

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 26, 2014

Dear Shareholders,

**Notice of Convening the 69th Ordinary General Meeting of Shareholders**  
**of**  
**JSR Corporation**

We are pleased to announce the convening of the 69th 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 17, 2014 (Tuesday) 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 69th Fiscal Term (from April 1, 2013 to March 31, 2014) and Audit Report thereon by the Accounting Auditors and the Board of Corporate Auditors
  2. Non Consolidated Financial Statements for the 69th Fiscal Term (from April 1, 2013 to March 31, 2014)

**Matters to be Resolved**

- Proposal 1. Appropriation of surplus
- Proposal 2. Election of seven (7) Directors
- Proposal 3. Election of one (1) Corporate Auditor
- Proposal 4. Election of two (2) Substitute Corporate Auditors
- Proposal 5. Payment of bonuses to Directors

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

- (1) Participating in the General Meeting of Shareholders in person:  
Please hand over the ballot form attached hereto at the reception.
- (2) By Post:  
Please return the ballot form attached hereto after indicating your approval or disapproval so that your ballot reaches us by 5:45 pm on Monday, June 16, 2014 (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 5:45 pm on Monday, June 16, 2014 (Japan Time) after reviewing the “Reminders for Exercising Voting Rights via Internet” on page 11 (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, as well as acquiring treasury shares, 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.

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 ¥19 per ordinary share of the Company, with the total amount of ¥4,467,099,481.-

As a result, the dividends including the interim dividends will be ¥38 per share, with the total amount of ¥8,978,906,684.-



#### (2) Effective Date of dividends from surplus



June 18, 2014


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


As the tenures of all seven (7) 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                                                                                                                                                                                                                                                                                                                                                                    |
|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1   | <p>Mitsunobu Koshiba<br/>(November 9, 1955)</p>  <p>Re-appointment</p> <p>Number of the shares of the Company owned: 26,500 shares</p> | <p>Oct. 1981 Joined JSR<br/> Jun. 2004 Director<br/> Jun. 2005 Senior Officer, General Manager, Electronic Materials Division<br/> Jun. 2006 Managing Director<br/> Jun. 2008 Senior Managing Director<br/> Apr. 2009 Representative Director and President (current position)</p>                                                                                                                                                                                     |
| 2   | <p>Hozumi Sato<br/>(May 17, 1952)</p>  <p>Re-appointment</p> <p>Number of the shares of the Company owned: 12,500 shares</p>         | <p>Apr. 1977 Joined JSR<br/> Jun. 2004 Director<br/> Jun. 2005 Senior Officer, General Manager, Yokkaichi R&amp;D Center<br/> Jun. 2006 Director and Senior Officer, General Manager, Yokkaichi R&amp;D Center<br/> Jun. 2007 Managing Director<br/> Jun. 2011 Director and Managing Officer<br/> Jun. 2013 Representative Director and Executive Vice President, (current position) currently responsible for Research &amp; Development and Strategic Businesses</p> |

| No. | Name<br>(Date of Birth)                                                                                                                                                                                                                                                               | Brief personal record, position, responsibilities,<br>and other important concurrent positions held                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
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| 3   | <p data-bbox="247 327 456 387">Hisao Hasegawa<br/>(August 13, 1949)</p>  <p data-bbox="247 689 612 815">Re-appointment (*)<br/><br/>Number of the shares of the<br/>Company owned: 11,000 shares</p> | <p data-bbox="671 327 1362 927">Apr. 1974 Joined JSR<br/>Jun. 2001 General Manager, Process Development Center,<br/>Manufacturing and Technology Group<br/>Mar. 2004 General Manager, Technology Planning<br/>Department, Opto-Electronic Materials<br/>Jun. 2006 Senior Officer, Plant Manager, Yokkaichi Plant<br/>Jun. 2009 Director and Senior Officer, General Manager,<br/>Manufacturing and Technology Group<br/>Jun. 2011 Managing Officer, currently responsible for<br/>Manufacturing and Technology, Product Safety &amp;<br/>Quality Assurance, Procurement, Logistics and<br/>Information Technology (currently known as IT<br/>Strategy), and<br/>General Manager of Manufacturing and<br/>Technology Group and<br/>President of Tobu Butadiene, Co., Ltd. (current<br/>position)<br/>(Other important concurrent positions held )<br/>President, Tobu Butadiene Co., Ltd.</p> <p data-bbox="671 965 1347 1025">(*) Mr. Hisao Hasegawa took office as a Director of JSR<br/>during the period from June 16, 2009 to June 17, 2011</p> |
| 4   | <p data-bbox="247 1032 427 1093">Hayato Hirano<br/>(May 15, 1961)</p>  <p data-bbox="247 1388 596 1512">Re-appointment<br/><br/>Number of the shares of the<br/>Company owned: 8,200 shares</p>    | <p data-bbox="671 1032 1362 1346">Apr. 1986 Joined JSR<br/>Jun. 2010 Officer and General Manager, Finance Division<br/>Jun. 2012 Director and Officer, General Manager of Group<br/>Companies Coordination Department<br/>Jun.2013 Director, Officer currently responsible for CSR,<br/>Accounting &amp; Financing, Corporate<br/>Communications and Group Companies<br/>Coordination, and<br/>General Manager of Group Companies<br/>Coordination Department (current position)</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

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| 5                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <p>Takuya Goto<br/>(August 19, 1940)</p>  <p><u>Outside Director</u><br/><u>Re-appointment</u><br/><u>Independent Director</u></p> <p>Number of shares of the Company owned : 0</p> <p>Term of office :<br/>3 years at the close of this meeting</p> | <p>Apr.1964 Joined Kao Soap Co., Ltd. (currently known as Kao Corporation)</p> <p>Jun. 1990 Director, Kao Corporation</p> <p>Jul. 1991 Managing Director, Kao Corporation</p> <p>Jun. 1996 Senior Managing Director, Kao Corporation</p> <p>Jun. 1997 Representative Director and President, Kao Corporation</p> <p>Jun. 2004 Chairman, Board of Directors, Kao Corporation</p> <p>Jun. 2008 Advisor, Kao Corporation</p> <p>Jun. 2010 Retired from Advisor, Kao Corporation</p> <p>Jun. 2011 Outside Director, JSR (current position)</p> <p>Apr. 2012 Outside Director, Olympus Corporation (current position)</p> <p>(Other important concurrent positions held )</p> <p>Outside Director, Olympus Corporation</p> <p>Chairman, Japan Marketing Association, a public interest incorporated association</p> <p>Chairman, Asia Marketing Federation</p> |
| <p>The following are the items relating to the candidates for Outside Directors;</p> <ol style="list-style-type: none"> <li>(1) Mr. Takuya Goto is a candidate for Outside Director.</li> <li>(2) Reasons for the nomination of a candidate for an Outside Director;<br/>The Company acknowledges that he 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.</li> <li>(3) Summaries of agreement to limit Outside Directors' liabilities;<br/>The Company has entered into an agreement with him 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 him.</li> <li>(4) As the Company has registered him as an independent director/auditor at the Tokyo Stock Exchange ("TSE"), he will be registered as an independent director/auditor at TSE subject to and upon approval of this Proposal 2 at this general meeting of shareholders.</li> <li>(5) No conflicts of interest exist between the Company and either Olympus Corporation, Japan marketing Association, a public interest incorporated association, or Asia Marketing Federation where he holds concurrent important positions. The Company has business relationship with Kao Corporation where he 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 December 31, 2013. The Company is, therefore, confident of his independence.</li> </ol> |                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

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| 6                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <p>Michio Kariya<br/>(January 5, 1942)</p>  <p>Outside Director<br/>Re-appointment<br/>Independent Director</p> <p>Number of shares of the Company owned : 0</p> <p>Term of office :<br/>3 years at the close of this meeting</p> | <p>Apr. 1967 Joined Nippon Kogaku K.K.(currently known as Nikon Corporation)</p> <p>Jun. 1995 Director, Nikon Corporation</p> <p>Jun. 2001 Managing Director and Senior Officer, Nikon Corporation</p> <p>Jun. 2003 Senior Managing Director and Senior Officer, Nikon Corporation</p> <p>Jun. 2004 Representative Director and Vice President, Nikon Corporation</p> <p>Jun. 2005 Representative Director and President, CEO and COO, Nikon Corporation</p> <p>Jun. 2010 Representative Director and Chairman, Nikon Corporation</p> <p>Jun. 2011 Outside Director, JSR (current position)</p> <p>Jun. 2012 Executive Advisor, Nikon Corporation (current position)</p> <p>(Other important concurrent position held )<br/>Executive Advisor, Nikon Corporation</p> |
| <p>The following are the items relating to the candidates for Outside Directors;</p> <ol style="list-style-type: none"> <li>(1) Mr. Michio Kariya is a candidate for Outside Director.</li> <li>(2) Reasons for the nomination of a candidate for an Outside Director;<br/>The Company acknowledges that he 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.</li> <li>(3) Summaries of agreement to limit Outside Directors' liabilities;<br/>The Company has entered into an agreement with him 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 him.</li> <li>(4) As the Company has registered him as an independent director/auditor at the Tokyo Stock Exchange ("TSE"), he will be registered as an independent director/auditor at TSE subject to and upon approval of this Proposal 2 at this general meeting of shareholders.</li> <li>(5) He 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 March 31, 2013. The Company is, therefore, confident of his independence.</li> </ol> |                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

