)

| Items                                                    | <b>Current<br/>Fiscal Year</b> | Previous<br>Fiscal Year<br>(Reference) |
|----------------------------------------------------------|--------------------------------|----------------------------------------|
|                                                          | Amount                         | Amount                                 |
| <b>Net Sales</b>                                         | <b>349,946</b>                 | <b>340,665</b>                         |
| <b>Cost of sales</b>                                     | <b>260,486</b>                 | <b>249,281</b>                         |
| <b>Gross profit</b>                                      | <b>89,460</b>                  | <b>91,384</b>                          |
| <b>Selling, general and administrative expenses</b>      | <b>53,496</b>                  | <b>52,290</b>                          |
| <b>Operating income</b>                                  | <b>35,964</b>                  | <b>39,094</b>                          |
| <b>Non-operating income</b>                              | <b>6,883</b>                   | <b>5,162</b>                           |
| Interest income                                          | 247                            | 276                                    |
| Dividends income                                         | 386                            | 349                                    |
| Equity in earnings of affiliates                         | 4,729                          | 3,205                                  |
| Other                                                    | 1,519                          | 1,330                                  |
| <b>Non-operating expenses</b>                            | <b>1,274</b>                   | <b>1,652</b>                           |
| Interest expenses                                        | 146                            | 145                                    |
| Depreciation                                             | 261                            | 307                                    |
| Other                                                    | 865                            | 1,199                                  |
| <b>Ordinary income</b>                                   | <b>41,573</b>                  | <b>42,604</b>                          |
| <b>Extraordinary income</b>                              | <b>4,287</b>                   | —                                      |
| Gain on sales of noncurrent assets                       | 4,287                          | —                                      |
| <b>Extraordinary loss</b>                                | <b>4,616</b>                   | <b>1,930</b>                           |
| Impairment loss                                          | 1,919                          | —                                      |
| Loss on abandonment of noncurrent assets                 | 1,182                          | —                                      |
| Loss on disaster                                         | 816                            | 444                                    |
| Loss on abandonment of inventories                       | 533                            | —                                      |
| Loss on revaluation of investment securities             | —                              | 1,063                                  |
| Restructuring Loss                                       | —                              | 422                                    |
| Other                                                    | 164                            | —                                      |
| <b>Income before income taxes and minority interests</b> | <b>41,244</b>                  | <b>40,674</b>                          |
| <b>Income tax-current</b>                                | <b>12,297</b>                  | <b>12,144</b>                          |
| <b>Income tax-deferred</b>                               | <b>2,489</b>                   | <b>851</b>                             |
| <b>Income before minority interests</b>                  | <b>26,457</b>                  | <b>27,678</b>                          |
| <b>Minority interest in income</b>                       | <b>50</b>                      | <b>107</b>                             |
| <b>Net income</b>                                        | <b>26,407</b>                  | <b>27,570</b>                          |

(Note) Amounts less than ¥1 million are rounded off.

## Consolidated Statements of Changes in Net Assets

(from April 1, 2011 to March 31, 2012)

(in millions of yen)

|                                                      | Shareholders' equity |                 |                   |                |                            |
|------------------------------------------------------|----------------------|-----------------|-------------------|----------------|----------------------------|
|                                                      | Common stock         | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at the beginning of current period           | 23,320               | 25,179          | 244,413           | (27,320)       | 265,592                    |
| Changes of items during the period                   |                      |                 |                   |                |                            |
| Dividends from surplus                               |                      |                 | (7,719)           |                | (7,719)                    |
| Net income                                           |                      |                 | 26,407            |                | 26,407                     |
| Purchase of treasury stock                           |                      |                 |                   | (1)            | (1)                        |
| Net changes of items other than shareholders' equity |                      |                 |                   |                | —                          |
| Total changes of items during the period             | —                    | —               | 18,687            | (1)            | 18,686                     |
| Balance at the end of current period                 | 23,320               | 25,179          | 263,100           | (27,321)       | 284,279                    |

|                                                      | Accumulated Other Comprehensive Income       |                                         | Subscription rights to shares | Minority interests | Total net assets |
|------------------------------------------------------|----------------------------------------------|-----------------------------------------|-------------------------------|--------------------|------------------|
|                                                      | Unrealized gains on securities, net of taxes | Foreign currency translation adjustment |                               |                    |                  |
| Balance at the beginning of current period           | 3,606                                        | (6,519)                                 | 545                           | 892                | 264,116          |
| Changes of items during the period                   |                                              |                                         |                               |                    |                  |
| Dividends from surplus                               |                                              |                                         |                               |                    | (7,719)          |
| Net income                                           |                                              |                                         |                               |                    | 26,407           |
| Purchase of treasury stock                           |                                              |                                         |                               |                    | (1)              |
| Net changes of items other than shareholders' equity | 611                                          | (1,021)                                 | 110                           | (145)              | (445)            |
| Total changes of items during the period             | 611                                          | (1,021)                                 | 110                           | (145)              | 18,241           |
| Balance at the end of current period                 | 4,217                                        | (7,541)                                 | 655                           | 746                | 282,357          |

(Note) Amounts less than ¥1 million are rounded off.

## Notes on Consolidated Financial Statements

### 1. Notes on significant matters serving as the basis for the production of consolidated financial statements

#### (1) Matters related to the scope of consolidated accounting

##### 1) Number of consolidated subsidiaries and names of major consolidated subsidiaries

Number of consolidated subsidiaries: 28 companies

Names of consolidated subsidiaries:

ELASTOMIX Co., Ltd., JSR TRADING, INC.,  
ELASTOMIX (THAILAND) CO., LTD., ELASTOMIX (FOSHAN) CO., LTD.,  
Emulsion Technology Co., Ltd.,  
Techno Polymer Co., Ltd., JAPAN COLORING CO., LTD.,  
TECHNO POLYMER HONG KONG CO., LTD., Techno Polymer (Thailand) Co., Ltd.,  
Techno Polymer (Shanghai) Co., Ltd., TECHNO POLYMER AMERICA, INC.,  
Techno Polymer Guangzhou Co., Ltd., Shanghai Rainbow Color Plastics Co., Ltd.,  
JSR Micro Kyushu Co., Ltd., JSR MICROTECH INC.,  
D-MEC LTD., JSR Optech Tsukuba Co., Ltd., JSR Micro N.V., JSR Micro, Inc.,  
JSR Micro Korea Co., Ltd., JSR Micro Taiwan Co., Ltd.,  
JSR LOGISTICS CO., LTD., JSR ENGINEERING CO., LTD., Nichigo Kogyo Co., Ltd.,  
JSR Trading Co., Ltd., JSR Business Services Co., Ltd., JM Energy Corporation and  
JSR Trading (Shanghai) Co., Ltd.

