

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 29, 2013

Dear Shareholders,

Notice of Convening the 68th Ordinary General Meeting of Shareholders
of
JSR Corporation

We are pleased to announce the convening of the 68th 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 21, 2013 (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 68th Fiscal Term (from April 1, 2012 to March 31, 2013) and Audit Report thereon by the Accounting Auditors and the Board of Corporate Auditors
2. Non Consolidated Financial Statements for the 68th Fiscal Term (from April 1, 2012 to March 31, 2013)

Matters to be Resolved

- Proposal 1. Appropriation of surplus
- Proposal 2. Election of seven (7) Directors
- Proposal 3. Election of two (2) Corporate Auditors
- Proposal 4. Election of one (1) Substitute Corporate Auditor
- Proposal 5. Payment of bonuses to Directors
- Proposal 6. Partial amendments to the conditions for exercising stock option rights granted to Directors as remuneration

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 20, 2013 (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 20, 2013 (Japan Time) after reviewing the “Reminders for Exercising Voting Rights via Internet” on page 13 (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 considering 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 R&D 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 ¥17 per ordinary share of the Company, with the total amount of ¥4,036,782,005.-

As a result, the dividends including the interim dividends will be ¥34 per share, with the total amount of ¥8,138,003,955.-

(2) Effective Date of dividends from surplus

June 24, 2013

## Proposal 2. Election of seven (7) Directors

As the tenures of all eight (8) current Directors will expire at the close of this general meeting of shareholders, the Company proposes that seven (7) 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<br>Division<br>Jun. 2006 Managing Director<br>Jun. 2008 Senior Managing Director<br>Apr. 2009 Representative Director and President (current<br>position)                                                                                                                                                                                                                                                                                                                       | 25,300                                                |
| 2   | 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<br>(Other important concurrent positions held )<br>Chairman, J&W Beijing Biotech Co., Ltd.                                                                                                                   | 11,700                                                |
| 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 Director and Chairman<br>Jun. 2011 Outside Director, The Innovation Network Corporation<br>of Japan (current position)<br>Jun. 2012 Director, Executive Advisor (current position)<br>(Other important concurrent positions held )<br>Outside Director, The Innovation Network Corporation of Japan | 34,856                                                |
| 4   | Hayato Hirano<br>(May 15, 1961)          | Apr. 1986 Joined JSR<br>Jun. 2010 Officer and General Manager, Finance Division<br>Jun. 2012 Director, Officer and General Manager, Group<br>Companies Coordination Department (current<br>position)<br>currently responsible for Accounting, Financing, and<br>Corporate Communications                                                                                                                                                                                                                                                                                                      | 7,300                                                 |

| 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 |
|-----|------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| 5   | Takuya Goto<br>(August 19, 1940)   | Apr.1964 Joined Kao Soap Co., Ltd. (currently known as Kao 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<br>Jun. 2010 Retired from Advisor, Kao Corporation<br>Jun. 2011 Outside 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 | 0                                                     |
| 6   | 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<br>Jun. 2011 Outside Director, JSR (current position)<br>Jun. 2012 Executive Advisor, Nikon Corporation (current position)<br>(Other important concurrent position held )<br>Executive Advisor, Nikon Corporation                           | 0                                                     |
| 7   | 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>Jun. 2012 Outside Director, JSR Corporation (current position)<br>(Other important concurrent positions held )<br>Advisor, Yokogawa Electric Corporation<br>Outside Corporate Auditor, Yokogawa Bridge Holdings Corp.                                 | 1,000                                                 |

(Notes)

1. No conflict of interest exists between each of the candidates for Directors and the Company.
2. 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;  
It will reach two (2) years for both Messrs. Takuya Goto and Michio Kariya, and one (1) year for Mr. Kazunori Yagi respectively 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 international manufacturer and marketer of consumer products and industrial chemicals.
    - 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 President, Representative Director and Chairman, as well as currently serving as Executive Advisor of Nikon Corporation, a leading international manufacturer and marketer of precision equipment and imaging products.
    - iii) The Company acknowledges that Mr. Kazunori Yagi 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 the period acting as Director and Executive Managing Officer, and Advisor of Yokogawa Electric Corporation, a leading international manufacturer and service provider of industrial automation and control systems.
  - (4) Summaries of agreement to limit Outside Directors' liabilities;  
The Company has entered into an agreement with each of Messrs. Takuya Goto, Michio Kariya and Kazunori Yagi 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 2 at this general meeting of shareholders, the Company intends to renew the agreement with each of them.
  - (5) As the Company has registered Messrs. Takuya Goto, Michio Kariya, and Kazunori Yagi as independent directors/auditors at the Tokyo Stock Exchange ("TSE") and the Osaka Stock Exchange ("OSE"), Messrs. Takuya Goto, Michio Kariya, and Kazunori Yagi will be registered as independent directors/auditors at TSE and OSE subject to and upon approval of this Proposal 2 at this general meeting of shareholders.
  - (6) No conflicts of interest exist between the Company and either Olympus Corporation, Japan Marketing Association or Asia Marketing Federation where Mr. Takuya Goto holds concurrent important positions. The Company has business relationship with Kao Corporation where Mr. Takuya Goto had served as Representative Director and President, and Chairman of the Board of Directors, that involves 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 2012. The Company is, therefore, confident of independence of Mr. Takuya Goto.

- (7) Mr. Michio Kariya has a concurrent 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 2012. 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 2012, while no conflicts of interest exist between the Company and YBHC. The Company is, therefore, confident of independence of Mr. Kazunori Yagi.

### Proposal 3. Election of two (2) Corporate Auditors

As the tenures of Mr. Hiroichi Uekusa and Ms. Nobuko Kato as Corporate Auditor will expire at the close of this general meeting of shareholders, the Company proposes that two (2) Corporate Auditors be newly elected. The Board of Corporate Auditors has consented to the submission of this proposal in advance.

The details of the candidates for Corporate Auditors are as follows:

|   | Name<br>(Date of Birth)                | Brief personal record, position,<br>and other important concurrent positions held                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Number of<br>the shares of<br>the<br>Company<br>owned |
|---|----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| 1 | Hiroichi Uekusa<br>(June 28, 1952)     | Apr. 1977 Registered as Attorney at Law (current position)<br>Apr. 2004 Deputy Chairman, The Tokyo Bar Association<br>Executive Governor, The Japan Federation of Bar Associations<br>Apr. 2005 Professor, University of Tsukuba Law School<br>(current position)<br>May 2008 Chairman, Legal Apprentice Training Committee, The<br>Japan Federation of Bar Associations<br>Jun. 2009 Outside Corporate Auditor, JSR Corporation (Current<br>Position)<br>(Other important concurrent positions held)<br>Partner, Minato- Kyouwa Law Office and<br>Professor, University of Tsukuba Law School | 0                                                     |
| 2 | Yasumi Kawasaki *<br>(October 7, 1951) | Apr. 1975 Joined Bridgestone Tire Co., Ltd. (currently known as<br>Bridgestone Corporation)<br>Apr. 1999 Plant Manager, Tosu Plant, Bridgestone Corporation<br>Oct. 2006 Officer, Bridgestone Corporation<br>Mar. 2008 Managing Officer, Bridgestone Corporation<br>Mar. 2012 Advisor, Bridgestone Corporation (Current position)<br>(Other important concurrent position held)<br>Advisor, Bridgestone Corporation                                                                                                                                                                            | 0                                                     |

(Notes)

1. No conflict of interest exists between each of the candidates for Corporate Auditors and the Company.

2. (\*) denotes candidates for a new Corporate Auditor.
3. The following are the items relating to the candidates for Outside Corporate Auditors;
- (1) Messrs. Hiroichi Uekusa and Yasumi Kawasaki are candidates for Outside Corporate Auditors.
  - (2) Mr. Yasumi Kawasaki is currently, Advisor, Bridgestone Corporation, a corporation which falls under the category of “specially related companies (major customers)” under the Corporation Law.
  - (3) Period from the date of appointment as Outside Director of the Company;  
It will reach four (4) years for Mr. Hiroichi Uekusa at the close of this meeting.
  - (4) Reasons for the nomination of candidates for Outside Corporate Auditors;
    - i) The Company acknowledges that Mr. Hiroichi Uekusa 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 range of professional knowledge and vast experience on legal matters as a Lawyer, as well as neutral and independent view point as an independent outsider.
    - ii) The Company is of the view that Mr. Yasumi Kawasaki 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 knowledge and experiences for managing companies, manufacturing technologies, and quality management cultivated during the period acting as Managing Officer and Advisor of Bridgestone Corporation, a leading international manufacturer and marketer of tires and rubber products.
  - (5) Summaries of agreement to limit Outside Corporate Auditors’ liabilities;  
The Company has entered into an agreement with Mr. Hiroichi Uekusa 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 Mr. Hiroichi Uekusa and to enter into the similar agreement with Mr. Yasumi Kawasaki.
  - (6) As the Company has registered Mr. Hiroichi Uekusa as independent director/auditor at the Tokyo Stock Exchange (“TSE”) and the Osaka Stock Exchange (“OSE”), Mr. Hiroichi Uekusa will be registered as independent director/auditor at TSE and OSE subject to and upon approval of this Proposal 3 at this general meeting of shareholders.
  - (7) No conflicts of interest exist between the Company and either Minato-Kyouwa Law Office or University of Tsukuba Law School where Mr. Hiroichi Uekusa holds concurrent important positions. The Company is, therefore, confident of independence of Mr. Hiroichi Uekusa.