| No. | Name<br>(Date of Birth)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Brief personal record, position, responsibilities,<br>and other important concurrent positions held                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
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| 7   | <p>Kazunori Yagi<br/>(April 1, 1949)</p>  <p>Outside Director<br/>Re-appointment<br/>Independent Director</p> <p>Number of shares of the Company owned : 2,200</p> <p>Term of office :<br/>2 years at the close of this meeting</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <p>Apr. 1972 Joined Yokogawa Electric Works Ltd.<br/>(currently known as Yokogawa Electric Corporation)</p> <p>Oct. 1999 Officer, Yokogawa Electric Corporation</p> <p>Jun. 2001 Director and Managing Officer, Yokogawa Electric Corporation</p> <p>Jun. 2002 Director and Executive Managing Officer, Yokogawa Electric Corporation</p> <p>Jun. 2011 Advisor, Yokogawa Electric Corporation (current position)</p> <p>Jun. 2011 Outside Corporate Auditor, Yokogawa Bridge Holdings Corporation (current position)</p> <p>Jun. 2012 Outside Director, JSR Corporation (current position)</p> <p>Jun. 2013 Outside Corporate Auditor, TDK Corporation (current position)</p> <p>Mar. 2014 Outside Director, OYO Corporation (current position)</p> <p>(Other important concurrent positions held )<br/>Advisor, Yokogawa Electric Corporation<br/>Outside Corporate Auditor,<br/>Yokogawa Bridge Holdings Corp.<br/>Outside Corporate Auditor, TDK Corporation<br/>Outside Director, OYO Corporation</p> |
|     | <p>The following are the items relating to the candidates for Outside Directors;</p> <ol style="list-style-type: none"> <li>(1) Mr. Kazunori Yagi is a candidate for Outside Directors.</li> <li>(2) Reasons for the nomination of a candidate for an Outside Director;<br/>The Company acknowledges that he 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.</li> <li>(3) Summaries of agreement to limit Outside Directors' liabilities;<br/>The Company has entered into an agreement with him 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 him.</li> <li>(4) As the Company has registered him as an independent director/auditor at the Tokyo Stock Exchange ("TSE"), he will be registered as an independent director/auditor at TSE subject to and upon approval of this Proposal 2 at this general meeting of shareholders.</li> <li>(5) He has a concurrent important position at Yokogawa Electric Corporation ("YEC"), Yokogawa Bridge Holdings Corporation ("YBHC"), TDK Corporation ("TDK"), and OYO Corporation ("OYO"). The Company has business relationships with YEC involving purchases of plant control systems by the Company of which amount was less than 0.3% of the sales of YEC during the previous fiscal year ending on March 31, 2013, with TDK involving sales of electronics materials of which amount was less than 0.1% of the sales of the Company during the previous fiscal year ending on March 31, 2013, and with OYO involving services relating to soil testing by OYO of which amount was less than 0.1% of the sales of OYO during the previous fiscal year ending on December 31, 2013, while no conflicts of interest exist between the Company and YBHC. The Company is, therefore, confident of his independence.</li> </ol> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

Note: No conflict of interest exists between the Company and each of the candidates for Outside Directors.




### Proposal 3. Election of one (1) Corporate Auditor

As the tenure of Mr. Kenji Ito as Corporate Auditor will expire at the close of this general meeting of shareholders, the Company proposes that one (1) Corporate Auditor be newly elected.

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

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

| No. | Name<br>(Date of Birth)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Brief personal record, position,<br>and other important concurrent positions held                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
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|     | <p>Hisako Kato<br/>(October 18, 1947)</p>  <p>Outside Corporate Auditor<br/>New Appointment<br/>Independent Corporate Auditor</p> <p>Number of shares of the Company owned : 0</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <p>Oct. 1972 Joined Tokai Daiichi Auditing Office (currently known as Chuo Partners &amp; Co.)<br/>           Mar. 1976 Registered as Certified Public Accountant<br/>           Feb. 1983 Joined Deloitte Haskins &amp; Sells (currently known as Deloitte LLP)<br/>           Nov. 1984 Registered as USCPA (Certified Public Accountant, New York State, U.S.A)<br/>           Feb. 1985 Joined Ernst &amp; Whinny International (currently known as Ernst &amp; Young TAX Co.)<br/>           Apr. 1985 Registered as Certified Tax Accountant<br/>           May 1994 Partner, Ohta-Showa Ernst &amp; Young (currently known as Ernst &amp; Young TAX Co.)<br/>           Oct. 2008 Retired from Ernst &amp; Young ShinNihon Tax (currently known as Ernst &amp; Young TAX Co.)<br/>           Dec. 2008 Representative, Hisako Kato Accounting Office (current position)</p> <p>(Other important concurrent position held )<br/>           Representative, Hisako Kato Accounting Office</p> |
|     | <p>The following are the items relating to the candidate for Outside Auditor;</p> <ol style="list-style-type: none"> <li>(1) Ms. Hisako Kato is a candidate for Outside Corporate Auditor.</li> <li>(2) Reasons for the nomination of a candidate for an Outside Corporate Auditor;<br/>           The Company believes that she will greatly contribute to further enhance its corporate governance by providing fair and reasonable judgment for, and accountable and sound management of, the businesses of the Company through utilization of her range of professional knowledge and vast experience on accounting and tax matters as a Certified Public Account both in Japan and US and as a Certified Tax Accountant, as well as neutral and independent view point as an independent outsider. Ms. Hisako Kato has had no experience of managing companies, however the Company believes that she will be able to appropriately perform her duty as Outside Corporate Auditor for the reasons set forth above.</li> <li>(3) Summaries of agreement to limit Outside Corporate Auditors' liabilities;<br/>           The Company will enter into an agreement with her 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.</li> <li>(4) The Company will register her as an independent director/auditor at the Tokyo Stock Exchange ("TSE") subject to and upon approval of this Proposal 2 at this general meeting of shareholders.</li> <li>(5) No conflicts of interest exist between the Company and either Hisako Kato Accounting Office where she holds concurrent important position or any of Ernst &amp; Whinny International where she worked, Ernst &amp; Young Ohta-Showa and Ernst &amp; Young ShinNihon TAX where she served as a partner. The Company is, therefore, confident of her independence.</li> </ol> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |



Note : No conflict of interest exists between the Company and Ms. Hisako Kato.

#### Proposal 4. Election of two (2) Substitute Corporate Auditors

As a provision for the contingency of a shortage in the number of Corporate Auditors required by law, the Company proposes that two (2) Substitute Corporate Auditors be elected being Mr. Makoto Doi to substitute for Mr. Shoichi Kataoka, a Corporate Auditor and Mr. Sotaro Mori to substitute for Mr. Hiroichi Uekusa, Outside Corporate Auditor, and for Ms. Hisako Kato who will be an Outside Corporate Auditor subject to approval of the Proposal 3 at this general meeting of shareholders.

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

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

| No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Name<br>(Date of Birth)                                                                                                                                                                    | Brief personal record, position, responsibilities,<br>and other important concurrent positions held                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
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| 1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <p>Makoto Doi<br/>(December 25, 1959)</p>  <p>Number of the shares of the Company owned: 3,400 shares</p> | <p>Apr. 1983 Joined Sumitomo Metal Industries, Ltd.<br/>(currently known as NIPPON STEEL &amp; SUMITOMO METAL CORPORATION)</p> <p>Nov. 2002 Joined Unicharm Corporation</p> <p>Dec. 2003 Joined JSR</p> <p>Jun. 2012 Officer and General Manager, Legal Department</p> <p>Jun. 2013 Officer and General Manager, Legal Department currently responsible for Legal, General affairs</p>                                                                                                                                                                   |
| 2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <p>Sotaro Mori<br/>(May 15, 1961)</p>  <p>Number of shares of the Company owned : 0</p>                 | <p>Apr. 1977 Registered as Attorney at Law (current position)</p> <p>Apr. 1977 Joined YOSHIDA &amp; PARTNERS</p> <p>Apr. 1982 Partner, YOSHIDA &amp; PARTNERS (current position)</p> <p>Jul. 2004 Arbitrator, The Japan Shipping Exchange Inc. (current position)</p> <p>Jun.2005 Outside Corporate Auditor, Asahi Tanker Co., Ltd. (current position)</p> <p>(Other important concurrent position held )<br/>Partner, YOSHIDA &amp; PARTNERS<br/>Arbitrator, The Japan Shipping Exchange Inc.<br/>Outside Corporate Auditor, Asahi Tanker Co., Ltd.</p> |
| <p>(1) Mr. Sotaro Mori is a candidate for Substitute Outside Corporate Auditor.</p> <p>(2) Reasons for the nomination of candidate for a Substitute Outside Corporate Auditor;<br/>The Company believes that he 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 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. Mr. Sotaro Mori has had no experience of managing companies, however the Company believes that he will be able to appropriately perform her duty as Outside Corporate Auditor for the reasons set forth above.</p> <p>(3) Summaries of agreement to limit Outside Corporate Auditors' liabilities;<br/>The Company will, upon his assumption of office as an Outside Corporate Auditor, enter into an agreement with him 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 upon his assumption of the office as an Outside Corporate Auditor subject to the approval of this proposal at this meeting.</p> <p>(4) No conflicts of interest exist between the Company and each of YOSHIDA &amp; PARTNERS, The Japan Shipping Exchange Inc. and Asahi Tanker Co., Ltd where he has important concurrent positions. The Company is, therefore, confident of his independence.</p> |                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

Note: No conflict of interest exists between the Company and each of the candidates for Substitute Outside Corporate Auditors.

### **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 four (4) Directors incumbent as of the end of the current fiscal term in a total amount for ¥ 31 million.