JSR TRADING, INC. was renamed from JSR AMERICA, INC. during the current fiscal year.

##### 2) Name of major non-consolidated subsidiaries etc.

Name of major non-consolidated subsidiaries:

Techno Polymer Shanghai Technical Development Co., Ltd. etc.

Reasons for exclusion from the scope of consolidation:

Non-consolidated subsidiaries are excluded from the scope of application of consolidated accounting as their net assets, sales, net income or loss (the amount corresponding to equity), retained earnings (the amount corresponding to equity), etc. are all small in scale, and, even when combined, they do not have significant effect on consolidated financial statements.

#### (2) Matters related to application of the equity method

##### 1) Number of affiliates and names of major companies to which the equity method is applied ;

Number of affiliates to which the equity method is applied : 6 companies

Names of major companies to which the equity method is applied:

Japan Butyl Co., Ltd., Kumho Polychem Co., Ltd., KRATON JSR ELASTOMERS K.K.,  
JAPAN FINE COATINGS Co., Ltd., TIANJIN KUO CHENG RUBBER INDUSTRY CO., LTD.,  
and Tri Chemical Laboratories, Inc.

##### 2) Names of non-consolidated subsidiaries and affiliates to which the equity method is not applied

Names of major companies:

Non-consolidated subsidiaries: Techno Polymer Shanghai Technical Development Co., Ltd. etc.,

Affiliated companies: Tobu Butadiene Co., Ltd., etc.

Reason for non-application of the equity method: Non-consolidated subsidiaries (Techno Polymer Shanghai Technical Development Co., Ltd. etc.) and affiliated companies (Tobu Butadiene Co., Ltd., etc.) are excluded from the scope of application of the equity method as they are small in scale from the perspectives of consolidated net income or loss and retained earnings, etc. and, even when combined, they do not have significant effect on consolidated financial statements.

- 3) Matters to be specially mentioned concerning the procedure for application of the equity method  
Of the companies to which the equity method is applied, we used the financial statements covering the business year of the company if accounting closing date of the company differs from the consolidated account closing date.

- (3) Matters related to the business year of consolidated subsidiaries, etc.

Of consolidated subsidiaries, the end of the business year of the following 10 companies is December 31;  
JSR TRADING, INC., ELASTOMIX (THAILAND) CO., LTD.,  
ELASTOMIX (FOSHAN) CO., LTD.,  
TECHNO POLYMER HONG KONG CO., LTD.,  
Techno Polymer (Thailand) Co., Ltd., Techno Polymer (Shanghai) Co., Ltd.,  
TECHNO POLYMER AMERICA, INC., Techno Polymer Guangzhou Co., Ltd., Shanghai  
Rainbow Color Plastics Co., Ltd., and JSR Trading (Shanghai) Co., Ltd.

On production of the consolidated financial statements, we used the financial statements as of the account closing date mentioned above. With respect to significant transactions arising prior to the consolidated account closing date, we made the relevant adjustments required in consolidated accounting.

## 2. Matters related to accounting standards

- (1) Standards and methods of valuation applicable to significant assets

1) Securities

Other securities:

|                                      |     |                                                                                                                                                                                                                                                                     |
|--------------------------------------|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Securities carrying market value     | ... | Valued by market method based on fair market value prevailing on the account closing date. Any valuation difference is recorded directly in shareholders' equity, and the cost of sale of relevant securities was calculated on the basis of moving average method. |
| Securities not carrying market value | ... | Valued by cost method based on moving average method or by depreciation cost method.                                                                                                                                                                                |

2) Derivatives

Valued by market method

3) Inventories

Mainly stated at cost based on gross average method (devaluated book value on the balance sheet in the event of lower profitability)

- (2) Standard and method of depreciation applicable to significant depreciable assets

1) Property, plant and equipment (excluding lease assets)

The declining-balance method (straight-line method in part) is applied for depreciation.

The straight line method is applied, however, to the buildings (excluding accessory equipment) acquired on or after April 1, 1998.

2) Intangible assets (excluding lease assets)

The straight-line method is applied.

The costs of software for the Company's own use are amortized over the estimated useful life (5 years) using the straight-line method.

3) Lease assets

The straight-line method is applied with the lease terms being useful life and no residual value.

(3) Standards applicable to reporting of significant reserves

1) Allowance for doubtful accounts

In order to prepare for loss on claims, the amount is determined and reported on the basis of actual past losses in the case of general claims, and on the basis of anticipated unrecoverable amounts in the case of certain specified claims such as those involving the risk of loss.

2) Provision for Directors' bonuses

In order to prepare for payment of Directors' and Corporate Auditors' bonuses, the amount that is deemed to have accrued at the close of the current consolidated fiscal year is reported on the basis of anticipated amounts.

3) Provision for retirement benefits

In order to prepare for payment of employees' retirement benefits, the amount that is deemed to have accrued at the close of the current consolidated fiscal year is reported on the basis of anticipated amounts of retirement benefits obligations and annuity assets as of the close of the current consolidated fiscal year.

Mathematical variances in the retirement benefits accounting system are treated as one lump-sum expense during the term immediately following the accounting term in which they accrue.

4) Provision for environmental measures

We have recorded our estimate of the cost of disposing of polychlorinated biphenyl (PCB) and other materials.

5) Provision for loss on disaster

We have recorded our estimate of the cost of restoring the facilities damaged by Great East Japan Earthquake.

(4) Other significant matters serving as the basis for the production of consolidated financial statements

1) Hedge accounting

A special-measures treatment is applied to interest rate swap transactions if the requirements for special-measures treatment are fulfilled.

2) Accounting treatment method applicable to consumption tax, etc.

The accounting treatment of the consumption tax and the local consumption tax is based on the tax exclusion method.

### **3. Changes in presentation**

#### Changes in presentation of consolidated balance sheet

"Accounts receivable-other" of current assets was included in "Other" in the previous fiscal year. It is disclosed as an independent item for the current fiscal year due to increase of materiality.