**Proposal 4. 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, a Corporate Auditor.

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. (currently known<br>as NIPPON STEEL & SUMITOMO METAL CORPORATION)<br>Nov. 2002 Joined Unicharm Corporation<br>Dec. 2003 Joined JSR<br>Jun. 2012 Officer and General Manager, Legal Department (current<br>position), currently responsible for Legal affairs | 1,500                                                 |

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



### **Proposal 5. Payment of bonuses to Directors**

The Company would like to pay, considering the business performance of the Company for the current fiscal term, bonuses to five (5) Directors incumbent as of the end of the current fiscal term in a total amount for ¥ 49 million.

### **Proposal 6. Partial amendments to the conditions for exercising stock option rights to be granted to Directors as remuneration**

The Company, with the view to further strengthen its Directors' motivation and determination for further improvement in business performance and corporate value on medium to long term basis by making its Directors share the benefits and risks of share price changes, abolished the traditional cash retirement benefit in fiscal year 2005 and has started issuing stock acquisition rights to its Directors by way of granting stock options upon approval at the 60th and 61st the general meetings of shareholders held on June 17, 2005 and June 16, 2006, respectively.

The Company has issued and allotted stock acquisition rights to its Directors (other than Outside Directors) every year after obtaining an approval at the 62nd general meeting of shareholders held on June 15, 2007 which allowed the Company to issue and allot, upon the resolution of the Board of Directors, stock acquisition rights to its Directors as annual remuneration for the amount not exceeding ¥100 million in addition to the monthly remuneration for ¥30 million to its Directors approved at the 44th general meeting of shareholders held on June 29, 1989.

The Company, for the purpose of further enhancing the objectives of the introduction of stock options as remuneration to its Directors, likes to encourage its Directors to acquire more shares of the Company during the term of their office and therefore likes to seek approval for amending the date on or after which the Directors may exercise the stock acquisition rights as detailed below.

Current condition:

- 1) The holders of stock acquisition rights may exercise the rights only on or after the date following the date when they serve as neither Directors nor Officers of the Company ("commencement date of the exercise period")

After amendments:

- 1) The holders of stock acquisition rights may exercise the rights only on or after the date whichever comes earlier ("commencement date of the exercise period") of either
  - i) the date following the date when they serve as neither Directors nor Officers of the Company; or
  - ii) the date following the date three (3) years after the allotment date of the stock acquisition rights in question.

If this proposal is approved, the above amendments will be applied to the stock acquisition rights to be issued and allotted to Directors (other than Outside Directors), every year upon resolution of the Board of Directors meeting to be held after this general meeting of shareholders meeting.

The following are the changes relating to stock acquisition rights allotted to its Directors as remuneration through stock option.

| Details of stock acquisition rights (Current)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Details of stock acquisition rights (after amendment)                                            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|
| <p>(1) Number of stock acquisition rights, type and number of shares to be issued upon exercise of a stock acquisition right</p> <p>1) Number of stock acquisition rights to be issued within one year from the date of a general meeting of shareholders for respective business year;<br/>The number of stock acquisition rights shall be determined so that the amount obtained by multiplying the fair value of one stock acquisition right as of the date of the allotment (“allotment date”) by the number of stock acquisition rights is not exceeding ¥100 million per year.</p> <p>2) Type and number of shares to be issued upon exercise of a stock acquisition right;<br/>100 ordinary shares of the Company will be issued upon exercise of a stock acquisition right (“number of allotted shares”)</p> <p>Provided, however, that in the event the Company makes split of shares (including gratis issue) or reverse share split, the number of allotted shares shall be adjusted in proportion to the ratio of such share splits or reverse share split.</p> <p>Provided further that, should any adjustment of the number of allotted shares become indispensable due to decrease in capital or the like, the number may be adjusted to the extent reasonable in relation to the relevant terms and conditions governing such decrease in capital or the like.</p> <p>Fractions less than one share, which may arise as</p> | <p>(1) (Same as current one)</p> <p>1) (Same as current one)</p> <p>2) (Same as current one)</p> |

|                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>a result of such adjustment, will be discarded.</p>                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <p>(2) Amount to be paid for stock acquisition rights;<br/>The amount of fair value for stock acquisition rights will be paid, which will be calculated based upon various conditions such as share prices of the Company at the allotment date.</p>                                                                    | <p>(2) (Same as current one)</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <p>(3) The amount of money to be paid upon exercising stock acquisition rights;<br/>The amount of money to be paid upon exercising stock acquisition rights shall be an amount obtained by multiplying one yen per share by the number of shares to be granted by exercising stock acquisition rights.</p>              | <p>(3) (Same as current one)</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <p>(4) Exercise period of stock acquisition rights;<br/>The period determined by the resolution of the Board of Directors but not exceeding twenty (20) years from the day following the issuing date (“exercise period”)</p>                                                                                           | <p>(4) (Same as current one)</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <p>(5) The restriction on acquisition of stock acquisition rights by assignment;<br/>The acquisition of stock acquisition rights by assignment shall be subject to the approval by resolution of the Board of Directors.</p>                                                                                            | <p>(5) (Same as current one)</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <p>(6) Other conditions for the exercise of stock acquisition rights;<br/>1) The holders of stock acquisition rights may only exercise the rights on or after the date immediately following the date when they serve as neither Directors nor Officers of the Company (“commencement date of the exercise period”)</p> | <p>(6) Other conditions for the exercise of stock acquisition rights;<br/>1) The holders of stock acquisition rights may only exercise the rights on or after the date whichever comes earlier (“commencement date of the exercise period”) of either:<br/>i) the date immediately following the date when they serve as neither Directors nor Officers of the Company; or<br/>ii) the date immediately following the date three (3) years after the allotment date of the stock acquisition rights in question.</p> |
| <p>2) Notwithstanding the preceding paragraph 1), the</p>                                                                                                                                                                                                                                                               | <p>2) Notwithstanding the preceding paragraph (6) 1),</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>holders of stock acquisition rights may only exercise them during the period set out respectively in i) or ii) below:</p> <p>i) from 19 years and two days after the issuing date to the expiry date of the exercise period if the holders of stock acquisition rights have not exercised their rights by the day 19 years after the day following the issuing date.</p> <p>ii) If the general meeting of shareholders of the Company approves a proposal concerning a merger agreement, in which the Company is the non-surviving party, or a share exchange agreement in which the Company becomes a fully-owned subsidiary, or a proposal concerning share transfer, in such an event within 15 days of the day of such approval.</p> <p>3) Each stock acquisition right shall not be partially exercised.</p> <p>4) Other conditions of exercising stock acquisition rights shall be resolved at the meeting of the Board of Directors in which the terms and conditions for issuing stock acquisition rights are determined.</p> | <p>the holders of stock acquisition rights may exercise the rights within 15 days after the date when the general meeting of shareholders of the Company approves a proposal concerning a merger agreement, in which the Company is the non-surviving party, a share exchange agreement, in which the Company becomes a fully-owned subsidiary, or a proposal concerning share transfer.</p> <p>3) (Same as current one)</p> <p>4) (Same as current one)</p> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

**Reference:**

As the Company has issued and allotted stock acquisition rights of a similar nature to its Officers not serving concurrently as Directors upon resolutions of the Board of Directors, it intends to make similar amendments to the conditions of exercising stock acquisition rights to be issued and allotted to them upon approval of this proposal.

## **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. It is possible for shareholders to vote with mobiles including smartphone on full browser function, but you may not be able to do with some models.

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 68th Ordinary General Meeting of Shareholders)

**Business Report**

(from April 1, 2012 to March 31, 2013)

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

**(1) Business Developments and Results**

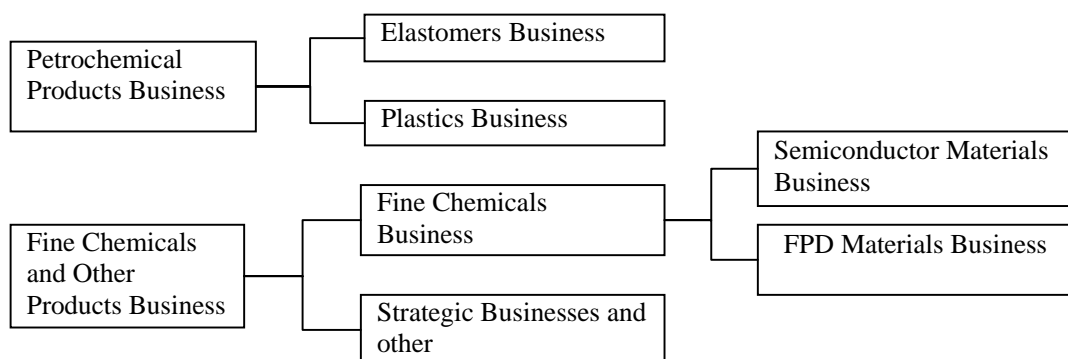
With respect to the JSR Group's major customers' industries, automobile production in North America remained robust due to strong demand and that in Japan grew steadily due to recovery from the Great East Japan Earthquake. However, car output in Europe was sluggish because of economic slowdown. Automobile tire production as a whole increased only slightly as a result of weak demand for replacement tires reflecting downturn in the global economy despite steady tire shipments for new cars. Meanwhile, the semiconductor market remained flat, because strong shipments for smartphone and multifunctional mobile terminal applications failed to make up for sluggish shipments for personal computer applications. Production of flat panel displays (FPDs) increased from a year earlier, thanks to strong demand for small-and medium-sized panels for mobile equipment.

Amid these circumstances, the JSR Group, in the Petrochemical Products Business, has expanded production capacity of products with technological advantages and has endeavored to increase their sales globally. The Group, in the Fine Chemicals and Other Products Business, has focused its efforts on cutting-edge semiconductor technology and materials and promoted sales expansion of materials used for displays of mobile equipment centering on electronic materials used for IT applications. In addition to existing bottom-up style cost reduction measures for variable costs and expenses, the Group has vigorously promoted "E-100 plus," a project to improve its cost structure by improving productivities and enhancing efficiencies from the broader and innovative standpoint of business divisions and the entire company.