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### **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 you 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 69th Ordinary General Meeting of Shareholders)

### Business Report

for the period from April 1, 2013 to March 31, 2014 (“the current fiscal year”)

#### 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 tire production in China and the Asian region grew on a year-on-year basis and slightly increased in North America and Europe while that in Japan remained at the same level as the previous year.

Automobile production in North America and China grew on year on year basis and that in Europe showed signs of a recovery while that in Japan remained unchanged notwithstanding the gradual growth reflecting economic recovery in the second half of the current fiscal year.

Semiconductor production also remained flat due to poor performance in the first half of the current fiscal year, though it rebounded in the second half of the year.

Production of flat panel displays (FPDs) increased, supported by strong demand for small- and medium-sized liquid crystal display panels for mobile equipment, such as smartphones.

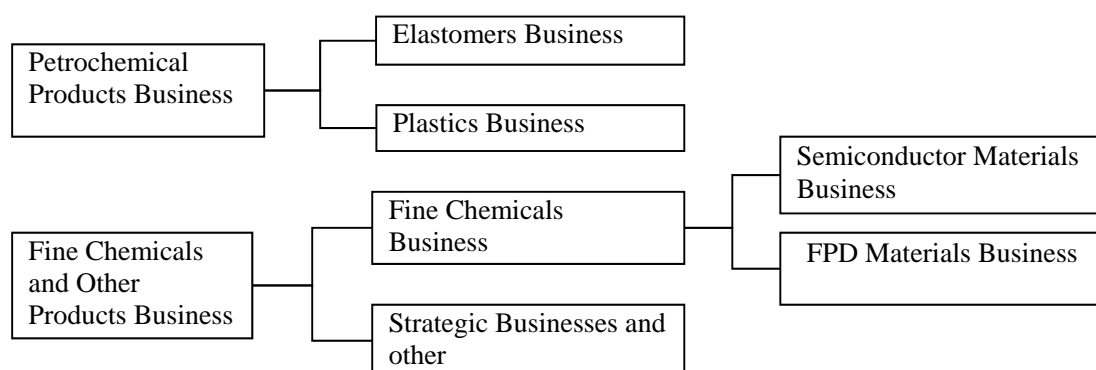
Amid these circumstances, the JSR Group, for the purpose of securing profitability, has expanded sales of products with technological advantages, revised product prices to cope with the changes in raw material prices and reduced its costs by vigorously pursuing “E-100 plus”, a cost structure improvement initiative.

Net sales increased as a results of the efforts mentioned above and partly of the weaker yen. Operating income also grew as a whole despite the burdens of declining market prices for the products in Petrochemicals Business and upfront investments in the Fine Chemicals and Other Products Business. Meanwhile, ordinary income declined due to a fall in equity in earnings of affiliates in the Petrochemicals Business.

In the current fiscal year, the JSR Group reported net sales of 394,309 million yen (up 6.1% year-on-year), operating income of 36,061 million yen (up 2.4%), ordinary income of 39,631 million yen (down 8.8%), and net income of 25,172 million yen (down 16.9%).

#### 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**

As tire production in Japan, one of major customer industries of the JSR Group, was flat, sale of synthetic rubbers remained unchanged year-on-year in volume but increased in value reflecting price revisions made in accordance with the changes in raw material prices and weaker yen. Operating income declined, notwithstanding the Company's efforts to secure profitability by revising product prices as mentioned above and reducing production costs, because of the decline in synthetic rubber prices reflecting loosening synthetic rubber supply and demand balance adversely affected by capacity expansion, especially in the Asian region.

As a result, the Elastomers Business segment posted operating income of 17,329 million yen (down 3.3%) on net sales of 203,478 million yen (up 3.9%).

## **Plastics Business**

### **Sales of Plastics**

Sales of plastics declined year-on-year in volume because of the sluggish demand for industrial applications including amusement and sundry goods in spite of the recovery in demand for automobile applications in the second half of the current fiscal year. Meanwhile, net sales and operating income increased from the previous fiscal year due to price revisions made in accordance with the changes in raw material prices, cost reduction and depreciation of Japanese yen.

As a result, the Plastics Business segment posted operating income of 3,918 million yen (up 32.3%) on net sales of 57,763 million yen (up 11.6%).

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

In the semiconductor materials business, net sales increased year-on-year as a result of the commencement of the mass production of cutting-edge 20-nano meter generation devices, in which the JSR Group holds a large market share, by our major customers in the second half of the current fiscal year as well as the depreciation of Japanese yen.

In the FPD materials business, net sales grew due to constantly high capacity utilization ratio at our major customers in addition to the weaker Japanese yen.

In the strategic businesses and other products, sales of biomedical materials solidly rose, but sales of optical films stagnated in the precision materials and processing fields. Meanwhile, the JSR Group began full-scale sales of lithium-ion capacitors (LIC), an electricity storage device, and made a decision to construct a mass production plant.

Net sales and operating income rose in the Fine Chemicals and Other Products Business segment as a whole, though upfront investment in the development of next generation, cutting-edge technology squeezed operating income.

As a result, the Fine Chemicals and Other Products Business segment posted operating income of 14,813 million yen (up 3.4%) on net sales of 133,067 million yen (up 7.4%).

## **(2) Capital Expenditure**

The JSR Group's capital expenditure totaled 21.4billion yen in the current fiscal year including those for the construction of a production plant for solution polymerized styrene butadiene rubber (S-SBR) at JSR BST Elastomer Co., Ltd, its subsidiary in Thailand, the construction of a lithium ion capacitor manufacturing plant at JM Energy Corporation and other items.

### **(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 26.6 billion yen.

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

#### **<Progress of the Mid-term Business Plan "JSR20i3">**

The JSR Group has carried out "JSR20i3," a mid-term business plan for the period of "activation toward growth", the first among three phases to realize its vision set forth for the year 2020. The objective of "JSR20i3" is to transform our business structure, a shift from conventional "core businesses" consisting of the Petrochemicals and Fine Chemicals segments to "core business and strategic business." Much to its regret, the JSR Group failed to achieve the targets for net sales and operating income, it has, however, steadily accomplished its objectives to materialize its vision.

While sales expanded more than expected in the Petrochemicals Business segment, sales in the Fine Chemicals and Other Products Business segment could not reach the target due to slower than expected demand growth in semiconductor and flat panel display (FPD) markets and to failure in achieving the sales expansion targets for both semiconductor and FPD materials.

In the meantime, the JSR Group has accomplished its major milestones to some extent. In the Petrochemicals Business segment, it has pursued sales expansion of S-SBR on global basis for fuel-efficient tires and has improved the break-even point of the Elastomers Business segment. In the Fine Chemicals and Other Products Business segment, it has not only increased the market share of cutting-edge advanced semiconductor and FPD materials but also steadily established the sound ground for the future growth of LIC and biomedical materials (Life Sciences field) in the Strategic Business segment.

#### **<Formulation of the New mid-term Business Plan "JSR20i6">**

Following the completion of its mid-term business plan "JSR20i3," at the end of the current fiscal year, the JSR Group will launch "JSR20i6," its new mid-term business plan for the 3 year period from April 1, 2014 to be recognized as "getting on growth track," the second of the three phases to realize its vision set for the year 2020.

Under "JSR20i6," with the aim of achieving the target of net sales for 500 billion yen or more and operating income for 50 billion yen or more in the fiscal year ending on March 31, 2017, the JSR Group will steadily conduct its business by exploiting what it has achieved under "JSR20i3".

#### **<Petrochemicals Products Business>**

With respect to S-SBR, as JSR BST Elastomer Co., Ltd. (JBE), a joint-venture company in Thailand, started commercial production, the JSR Group will endeavor to expand sales of S-SBR by capturing growing demand for fuel-efficient tires and bringing the plant at JBE to operate at full capacity at an early stage. In addition, in order to meet further growing demand for S-SBR, the JSR Group will launch the second phase construction of production plant at JBE as well as the construction of a production plant at JSR MOL Synthetic Rubber Ltd., a joint-venture company in Hungary and is determined to make these plants start commercial operations as scheduled.

Concerning butadiene, one of its major raw materials, the JSR Group will establish sound ground and business schemes to secure stable supply of butadiene as we anticipate supply shortages in the future as a result of further increase in usage of shale gas.

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

In the semiconductor material business, the JSR Group will strive to increase sales of lithography materials, especially those for cutting edge 20-nm generation devices, in which it holds a large market share and focus on the development of the next generation products to continually maintain a large market share.

In the FPD materials business, the JSR Group will, for large-sized panels, increase the competitiveness of materials by carrying out thoroughgoing cost reduction and establishing a technical service system at its subsidiaries in South Korea and Taiwan, and for small- and medium-sized panels, expand sales by introducing new products satisfying requirement for further sophistication.

#### < Strategic Businesses and Other >

The JSR Group will concentrate its business resources on biomedical materials (Life Sciences field) and lithium-ion capacitors (LIC), an electricity storage device.

In the field of Life Science, the JSR Group will strive to increase sales of bioprocess materials, in-vitro diagnostics and reagents, and medical polymers by using its global facilities for development, production, and marketing. In addition, the JSR Group will boost the in-vitro diagnostics and reagents business by taking advantages of an alliance with MEDICAL & BIOLOGICAL LABORATORIES CO., LTD. (“MBL”), and strengthen the development and sales of bioprocess materials through collaboration with bio related venture capital companies in Japan and overseas.