### **4. Notes on consolidated balance sheet**

- (1) Assets pledged and claims related thereto
- |                             |                                                              |                 |
|-----------------------------|--------------------------------------------------------------|-----------------|
| Assets pledged              | Property, plant and equipment                                | ¥ 7,308 million |
| Claims related to the above | Long-term loans payable (liabilities from bank transactions) | ¥1 million      |
- (2) Allowance for doubtful accounts directly deducted from assets
- |                               |                                          |              |
|-------------------------------|------------------------------------------|--------------|
| Current Assets;               | Notes and accounts receivable-trade, net | ¥718 million |
| Investments and other assets; | Other                                    | ¥322 million |
- (3) Accumulated depreciation on property, plant and equipment (including accumulated impairment loss):  
¥321,669 million
- (4) Export exchange notes discounted: ¥454 million
- (5) Guarantee obligations  
Employees ¥19 million

## 5. Notes on consolidated statement of income

- (1) Gain on sales of noncurrent assets:  
We have recorded gain on sales of land for this item.

- (2) Impairment loss:

| Description                        | Place          | Type                              | Amount<br>(in millions of yen) |
|------------------------------------|----------------|-----------------------------------|--------------------------------|
| Assets for fine chemical business  | Hidaka,Saitama | Land                              | 1,140                          |
|                                    |                | Buildings and structures          | 224                            |
| Manufacturing facilities for latex | Yokkaichi,Mie  | Machinery, equipment and vehicles | 447                            |
|                                    |                | Buildings and structures          | 104                            |
|                                    |                | Other                             | 2                              |

- (3) Loss on disaster:  
Loss on disaster mainly includes expenses relevant to the facilities (mainly at Kashima plant) that had been inactive by Great East Japan Earthquake.

## 6. Notes on consolidated statement of changes in net assets

- (1) Class and number of issued shares at the end of the current consolidated fiscal year:  
255,885,166 ordinary shares

- (2) Matters related to dividends from surplus

1) Amount of dividends paid

| Resolution                                                | Class of shares | Total amount of dividends (million yen) | Dividends per share (yen) | Record date        | Effective date of dividends |
|-----------------------------------------------------------|-----------------|-----------------------------------------|---------------------------|--------------------|-----------------------------|
| Ordinary General Meeting of Shareholders on June 17, 2011 | Ordinary shares | 3,859                                   | 16                        | March 31, 2011     | June 20, 2011               |
| Board of Directors Meeting on October 24, 2011            | Ordinary shares | 3,859                                   | 16                        | September 30, 2011 | November 24, 2011           |
| Total                                                     |                 | 7,719                                   | 32                        |                    |                             |



- 2) Dividends of which record dates belong to the current consolidated fiscal year and of which effective date of dividends falls after the end of the current consolidated fiscal year

The Company shall place the following item concerning term-end dividends as appropriation of surplus on the agenda of the Ordinary General Meeting of Shareholders scheduled for convening on June 15, 2012.

|                                          |                   |
|------------------------------------------|-------------------|
| Item related to ordinary share dividends |                   |
| Dividends in total                       | ¥ 3,859million    |
| Source of dividends                      | Retained earnings |
| Amount per share                         | ¥16               |
| Record date                              | March 31, 2012    |
| Effective date of dividends              | June 18, 2012     |

- (3) Class and number of shares to be issued or transferred upon exercise of the stock acquisition rights at the end of the current consolidated fiscal year
- 88,500 ordinary shares

## 7. Notes on financial instruments

- (1) Matters relating to status of financial instruments.

JSR Group limits its scope of operation to short term deposit etc. for the purpose of investment of the surplus fund while it utilizes loans from financial institutions such as banks etc, for the purpose of fund raising.

With regard to the credit risks of customers in relation to *notes & accounts receivable*, the Company endeavors to minimize such risks in accordance with the provisions under the internal regulation named "Rules for Credit Management".

*Marketable securities* contains negotiable certificates of deposit or money trust, of which credit risks are low. Shares account for the majority of the *investment securities*.

Due dates of *notes & accounts payable* arrive within 1 year after the closing date of the accounting period. The *loans* (mainly short term loan) are used for working capital.

- (2) Matters related to market value etc., of the financial instruments

There are no differences between the book value on the consolidated balance sheet and the market value of the above financial instruments as of March 31, 2012 (consolidated account closing date).

## 8. Notes on per-share information

|                      |           |
|----------------------|-----------|
| Net assets per share | ¥1,164.63 |
| Net income per share | ¥109.46   |

Please note that this is an English translation of the original "Financial Statements" which are written in Japanese; therefore, in the event of any conflict between the Japanese original and this English translation, the Japanese original shall be controlling in all respects.

**Balance Sheet**  
(as of March 31, 2012)

(in millions of yen)