In fiscal current year, we reported net sales of 371,487 million yen (up 6.2% year-on-year), operating income of 35,206 million yen (down 2.1%), ordinary income of 43,476 million yen (up 4.6%) and net income of 30,278 million yen (up 14.7%).

**Business Segment Overview**

The JSR Group's business is classified into the business segments as shown in the chart below :



## **Elastomers Business**

### **Sales of Synthetic Rubber**

In the previous fiscal year, we increased production capacity for solution polymerization styrene-butadiene rubber (S-SBR), a differentiated product among synthetic rubbers, at our Yokkaichi Plant, because demand for fuel-efficient tires expanded around the world due to the introduction of the tire labeling system. We took full advantages of the enhanced capacity at our Yokkaichi Plant to increase shipments of S-SBR and saw its growth rate substantially exceed that of global demand for S-SBR. To keep pace with further growing demand, we started construction of an S-SBR plant at JSR BST Elastomer Co., Ltd. (JBE), a joint-venture company in Thailand.

The segment's break-even point improved greatly, because we promoted a project to improve our cost structure that included reducing both fixed and variable costs, streamlining and improving productivity, and also tried to raise profitability by revising selling prices to cope with a change in raw material prices.

Despite such improvements and the increase in shipments associated with recovery from the Great East Japan Earthquake, the segment as a whole was in a difficult earnings environment because of sluggish demand for petrochemical products and a decline in selling prices caused by the global economic slowdown.

As a result, the Elastomers Business segment posted operating income of 17,923 million yen (down 7.4%) on net sales of 195,797 million yen (up 8.3%).

## **Plastics Business**

### **Sales of Plastics**

In the first half of the current fiscal year, shipments for automobile applications in Japan and overseas including reconstruction demand after the disaster remained steady, but in the second half, shipments fell from a year earlier due to a stall in demand for Asian countries including China and a decline in shipments for amusement machines applications as well as a negative reaction after the end of the government's subsidy program for eco-friendly cars in Japan. Meanwhile, we saw net sales and operating income increase from the previous fiscal year, because of our efforts to revise selling prices in accordance with a change in raw material prices and to reduce costs further. In addition, we decided to establish a subsidiary in Belgium in April 2013 to cope with growing demand in Europe.

As a result, the Plastics Business segment posted operating income of 2,962 million yen (up 38.6%) on net sales of 51,758 million yen (up 1.0%).

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

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

In the semiconductor materials business, demand for smartphone and multifunctional mobile terminal applications remained strong and sales of materials for cutting-edge applications increased. Meanwhile, demand for personal computer and memory applications continued to be weak and the burden of investment in cutting-edge fields increased. Consequently, net sales remained flat, but operating income decreased from a year earlier.

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

In the FPD materials business, net sales and operating income were almost the same as those of the previous year, because the capacity utilization of main liquid crystal panel (LCD) manufacturers, which remained low in the first half of the current fiscal year, recovered from the middle of the year and demand for smartphone and multifunctional mobile terminal applications continued to be steady, just like in the semiconductor materials business.

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

In the strategic businesses and other products, net sales in the current fiscal year increased to the level that equals to 2.5 times of those made in 2 years ago. Especially, in the precision materials and processing field, sales of heat-resistant transparent “ARTON™” for retardation film grew substantially from a year earlier because of strong demand for smartphone and multifunctional mobile terminal applications. In addition, sales of transparent conductive indium tin oxide (ITO) film for touch panel application came into full swing. In the environment and energy field, we marketed lithium-ion capacitors (LIC), an electricity storage device, with upgraded functionality and durability and the number of positive evaluations by customers steadily increased. In the biomedical materials field, we focused on three areas: in vitro diagnostics reagents, bioprocess materials and medical polymers. In the in vitro diagnostics reagents area, in addition to manufacturing and sales in Japan, J & W Beijing Biotech Co., Ltd., a joint-venture company established in China, started marketing in October 2012.

As a result, the Fine Chemicals and Other Products Business segment posted operating income of 14,320 million yen (down 1.0%) on net sales of 123,931 million yen (up 5.1%).

### **(2) Capital Expenditure**

Our capital expenditure totaled 27.6 billion yen in the current fiscal year which included most notably, the construction of the production plant for S-SBR at JSR BST Elastomer Co., Ltd, our subsidiary in Thailand.

### **(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 by the JSR Group at the end of the current fiscal year was 20.8 billion yen.

### **(4) Issues to be addressed for the JSR Group**

#### **(a) Progress in the current fiscal year**

“JSR20i3,” our mid-term business plan, is being carried out during the period for the “initiation of growth” among the three phases to realize our vision set for 2020. The objectives of “JSR20i3” include transformation of our business structure, a shift from conventional core businesses (the Petrochemicals Products Business and Fine Chemicals and Other Products Business) to “the Core business and Strategic business.” We have steadily performed tasks to achieve our objectives.

In the Petrochemicals Products Business segment, we increased production capacity of S-SBR at our Yokkaichi plant and promoted the construction of an S-SBR plant at JBE in Thailand to globally market our differentiated product. We also implemented measures to revamp our cost structure under “E-100plus,” a project to strengthen our power to improve earnings.

In the Fine Chemicals and Other Products Business segment, we focused on expanding market share and strengthening market position of our mainstay products (cutting-edge photoresists and alignment films for LCD, etc.). For example, in the semiconductor material business, we succeeded in obtaining market share in cutting edge lithography materials for 20-nm generation logics. Our business is expected to grow in the most advanced material field. In the FPD material business, we established R&D centers in South Korea and Taiwan to flexibly and promptly respond to customers’ requirements amid the progress of a rapid shift of the industry to Asia (“Asian Global”).

In the Strategic Businesses and other segment, we saw sales expand in the precision materials and processing business, mainly retardation films and transparent conductive indium tin oxide for touch panel application (ITO film). We also aimed for early launch of the lithium-ion capacitor (LIC) and medical material businesses. The



business potential of “ULTIMO™,” our product in the LIC business, expanded largely due to a substantial improvement in performance and durability. In the medical material business, we established JSR Life Sciences Corporation to create a framework for global business in partnership with overseas subsidiaries and used investment in and strategic alliance with several start-up companies to solidify a base for growth.

#### **(b) Challenges of the Petrochemicals Products Business**

We will endeavor to start production of S-SBR plant at JBE in Thailand at an early date and also study the possibility of the second phase construction at JBE and establishment of a new stronghold by carefully monitoring the global S-SBR supply-demand balance. We will promptly adjust sales policies to cope with a fluctuation of raw material prices to maximize our profit, while implementing various measures to ensure stable procurement of cost -competitive butadiene.

#### **(c) Challenges of Fine Chemicals and Other Products Business**

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

In the semiconductor material business, we will strive to increase sales of lithography materials including cutting-edge photoresists, our mainstay products, and upgrade the portfolio of products that accommodate three-dimensional packaging, such as chemical mechanical planarization (CMP) materials and cutting-edge packaging materials. In the FPD material business, we will focus on expanding sales and improving profitability by implementing the following measures: expanding sales of alignment films for LCD, a main product, offering products that respond to the sophistication of small-and-medium-sized panels and thoroughly coping with globalization centering on Asia in the LCD panel business.

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

We will concentrate our business resources on the lithium-ion capacitor (LIC) and medical material businesses, key areas in the strategic business segment, to accelerate growth, while steadily developing precision materials and processing business. In the LIC business, we will boost R&D at JM Energy Corporation to capture the opportunity of expanding demand for medium-and-large-sized storage batteries for automobile, transportation, industrial and medical applications. To cultivate the market of LIC applied products, we will use an alliance with Capstone Metering LLC.

In the medical material business, a ground swell of use of individualized medicine that takes into account individual people’s constitution has brought public attention to high molecular drugs that differ from conventional drugs. Given this situation, we will set in vitro diagnostics agents and bioprocess materials as our key growth driver and focus on business development in Europe, North America and emerging countries, mainly through JSR Life Sciences Corporation. In addition to strategic alliances with an overseas companies that have manufacturing process technology for biopharmaceuticals, we concluded a capital and business alliance with Medical & Biological Laboratories Co., Ltd. (MBL) in March 2013. We will accelerate our efforts in the field of new drug discovery support reagents and diagnostic agents by integrating MBL’s antibody, antigen and genetic technology and reagent development technology with our medical material technology.

#### **(d) Other Challenges for the JSR Group**

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

Developing human resources is one the most important issues for an enterprise to address to achieve sustainable growth. Based on our human resource development policy that places importance on self-reliant growth of employees, we will continue implementing human resource development measures to strengthen

organizational capability. In pursuit of penetration of the Group's Essential Elements and reform of corporate culture, we will practice our Course of Action, especially 4Cs (Challenge, Communication, Collaboration and Cultivation), and encourage individual people and organizations to act voluntarily while sharing the Group's targets and values.

#### < Corporate Governance >

We are a company with corporate auditors. The Board of Directors and Board of Corporate Auditors closely monitor our management. From the previous fiscal year, we have appointed outside directors, who are highly independent and neutral and have extensive business experience, to upgrade functions to monitor the appropriateness of managerial judgment and legitimacy of execution of operations and to enhance the managerial decision-making function. We will continuously strive to strengthen and enhance our corporate governance to realize fair, transparent and prompt execution of operations.

#### < CSR >

The JSR Group promotes CSR activities based on the pillars of four activities—corporate ethics, responsible care, risk management and social contribution—under the initiative of the CSR Committee to fulfill corporate social responsibility. As a member of the Chemical industry, we recognize environment and safety, in particular, as one of the most important issues for the basis of management. We will try to effectively promote CSR activities throughout the entire group and raise the level of these activities.

We will continue to fully address the above-mentioned issues in FY 2014, the final year of “JSR20i3.”