In the LIC business, the JSR Group will strive to accomplish the construction of a new plant as scheduled in 2015 for mass production of LIC products of which features include better balance between super low-resistance and high-voltage/ high-durability properties as well as a smaller footprint than competing products and endeavor to expand the sales of the products.

#### < Other Challenges for the JSR Group >

- **Human Resource Development**

Developing human resources is the most important issue for an enterprise to address to achieve sustainable growth. Based on its human resource development policy that places importance on the self-reliant growth of employees, the JSR Group will continue implementing measures for human resource development to strengthen its organizational capabilities.

In pursuit of the penetration of the Group’s Essential Elements and the enhancement of corporate culture, the JSR Group will practice its Course of Action, especially the 4Cs (Challenge, Communication, Collaboration and Cultivation), and encourage individual people and organizations to act voluntarily while sharing its targets and values.

- **Corporate Governance**

JSR Corporation is a company with Corporate Auditors. The Board of Directors and the Corporate Auditors have been closely monitoring its management. The Company has been further enhancing its monitoring functions in order to ensure the appropriateness of the judgment and execution of duties of the management and to enhance its decision-making functions of the Company by appointing highly independent Outside Directors with vast experiences of managing companies from June 2011, in addition to the appointment of highly independent layer and certified public accountant with extensive professional knowledge and vast experiences as Outside Corporate Auditors from June 2009. The Company will continuously strive to strengthen and enhance its corporate governance to realize the 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, the JSR Group recognizes environment and safety, in particular, as one of the most important issues for the basis of management. The JSR Group will strive to effectively promote CSR activities throughout the entire group and raise the level of these activities.

The JSR Group is committed to tackle and accomplish the challenges addressed in the above by way of steadily carrying out “JSR 20i6” a mid-term business plan that started in the fiscal year commencing on April 1, 2014

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

| Category                |             | The 66th Term<br>Apr 2010-Mar 2011 | The 67th Term<br>Apr 2011-Mar 2012 | The 68th Term<br>Apr 2012-Mar 2013 | The 69th Term<br>Apr 2013-Mar 2014 |
|-------------------------|-------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Net sales               | (¥ million) | 340,665                            | 349,946                            | 371,487                            | 394,309                            |
| Operating profit        | (¥million)  | 39,094                             | 35,964                             | 35,206                             | 36,061                             |
| Net profit              | (¥ million) | 27,570                             | 26,407                             | 30,278                             | 25,172                             |
| Net profit<br>per share | (¥)         | 113.07                             | 109.46                             | 126.13                             | 106.10                             |
| Total Assets            | (¥ million) | 390,590                            | 430,692                            | 482,935                            | 501,319                            |

(Notes)

1. Both net sales and net profit for the 66th Term increased with higher sales in every business.
2. Net profit for the 67th Term decreased despite increase in net sales.
3. Both net sales and net profit for the 68th Term increased with higher sales in every business.
4. Results for the 69th Term are as shown in the “Business Developments and Results” in (1) above.

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

| Category                |             | 70th Term<br>Apr 2014-Mar 2015 |
|-------------------------|-------------|--------------------------------|
| Net sales               | (¥ million) | 410,000                        |
| Operating profit        | (¥ million) | 38,000                         |
| Net profit              | (¥ million) | 28,000                         |
| Net profit per<br>share | (¥)         | 119.09                         |

(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, 2014)**

**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               |
| PT. ELASTOMIX INDONESIA                   | Indonesian Rupiah 90 billion | 75 (75)            | 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                                                |
| Techno Europe N.V.                        | EUR 300 thousand             | 100 (100)          |                                                                                 |
| 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 |
| 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                                                        |
| 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 "Capital" are rounded down to the unit numbers indicated in each column.
2. Figures in the above "Shareholding ratio" column, rounded down to one decimal places, 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.
3. PT.ELASTOMIX INDONESIA and Techno Europe N.V. are added to the list above from the current fiscal year.
4. On January 31, 2014, the Company sold all shares of Nichigo Kogyo Co., Ltd. to Sankyu Inc.
5. On March 31, 2014, the Company sold all shares of JSRMICROTECH INC. to ISC. Co., Ltd.
6. On April 1, 2014, JSR LOGISTICS CO., LTD split up its logistics management and customer services businesses to JSR Logistics & Customer Center CO., LTD. and sold 60% share of JSR LOGISTICS CO., LTD to Japan Transcity Corporation and renamed the company as JEY-TRANS CO., LTD.

## 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\$2,600 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. | ¥4,482 million        | 33.4               | Research, development, manufacturing, import and export and sale of medical drugs and reagents for medical and biological research                           |
| JN System Partners Co., Ltd.                | ¥10 million           | 40                 | Undertaking of entrusted design, development, maintenance and operation of computer systems                                                                  |

(Notes)

1. Figures in the above “Capital column” rounded down to the unit numbers indicated in each column.
2. 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.
3. JN System Partners Co., Ltd. is added to the list above from the current fiscal year.
4. On April 1, 2014, the Company sold to Japan Transcity Co., Ltd. 60% share of JSR LOGISTICS CO., LTD. and renamed the company as JEY TRANS CO., LTD. after splitting up its logistics management and customer services businesses.

**(7) Major Business Activities (as of March 31, 2014)**

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, 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, 2014)**

**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      |
|                          | Singapore Branch                           |                                                 | Singapore        |
|                          | Taiwan Office                              |                                                 | Taiwan           |

## 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                   |
|                                            | PT. ELASTOMIX INDONESIA                       | Indonesia               |
|                                            | 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           |
|                                            | Techno Europe N.V.                            | Belgium                 |
|                                            | 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          |
|                                            | JSR Business Services Co., Ltd.               | Minato-ku, Tokyo        |
|                                            | JN System Partners Co., Ltd.*                 | Minato-ku, Tokyo        |

(Note) \* denotes principal affiliates

## (9) Employees (as of March 31, 2014)

| Number of employees | Increase/decrease from previous term |
|---------------------|--------------------------------------|
| 5,548               | Decrease by 111                      |

**(10) Major Lenders (as of March 31, 2014)**

| Lenders                                | Outstanding amount of loans |
|----------------------------------------|-----------------------------|
| Mizuho 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, 2014)**

|                                                    |                    |
|----------------------------------------------------|--------------------|
| (1) Total number of shares authorized to be issued | 696,061,000 shares |
| (2) Total number of issued shares                  | 237,973,205        |
| (3) One unit of shares                             | 100                |
| (4) Number of shareholders                         | 18,767             |
| (5) Major Shareholders                             |                    |

| Name of shareholder                                                                                        | Investments in the Company |                    |
|------------------------------------------------------------------------------------------------------------|----------------------------|--------------------|
|                                                                                                            | Number of shares held      | Shareholding Ratio |
|                                                                                                            | thousand shares            | %                  |
| Bridgestone Corporation                                                                                    | 36,666                     | 15.59%             |
| The Master Trust Bank of Japan, Ltd. (trust account)                                                       | 10,046                     | 4.27               |
| Japan Trustee Services Bank, Ltd. (trust account)                                                          | 9,620                      | 4.09               |
| STATE STREET BANK AND TRUST COMPANY 505223                                                                 | 6,195                      | 2.63               |
| JP MORGAN CHASE BANK 380055                                                                                | 6,090                      | 2.59               |
| Mizuho Bank, Ltd.                                                                                          | 4,675                      | 1.98               |
| Japan Trustee Services Bank, Ltd. (trust account 9)                                                        | 4,398                      | 1.87               |
| Nippon Life Insurance Company                                                                              | 3,957                      | 1.68               |
| The Master Trust Bank of Japan, Ltd. (trust account for Retirement Allowance of Mitsubishi Chemical Corp.) | 3,848                      | 1.63               |
| Meiji Yasuda Life Insurance Company                                                                        | 3,631                      | 1.54               |

(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 235,110,499 shares (calculated by deducting number of treasury shares (2,862,706 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, 2014)

#### (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)                  | 142 units                              | Ordinary shares 14,200 shares                                      | 1 yen                                                 | From June 18, 2005 to June 17, 2025            | 3                 |
|             | JSR Corporation Stock acquisition rights for 2006 (for Directors) (August 1, 2006) | 96 units                               | Ordinary shares 9,600 shares                                       | 1 yen                                                 | From August 2, 2006 to June 16, 2026           | 3                 |
|             | JSR Corporation Stock acquisition rights for 2007 (July 10, 2007)                  | 127 units                              | Ordinary shares 12,700 shares                                      | 1 yen                                                 | From July 11, 2007 to July 10, 2027            | 3                 |
|             | JSR Corporation Stock acquisition rights for 2008 (July 15, 2008)                  | 199 units                              | Ordinary shares 19,900 shares                                      | 1 yen                                                 | From July 16, 2008 to July 15, 2028            | 3                 |
|             | JSR Corporation Stock acquisition rights for 2009 (July 14, 2009)                  | 283 units                              | Ordinary shares 28,300 shares                                      | 1 yen                                                 | From July 15, 2009 to July 14, 2029            | 3                 |
|             | JSR Corporation Stock acquisition rights for 2010 (July 13, 2010)                  | 316 units                              | Ordinary shares 31,600 shares                                      | 1 yen                                                 | From July 14, 2010 to July 13, 2030            | 4                 |
|             | JSR Corporation Stock acquisition rights for 2011 (July 12, 2011)                  | 304 units                              | Ordinary shares 30,400 shares                                      | 1 yen                                                 | From July 13, 2011 to July 12, 2031            | 4                 |
|             | JSR Corporation Stock acquisition rights for 2012 (July 10, 2012)                  | 301 units                              | Ordinary shares 30,100 shares                                      | 1 yen                                                 | From July 11, 2012 to July 10, 2032            | 4                 |
|             | JSR Corporation Stock acquisition rights for 2013 (July 16, 2013)                  | 183 units                              | Ordinary shares 18,300 shares                                      | 1 yen                                                 | From July 17, 2013 to July 16, 2033            | 4                 |