| Items                                                            | Current Fiscal Year | Previous Fiscal Year (Reference) | Items                                                  | Current Fiscal Year | Previous Fiscal Year (Reference) |
|------------------------------------------------------------------|---------------------|----------------------------------|--------------------------------------------------------|---------------------|----------------------------------|
|                                                                  | Amount              | Amount                           |                                                        | Amount              | Amount                           |
| <b>Assets</b>                                                    |                     |                                  | <b>Liabilities</b>                                     |                     |                                  |
| <b>Current Assets</b>                                            | <b>246,887</b>      | <b>212,981</b>                   | <b>Current Liabilities</b>                             | <b>119,985</b>      | <b>95,899</b>                    |
| Cash and deposits                                                | 13,434              | 33,948                           | Accounts payable-trade                                 | 71,069              | 53,950                           |
| Notes receivable                                                 | 1,129               | 961                              | Short-term loans payable                               | 14,663              | 14,163                           |
| Accounts receivable-trade, net                                   | 68,719              | 56,844                           | Accounts payable-other                                 | 8,875               | 2,819                            |
| Short-term investment securities                                 | 69,496              | 55,996                           | Income taxes payable                                   | 4,212               | 7,131                            |
| Inventories                                                      | 42,410              | 35,764                           | Accrued expenses                                       | 12,269              | 9,519                            |
| Accounts receivable-other                                        | 31,246              | 23,009                           | Deposits received from subsidiaries and affiliates     | 8,578               | 7,390                            |
| Short-term loans receivable                                      | 13,493              | —                                | Other                                                  | 316                 | 924                              |
| Short-term loans receivable from subsidiaries and affiliates     | 4,474               | 3,804                            |                                                        |                     |                                  |
| Deferred tax assets                                              | 1,625               | 2,070                            | <b>Noncurrent Liabilities</b>                          | <b>15,508</b>       | <b>16,672</b>                    |
| Other                                                            | 857                 | 581                              | Long-term loans payable                                | 500                 | 1,000                            |
|                                                                  |                     |                                  | Provision for retirement benefits                      | 11,674              | 11,928                           |
| <b>Noncurrent Assets</b>                                         | <b>126,773</b>      | <b>124,945</b>                   | Provision for environmental measures                   | 2,488               | 2,725                            |
| <b>Property, plant and equipment</b>                             | <b>57,575</b>       | <b>59,255</b>                    | Other                                                  | 845                 | 1,017                            |
| Buildings, net                                                   | 15,638              | 17,086                           | <b>Total Liabilities</b>                               | <b>135,493</b>      | <b>112,571</b>                   |
| Structures, net                                                  | 3,695               | 4,213                            | <b>Net Assets</b>                                      |                     |                                  |
| Machinery and equipment, net                                     | 17,984              | 17,078                           | <b>Shareholders' equity</b>                            | <b>233,297</b>      | <b>221,252</b>                   |
| Vehicles, net                                                    | 74                  | 39                               | <b>Common stock</b>                                    | <b>23,320</b>       | <b>23,320</b>                    |
| Tools, furniture and fixtures, net                               | 2,293               | 2,998                            | <b>Capital surplus</b>                                 | <b>25,179</b>       | <b>25,179</b>                    |
| Land                                                             | 16,810              | 17,485                           | Legal capital surplus                                  | 25,179              | 25,179                           |
| Construction in progress                                         | 1,078               | 353                              | <b>Retained earnings</b>                               | <b>212,119</b>      | <b>200,073</b>                   |
|                                                                  |                     |                                  | Legal retained earnings                                | 3,710               | 3,710                            |
| <b>Intangible assets</b>                                         | <b>3,339</b>        | <b>3,326</b>                     | Other retained earnings                                |                     |                                  |
| Software                                                         | 1,520               | 2,080                            | Reserve for special depreciation                       | 20                  | 41                               |
| Other                                                            | 1,819               | 1,245                            | Reserve for advanced depreciation of noncurrent assets | 5,619               | 3,632                            |
|                                                                  |                     |                                  | General reserve                                        | 42,431              | 42,431                           |
| <b>Investments and other assets</b>                              | <b>65,857</b>       | <b>62,363</b>                    | Retained earnings brought forward                      | 160,337             | 150,257                          |
| Investment securities                                            | 20,333              | 19,522                           | <b>Treasury stock</b>                                  | <b>(27,321)</b>     | <b>(27,320)</b>                  |
| Stocks of subsidiaries and affiliates                            | 23,424              | 19,019                           |                                                        |                     |                                  |
| Investments in capital of subsidiaries and affiliates            | 280                 | 83                               | <b>Valuation and translation adjustments</b>           | <b>4,213</b>        | <b>3,557</b>                     |
| Long-term loans receivable from subsidiaries and affiliates, net | 12,596              | 12,099                           | Unrealized gains on securities, net of taxes           | 4,213               | 3,557                            |
| Long-term prepaid expenses                                       | 5,862               | 7,102                            |                                                        |                     |                                  |
| Deferred tax assets                                              | 2,191               | 3,338                            | <b>Subscription rights to shares</b>                   | <b>655</b>          | <b>545</b>                       |
| Other                                                            | 1,168               | 1,198                            |                                                        |                     |                                  |
|                                                                  |                     |                                  | <b>Total Net Assets</b>                                | <b>238,167</b>      | <b>225,355</b>                   |
| <b>Total Assets</b>                                              | <b>373,661</b>      | <b>337,927</b>                   | <b>Total Liabilities and Net Assets</b>                | <b>373,661</b>      | <b>337,927</b>                   |

(Note) Amounts less than ¥1 million are rounded off.

**Statements of Income**  
(from April 1, 2011 to March 31, 2012)

(in millions of yen)

| Items                                               | Current Fiscal<br>Year | Previous Fiscal<br>Year<br>(Reference) |
|-----------------------------------------------------|------------------------|----------------------------------------|
|                                                     | Amount                 | Amount                                 |
| <b>Net Sales</b>                                    | <b>241,076</b>         | <b>233,393</b>                         |
| <b>Cost of sales</b>                                | <b>179,892</b>         | <b>169,807</b>                         |
| <b>Gross profit</b>                                 | <b>61,184</b>          | <b>63,586</b>                          |
| <b>Selling, general and administrative expenses</b> | <b>35,063</b>          | <b>34,154</b>                          |
| <b>Operating income</b>                             | <b>26,121</b>          | <b>29,432</b>                          |
| <b>Non-operating income</b>                         | <b>7,405</b>           | <b>8,245</b>                           |
| Interest income                                     | 366                    | 359                                    |
| Dividends income                                    | 5,567                  | 6,556                                  |
| Other                                               | 1,470                  | 1,328                                  |
| <b>Non-operating expenses</b>                       | <b>1,119</b>           | <b>1,679</b>                           |
| Interest expenses                                   | 135                    | 147                                    |
| Depreciation                                        | 261                    | 307                                    |
| Other                                               | 722                    | 1,224                                  |
| <b>Ordinary income</b>                              | <b>32,406</b>          | <b>35,998</b>                          |
| <b>Extraordinary income</b>                         | <b>4,287</b>           | —                                      |
| Gain on sales of noncurrent assets                  | 4,287                  | —                                      |
| <b>Extraordinary loss</b>                           | <b>6,116</b>           | <b>2,907</b>                           |
| Impairment loss                                     | 1,919                  | —                                      |
| Provision of allowance for doubtful accounts        | 1,500                  | 1,400                                  |
| Loss on abandonment of noncurrent assets            | 1,182                  | —                                      |
| Loss on disaster                                    | 816                    | 444                                    |
| Loss on abandonment of inventories                  | 533                    | —                                      |
| Loss on revaluation of investment securities        | —                      | 1,063                                  |
| Other                                               | 164                    | —                                      |
| <b>Income before income taxes</b>                   | <b>30,578</b>          | <b>33,090</b>                          |
| <b>Income taxes-current</b>                         | <b>9,113</b>           | <b>9,660</b>                           |
| <b>Income taxes-deferred</b>                        | <b>1,699</b>           | <b>298</b>                             |
| <b>Net income</b>                                   | <b>19,765</b>          | <b>23,132</b>                          |

(Note) Amounts less than ¥1 million are rounded off.