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

| Category             |             | 65th Term<br>Apr 2009-Mar 2010 | 66th Term<br>Apr 2010-Mar 2011 | 67th Term<br>Apr 2011-Mar 2012 | 68th Term<br>Apr 2012-Mar 2013 |
|----------------------|-------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Net sales            | (¥ million) | 310,183                        | 340,665                        | 349,946                        | 371,487                        |
| Operating profit     | (¥million)  | 20,230                         | 39,094                         | 35,964                         | 35,206                         |
| Net profit           | (¥ million) | 13,644                         | 27,570                         | 26,407                         | 30,278                         |
| Net profit per share | (¥)         | 55.87                          | 113.07                         | 109.46                         | 126.13                         |
| Total Assets         | (¥ million) | 373,565                        | 390,590                        | 430,692                        | 482,935                        |

(Notes)

1. Both sales and net profit for the 65th Term decreased with lower sales in every business.
2. Both sales and net profit for the 66th Term increased with higher sales in every business.
3. Net profit for the 67th Term decreased despite increase in Sales.
4. Results for the 68th Term are as shown in the “Progress and Results of Businesses” in (1) above.

#### (Reference) Financial Outlook for the proceeding fiscal year

| Category             |             | 69th Term<br>Apr 2013-Mar 2014 |
|----------------------|-------------|--------------------------------|
| Net sales            | (¥ million) | 415,000                        |
| Operating profit     | (¥ million) | 43,000                         |
| Net profit           | (¥ million) | 31,500                         |
| Net profit per share | (¥)         | 132.66                         |

(Note)

Financial Outlook provided in the table left hand side is based on information available at the time of writing and assumptions deemed reasonable, however, actual results may differ materially depending upon various factors.

**(6) Principal Subsidiaries and Affiliates (as of March 31, 2013)**

**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 3,600 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                                                                            |
| J & W Beijing Biotech Co., Ltd. | RMB 25 million       | 60                 | Development, manufacturing and sale of latex reagents intermediates and chemiluminescent reagents intermediates        |
| 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. J & W Beijing Biotech Co., Ltd. is added to the list above from this fiscal year.
3. The Company established Techno Europe N.V. in Belgium on April 2, 2013.
4. JSR Business Services Co., Ltd. split up its IT related business into JN System Partners Co., Ltd. on May 1, 2013.

## 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<br>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 thermoplastic 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. |
| Medical & Biological Laboratories Co., Ltd (“MBL”) | ¥4,482 million        | 33.4               | Research, development, manufacturing, import and export and sale of medical drugs and reagents for medical and biological research                           |

(Notes)

1. Figures in the above “ Capital column” are rounded down at the decimal point.  
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.
2. The Company added MBL to the list above from this fiscal year as the Company acquired equity of MBL on March 29, 2013 and started business alliance from April 1, 2013 onward.
3. On May 1, 2013, the Company sold to NEC Corporation 60% share of JN System Partners Co., Ltd. established by splitting up IT related businesses of JSR Business Services Co., Ltd.

**(7) Major Business Activities (as of March 31, 2013)**

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                                                                                                                                                                                                                                                                                                                                          |
|                                            | Plastics                                 | ABS resin, AES resin, AS resin, ASA resin, etc. |                                                                                                                                                                                                                                                                                                                                                                                      |
| Fine Chemicals and Other 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, high performance dispersants, functional particles for industrial use, latent heat storage materials, materials for heat resistant paint, battery materials, etc.), biomedical materials, lithium ion capacitors, and optical fiber coating materials, etc |

**(8) Sales Offices, Plants, and other facilities (as of March 31, 2013)**

**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                |                                                 | Yokkaichi, Mie   |
|                          | Tsukuba Research Laboratories              |                                                 | Tsukuba, Ibaraki |
| Overseas                 | Switzerland Branch                         |                                                 | Switzerland      |
|                          | Taiwan Office                              |                                                 | Taiwan           |
|                          | Singapore Office                           |                                                 | Singapore        |

(Note) The Company set up Singapore Branch Office and transferred the businesses from Singapore Liaison Office on April 10, 2013.

## 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          |                |
|                                            | J & W Beijing Biotech Co., Ltd.              | China                     |                |
|                                            | Medical & Biological Laboratories Co., Ltd.* | Nagoya, Aichi             |                |
|                                            | 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, 2013)

|                      |                                      |
|----------------------|--------------------------------------|
| Number. of employees | Increase/decrease from previous term |
| 5,659                | Increase by 256                      |

**(10) Major Lenders (as of March 31, 2013)**

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

(Note) The above lenders are the Company's major ones.

**2 Shares of the Company (as of March 31, 2013)**

- (1) Total number of shares authorized to be issued 696,061,000 shares  
(2) Total number of issued shares 237,973, 205  
The Company cancelled 17,911,961 of its treasury shares (equivalent to 7% of its total number of issued shares prior to the share cancellation) upon resolution of the Board of Directors on January 28, 2013.  
(3) One unit of shares 100  
(4) Number of shareholders 20,068  
(5) Major Shareholders

| Name of shareholder                                                                                        | Investments in the Company |                    |
|------------------------------------------------------------------------------------------------------------|----------------------------|--------------------|
|                                                                                                            | Number of shares held      | Shareholding Ratio |
|                                                                                                            | thousand shares            | %                  |
| Bridgestone Corporation                                                                                    | 38,886                     | 16.36              |
| Japan Trustee Services Bank, Ltd. (trust account)                                                          | 13,799                     | 5.81               |
| The Master Trust Bank of Japan, Ltd. (trust account)                                                       | 11,535                     | 4.85               |
| THE CHASE MANHATTAN BANK 385036                                                                            | 6,496                      | 2.73               |
| The Master Trust Bank of Japan, Ltd. (trust account for Retirement Allowance of Mitsubishi Chemical Corp.) | 5,236                      | 2.20               |
| Mizuho Corporate Bank, Ltd.                                                                                | 5,125                      | 2.15               |
| Nippon Life Insurance Company                                                                              | 4,199                      | 1.76               |
| SSBT OD05 OMNIBUS ACCOUNT- TREATY CLIENTS                                                                  | 3,940                      | 1.65               |
| STATE STREET BANK AND TRUST COMPANY                                                                        | 3,839                      | 1.61               |
| Meiji Yasuda Life Insurance Company                                                                        | 3,631                      | 1.52               |

(Notes)

- The numbers in the columns under "Number of shares held" are rounded down to thousands of shares.
- The shareholding ratio is calculated by using 237,457,765 shares (calculated by deducting number of treasury shares (515,440 shares) from Total number of issued shares (237,973,205 shares) and rounded down to two decimal places.



### 3. Matters Related to stock acquisition rights of the Company (as of March 31, 2013)

#### (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)                  | 369 units                              | Ordinary shares 36,900 shares                                      | 1 yen                                                 | From July 14, 2010 to July 13, 2030            | 5                 |
|             | JSR Corporation Stock acquisition rights for 2011 (July 12, 2011)                  | 372 units                              | Ordinary shares 37,200 shares                                      | 1 yen                                                 | From July 13, 2011 to July 12, 2031            | 5                 |
|             | JSR Corporation Stock acquisition rights for 2012 (July 10, 2012)                  | 382 units                              | Ordinary shares 38,200 shares                                      | 1 yen                                                 | From July 11, 2012 to July 10, 2032            | 5                 |

(Note) The Company has not issued stock acquisition rights to either its Outside Directors or Corporate Auditors as remuneration for exercising duties as Outside Directors or Corporate Auditors.

#### (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 2012 (July 10, 2012) | 570 units                              | Ordinary shares 57,000 shares                                      | 1 yen                                                 | From July 11, 2012 to July 10, 2032            | 18                         |

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

##### (1) Directors and Corporate Auditors of the Company (as of March 31, 2013)

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

(Notes)

- Messrs. Takuya Goto, Michio Kariya, and Kazunori Yagi are Outside Directors.
- Messrs. Kenji Ito, Hiroichi Uekusa, and Nobuko Kato are Outside Corporate Auditors.
- Mr. Kenji Ito, Corporate Auditor, is a certified public accountant, having sufficient knowledge of financing and accounting.
- Messrs. Takuya Goto, Michio Kariya and Kazunori Yagi, Directors, and Messrs. Kenji Ito and Hiroichi Uekusa, Corporate Auditors are registered as independent directors/auditors at Tokyo Stock Exchange and Osaka Stock Exchange in accordance with their respective definitions.
- No conflicts of interest exist between the Company and Olympus Corporation, Japan Marketing Association or Asia Marketing Federation where Mr. Takuya Goto, Director, holds concurrent important positions. The Company has business relationship with Kao Corporation (“Kao”), where Mr. Takuya Goto had served as Representative Director, President, and Representative Director, Chairman in the past, involving purchases of chemicals by the Company of which amount is less than 0.1% of the sales of Kao during the previous fiscal year ending on 31st March 2012.
- The Company has business relationship with Nikon Corporation (“Nikon”), where Mr. Michio Kariya, Director, currently serves as Executive Advisor, 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 and the Company respectively during the previous fiscal year ending on 31st March 2012.
- The Company has business relationship with Yokogawa Electric Corporation (“YEC”) where Mr. Kazunori Yagi, Director, holds important concurrent position, 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 2012, while no conflicts of interest exist between the Company and Yokogawa Bridge Holdings Corporation.
- Mr. Kenji Ito, Corporate Auditor, does not hold any important concurrent position.