(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 2013 (July 16, 2013) | 318 units                              | Ordinary shares 31,800 shares                                      | 1 yen                                                 | From July 17 2013 to July 16, 2033             | 18                         |

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

##### (1) Directors and Corporate Auditors of the Company (as of March 31, 2014)

| Position                              | Name                | Title and Responsibilities as Officers and Important concurrent positions held, etc.                                                                                                       |
|---------------------------------------|---------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Representative Director and President | Mitsunobu Koshihira |                                                                                                                                                                                            |
| Representative Director               | Hozumi Sato         | Executive Vice President responsible for Research & Development and Strategic Businesses and Chairman of J&W Beijing Biotech Co., Ltd.                                                     |
| Director                              | Yoshinori Yoshida   | Executive Advisor,<br>Outside Director, The Innovation Network Corporation of Japan                                                                                                        |
| Director                              | Hayato Hirano       | Officer responsible for CSR, Accounting, Finance and General Manager of Group Companies Coordination Department,                                                                           |
| Director                              | Takuya Goto         | Outside Director, Olympus Corporation, Chairman, Japan Marketing Association, a public interest incorporated foundation, and Chairman, Asia Marketing Federation                           |
| Director                              | Michio Kariya       | Executive Advisor, Nikon Corporation                                                                                                                                                       |
| Director                              | Kazunori Yagi       | Advisor, Yokogawa Electric Corporation, Outside Corporate Auditor, Yokogawa Bridge Holdings Corporation, Outside Corporate Auditor, TDK Corporation, and Outside Director, OYO 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 Professor, University of Tsukuba Law School                                                                                             |

(Notes)

- Messrs. Takuya Goto, Michio Kariya, and Kazunori Yagi are Outside Directors.
- Messrs. Kenji Ito and Hiroichi Uekusa 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 in accordance with its 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 was less than 0.1% of the net sales of Kao during the previous fiscal year ending on December 31, 2013.
- 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 was less than 0.1% of the net sales of Nikon and the Company respectively during the previous fiscal year ending on March 31, 2013.



7. The Company has business relationships 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 was less than 0.3% of the net sales of YEC during the previous fiscal year ending on March 31, 2013, with TDK Corporation involving sales of electronics materials of which amount was less than 0.1% of the net sales of the Company during the same period and with OYO Corporation involving services of analyzing soils for the Company of which payment by the Company was less than 0.1% of the net sales of OYO during the fiscal year ending on December 31, 2013 while no conflicts of interest exist between the Company and Yokogawa Bridge Holdings Corporation.
8. 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. 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 );

|                                     |                                              |
|-------------------------------------|----------------------------------------------|
| Director (Representative Director): | Mr. Hirose Masaki (retired on June 21, 2013) |
| Outside Corporate Auditor :         | Ms. Nouko Kato (retired on June 21, 2013)    |

**(Reference) : Officers of the Company (as of March 31, 2014)**

| Position                 | Name               | Responsibilities and Title                                                                                                                                                                                                                                                          |
|--------------------------|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Executive Vice President | Hozumi Sato*       | Responsible for Research & Development and Strategic Businesses,<br>Chairman of J&W Beijing Biotech Co., Ltd.                                                                                                                                                                       |
| Managing Officer         | Koichi Kawasaki    | Responsible for Petrochemical Products Sector (including Plastics), Safety and Environment Affairs, General Manager, Petrochemical Products Division, President Japan Butyl Co., Ltd., Vice President, KRATON JSR ELASTOMERS K.K. and President, JSR MOL Synthetic Rubber Co., Ltd. |
| Managing Officer         | Hisao Hasegawa     | Responsible for Manufacturing and Technology, Product Safety & Quality Assurance, Procurement, Logistics, and IT Strategy,<br>General Manager of Manufacturing and Technology Group and President of Tobu Butadiene Co., Ltd.                                                       |
| Managing Officer         | Yasuhisa Nagahiro  | Responsible for Display Materials Business, Optical Materials Business                                                                                                                                                                                                              |
| Senior Officer           | Atsushi Kumano     | Responsible for Research & Development (deputy), General Manager, R&D Department                                                                                                                                                                                                    |
| Senior Officer           | Nobuo Kawahashi    | President, JSR Micro Korea Co., Ltd                                                                                                                                                                                                                                                 |
| Senior Officer           | Kazuyoshi Nakazawa | Yokkaichi Plant Manager                                                                                                                                                                                                                                                             |
| Officer                  | Takatoshi Nagatomo | President, JSR BST Elastomer Co., Ltd.                                                                                                                                                                                                                                              |
| Officer                  | Takeshi Sugimoto   | Responsible for Electronic Materials Business, General Manager of Electronic Materials Division and General Manager of Lithography Materials Department                                                                                                                             |
| Officer                  | Tsuyoshi Watanabe  | Responsible for Strategic Business, Biomedical Materials (deputy),<br>Director of MEDICAL & BIOLOGICAL LABORATORIES CO., LTD.                                                                                                                                                       |
| Officer                  | Hayato Hirano*     | Responsible for CSR, Finance, Accounting, Corporate Communications,<br>General Manager, Group Companies Coordination                                                                                                                                                                |
| Officer                  | Katsuya Inoue      | Responsible for Business Planning Fine Chemical Business,<br>General Manager, Business Planning Department, Fine Chemical Business                                                                                                                                                  |
| Officer                  | Fumio Tsutsumi     | Responsible for Strategic Businesses, Performance Chemicals (deputy) ,<br>General Manager of Performance Chemicals Division and General Manager of Dept.II                                                                                                                          |
| Officer                  | Kazumasa Yamawaki  | General Manager of Department for Global Business Alliance                                                                                                                                                                                                                          |
| Officer                  | Eric Johnson       | President, JSR Micro, Inc.                                                                                                                                                                                                                                                          |
| Officer                  | Eiichi Kobayashi   | Responsible for Strategic Businesses, Precision Materials and Processing and Lithium Ion Capacitors (deputy),<br>General Manager of Precision Materials and Process Division,                                                                                                       |

|          |                   |                                                                                                                                                              |
|----------|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
|          |                   | President of JM Energy Corporation                                                                                                                           |
| Position | Name              | Responsibilities and Title                                                                                                                                   |
| Officer  | Makoto Doi        | Responsible for Legal, General Affairs,<br>General Manager of Legal Department                                                                               |
| Officer  | Takao Shimizu     | Responsible for Corporate Planning,<br>General Manager of Corporate Planning Department                                                                      |
| Officer  | Tsutomu Shimokawa | Responsible for Yokkaichi Research Center<br>General Manager of Yokkaichi Research Center,<br>General Manager of Advanced Materials Research<br>Laboratories |
| Officer  | Yoshio Shiota     | Responsible for Human Resources<br>General Manager of Human Resources Development<br>Department.                                                             |

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

The following are the changes in responsibilities and/or title of the Officers after the organizational reform on April 1, 2014

| Date     | Position                    | Name              | Responsibilities and Title                                                                                                                                                             |
|----------|-----------------------------|-------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| April 1  | Senior Officer              | Atsushi Kumano    | President, JSR Micro Korea Co., Ltd                                                                                                                                                    |
| April 1  | Senior Officer              | Nobuo Kawahashi   | Responsible for Research & Development (deputy),<br>General Manager, R & D Department                                                                                                  |
| April 10 | Executive Vice<br>President | Hozumi Sato*      | Responsible for Research & Development and<br>Strategic Businesses,                                                                                                                    |
| April 10 | Officer                     | Tsuyoshi Watanabe | Responsible for Strategic Business, Biomedical<br>Materials (deputy) ,<br>Director of MEDICAL & BIOLOGICAL<br>LABORATORIES CO., LTD., and<br>Chairman of J&W Beijing Biotech Co., Ltd. |

**(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) | 195<br>(36)      | 4<br>(3)          | 39<br>(12)       |
| Bonus for this fiscal term<br>(for Outside Directors and Outside Corporate Auditors)                                                      | 4<br>(-) | 31<br>(-)        | -<br>(-)          | -<br>(-)         |
| Stock Option as Remuneration to Directors<br>(for Outside Directors and Outside Corporate Auditors)                                       | 5<br>(-) | 34<br>(-)        | -<br>(-)          | -<br>(-)         |
| Total<br>(for Outside Directors and Outside Corporate Auditors)                                                                           | 8<br>(3) | 260<br>(36)      | 4<br>(3)          | 39<br>(12)       |

(Notes)

1. The numbers of the Directors and Corporate Auditors and the amount of remunerations thereto in the table above include those for 1 Director and 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 17 of 18 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 all 18 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 all 18 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 18 meetings of the Board of Directors and in all 18 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 18 meetings of the Board of Directors and in all 18 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.                                 |