**Statements of Changes in Net Assets**  
(from April 1, 2011 to March 31, 2012)

(in millions of yen)

|                                                                     | Shareholders' equity |                       |                         |                                  |                                                        |                 |                                   |         |
|---------------------------------------------------------------------|----------------------|-----------------------|-------------------------|----------------------------------|--------------------------------------------------------|-----------------|-----------------------------------|---------|
|                                                                     | Common stock         | Capital surplus       |                         | Retained earnings                |                                                        |                 |                                   | Total   |
|                                                                     |                      | Legal capital surplus | Legal retained earnings | Other retained earnings          |                                                        |                 |                                   |         |
|                                                                     |                      |                       |                         | Reserve for special depreciation | Reserve for advanced depreciation of noncurrent assets | General reserve | Retained earnings brought forward |         |
| Balance at the beginning of current period                          | 23,320               | 25,179                | 3,710                   | 41                               | 3,632                                                  | 42,431          | 150,257                           | 200,073 |
| Changes of items during the period                                  |                      |                       |                         |                                  |                                                        |                 |                                   |         |
| Dividends from surplus                                              |                      |                       |                         |                                  |                                                        |                 | (7,719)                           | (7,719) |
| Net income                                                          |                      |                       |                         |                                  |                                                        |                 | 19,765                            | 19,765  |
| Reversal of reserve for special depreciation                        |                      |                       |                         | (20)                             |                                                        |                 | 20                                | —       |
| Reversal of reserve for advanced depreciation of noncurrent assets  |                      |                       |                         |                                  | (174)                                                  |                 | 174                               | —       |
| Provision of reserve for advanced depreciation of noncurrent assets |                      |                       |                         |                                  | 2,161                                                  |                 | (2,161)                           | —       |
| Purchase of treasury stock                                          |                      |                       |                         |                                  |                                                        |                 |                                   | —       |
| Net changes of items other than shareholders' equity                |                      |                       |                         |                                  |                                                        |                 |                                   | —       |
| Total changes of items during the period                            | —                    | —                     | —                       | (20)                             | 1,986                                                  | —               | 10,079                            | 12,045  |
| Balance at the end of current period                                | 23,320               | 25,179                | 3,710                   | 20                               | 5,619                                                  | 42,431          | 160,337                           | 212,119 |

|                                                                     | Shareholders' equity |                            | Valuation and translation adjustments      | Subscription rights to shares | Total net assets |
|---------------------------------------------------------------------|----------------------|----------------------------|--------------------------------------------|-------------------------------|------------------|
|                                                                     | Treasury stock       | Total shareholders' equity | Unrealized gains on securities, net of tax |                               |                  |
| Balance at the beginning of current period                          | (27,320)             | 221,252                    | 3,557                                      | 545                           | 225,355          |
| Changes of items during the period                                  |                      |                            |                                            |                               |                  |
| Dividends from surplus                                              |                      | (7,719)                    |                                            |                               | (7,719)          |
| Net income                                                          |                      | 19,765                     |                                            |                               | 19,765           |
| Reversal of reserve for special depreciation                        |                      | —                          |                                            |                               | —                |
| Reversal of reserve for advanced depreciation of noncurrent assets  |                      | —                          |                                            |                               | —                |
| Provision of reserve for advanced depreciation of noncurrent assets |                      | —                          |                                            |                               | —                |
| Purchase of treasury stock                                          | (1)                  | (1)                        |                                            |                               | (1)              |
| Net changes of items other than shareholders' equity                |                      | —                          | 655                                        | 110                           | 766              |
| Total changes of items during the period                            | (1)                  | 12,044                     | 655                                        | 110                           | 12,811           |
| Balance at the end of current period                                | (27,321)             | 233,297                    | 4,213                                      | 655                           | 238,167          |

(Note) Amounts less than ¥1 million are rounded off.

## Notes on Financial Statements

### 1. Notes on matters related to the significant accounting policy

#### (1) Standards and methods of valuation applicable to assets

##### 1) Securities

Shares of subsidiaries and affiliates: Stated by cost method based on moving average method

Other securities:

|                                  |       |                                                                                                                                                                                                                                                            |
|----------------------------------|-------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Securities carrying market value | ..... | Valued by market method based on fair market value prevailing on the accounting closing date. Any valuation difference is recorded directly in net assets, and the cost of sale of relevant securities was computed on the basis of moving average method. |
|----------------------------------|-------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|                                      |       |                                                                                      |
|--------------------------------------|-------|--------------------------------------------------------------------------------------|
| Securities not carrying market value | ..... | Valued by cost method based on moving average method or by depreciation cost method. |
|--------------------------------------|-------|--------------------------------------------------------------------------------------|

##### 2) Derivatives

Valued by market method

##### 3) Inventories

Stated at cost based on gross average method (devaluated book value on the balance sheet in the event of lower profitability)

#### (2) Methods of depreciation applicable to noncurrent assets

##### 1) Property, plant and equipment (excluding lease assets)

The declining-balance method is applied for depreciation.

The straight line method is applied, however, to the buildings (excluding accessory equipment) acquired on or after April 1, 1998.

##### 2) Intangible assets (excluding lease assets)

The straight-line method is applied.

The costs of software for the Company's own use are amortized over the estimated useful life (5 years) using the straight-line method.

##### 3) Lease assets

The straight-line method is applied with the lease terms being useful life and no residual value.

#### (3) Standards applicable to reporting of reserves

##### 1) Allowance for doubtful accounts

In order to prepare for loss on claims, the amount is determined and reported on the basis of actual past losses in the cases of general claims, and on the basis of anticipated unrecoverable amounts in the cases of certain specified claims such as those involving the risk of loss.

##### 2) Provision for Directors' bonuses

In order to prepare for payment of Directors' and Corporate Auditors' bonuses, the amount that is deemed to have accrued at the close of the current fiscal year is reported on the basis of anticipated amounts.

##### 3) Provision for retirement benefits

In order to prepare for payment of employees' retirement benefits, the amount that is deemed to have accrued at the close of the current fiscal year is reported on the basis of anticipated amounts of retirement benefits obligations and annuity assets as of the close of the current fiscal year.

Any mathematical variances are treated as one lump-sum expense during the term immediately following the accounting term in which they accrue.

4) Provision for environmental measures

We have recorded our estimate of the cost of disposing of polychlorinated biphenyl (PCB) and other materials.

5) Allowance for investment loss

We have recorded appropriate estimate of possible loss against the investment in subsidiaries & affiliates considering the financial standings of such subsidiaries and/or affiliates in question.

6) Provision for loss on disaster

We have recorded our estimate of the cost of restoring the facilities damaged by Great East Japan Earthquake.