9. No conflict of interest exist between the Company and Minato-Kyouwa Law Office nor University of Tsukuba Law School, where Mr. Hiroichi Uekusa, Corporate Auditor, has important concurrent positions.
10. 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.
11. The following are the list of Director(s) and/or Corporate Auditor(s) who retired or resigned during the current fiscal year (Titles are stated as of the date of retirement or resignation );  
Corporate Auditor : Bessho Nobuo (retired on June 15, 2012)

**(Reference) : Officers of the Company (as of March 31, 2013)**

| Position                   | Name                | Responsibilities and Title                                                                                                                                                                                                                                      |
|----------------------------|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Executive Managing Officer | Masaki Hirose*      | CSR, General Affairs, 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., President Japan Butyl Co., Ltd. and President, KRATON JSR ELASTOMERS K.K. |
| Managing Officer           | Hisao Hasegawa      | Manufacturing and Technology, Quality Assurance, Procurement, Logistics, and Information Technology, General Manager of Manufacturing and Technology Group, and President of Tobu Butadiene, Co., Ltd.                                                          |
| Managing Officer           | Yasuhisa Nagahiro   | Yokkaichi Plant Manager                                                                                                                                                                                                                                         |
| Senior Officer             | Atsushi Kumano      | Research & Development (deputy), and General Manager, R & D Department and General Manager, Tsukuba Research Laboratories                                                                                                                                       |
| Senior Officer             | Nobuo Kawahashi     | President, JSR Micro Korea Co., Ltd                                                                                                                                                                                                                             |
| Senior Officer             | Takashi Wakabayashi | Representative Vice President, Kumho Polychem Co., Ltd.                                                                                                                                                                                                         |
| Officer                    | Takatoshi Nagatomo  | President, JSR BST Elastomer Co., Ltd.                                                                                                                                                                                                                          |
| Officer                    | Takeshi Sugimoto    | General Manager, Electronics Materials Division                                                                                                                                                                                                                 |
| Officer                    | Tsuyoshi Watanabe   | General Manager, Business Planning, Strategic Business                                                                                                                                                                                                          |
| Officer                    | Hayato Hirano*      | Finance, Accounting, Corporate Communications, and General Manager, Group Companies Coordination                                                                                                                                                                |
| Officer                    | Katsuya Inoue       | General Manager, Business Planning Department, Fine Chemical Business                                                                                                                                                                                           |
| Officer                    | Fumio Tsutsumi      | Strategic Businesses, Performance Chemicals (deputy), 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    | Strategic Businesses, Precision Materials and Processing and Lithium Ion Capacitors (deputy) General Manager of Precision Materials and Processing Division                                                                                                     |
| Officer                    | Makoto Doi          | Legal General Manager of Legal Department                                                                                                                                                                                                                       |

|         |                   |                                                                                                                                                     |
|---------|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| Officer | Takao Shimizu     | Corporate Planning<br>General Manager of Corporate Planning Department                                                                              |
| Officer | Tsutomu Shimokawa | Yokkaichi Research Center<br>General Manager of Yokkaichi Research Center,<br>General Manager of Fine Electronic Materials Research<br>Laboratories |

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

The following are the changes in responsibilities and title of the Officers after the organizational reform on April 1, 2013

| Position         | Name                | Responsibilities and Title                                                                                                                                                                                                                                                                                        |
|------------------|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Managing Officer | Yasuki Sajima       | Plastics Business,<br>President, Technopolymer Co., Ltd.                                                                                                                                                                                                                                                          |
| Managing Officer | Koichi Kawasaki     | Petrochemical Products Sector, Safety and Environment<br>Affairs<br>General Manager, Petrochemical Products Div.,<br>President, Japan Butyl Co., Ltd,<br>President, KRATON JSR ELASTOMERS K. K.                                                                                                                   |
| Managing Officer | Hisao Hasegawa      | Procurement, Logistics, Manufacturing and Technology<br>Product Safety & Quality Assurance, Information<br>Technology,<br>General Manager, Manufacturing and Technology<br>Group, General Manager, Technology Planning<br>Department, Manufacturing and Technology Group,<br>President, Tobu Butadiene, Co., Ltd. |
| Managing Officer | Yasuhisa Nagahiro   | Display Materials Business, Optical Materials Business                                                                                                                                                                                                                                                            |
| Senior Officer   | Kazuyoshi Nakazawa* | Plant Manager, Yokkaichi Plant                                                                                                                                                                                                                                                                                    |
| Officer          | Takeshi Sugimoto    | Electronic Materials Business<br>General Manager, Electronic Materials Division                                                                                                                                                                                                                                   |
| Officer          | Katsuya Inoue       | Business Planning, Fine Chemical Business<br>General Manager of Business Planning, Fine Chemical<br>Business                                                                                                                                                                                                      |

(Note) [\*] denotes an Officer newly appointed

**(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) | 8<br>(3) | 218<br>(33)      | 5<br>(3)          | 45<br>(16)       |
| Bonus for this fiscal term<br>(for Outside Directors and Outside Corporate Auditors)                                                      | 5<br>(-) | 49<br>(-)        | -<br>(-)          | -<br>(-)         |
| Stock Option as Remuneration to Directors<br>(for Outside Directors and Outside Corporate Auditors)                                       | 5<br>(-) | 43<br>(-)        | -<br>(-)          | -<br>(-)         |
| Total<br>(for Outside Directors and Outside Corporate Auditors)                                                                           | 8<br>(3) | 311<br>(33)      | 5<br>(3)          | 45<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 1 Corporate Auditor who retired 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 5 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     | Outside Director          | Mr. Goto participated in all 17 meetings of the Board of Directors held during the current fiscal year. 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, on management of the company that pursues major global businesses of consumer products and industrial chemicals, and by providing appropriate advices, as well as neutral and independent view point, at the Board of Directors meetings etc. from time to time                                                                                  |
| Michio Kariya   | Outside Director          | Mr. Kariya participated in 16 of all 17 meetings of the Board of Directors held during the current fiscal year. 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 on management of the company that pursues major global businesses of imaging products and precision equipment, and by providing appropriate advices, as well as neutral and independent view point, at the Board of Directors meetings etc. from time to time,                                                                          |
| Kazunori Yagi   | Outside Director          | Mr. Yagi participated in 12 of all 13 meetings of the Board of Directors held during the current fiscal year after his appointment as a Director. Mr. Yagi 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 on management of the company that pursues major global businesses of manufacturing and providing services of industrial automation and control systems, and by providing appropriate advices, as well as neutral and independent view point, at the Board of Directors meetings etc. from time to time, |
| Kenji Ito       | Outside Corporate Auditor | Mr. Ito participated in all 17 meetings of the Board of Directors and in all 16 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 and by providing appropriate advices, as well as neutral and independent view point, at the Board of Directors meetings etc. from time to time,     |
| Hiroichi Uekusa | Outside Corporate Auditor | Mr. Uekusa participated in all 17 meetings of the Board of Directors and in all 16 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 and by providing appropriate advices, as well as neutral and independent view point, at the Board of Directors meetings etc. from time to time.                                     |
| Nobuko Kato     | Outside Corporate Auditor | Ms. Kato participated in all 17 meetings of the Board of Directors and in all 16 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 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

(Notes)

1. 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.
2. The Company entrusted to its Accounting Auditors certification services for salaries for employees assigned to foreign office as non-auditing services other than audit certification services set forth under Article 2.1 of Public Accountant Law,
3. Among principle subsidiaries and affiliates of the Company, accounting firms other than Accounting Auditors of the Company have been performing audits for overseas subsidiaries and affiliates.

**(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**

- 1) 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.
- 2) 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.
  - 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.
- 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.

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, 2013)

| 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>320,419</b>      | <b>292,423</b>                   | <b>Current Liabilities</b>                    | <b>141,846</b>      | <b>129,877</b>                   |
| Cash and deposits                        | 32,190              | 20,490                           | Notes and accounts payable-trade              | 97,225              | 83,077                           |
| Notes and accounts receivable-trade, net | 91,511              | 89,193                           | Short-term loans payable                      | 14,210              | 15,183                           |
| Short-term investment securities         | 79,412              | 69,496                           | Income taxes payable                          | 6,888               | 6,330                            |
| Inventories                              | 74,687              | 64,946                           | Other                                         | 23,521              | 25,286                           |
| Accounts receivable-other                | 28,882              | 24,953                           | <b>Noncurrent Liabilities</b>                 | <b>25,355</b>       | <b>18,457</b>                    |
| Deferred tax assets                      | 4,190               | 3,669                            | Long-term loans payable                       | 6,625               | 500                              |
| Other                                    | 9,543               | 19,673                           | Provision for retirement benefits             | 15,211              | 13,966                           |
|                                          |                     |                                  | Provision for environmental measures          | 2,101               | 2,700                            |
|                                          |                     |                                  | Other                                         | 1,417               | 1,289                            |
| <b>Noncurrent Assets</b>                 | <b>162,516</b>      | <b>138,269</b>                   | <b>Total Liabilities</b>                      | <b>167,201</b>      | <b>148,335</b>                   |
| <b>Property, plant and equipment</b>     | <b>93,205</b>       | <b>80,504</b>                    | <b>Net Assets</b>                             |                     |                                  |
| Buildings and structures, net            | 27,824              | 27,513                           | <b>Shareholders' equity</b>                   | <b>300,577</b>      | <b>284,279</b>                   |
| Machinery, equipment and vehicles, net   | 25,800              | 27,398                           | Common stock                                  | 23,320              | 23,320                           |
| Land                                     | 18,685              | 18,452                           | Capital surplus                               | 25,179              | 25,179                           |
| Construction in progress                 | 15,540              | 4,075                            | Retained earnings                             | 253,009             | 263,100                          |
| Other, net                               | 5,354               | 3,063                            | Treasury stock                                | (930)               | (27,321)                         |
| <b>Intangible assets</b>                 | <b>6,309</b>        | <b>5,166</b>                     | <b>Accumulated Other Comprehensive Income</b> | <b>8,063</b>        | <b>(3,323)</b>                   |
| <b>Investments and other assets</b>      | <b>63,001</b>       | <b>52,597</b>                    | Unrealized gains on securities, net of taxes  | 8,470               | 4,217                            |
| Investment securities                    | 50,531              | 37,129                           | Foreign currency translation adjustment       | (407)               | (7,541)                          |
| Deferred tax assets                      | 1,806               | 3,840                            | <b>Subscription rights to shares</b>          | <b>728</b>          | <b>655</b>                       |
| Other, net                               | 10,662              | 11,628                           | <b>Minority interests</b>                     | <b>6,364</b>        | <b>746</b>                       |
|                                          |                     |                                  | <b>Total Net Assets</b>                       | <b>315,733</b>      | <b>282,357</b>                   |
| <b>Total Assets</b>                      | <b>482,935</b>      | <b>430,692</b>                   | <b>Total Liabilities and Net Assets</b>       | <b>482,935</b>      | <b>430,692</b>                   |