## **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) Policies 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, 2014)

| 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>326,504</b>      | <b>320,419</b>                   | <b>Current Liabilities</b>                    | <b>132,442</b>      | <b>141,846</b>                   |
| Cash and deposits                        | 33,390              | 32,190                           | Notes and accounts payable-trade              | 85,333              | 97,225                           |
| Notes and accounts receivable-trade, net | 87,004              | 91,511                           | Short-term loans payable                      | 15,578              | 14,210                           |
| Short-term investment securities         | 87,613              | 79,412                           | Income taxes payable                          | 6,396               | 6,888                            |
| Inventories                              | 78,689              | 74,687                           | Other                                         | 25,133              | 23,521                           |
| Accounts receivable-other                | 30,663              | 28,882                           | <b>Noncurrent Liabilities</b>                 | <b>31,617</b>       | <b>25,355</b>                    |
| Other                                    | 15,141              | 13,734                           | Long-term loans payable                       | 11,069              | 6,625                            |
|                                          |                     |                                  | Net defined benefit liability                 | 15,242              | 15,211                           |
|                                          |                     |                                  | Provision for environmental measures          | 1,734               | 2,101                            |
|                                          |                     |                                  | Other                                         | 3,571               | 1,417                            |
| <b>Noncurrent Assets</b>                 | <b>174,815</b>      | <b>162,516</b>                   | <b>Total Liabilities</b>                      | <b>164,059</b>      | <b>167,201</b>                   |
| <b>Property, plant and equipment</b>     | <b>95,630</b>       | <b>93,205</b>                    | <b>Net Assets</b>                             |                     |                                  |
| Buildings and structures, net            | 30,623              | 27,824                           | <b>Shareholders' equity</b>                   | <b>313,033</b>      | <b>300,577</b>                   |
| Machinery, equipment and vehicles, net   | 37,627              | 25,800                           | Common stock                                  | 23,320              | 23,320                           |
| Land                                     | 18,626              | 18,685                           | Capital surplus                               | 25,179              | 25,179                           |
| Other, net                               | 9,113               | 20,894                           | Retained earnings                             | 269,620             | 253,009                          |
|                                          |                     |                                  | Treasury stock                                | (5,087)             | (930)                            |
| <b>Intangible assets</b>                 | <b>7,250</b>        | <b>6,309</b>                     | <b>Accumulated Other Comprehensive Income</b> | <b>18,250</b>       | <b>8,063</b>                     |
| <b>Investments and other assets</b>      | <b>71,935</b>       | <b>63,001</b>                    | Unrealized gains on securities, net of taxes  | 11,467              | 8,470                            |
| Investment securities                    | 60,952              | 50,531                           | Foreign currency translation adjustment       | 6,971               | (407)                            |
| Other, net                               | 10,982              | 12,469                           | Remeasurements of defined benefit plans       | (188)               | -                                |
|                                          |                     |                                  | <b>Subscription rights to shares</b>          | <b>792</b>          | <b>728</b>                       |
|                                          |                     |                                  | <b>Minority interests</b>                     | <b>5,183</b>        | <b>6,364</b>                     |
|                                          |                     |                                  | <b>Total Net Assets</b>                       | <b>337,259</b>      | <b>315,733</b>                   |
| <b>Total Assets</b>                      | <b>501,319</b>      | <b>482,935</b>                   | <b>Total Liabilities and Net Assets</b>       | <b>501,319</b>      | <b>482,935</b>                   |

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

**Consolidated Statements of Income**  
(from April 1, 2013 to March 31, 2014)

(in millions of yen)

| Items                                                    | <b>Current<br/>Fiscal Year</b> | Previous<br>Fiscal Year<br>(Reference) |
|----------------------------------------------------------|--------------------------------|----------------------------------------|
|                                                          | Amount                         | Amount                                 |
| <b>Net Sales</b>                                         | <b>394,309</b>                 | <b>371,487</b>                         |
| <b>Cost of sales</b>                                     | <b>294,924</b>                 | <b>279,161</b>                         |
| <b>Gross profit</b>                                      | <b>99,384</b>                  | <b>92,325</b>                          |
| <b>Selling, general and administrative expenses</b>      | <b>63,322</b>                  | <b>57,119</b>                          |
| <b>Operating income</b>                                  | <b>36,061</b>                  | <b>35,206</b>                          |
| <b>Non-operating income</b>                              | <b>5,065</b>                   | <b>9,409</b>                           |
| Interest income                                          | 256                            | 370                                    |
| Dividends income                                         | 659                            | 438                                    |
| Foreign exchange gains                                   | 1,672                          | 2,975                                  |
| Equity in earnings of affiliates                         | 1,546                          | 4,731                                  |
| Other                                                    | 931                            | 892                                    |
| <b>Non-operating expenses</b>                            | <b>1,496</b>                   | <b>1,138</b>                           |
| Interest expenses                                        | 141                            | 125                                    |
| Depreciation                                             | 319                            | 141                                    |
| Loss on abandonment of non-current assets                | 296                            | 145                                    |
| Other                                                    | 739                            | 726                                    |
| <b>Ordinary income</b>                                   | <b>39,631</b>                  | <b>43,476</b>                          |
| <b>Extraordinary income</b>                              | —                              | <b>214</b>                             |
| Gain on sales of investment securities                   | —                              | 214                                    |
| <b>Extraordinary loss</b>                                | <b>2,675</b>                   | <b>844</b>                             |
| Restructuring Loss                                       | 2,409                          | —                                      |
| Loss on abandonment of inventories                       | —                              | 741                                    |
| Other                                                    | 265                            | 102                                    |
| <b>Income before income taxes and minority interests</b> | <b>36,956</b>                  | <b>42,847</b>                          |
| <b>Income taxes</b>                                      | <b>12,760</b>                  | <b>12,556</b>                          |
| Income tax-current                                       | 11,636                         | 12,948                                 |
| Income tax-deferred                                      | 1,123                          | (391)                                  |
| <b>Income before minority interests</b>                  | <b>24,195</b>                  | <b>30,290</b>                          |
| <b>Minority interest in income</b>                       | <b>(977)</b>                   | <b>12</b>                              |
| <b>Net income</b>                                        | <b>25,172</b>                  | <b>30,278</b>                          |

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

**Consolidated Statements of Changes in Net Assets**  
(from April 1, 2013 to March 31, 2014)

(in millions of yen)

|                                                       | Shareholders' equity |                 |                   |                | Total shareholders' equity |
|-------------------------------------------------------|----------------------|-----------------|-------------------|----------------|----------------------------|
|                                                       | Common stock         | Capital surplus | Retained earnings | Treasury stock |                            |
| Balance at the beginning of the current fiscal year   | 23,320               | 25,179          | 253,009           | (930)          | 300,577                    |
| Changes of items during the current fiscal year       |                      |                 |                   |                |                            |
| Dividends from surplus                                |                      |                 | (8,548)           |                | (8,548)                    |
| Net income                                            |                      |                 | 25,172            |                | 25,172                     |
| Purchase of treasury stock                            |                      |                 |                   | (4,182)        | (4,182)                    |
| Disposal of treasury stock                            |                      | 0               |                   | 25             | 26                         |
| Change of scope of consolidation                      |                      |                 | (12)              |                | (12)                       |
| Net changes of items other than shareholders' equity  |                      |                 |                   |                | —                          |
| Total changes of items during the current fiscal year | —                    | 0               | 16,611            | (4,156)        | 12,455                     |
| <b>Balance at the end of the current fiscal year</b>  | <b>23,320</b>        | <b>25,179</b>   | <b>269,620</b>    | <b>(5,087)</b> | <b>313,033</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 | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                               |                    |                  |
| Balance at the beginning of the current fiscal year   | 8,470                                        | (407)                                   | —                                       | 8,063                                        | 728                           | 6,364              | 315,733          |
| Changes of items during the current fiscal year       |                                              |                                         |                                         |                                              |                               |                    |                  |
| Dividends from surplus                                |                                              |                                         |                                         |                                              |                               |                    | (8,548)          |
| Net income                                            |                                              |                                         |                                         |                                              |                               |                    | 25,172           |
| Purchase of treasury stock                            |                                              |                                         |                                         |                                              |                               |                    | (4,182)          |
| Disposal of treasury stock                            |                                              |                                         |                                         |                                              |                               |                    | 26               |
| Change of scope of consolidation                      |                                              |                                         |                                         |                                              |                               |                    | (12)             |
| Net changes of items other than shareholders' equity  | 2,997                                        | 7,379                                   | (188)                                   | 10,187                                       | 64                            | (1,180)            | 9,070            |
| Total changes of items during the current fiscal year | 2,997                                        | 7,379                                   | (188)                                   | 10,187                                       | 64                            | (1,180)            | 21,526           |
| <b>Balance at the end of the current fiscal year</b>  | <b>11,467</b>                                | <b>6,971</b>                            | <b>(188)</b>                            | <b>18,250</b>                                | <b>792</b>                    | <b>5,183</b>       | <b>337,259</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: 28 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.,  
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.,  
JSR Trading Co., Ltd., JSR Business Services Co., Ltd., JM Energy Corporation,  
JSR Trading (Shanghai) Co., Ltd. and JSR Life Science Corporation  
Effective from the current consolidated fiscal year, JSR MICROTECH INC. and Nichigo Kogyo Co., Ltd. have been excluded from the scope of the consolidated subsidiaries due to transfer of all shares thereof.

##### 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 : 8 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., MEDICAL & BIOLOGICAL LABORATORIES Co.,  
LTD., JN System Partners Co., Ltd.

Effective from the current consolidated fiscal year, MEDICAL & BIOLOGICAL LABORATORIES Co., LTD. and JN System Partners Co., Ltd. have been included in the scope of those to which the equity method is applied due to the principle of materiality and establishment, respectively.