(4) Other significant matters serving as the basis for the production of financial statements

1) Hedge accounting

Allotting treatment is applied to currency swap transactions if the requirements for allotting treatment are fulfilled, and special-measures treatment is applied to interest rate swap transactions if the requirements for special-measures treatment are fulfilled.

2) Accounting treatment method applicable to consumption tax, etc.

The accounting treatment of the consumption tax and the local consumption tax is based on the tax exclusion method.

## 2. Notes on balance sheet

(1) Assets pledged and claims related thereto

|                                  |                                                                        |                |
|----------------------------------|------------------------------------------------------------------------|----------------|
| Assets pledged                   | Property, plant and equipment                                          | ¥7,308 million |
| Liabilities related to the above | Long-term loan payable<br>(liabilities arising from bank transactions) | ¥ 1 million    |

(2) Allowances directly deducted from assets

1) Allowance for doubtful accounts

|                                                                  |                |
|------------------------------------------------------------------|----------------|
| Current Assets; Accounts receivable-trade, net                   | ¥1 million     |
| Investments and other assets;                                    |                |
| Long-term loans receivable from subsidiaries and affiliates, net | ¥4,600 million |
| Other                                                            | ¥294 million   |

2) Allowance for investment loss

|                                                                     |              |
|---------------------------------------------------------------------|--------------|
| Investments and other assets; Stocks of subsidiaries and affiliates | ¥600 million |
|---------------------------------------------------------------------|--------------|

(3) Accumulated depreciation on property, plant and equipment (including accumulated impairment loss):  
¥265,057 million

- (4) Claims to/from subsidiaries and affiliated companies
- |                                                |                  |
|------------------------------------------------|------------------|
| Short-term monetary claims to affiliates       | ¥ 42,135 million |
| Long-term monetary claims to affiliates        | ¥ 17,196 million |
| Short-term monetary obligation from affiliates | ¥ 38,442 million |
- (5) Guarantee obligations
- |           |              |
|-----------|--------------|
| Employees | ¥ 19 million |
|-----------|--------------|

### 3. Notes on statement of income

- (1) Transactions with subsidiaries and affiliated companies:
- |                            |                  |
|----------------------------|------------------|
| Sales                      | ¥ 88,108 million |
| Amount for goods purchased | ¥ 40,295 million |
| Other trade transactions   | ¥ 13,263 million |
| Interest received          | ¥ 341 million    |
| Dividends received         | ¥5,202 million   |
| Interest expenses          | ¥ 19 million     |

- (2) Gain on sales of noncurrent assets:  
It's gain on sales of land.

- (3) Impairment loss:

| Description                        | Place          | Type                              | Amount<br>(in millions of yen) |
|------------------------------------|----------------|-----------------------------------|--------------------------------|
| Assets for fine chemical business  | Hidaka,Saitama | Land                              | 1,140                          |
|                                    |                | Buildings and structures          | 167                            |
|                                    |                | Structures                        | 57                             |
| Manufacturing facilities for latex | Yokkaichi,Mie  | Machinery ,equipment and vehicles | 447                            |
|                                    |                | Buildings                         | 70                             |
|                                    |                | Others                            | 36                             |

- (4) Loss on disaster:

Loss on disaster mainly includes expenses relevant to the facilities (mainly at Kashima plant) that had been inactive by Great East Japan Earthquake.

### 4. Note on statement of changes in net assets

Class and number of treasury stocks at the end of the current fiscal year:

14,645,692 ordinary shares

### 5. Note on tax effect accounting

Allowance for employees' retirement benefits were a major cause of deferred tax assets. Reserve for advanced depreciation of noncurrent assets were major causes of deferred tax liabilities.

### 6. Note on noncurrent assets used under lease

In addition to fixed assets reported in the balance sheet, certain equipment and fixtures are used according to financial lease agreements that exclude ownership transfer.

## 7. Notes on transactions with related parties

### (1) Subsidiaries, affiliated companies, etc.

| Attribute  | Name of the company        | Voting rights ownership rate (%) | Contents of relationship       |                                                          | Contents of transactions                          | Transaction amount (million yen) | Item                                           | Balance at the end of the current fiscal year (million yen) |
|------------|----------------------------|----------------------------------|--------------------------------|----------------------------------------------------------|---------------------------------------------------|----------------------------------|------------------------------------------------|-------------------------------------------------------------|
|            |                            |                                  | Directors serving concurrently | Business relationship                                    |                                                   |                                  |                                                |                                                             |
| Subsidiary | JSR Trading Co., Ltd.      | 100                              | None                           | Sales of our products                                    | Sale of products (Note 1)                         | 38,990                           | Accounts receivable-trade                      | 8,319                                                       |
| Subsidiary | JSR Micro Taiwan Co., Ltd. | 100                              | None                           | Sales of our products and supply of raw materials        | Sale of products (Note 1)                         | 14,417                           | Accounts receivable-trade                      | 4,492                                                       |
| Subsidiary | Techno Polymer Co., Ltd.   | 100                              | None                           | Supply of raw materials                                  | Supply of raw material gas (Note 2)               | 15,671                           | Accounts receivable-other                      | 4,752                                                       |
| Subsidiary | JSR ENGINEERING CO., LTD   | 100                              | None                           | Engineering services of production facilities etc        | Purchase of equipment & facilities (Note 3)       | 8,783                            | Accounts payable-other                         | 7,486                                                       |
| Subsidiary | JM Energy Corporation      | 100                              | None                           | Provision of loans                                       | Provision of loans (Note 4)                       | 1,941                            | Long-term loans to subsidiaries and affiliates | 6,771                                                       |
| Subsidiary | ELASTOMIX Co., Ltd         | 98.5                             | None                           | Deposit from subsidiary                                  | Deposit from subsidiaries and affiliates (Note 5) | 345                              | Deposit from subsidiaries                      | 4,399                                                       |
| Affiliate  | Tobu Butadiene Co., Ltd.   | 50                               | None                           | Supply of raw material gas and purchase of butadiene gas | Supply of raw material gas (Note 2)               | 9,420                            | Accounts receivable-other                      | 5,212                                                       |
|            |                            |                                  |                                |                                                          | Purchase of butadiene gas (Note 6)                | 11,152                           | Accounts payable                               | 6,251                                                       |
| Affiliate  | KRATON JSR ELASTOMERS K.K. | 50                               | None                           | Toll manufacturing of elastomer products                 | Purchase of products (Note 7)                     | 9,930                            | Accounts payable                               | 5,082                                                       |

Terms and conditions of transactions and the policy for determining the terms and conditions, etc.