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

**Consolidated Statements of Income**  
(from April 1, 2012 to March 31, 2013)

(in millions of yen)

| Items                                                    | <b>Current<br/>Fiscal Year</b> | Previous<br>Fiscal Year<br>(Reference) |
|----------------------------------------------------------|--------------------------------|----------------------------------------|
|                                                          | Amount                         | Amount                                 |
| <b>Net Sales</b>                                         | <b>371,487</b>                 | <b>349,946</b>                         |
| <b>Cost of sales</b>                                     | <b>279,161</b>                 | <b>260,486</b>                         |
| <b>Gross profit</b>                                      | <b>92,325</b>                  | <b>89,460</b>                          |
| <b>Selling, general and administrative expenses</b>      | <b>57,119</b>                  | <b>53,496</b>                          |
| <b>Operating income</b>                                  | <b>35,206</b>                  | <b>35,964</b>                          |
| <b>Non-operating income</b>                              | <b>9,409</b>                   | <b>6,883</b>                           |
| Interest income                                          | 370                            | 247                                    |
| Dividends income                                         | 438                            | 386                                    |
| Foreign exchange gains                                   | 2,975                          | 359                                    |
| Equity in earnings of affiliates                         | 4,731                          | 4,729                                  |
| Other                                                    | 892                            | 1,160                                  |
| <b>Non-operating expenses</b>                            | <b>1,138</b>                   | <b>1,274</b>                           |
| Interest expenses                                        | 125                            | 146                                    |
| Depreciation                                             | 141                            | 261                                    |
| Other                                                    | 871                            | 865                                    |
| <b>Ordinary income</b>                                   | <b>43,476</b>                  | <b>41,573</b>                          |
| <b>Extraordinary income</b>                              | <b>214</b>                     | <b>4,287</b>                           |
| Gain on sales of investment securities                   | 214                            | —                                      |
| Gain on sales of noncurrent assets                       | —                              | 4,287                                  |
| <b>Extraordinary loss</b>                                | <b>844</b>                     | <b>4,616</b>                           |
| Loss on abandonment of inventories                       | 741                            | 533                                    |
| Impairment loss                                          | —                              | 1,919                                  |
| Loss on abandonment of noncurrent assets                 | —                              | 1,182                                  |
| Loss on disaster                                         | —                              | 816                                    |
| Other                                                    | 102                            | 164                                    |
| <b>Income before income taxes and minority interests</b> | <b>42,847</b>                  | <b>41,244</b>                          |
| <b>Income taxes</b>                                      | <b>12,556</b>                  | <b>14,786</b>                          |
| Income tax-current                                       | 12,948                         | 12,297                                 |
| Income tax-deferred                                      | (391)                          | 2,489                                  |
| <b>Income before minority interests</b>                  | <b>30,290</b>                  | <b>26,457</b>                          |
| <b>Minority interest in income</b>                       | <b>12</b>                      | <b>50</b>                              |
| <b>Net income</b>                                        | <b>30,278</b>                  | <b>26,407</b>                          |

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

**Consolidated Statements of Changes in Net Assets**  
(from April 1, 2012 to March 31, 2013)

(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          | 263,100           | (27,321)       | <b>284,279</b>             |
| Changes of items during the period                   |                      |                 |                   |                |                            |
| Dividends from surplus                               |                      |                 | (7,961)           |                | <b>(7,961)</b>             |
| Net income                                           |                      |                 | 30,278            |                | <b>30,278</b>              |
| Purchase of treasury stock                           |                      |                 |                   | (6,000)        | <b>(6,000)</b>             |
| Disposal of treasury stock                           |                      |                 | (4)               | 38             | <b>34</b>                  |
| Retirement of treasury stock                         |                      |                 | (32,352)          | 32,352         | —                          |
| Change of scope of consolidation                     |                      |                 | (51)              |                | <b>(51)</b>                |
| Net changes of items other than shareholders' equity |                      |                 |                   |                | —                          |
| Total changes of items during the period             | —                    | —               | (10,091)          | 26,390         | <b>16,298</b>              |
| <b>Balance at the end of current period</b>          | <b>23,320</b>        | <b>25,179</b>   | <b>253,009</b>    | <b>(930)</b>   | <b>300,577</b>             |

|                                                      | 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           | 4,217                                        | (7,541)                                 | 655                           | 746                | <b>282,357</b>   |
| Changes of items during the period                   |                                              |                                         |                               |                    |                  |
| Dividends from surplus                               |                                              |                                         |                               |                    | <b>(7,961)</b>   |
| Net income                                           |                                              |                                         |                               |                    | <b>30,278</b>    |
| Purchase of treasury stock                           |                                              |                                         |                               |                    | <b>(6,000)</b>   |
| Disposal of treasury stock                           |                                              |                                         |                               |                    | <b>34</b>        |
| Retirement of treasury stock                         |                                              |                                         |                               |                    | —                |
| Change of scope of consolidation                     |                                              |                                         |                               |                    | <b>(51)</b>      |
| Net changes of items other than shareholders' equity | 4,252                                        | 7,134                                   | 72                            | 5,618              | <b>17,077</b>    |
| Total changes of items during the period             | 4,252                                        | 7,134                                   | 72                            | 5,618              | <b>33,376</b>    |
| <b>Balance at the end of current period</b>          | <b>8,470</b>                                 | <b>(407)</b>                            | <b>728</b>                    | <b>6,364</b>       | <b>315,733</b>   |

(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: 30 companies

Names of consolidated subsidiaries:

ELASTOMIX Co., Ltd., JSR TRADING, INC.,  
ELASTOMIX (THAILAND) CO., LTD., ELASTOMIX (FOSHAN) CO., LTD.,  
JSR BST Elastomer 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,  
JSR Trading (Shanghai) Co., Ltd. and JSR Life Science Corporation

JSR BST Elastomer Co., Ltd. and JSR Life Science Corporation have been consolidated since April 1, 2012 due to increase of materiality.

##### 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: Medical & Biological Laboratories Co., Ltd. ,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 (Medical & Biological Laboratories Co., Ltd. and 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

Available-for-sale 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.

(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 accounting policies

#### Changes in depreciation method

Effective April 1, 2012, due to a revision of the corporate tax law in Japan, the Company and some of its domestic consolidated subsidiaries have applied a depreciation method based on the revised law for tangible assets purchased on or after 1 April, 2012.

The impact of this change on operating income, ordinary income and income before income taxes for the current fiscal year is immaterial.

### 4. Changes in presentation

(1) Changes in presentation of consolidated balance sheet

"Long-term loans payable" of noncurrent liability 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.

(2) Changes in presentation of consolidated statements of income

“Foreign exchange gains” of non-operating income 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.

## 5. Notes on consolidated balance sheet

### (1) Assets pledged and claims related thereto

|                             |                                                              |                 |
|-----------------------------|--------------------------------------------------------------|-----------------|
| Assets pledged              | Property, plant and equipment                                | ¥ 7,008 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 | ¥ 460 million |
| Investments and other assets; | Other                                    | ¥ 355 million |

### (3) Accumulated depreciation on property, plant and equipment (including accumulated impairment loss):

¥ 355,493 million

### (4) Export exchange notes discounted: ¥ 302 million

### (5) Guarantee obligations

|           |              |
|-----------|--------------|
| Employees | ¥ 11 million |
|-----------|--------------|

## 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:

237,973,205 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 15, 2012 | Ordinary shares | 3,859                                   | 16                        | March 31, 2012     | June 18, 2012               |
| Board of Directors Meeting on October 29, 2012            | Ordinary shares | 4,101                                   | 17                        | September 30, 2012 | November 28, 2012           |
| Total                                                     |                 | 7,961                                   | 33                        |                    |                             |

#### 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 will propose, at its ordinary general meeting of shareholders to be convened on June 21, 2013, an agenda for term-end dividends for appropriation of surplus as detailed below;

##### Item related to ordinary share dividends

|                             |                   |
|-----------------------------|-------------------|
| Dividends in total          | ¥ 4,036 million   |
| Source of dividends         | Retained earnings |
| Amount per share            | ¥ 17              |
| Record date                 | March 31, 2013    |
| Effective date of dividends | June 24, 2013     |

### (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

67,500 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 material differences between the book value on the consolidated balance sheet and the market value of the above financial instruments as of March 31, 2013 (consolidated account closing date).