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

Names of major companies:

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

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

Reason for non-application of the equity method:

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

- 3) Matters to be specially mentioned concerning the procedure for application of the equity method  
Of the companies to which the equity method is applied, the JSR Group 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 8 companies is December 31;

JSR TRADING, INC., ELASTOMIX (THAILAND) CO., LTD.,  
ELASTOMIX (FOSHAN) CO.,LTD., JSR BST Elastomer Co., Ltd.,  
Techno Polymer (Shanghai) Co., Ltd., Techno Polymer Guangzhou Co.,Ltd.,  
Shanghai Rainbow Color Plastics Co., Ltd., and JSR Trading (Shanghai) Co., Ltd.

On preparation of the consolidated financial statements, the JSR Group consolidated the financial statements of JSR BST Elastomer Co., Ltd on the basis of its provisional settlement of account as of the consolidated account closing date. Regarding other 7 companies, the JSR Group consolidated their financial statements as of the end of their business year, and made relevant adjustment required in consolidated accounting for the significant transactions made prior to the end of the consolidated accounting closing date.

In order to provide a more appropriate disclosure in the consolidated financial information, the JSR Group changed the end of the business year to March 31 from December 31 of the following 3 companies.

TECHNO POLYMER HONG KONG CO., LTD., Techno Polymer (Thailand) Co., Ltd.,  
TECHNO POLYMER AMERICA, INC.,

For this reason, accounting period of the current fiscal year of these 3 companies have 15 months from January 1, 2013 to March 31, 2014. The impact on the profit and loss of changing account closing date is immaterial.

## 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 environmental measures

The JSR Group recorded its 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) Accounting Policy of Net Defined Benefit Liability

Net defined benefit liability is provided for provision and expenses for employees' severance and retirement benefits at year-end based for the amount recognized to have incurred on the estimated amounts of projected benefits obligation and the fair value of the pension assets.

Actuarial differences are recognized as a lump sum expense in the following fiscal year.

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

### 3. Changes in accounting policies

#### Adaptation of accounting standards related to retirement benefits

Effective from the beginning of the current fiscal year, "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 issued on May 17, 2012, hereinafter "Retirement Benefits Accounting Standard") and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 issued on May 17, 2012, hereinafter "Retirement Benefits Guidance") are adopted

(with the exception of the provisions under the main clauses of Article 35 of the Retirement Benefits Accounting Standard and Article 67 of the Retirement Benefits Guidance), where the method was changed in a manner the net amount of retirement benefit obligation after deducting pension plan assets is recorded as net defined benefit liability and unrealized actuarial difference recorded as net defined benefit liability.

The Retirement Benefits Accounting Standard is applied in accordance with the transitional handling set forth in Article 37 of the Retirement Benefits Accounting Standard, and the effected amounts due to such change are adjusted in re-measurements of defined benefit plans under accumulated other comprehensive income at the end of the current fiscal year.

As a result of the above, ¥15,242 million was recorded as net defined benefit liability at the end of the current fiscal year. In addition, accumulated other comprehensive income decreased by ¥188 million.

#### 4. Changes in presentation

(1) Changes in presentation of consolidated balance sheet

“Construction in progress” was disclosed as an independent item in noncurrent assets in the previous fiscal year. It is included in “Other, net” within the Property, plant and equipment in noncurrent assets for the current fiscal year due to decrease of materiality.

(2) Changes in presentation of consolidated statements of income

“Loss on abandonment of non-current assets” of non-operating expenses 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                                | ¥ 6,740 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 | ¥ 331 million |
| Investments and other assets; | Other                                    | ¥ 151 million |

(3) Accumulated depreciation on property, plant and equipment (including accumulated impairment loss):  
¥ 347,076 million

(4) Export exchange notes discounted: ¥ 291 million

(5) Guarantee obligations

|           |             |
|-----------|-------------|
| Employees | ¥ 5 million |
|-----------|-------------|

#### 6. Notes on consolidated statements of income

Restructuring loss

Restructuring losses are those for restructuring of production base of Elastomers business and Fine Chemicals and Other Products Business of which breakdown includes such as ¥645 million for impairment loss of noncurrent assets, ¥712 million for loss on valuation of inventories, ¥564 million for repair & maintenance expenses associated with the restructuring and ¥228million for depreciation expenses incurred during the non-operational period and others.



Impairment loss of noncurrent assets

| Description                                                    | Place                       | Type                              | Amount<br>(in millions of yen) |
|----------------------------------------------------------------|-----------------------------|-----------------------------------|--------------------------------|
| Assets for Fine<br>Chemicals and<br>Other Products<br>Business | Hidaka,Saitama              | Land                              | 67                             |
|                                                                | Chungcheongbuk-do,<br>Korea | Machinery ,equipment and vehicles | 573                            |
|                                                                |                             | Other                             | 4                              |

**7. Notes on consolidated statements 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<br>shares | Total amount<br>of dividends<br>(million yen) | Dividends per<br>share<br>(yen) | Record date           | Effective date of<br>dividends |
|--------------------------------------------------------------------|--------------------|-----------------------------------------------|---------------------------------|-----------------------|--------------------------------|
| Ordinary General<br>Meeting of<br>Shareholders on<br>June 21, 2013 | Ordinary<br>shares | 4,036                                         | 17                              | March 31,<br>2013     | June 24, 2013                  |
| Board of Directors<br>Meeting on October<br>28, 2013               | Ordinary<br>shares | 4,511                                         | 19                              | September 30,<br>2013 | November 27, 2012              |
| Total                                                              |                    | 8,548                                         | 36                              |                       |                                |

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 17, 2014, an agenda for term-end dividends for appropriation of surplus as detailed below;

Item related to ordinary share dividends

|                             |                   |
|-----------------------------|-------------------|
| Dividends in total          | ¥ 4,467 million   |
| Source of dividends         | Retained earnings |
| Amount per share            | ¥ 19              |
| Record date                 | March 31, 2014    |
| Effective date of dividends | June 18, 2014     |

(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

55,600 ordinary shares

**8. Notes on financial instruments**

(1) Matters relating to status of financial instruments.

The 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).

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

|                      |           |
|----------------------|-----------|
| Net assets per share | ¥1,409.06 |
| Net income per share | ¥106.10   |

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, 2014)

(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>254,449</b>      | <b>261,856</b>                   | <b>Current Liabilities</b>                             | <b>113,821</b>      | <b>128,226</b>                   |
| Cash and deposits                                                | 12,848              | 15,605                           | Accounts payable-trade                                 | 71,183              | 84,408                           |
| Notes receivable                                                 | 623                 | 964                              | Short-term loans payable                               | 13,663              | 13,663                           |
| Accounts receivable-trade, net                                   | 68,298              | 72,425                           | Accounts payable-other                                 | 6,854               | 3,326                            |
| Short-term investment securities                                 | 80,497              | 78,997                           | Accrued expenses                                       | 10,134              | 11,618                           |
| Inventories                                                      | 45,713              | 48,701                           | Income taxes payable                                   | 3,755               | 4,611                            |
| Accounts receivable-other                                        | 37,759              | 36,758                           | Deposits received from subsidiaries and affiliates     | 7,944               | 10,072                           |
| Deferred tax assets                                              | 1,766               | 1,785                            | Other                                                  | 285                 | 526                              |
| Other                                                            | 6,942               | 6,618                            |                                                        |                     |                                  |
| <b>Noncurrent Assets</b>                                         | <b>141,302</b>      | <b>133,046</b>                   | <b>Noncurrent Liabilities</b>                          | <b>18,568</b>       | <b>16,280</b>                    |
| <b>Property, plant and equipment</b>                             | <b>56,794</b>       | <b>57,178</b>                    | Long-term loans payable                                | 500                 | 500                              |
| Buildings, net                                                   | 16,000              | 15,440                           | Provision for retirement benefits                      | 13,033              | 12,970                           |
| Structures, net                                                  | 3,332               | 3,428                            | Provision for environmental measures                   | 1,568               | 1,901                            |
| Machinery and equipment, net                                     | 16,756              | 16,246                           | Deferred tax liabilities                               | 2,648               | 68                               |
| Vehicles, net                                                    | 47                  | 43                               | Other                                                  | 818                 | 840                              |
| Tools, furniture and fixtures, net                               | 3,240               | 4,413                            |                                                        |                     |                                  |
| Land                                                             | 16,730              | 16,905                           | <b>Total Liabilities</b>                               | <b>132,389</b>      | <b>144,507</b>                   |
| Construction in progress                                         | 687                 | 699                              | <b>Net Assets</b>                                      |                     |                                  |
| <b>Intangible assets</b>                                         | <b>2,890</b>        | <b>2,887</b>                     | <b>Shareholders' equity</b>                            | <b>251,242</b>      | <b>241,240</b>                   |
| Software                                                         | 1,027               | 1,347                            | <b>Common stock</b>                                    | <b>23,320</b>       | <b>23,320</b>                    |
| Other                                                            | 1,862               | 1,540                            | <b>Capital surplus</b>                                 | <b>25,179</b>       | <b>25,179</b>                    |
|                                                                  |                     |                                  | Legal capital surplus                                  | 25,179              | 25,179                           |
|                                                                  |                     |                                  |                                                        | 0                   | —                                |
| <b>Investments and other assets</b>                              | <b>81,617</b>       | <b>72,979</b>                    | <b>Retained earnings</b>                               | <b>207,830</b>      | <b>193,671</b>                   |
| Investment securities                                            | 34,310              | 28,837                           | Legal retained earnings                                | 3,710               | 3,710                            |
| Shares of subsidiaries and affiliates                            | 28,679              | 28,486                           | Other retained earnings                                | 204,119             | 189,961                          |
| Investments in capital of subsidiaries and affiliates            | 3,080               | 280                              | Reserve for special depreciation                       | 25                  | 32                               |
| Long-term loans receivable from subsidiaries and affiliates, net | 13,471              | 9,358                            | Reserve for advanced depreciation of noncurrent assets | 5,374               | 5,478                            |
| Long-term prepaid expenses                                       | 927                 | 4,878                            | General reserve                                        | 42,431              | 42,431                           |
| Other                                                            | 1,149               | 1,137                            | Retained earnings brought forward                      | 156,288             | 142,018                          |
|                                                                  |                     |                                  | <b>Treasury stock</b>                                  | <b>(5,087)</b>      | <b>(930)</b>                     |
|                                                                  |                     |                                  | <b>Valuation and translation adjustments</b>           | <b>11,326</b>       | <b>8,426</b>                     |
|                                                                  |                     |                                  | Unrealized gains on securities, net of taxes           | 11,326              | 8,426                            |
|                                                                  |                     |                                  | <b>Subscription rights to shares</b>                   | <b>792</b>          | <b>728</b>                       |
|                                                                  |                     |                                  |                                                        |                     |                                  |
|                                                                  |                     |                                  | <b>Total Net Assets</b>                                | <b>263,361</b>      | <b>250,395</b>                   |
| <b>Total Assets</b>                                              | <b>395,751</b>      | <b>394,902</b>                   | <b>Total Liabilities and Net Assets</b>                | <b>395,751</b>      | <b>394,902</b>                   |