(Notes)

1. Terms and conditions for the sale of the products are determined through negotiation considering full cost of the products and market prices.
2. Terms and conditions for the supply of raw material gas are determined through negotiation based upon the desirable prices offered by the Company considering market prices.
3. Terms and conditions for the purchase of equipment and facilities are determined through negotiation considering the full cost and market prices
4. Interest rates on loans are determined through negotiation considering prevailing interest rates in financial market.
5. Interest rates on deposit are determined through negotiation considering prevailing interest rates in financial market.
6. Terms and conditions for the purchase of butadiene gas are determined through negotiation based



- upon desirable prices offered by the Company considering full cost and market prices.
7. Terms and conditions for the purchase of elastomer products are determined through negotiation based upon desirable prices offered by the Company considering full cost and market prices.
  8. Transaction amounts do not include consumption tax, etc. The amounts stated as the balance at the end of the current fiscal year include consumption tax, etc.

(2) Major shareholders

| Attribute         | Name of the company | Voting rights ownership rate (%) | Contents of relationship                                 |                       | Contents of transactions    | Transaction amount (million yen) | Item                      | Balance at the end of the current fiscal year (million yen) |
|-------------------|---------------------|----------------------------------|----------------------------------------------------------|-----------------------|-----------------------------|----------------------------------|---------------------------|-------------------------------------------------------------|
|                   |                     |                                  | Directors and/or Corporate Auditors serving concurrently | Business relationship |                             |                                  |                           |                                                             |
| Major shareholder | Bridgestone Corp.   | Direct ownership<br>16.9         | 1                                                        | Sales of our products | Sales of elastomer products | 40,089                           | Accounts receivable-trade | 17,382                                                      |

Terms and conditions of transactions and the policy for determining the terms and conditions, etc.

(Notes)

1. Prices and other terms and conditions are determined upon price negotiations considering market prices.
2. The transaction amount does not include consumption tax, etc. The term-end balance includes consumption tax, etc.

**8. Notes on per-share information**

|                      |         |
|----------------------|---------|
| Net assets per share | ¥984.55 |
| Net income per share | ¥81.93  |

Please note that this is an English translation of the original Audit Report from Accounting Auditors which is written in Japanese; therefore, in the event of any conflict between the Japanese originals and this English translation, the Japanese originals shall be controlling in all respects.

**Independent Auditor's Report**  
**(on Consolidated Financial Statements)**

May 8, 2012

To: Board of Directors  
JSR Corporation

KPMG AZSA LLC

|                                                            |                             |                           |
|------------------------------------------------------------|-----------------------------|---------------------------|
| Designated Limited Liability Partner<br>Engagement Partner | Certified Public Accountant | Shin-nosuke Yamada (seal) |
| Designated Limited Liability Partner<br>Engagement Partner | Certified Public Accountant | Takao Tominaga (seal)     |
| Designated Limited Liability Partner<br>Engagement Partner | Certified Public Accountant | Masayuki Kasai (seal)     |

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of JSR Corporation, as at March 31, 2012 and for the year from April 1, 2011 to March 31, 2012 in accordance with Article 444-4 of the Corporation Law.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the 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 the consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on 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 statement referred to above presents fairly, in all material respects, the financial position and the results of operations of JSR Corporation and its consolidated subsidiaries for the period, for which the consolidated financial statements was prepared, in accordance with accounting principles generally accepted in Japan.

**Other Matter**

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

**Notes to the Reader of Independent Auditor's Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Corporation Law.

Please note that this is an English translation of the original Audit Report from Accounting Auditors which is written in Japanese; therefore, in the event of any conflict between the Japanese originals and this English translation, the Japanese originals shall be controlling in all respects.

## **Independent Auditor's Report**

**(on Non-Consolidated Financial Statements)**

May 8, 2012

To: Board of Directors  
JSR Corporation

### **KPMG AZSA LLC**

|                                                            |                             |                           |
|------------------------------------------------------------|-----------------------------|---------------------------|
| Designated Limited Liability Partner<br>Engagement Partner | Certified Public Accountant | Shin-nosuke Yamada (seal) |
| Designated Limited Liability Partner<br>Engagement Partner | Certified Public Accountant | Takao Tominaga (seal)     |
| Designated Limited Liability Partner<br>Engagement Partner | Certified Public Accountant | Masayuki Kasai (seal)     |

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in net assets, the related notes, and the supplementary schedules of JSR Corporation as at March 31, 2012 and for the year from April 1, 2011 to March 31, 2012 in accordance with Article 436-2-1 of the Corporation Law.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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 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 the financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the 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 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 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 financial statement referred to above presents fairly, in all material respects, the financial position and the results of operations of JSR Corporation for the period, for which the financial statements was prepared, in accordance with accounting principles generally accepted in Japan.

**Other Matter**

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

**Notes to the Reader of Independent Auditor's Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Corporation Law.

Please note that this is an English translation of the original Audit Report from the Board of Corporate Auditors which is written in Japanese; therefore, in the event of any conflict between the Japanese originals and this English translation, the Japanese originals shall be controlling in all respects.

## **Audit Report of the Board of Corporate Auditors**

### **Audit Report**

The Board of Corporate Auditors, with regard to the execution of duties of the Directors during the 67th fiscal term commencing on April 1, 2011 and ending on March 31, 2012, has discussed and prepared its audit report as described below based upon audit reports prepared by each of the Corporate Auditors;

#### 1. Methods and contents of the audits by Corporate Auditors and the Board of Corporate Auditors

The Board of Corporate Auditors has established audit policies, assigned responsibilities to each Corporate Auditor for audits, and received reports from each Corporate Auditor on the implementation and the results of their audits. In addition, the Board of Corporate Auditors received reports, requesting explanations when necessary, from Directors, other executives and Accounting Auditors concerning the execution of their duties

Each Corporate Auditor has, in accordance with the audit standards for Corporate Auditors set forth by the Board of Corporate Auditors and with the relevant audit policies and the assignment of responsibilities, facilitated communication with Directors, internal Audit Office, employees and other parties and endeavored to collect information and develop an optimum audit environment. At the same time, each Corporate Auditor has attended the Board of Directors meetings and other important meetings, received reports, requesting explanations when necessary, from Directors, employees and other parties on execution of their duties, reviewed important documents evidencing the authenticities of corporate decisions made, and examined the status of business operations as well as the assets at the head office and other major business offices. In addition, each Corporate Auditor has regularly received reports, requested explanations when necessary from Directors, employees and other parties and verified (i) the contents of the resolution of the Board of Directors on establishment of structures and systems to ensure compliance of Directors' execution of duties with laws and ordinances and Articles of Incorporation as well as to secure propriety of the conducting businesses of the Company as set forth under the Article 100, Paragraph 1 and 3 of the Enforcement Regulations of the Corporation Law, and (ii) status of operational execution and maintenance of such structures and systems (internal control system) established based upon such resolutions, which are stated in the Business Report of the Company.