## 8. Notes on per-share information

|                      |           |
|----------------------|-----------|
| Net assets per share | ¥1,299.77 |
| Net income per share | ¥126.13   |

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, 2013)

(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>261,856</b>      | <b>246,887</b>                   | <b>Current Liabilities</b>                             | <b>128,226</b>      | <b>119,985</b>                   |
| Cash and deposits                                                | 15,605              | 13,434                           | Accounts payable-trade                                 | 84,408              | 71,069                           |
| Notes receivable                                                 | 964                 | 1,129                            | Short-term loans payable                               | 13,663              | 14,663                           |
| Accounts receivable-trade, net                                   | 72,425              | 68,719                           | Accounts payable-other                                 | 3,326               | 8,875                            |
| Short-term investment securities                                 | 78,997              | 69,496                           | Income taxes payable                                   | 4,611               | 4,212                            |
| Inventories                                                      | 48,701              | 42,410                           | Accrued expenses                                       | 11,618              | 12,269                           |
| Accounts receivable-other                                        | 36,758              | 31,246                           | Deposits received from subsidiaries and affiliates     | 10,072              | 8,578                            |
| Deferred tax assets                                              | 1,785               | 1,625                            | Other                                                  | 526                 | 316                              |
| Other                                                            | 6,618               | 18,825                           |                                                        |                     |                                  |
| <b>Noncurrent Assets</b>                                         | <b>133,046</b>      | <b>126,773</b>                   | <b>Noncurrent Liabilities</b>                          | <b>16,280</b>       | <b>15,508</b>                    |
| <b>Property, plant and equipment</b>                             | <b>57,178</b>       | <b>57,575</b>                    | Long-term loans payable                                | 500                 | 500                              |
| Buildings, net                                                   | 15,440              | 15,638                           | Provision for retirement benefits                      | 12,970              | 11,674                           |
| Structures, net                                                  | 3,428               | 3,695                            | Provision for environmental measures                   | 1,901               | 2,488                            |
| Machinery and equipment, net                                     | 16,246              | 17,984                           | Other                                                  | 908                 | 845                              |
| Vehicles, net                                                    | 43                  | 74                               |                                                        |                     |                                  |
| Tools, furniture and fixtures, net                               | 4,413               | 2,293                            | <b>Total Liabilities</b>                               | <b>144,507</b>      | <b>135,493</b>                   |
| Land                                                             | 16,905              | 16,810                           | <b>Net Assets</b>                                      |                     |                                  |
| Construction in progress                                         | 699                 | 1,078                            | <b>Shareholders' equity</b>                            | <b>241,240</b>      | <b>233,297</b>                   |
|                                                                  |                     |                                  | <b>Common stock</b>                                    | <b>23,320</b>       | <b>23,320</b>                    |
| <b>Intangible assets</b>                                         | <b>2,887</b>        | <b>3,339</b>                     | <b>Capital surplus</b>                                 | <b>25,179</b>       | <b>25,179</b>                    |
| Software                                                         | 1,347               | 1,520                            | Legal capital surplus                                  | 25,179              | 25,179                           |
| Other                                                            | 1,540               | 1,819                            | <b>Retained earnings</b>                               | <b>193,671</b>      | <b>212,119</b>                   |
|                                                                  |                     |                                  | Legal retained earnings                                | 3,710               | 3,710                            |
| <b>Investments and other assets</b>                              | <b>72,979</b>       | <b>65,857</b>                    | Other retained earnings                                |                     |                                  |
| Investment securities                                            | 28,837              | 20,333                           | Reserve for special depreciation                       | 32                  | 20                               |
| Stocks of subsidiaries and affiliates                            | 28,486              | 23,424                           | Reserve for advanced depreciation of noncurrent assets | 5,478               | 5,619                            |
| Investments in capital of subsidiaries and affiliates            | 280                 | 280                              | General reserve                                        | 42,431              | 42,431                           |
| Long-term loans receivable from subsidiaries and affiliates, net | 9,358               | 12,596                           | Retained earnings brought forward                      | 142,018             | 160,337                          |
| Long-term prepaid expenses                                       | 4,878               | 5,862                            | <b>Treasury stock</b>                                  | <b>(930)</b>        | <b>(27,321)</b>                  |
| Deferred tax assets                                              | —                   | 2,191                            | <b>Valuation and translation adjustments</b>           | <b>8,426</b>        | <b>4,213</b>                     |
| Other                                                            | 1,137               | 1,168                            | Unrealized gains on securities, net of taxes           | 8,426               | 4,213                            |
|                                                                  |                     |                                  | <b>Subscription rights to shares</b>                   | <b>728</b>          | <b>655</b>                       |
|                                                                  |                     |                                  | <b>Total Net Assets</b>                                | <b>250,395</b>      | <b>238,167</b>                   |
| <b>Total Assets</b>                                              | <b>394,902</b>      | <b>373,661</b>                   | <b>Total Liabilities and Net Assets</b>                | <b>394,902</b>      | <b>373,661</b>                   |

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

**Statements of Income**  
(from April 1, 2012 to March 31, 2013)

(in millions of yen)

| Items                                               | <b>Current Fiscal Year</b> | Previous Fiscal Year (Reference) |
|-----------------------------------------------------|----------------------------|----------------------------------|
|                                                     | Amount                     | Amount                           |
| <b>Net Sales</b>                                    | <b>258,819</b>             | <b>241,076</b>                   |
| <b>Cost of sales</b>                                | <b>195,537</b>             | <b>179,892</b>                   |
| <b>Gross profit</b>                                 | <b>63,281</b>              | <b>61,184</b>                    |
| <b>Selling, general and administrative expenses</b> | <b>36,703</b>              | <b>35,063</b>                    |
| <b>Operating income</b>                             | <b>26,578</b>              | <b>26,121</b>                    |
| <b>Non-operating income</b>                         | <b>8,184</b>               | <b>7,405</b>                     |
| Interest income                                     | 303                        | 366                              |
| Dividends income                                    | 4,969                      | 5,567                            |
| Foreign exchange gains                              | 1,684                      | 288                              |
| Other                                               | 1,227                      | 1,182                            |
| <b>Non-operating expenses</b>                       | <b>1,007</b>               | <b>1,119</b>                     |
| Interest expenses                                   | 133                        | 135                              |
| Depreciation                                        | 141                        | 261                              |
| Other                                               | 732                        | 722                              |
| <b>Ordinary income</b>                              | <b>33,755</b>              | <b>32,406</b>                    |
| <b>Extraordinary income</b>                         | <b>214</b>                 | <b>4,287</b>                     |
| Gain on sales of investment securities              | 214                        | —                                |
| Gain on sales of noncurrent assets                  | —                          | 4,287                            |
| <b>Extraordinary loss</b>                           | <b>2,844</b>               | <b>6,116</b>                     |
| Provision of allowance for doubtful accounts        | 2,000                      | 1,500                            |
| Loss on abandonment of inventories                  | 741                        | 533                              |
| Impairment loss                                     | —                          | 1,919                            |
| Loss on abandonment of noncurrent assets            | —                          | 1,182                            |
| Loss on disaster                                    | —                          | 816                              |
| Other                                               | 102                        | 164                              |
| <b>Income before income taxes</b>                   | <b>31,125</b>              | <b>30,578</b>                    |
| <b>Income taxes</b>                                 | <b>9,255</b>               | <b>10,812</b>                    |
| Income taxes-current                                | 9,489                      | 9,113                            |
| Income taxes-deferred                               | (233)                      | 1,699                            |
| <b>Net income</b>                                   | <b>21,870</b>              | <b>19,765</b>                    |

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

**Statements of Changes in Net Assets**  
(from April 1, 2012 to March 31, 2013)

(in millions of yen)

|                                                                    | Shareholders' equity |                       |                         |                                  |                                                        |                 |                                   | Total          |
|--------------------------------------------------------------------|----------------------|-----------------------|-------------------------|----------------------------------|--------------------------------------------------------|-----------------|-----------------------------------|----------------|
|                                                                    | Common stock         | Capital surplus       |                         | Retained earnings                |                                                        |                 |                                   |                |
|                                                                    |                      | 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                   | 20                               | 5,619                                                  | 42,431          | 160,337                           | 212,119        |
| Changes of items during the period                                 |                      |                       |                         |                                  |                                                        |                 |                                   |                |
| Dividends from surplus                                             |                      |                       |                         |                                  |                                                        |                 | (7,961)                           | (7,961)        |
| Net income                                                         |                      |                       |                         |                                  |                                                        |                 | 21,870                            | 21,870         |
| Reversal of reserve for special depreciation                       |                      |                       |                         | (18)                             |                                                        |                 | 18                                | —              |
| Provision of reserve for special depreciation                      |                      |                       |                         | 30                               |                                                        |                 | (30)                              | —              |
| Reversal of reserve for advanced depreciation of noncurrent assets |                      |                       |                         |                                  | (140)                                                  |                 | 140                               | —              |
| Purchase of treasury stock                                         |                      |                       |                         |                                  |                                                        |                 |                                   | —              |
| Disposal of treasury stock                                         |                      |                       |                         |                                  |                                                        |                 | (4)                               | (4)            |
| Retirement of treasury stock                                       |                      |                       |                         |                                  |                                                        |                 | (32,352)                          | (32,352)       |
| Net changes of items other than shareholders' equity               |                      |                       |                         |                                  |                                                        |                 |                                   | —              |
| Total changes of items during the period                           | —                    | —                     | —                       | 11                               | (140)                                                  | —               | (18,318)                          | (18,448)       |
| <b>Balance at the end of current period</b>                        | <b>23,320</b>        | <b>25,179</b>         | <b>3,710</b>            | <b>32</b>                        | <b>5,478</b>                                           | <b>42,431</b>   | <b>142,018</b>                    | <b>193,671</b> |

|                                                                    | 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                         | (27,321)             | 233,297                    | 4,213                                      | 655                           | 238,167          |
| Changes of items during the period                                 |                      |                            |                                            |                               |                  |
| Dividends from surplus                                             |                      | (7,961)                    |                                            |                               | (7,961)          |
| Net income                                                         |                      | 21,870                     |                                            |                               | 21,870           |
| Reversal of reserve for special depreciation                       |                      | —                          |                                            |                               | —                |
| Provision of reserve for special depreciation                      |                      | —                          |                                            |                               | —                |
| Reversal of reserve for advanced depreciation of noncurrent assets |                      | —                          |                                            |                               | —                |
| Purchase of treasury stock                                         | (6,000)              | (6,000)                    |                                            |                               | (6,000)          |
| Disposal of treasury stock                                         | 38                   | 34                         |                                            | (34)                          | 0                |
| Retirement of treasury stock                                       | 32,352               | —                          |                                            |                               | —                |
| Net changes of items other than shareholders' equity               |                      | —                          | 4,213                                      | 106                           | 4,319            |
| Total changes of items during the period                           | 26,390               | 7,942                      | 4,213                                      | 72                            | 12,228           |
| <b>Balance at the end of current period</b>                        | <b>(930)</b>         | <b>241,240</b>             | <b>8,426</b>                               | <b>728</b>                    | <b>250,395</b>   |

(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

Available-for-sale 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.