Concerning the internal control over financial reporting, each Corporate Auditor has received reports from Directors etc. and KPMG AZSA LLC. on the evaluation results and the audit status of these internal controls, and requested explanation from such parties when necessary.

With regard to subsidiaries of the Company, each Corporate Auditor has strove to facilitate communication and information exchange with directors and corporate auditors of the subsidiaries, received reports, requesting explanations when necessary, from the subsidiaries on their businesses. Through these methods, each Corporate Auditor examined the business report of the Company and the supplementary statements thereto for the fiscal term under review.

In addition, each Corporate Auditor has monitored and verified Accounting Auditors' independence and propriety in implementing their audits and also received reports, requesting explanations when necessary, on their execution of duties. Each Corporate Auditor received a notice from the Accounting Auditors that ensures that "the system for ensuring Accounting Auditors' appropriate execution of duties" (terms respectively set forth under each of the paragraphs of the Article 131 of the Corporation Accounting Regulations) has been maintained in accordance with the "the Standards on Quality Control Concerning Audit" (established by the Business Accounting Council on October 28, 2005). Through these methods, each Corporate Auditor reviewed the non-consolidated financial statements (the balance sheet, the statement of income, the statement of changes in net assets, and notes on non-consolidated financial statements) and

the supplementary statements thereto as well as the consolidated financial statements (the consolidated balance sheets, the consolidated statements of income, the consolidated statements of changes in net assets, and notes on consolidated financial statements), for the fiscal term under review.

## 2. Audit results

### (1) Results of audit on business report and other documents

- a. We acknowledge that the business report and its supplementary statements fairly represent the status of the Company in accordance with the laws and ordinances, and the Articles of Incorporation.
- b. With regard to the execution of duties of the Directors, we have found neither misconduct nor material matters in violating laws and ordinances or the Articles of Incorporation.
- c. We acknowledge that the contents of the resolutions of the Board of Directors regarding the structures and systems for internal control are fair and proper. We also have found nothing to be specifically addressed concerning the execution of duties of Directors in relation to the structures and systems for internal control. In addition, we have received reports from Directors, etc. and KPMG AZSA LLC stating that there were no material defects to be specifically disclosed concerning internal control over financial reporting at the time of preparing the Audit Report for the current fiscal year.

### (2) Results of audit on non-consolidated financial statements and the supplementary statements

We acknowledge that the methods and the conclusions of the audit by KPMG AZSA LLC to be fair and proper.

### (3) Consolidated Financial Statements

We acknowledge that the methods and the conclusions of the audit by KPMG AZSA LLC to be fair and proper.

May 8, 2012

| Board of Corporate Auditors, JSR Corporation  |                 |        |
|-----------------------------------------------|-----------------|--------|
| Full-time Corporate Auditor                   | Nobuo Bessho    | (seal) |
| Corporate Auditor (outside corporate auditor) | Kenji Ito       | (seal) |
| Corporate Auditor (outside corporate auditor) | Hiroichi Uekusa | (seal) |
| Corporate Auditor (outside corporate auditor) | Nobuko Kato     | (seal) |

## Financial Highlights (Reference)

### 1. Key Consolidated Financial Figures

| Fiscal Term                |             | The 64th             | The 65th             | The 66th             | The 67th             |
|----------------------------|-------------|----------------------|----------------------|----------------------|----------------------|
| from/to                    |             | Apr 2008<br>Mar 2009 | Apr 2009<br>Mar 2010 | Apr 2010<br>Mar 2011 | Apr 2011<br>Mar 2012 |
| Sales                      | yen million | 352,502              | 310,183              | 340,665              | 349,946              |
| Operating Profit           | yen million | 30,347               | 20,230               | 39,094               | 35,964               |
| Net Profit                 | yen million | 13,981               | 13,644               | 27,570               | 26,407               |
| Total Asset                | yen million | 339,497              | 373,565              | 390,590              | 430,692              |
| Net Asset                  | yen million | 241,985              | 250,700              | 264,116              | 282,357              |
| Equity Ratio               |             | 71.0%                | 66.8%                | 67.3%                | 65.2%                |
|                            |             |                      |                      |                      |                      |
| Cash Dividends (per share) | yen/share   | 32                   | 26                   | 32                   | 32<br>(proposed)     |
| Cash Dividends (amount)    | yen million | 7,863                | 6,350                | 7,767                | 7,719                |
| Dividend Payout Ratio      |             | 56.2%                | 46.5%                | 28.2%                | 29.2%                |
| Purchase of Treasury Share | yen million | 8,611                | 2                    | 2                    | 1                    |

### 2. Segment Information

| Fiscal Term<br>from / to                |             | Sales                |                      | Operating Profit     |                      |
|-----------------------------------------|-------------|----------------------|----------------------|----------------------|----------------------|
|                                         |             | The 66th             | The 67th             | The 66th             | The 67th             |
|                                         |             | Apr 2010<br>Mar 2011 | Apr 2011<br>Mar 2012 | Apr 2010<br>Mar 2011 | Apr 2011<br>Mar 2012 |
| Elastomers                              | yen million | 160,854              | 180,834              | 14,738               | 19,358               |
| Plastics                                | yen million | 52,296               | 51,236               | 2,562                | 2,138                |
| Fine Chemicals<br>and Other<br>Products | yen million | 127,514              | 117,875              | 21,792               | 14,468               |
| Total                                   | yen million | 340,665              | 349,946              | 39,094               | 35,964               |

### 3. Consolidated Cash Flow

|                                                            |             |          |
|------------------------------------------------------------|-------------|----------|
| Cash and its equivalent at the end of the 66th fiscal term | yen million | 67,461   |
| Cash Flow from operation                                   | yen million | 28,980   |
| Cash Flow from investment                                  | yen million | (21,130) |
| Cash Flow from financing activities                        | yen million | (7,692)  |
| Exchange differentials on cash or cash equivalent          | yen million | (421)    |
| Cash and its equivalent at the end of the 67th fiscal term | yen million | 67,198   |