(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. Changes in accounting policies

### Changes in depreciation method

Effective April 1, 2012, due to a revision of the corporate tax law in Japan, the company have applied a depreciation method based on the revised law for tangible assets purchased on or after 1 April, 2012.

The impact of this change on operating income, ordinary income and income before income taxes for the current fiscal year is immaterial.

## 3. Notes on balance sheet

(1) Assets pledged and claims related thereto

|                                  |                                                                        |                 |
|----------------------------------|------------------------------------------------------------------------|-----------------|
| Assets pledged                   | Property, plant and equipment                                          | ¥ 7,008 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                   | Investments and other assets; | ¥1 million      |
| Long-term loans receivable from subsidiaries and affiliates, net |                               | ¥ 6,600 million |
| Other                                                            |                               | ¥ 287 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):

¥ 272,956 million



|                                                          |                  |
|----------------------------------------------------------|------------------|
| (4) Claims to/from subsidiaries and affiliated companies |                  |
| Short-term monetary claims to affiliates                 | ¥ 47,958 million |
| Long-term monetary claims to affiliates                  | ¥ 15,958 million |
| Short-term monetary obligation from affiliates           | ¥ 39,744 million |

(5) Export exchange notes discounted: ¥ 8 million

|                             |                 |
|-----------------------------|-----------------|
| (6) Guarantee obligations   |                 |
| JSR BST Elastomer Co., Ltd. | ¥ 3,150 million |
| Employees                   | ¥ 11 million    |
| Total                       | ¥ 3,161 million |

The guarantee obligation for JSR BST Elastomer Co., Ltd. is joint and several obligation. Total amount of the guarantee obligation (including that of the other company) is ¥ 6,178 million.

#### 4. Notes on statement of income

Transactions with subsidiaries and affiliated companies:

|                            |                   |
|----------------------------|-------------------|
| Sales                      | ¥ 103,555 million |
| Amount for goods purchased | ¥ 42,163 million  |
| Other trade transactions   | ¥ 15,753 million  |
| Interest received          | ¥ 286 million     |
| Dividends received         | ¥ 4,551 million   |
| Interest expenses          | ¥ 24 million      |

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

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

515,440 ordinary shares

#### 6. Note on tax effect accounting

Allowance for employees' retirement benefits were a major cause of deferred tax assets. Unrealized gains on securities, net of taxes and reserve for advanced depreciation of noncurrent assets were major causes of deferred tax liabilities.

#### 7. 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.

## 8. 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)                         | 50,506                           | Accounts receivable -trade                     | 9,704                                                       |
| Subsidiary | JSR Micro Taiwan Co., Ltd.  | 100                              | None                           | Sales of our products and supply of raw materials        | Sale of products (Note 1)                         | 13,744                           | Accounts receivable -trade                     | 4,684                                                       |
| Subsidiary | JSR Micro Korea Co., Ltd.   | 100                              | None                           | Sales of our products and supply of raw materials        | Sale of products (Note 1)                         | 11,565                           | Accounts receivable -trade                     | 3,775                                                       |
| Subsidiary | Techno Polymer Co., Ltd.    | 100                              | None                           | Supply of raw materials                                  | Supply of raw material gas (Note 2)               | 17,107                           | Accounts receivable -other                     | 5,985                                                       |
| Subsidiary | JSR ENGINEERING CO., LTD    | 100                              | None                           | Engineering services of production facilities etc        | Purchase of equipment & facilities (Note 3)       | 5,269                            | Accounts payable -other                        | 1,987                                                       |
| Subsidiary | JM Energy Corporation       | 100                              | None                           | Provision of loans                                       | Provision of loans (Note 4)                       | 1,403                            | Long-term loans to subsidiaries and affiliates | 8,174                                                       |
| Subsidiary | ELASTOMIX Co., Ltd.         | 98.5                             | None                           | Deposit from subsidiary                                  | Deposit from subsidiaries and affiliates (Note 5) | 162                              | Deposit from subsidiaries                      | 4,561                                                       |
| Subsidiary | JSR BST Elastomer Co., Ltd. | 51                               | 1                              | Guarantee obligations                                    | Guarantee obligations of loan payable (Note 6)    | 3,150                            | —                                              | —                                                           |
| Affiliate  | Tobu Butadiene Co., Ltd.    | 50                               | None                           | Supply of raw material gas and purchase of butadiene gas | Supply of raw material gas (Note 2)               | 11,722                           | Accounts receivable -other                     | 6,883                                                       |
|            |                             |                                  |                                |                                                          | Purchase of butadiene gas (Note 7)                | 14,392                           | Accounts payable                               | 7,130                                                       |
| Affiliate  | KRATON JSR ELASTOMERS K.K.  | 50                               | None                           | Toll manufacturing of elastomer products                 | Purchase of products (Note 8)                     | 10,385                           | Accounts payable                               | 5,573                                                       |
|            |                             |                                  |                                | Supply of raw materials                                  | Supply of raw material gas (Note 2)               | 4,944                            | Accounts receivable -other                     | 3,153                                                       |
| Affiliate  | Japan Butyl Co., Ltd.       | 50                               | 2                              | Toll manufacturing of elastomer products                 | Purchase of products (Note 8)                     | 13,494                           | Accounts payable                               | 5,456                                                       |

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. Guarantee obligation for JSR BST Elastomer Co., Ltd. is joint and several obligation. Total amount inclusive of the other company' obligation is ¥ 6,178 million. The Company has not received any guarantee charges.
7. 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.
8. 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.
9. 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 16.4            | 1                                                        | Sales of our products | Sales of elastomer products | 39,522                           | Accounts receivable -trade | 16,997                                                      |

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.

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

|                      |           |
|----------------------|-----------|
| Net assets per share | ¥1,051.42 |
| Net income per share | ¥91.10    |

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 7, 2013

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, 2012 to March 31, 2013 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 7, 2013

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, 2013 and for the year from April 1, 2012 to March 31, 2013 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 68th fiscal term commencing on April 1, 2012 and ending on March 31, 2013, 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 13, 2013

| Board of Corporate Auditors, JSR Corporation  |                 |        |
|-----------------------------------------------|-----------------|--------|
| Full-time Corporate Auditor                   | Shoichi Kataoka | (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 65th             | The 66th             | The 67th             | The 68th             |
|----------------------------|-------------|----------------------|----------------------|----------------------|----------------------|
| from/to                    |             | Apr 2009<br>Mar 2010 | Apr 2010<br>Mar 2011 | Apr 2011<br>Mar 2012 | Apr 2012<br>Mar 2013 |
| Sales                      | yen million | 310,183              | 340,665              | 349,946              | 371,487              |
| Operating Profit           | yen million | 20,230               | 39,094               | 35,964               | 35,206               |
| Net Profit                 | yen million | 13,644               | 27,570               | 26,407               | 30,278               |
| Total Asset                | yen million | 373,565              | 390,590              | 430,692              | 482,935              |
| Net Asset                  | yen million | 250,700              | 264,116              | 282,357              | 315,733              |
| Equity Ratio               |             | 66.8%                | 67.3%                | 65.2%                | 63.9%                |
|                            |             |                      |                      |                      |                      |
| Cash Dividends (per share) | yen/share   | 26                   | 32                   | 32                   | 34<br>(proposed)     |
| Cash Dividends (amount)    | yen million | 6,350                | 7,767                | 7,719                | 8,138                |
| Dividend Payout Ratio      |             | 46.5%                | 28.2%                | 29.2%                | 27.0%                |
| Purchase of Treasury Share | yen million | 2                    | 5,113                | 1                    | 6,000                |

### 2. Segment Information

| Fiscal Term<br>from / to                |             | Sales                |                      | Operating Profit     |                      |
|-----------------------------------------|-------------|----------------------|----------------------|----------------------|----------------------|
|                                         |             | The 67th             | The 68th             | The 67th             | The 68th             |
|                                         |             | Apr 2011<br>Mar 2012 | Apr 2012<br>Mar 2013 | Apr 2011<br>Mar 2012 | Apr 2012<br>Mar 2013 |
| Elastomers                              | yen million | 180,834              | 195,797              | 19,358               | 17,923               |
| Plastics                                | yen million | 51,236               | 51,758               | 2,138                | 2,962                |
| Fine Chemicals<br>and Other<br>Products | yen million | 117,875              | 123,931              | 14,468               | 14,320               |
| Total                                   | yen million | 349,946              | 371,487              | 35,964               | 35,206               |

### 3. Consolidated Cash Flow

|                                                            |             |          |
|------------------------------------------------------------|-------------|----------|
| Cash and its equivalent at the end of the 67th fiscal term | yen million | 67,198   |
| Cash Flow from operation                                   | yen million | 47,719   |
| Cash Flow from investment                                  | yen million | (58,696) |
| Cash Flow from financing activities                        | yen million | (10,159) |
| Exchange differentials on cash or cash equivalent          | yen million | 1,772    |
| Cash and its equivalent at the end of the 68th fiscal term | yen million | 53,818   |