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

**Statements of Income**  
(from April 1, 2013 to March 31, 2014)

(in millions of yen)

| Items                                               | <b>Current<br/>Fiscal Year</b> | Previous<br>Fiscal Year<br>(Reference) |
|-----------------------------------------------------|--------------------------------|----------------------------------------|
|                                                     | Amount                         | Amount                                 |
| <b>Net Sales</b>                                    | <b>265,605</b>                 | <b>258,819</b>                         |
| <b>Cost of sales</b>                                | <b>201,301</b>                 | <b>195,537</b>                         |
| <b>Gross profit</b>                                 | <b>64,303</b>                  | <b>63,281</b>                          |
| <b>Selling, general and administrative expenses</b> | <b>37,625</b>                  | <b>36,703</b>                          |
| <b>Operating income</b>                             | <b>26,678</b>                  | <b>26,578</b>                          |
| <b>Non-operating income</b>                         | <b>9,646</b>                   | <b>8,184</b>                           |
| Interest income                                     | 284                            | 303                                    |
| Dividends income                                    | 6,088                          | 4,969                                  |
| Foreign exchange gains                              | 1,874                          | 1,684                                  |
| Other                                               | 1,398                          | 1,227                                  |
| <b>Non-operating expenses</b>                       | <b>1,225</b>                   | <b>1,007</b>                           |
| Interest expenses                                   | 105                            | 133                                    |
| Depreciation                                        | 319                            | 141                                    |
| Loss on abandonment of non-current assets           | 258                            | 93                                     |
| Other                                               | 541                            | 639                                    |
| <b>Ordinary income</b>                              | <b>35,100</b>                  | <b>33,755</b>                          |
| <b>Extraordinary income</b>                         | —                              | <b>214</b>                             |
| Gain on sales of investment securities              | —                              | 214                                    |
| <b>Extraordinary loss</b>                           | <b>3,882</b>                   | <b>2,844</b>                           |
| Provision of allowance for doubtful accounts        | 2,300                          | 2,000                                  |
| Restructuring loss                                  | 1,316                          | —                                      |
| Loss on abandonment of inventories                  | 241                            | 741                                    |
| Other                                               | 23                             | 102                                    |
| <b>Income before income taxes</b>                   | <b>31,217</b>                  | <b>31,125</b>                          |
| <b>Income taxes</b>                                 | <b>8,510</b>                   | <b>9,255</b>                           |
| Income taxes-current                                | 7,351                          | 9,489                                  |
| Income taxes-deferred                               | 1,159                          | (233)                                  |
| <b>Net income</b>                                   | <b>22,707</b>                  | <b>21,870</b>                          |

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

**Statements of Changes in Net Assets**  
(from April 1, 2013 to March 31, 2014)

(in millions of yen)

|                                                                     | Shareholders' equity |                       |                       |                         |              |                                  |                                                        |                 |                                   |                |       |
|---------------------------------------------------------------------|----------------------|-----------------------|-----------------------|-------------------------|--------------|----------------------------------|--------------------------------------------------------|-----------------|-----------------------------------|----------------|-------|
|                                                                     | Common stock         | Capital surplus       |                       |                         | Total        | Retained earnings                |                                                        |                 |                                   |                | Total |
|                                                                     |                      | Legal capital surplus | Other 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                | —                     | 25,179                  | 3,710        | 32                               | 5,478                                                  | 42,431          | 142,018                           | <b>193,671</b> |       |
| Changes of items during the period                                  |                      |                       |                       |                         |              |                                  |                                                        |                 |                                   |                |       |
| Dividends from surplus                                              |                      |                       |                       |                         |              |                                  |                                                        |                 | (8,548)                           | <b>(8,548)</b> |       |
| Net income                                                          |                      |                       |                       |                         |              |                                  |                                                        |                 | 22,707                            | <b>22,707</b>  |       |
| Reversal of reserve for special depreciation                        |                      |                       |                       |                         |              | (7)                              |                                                        |                 | 7                                 | —              |       |
| Reversal of reserve for advanced depreciation of noncurrent assets  |                      |                       |                       |                         |              |                                  | (108)                                                  |                 | 108                               | —              |       |
| Provision of reserve for advanced depreciation of noncurrent assets |                      |                       |                       |                         |              |                                  | 4                                                      |                 | (4)                               | —              |       |
| Purchase of treasury stock                                          |                      |                       |                       |                         |              |                                  |                                                        |                 |                                   |                |       |
| Disposal of treasury stock                                          |                      |                       | 0                     | 0                       |              |                                  |                                                        |                 |                                   |                |       |
| Net changes of items other than shareholders' equity                |                      |                       |                       |                         |              |                                  |                                                        |                 |                                   |                |       |
| Total changes of items during the period                            | —                    | —                     | 0                     | 0                       | —            | (7)                              | (104)                                                  | —               | 14,269                            | <b>14,158</b>  |       |
| <b>Balance at the end of current period</b>                         | <b>23,320</b>        | <b>25,179</b>         | <b>0</b>              | <b>25,179</b>           | <b>3,710</b> | <b>25</b>                        | <b>5,374</b>                                           | <b>42,431</b>   | <b>156,288</b>                    | <b>207,830</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                          | (930)                | <b>241,240</b>             | 8,426                                      | 728                           | <b>250,395</b>   |
| Changes of items during the period                                  |                      |                            |                                            |                               |                  |
| Dividends from surplus                                              |                      | <b>(8,548)</b>             |                                            |                               | <b>(8,548)</b>   |
| Net income                                                          |                      | <b>22,707</b>              |                                            |                               | <b>22,707</b>    |
| Reversal of reserve for special depreciation                        |                      | —                          |                                            |                               | —                |
| Reversal of reserve for advanced depreciation of noncurrent assets  |                      | —                          |                                            |                               | —                |
| Provision of reserve for advanced depreciation of noncurrent assets |                      | —                          |                                            |                               | —                |
| Purchase of treasury stock                                          | (4,182)              | <b>(4,182)</b>             |                                            |                               | <b>(4,182)</b>   |
| Disposal of treasury stock                                          | 25                   | <b>26</b>                  |                                            |                               | <b>26</b>        |
| Net changes of items other than shareholders' equity                |                      |                            | 2,899                                      | 64                            | <b>2,963</b>     |
| Total changes of items during the period                            | (4,156)              | <b>10,002</b>              | 2,899                                      | 64                            | <b>12,966</b>    |
| <b>Balance at the end of current period</b>                         | <b>(5,087)</b>       | <b>251,242</b>             | <b>11,326</b>                              | <b>792</b>                    | <b>263,361</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

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 presentation

Changes in presentation of Statements of income

“Loss on abandonment of non-current assets” of non-operating expenses 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.

## 3. Notes on balance sheet

(1) Assets pledged and claims related thereto

|                                  |                                                                        |                 |
|----------------------------------|------------------------------------------------------------------------|-----------------|
| Assets pledged                   | Property, plant and equipment                                          | ¥ 6,740 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                   | ¥ 2 million     |
| Investments and other assets;                                    |                 |
| Long-term loans receivable from subsidiaries and affiliates, net | ¥ 8,900 million |
| Other                                                            | ¥ 87 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):

¥ 280,767 million

(4) Claims to/from subsidiaries and affiliated companies

|                                                |                  |
|------------------------------------------------|------------------|
| Short-term monetary claims to affiliates       | ¥ 46,664 million |
| Long-term monetary claims to affiliates        | ¥ 22,371 million |
| Short-term monetary obligation from affiliates | ¥ 37,426 million |

(5) Export exchange notes discounted: ¥ 75 million

(6) Guarantee obligations

|                             |                    |
|-----------------------------|--------------------|
| JSR BST Elastomer Co., Ltd. | ¥ 5,835 million    |
| <u>Employees</u>            | <u>¥ 5 million</u> |

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|       |                 |
|-------|-----------------|
| Total | ¥ 5,840 million |
|-------|-----------------|

The guarantee obligation for JSR BST Elastomer Co., Ltd. is joint and several sureties. Total amount of the guarantee obligation (including other company obligation) is ¥ 11,441 million.

#### 4. Notes on statement of income

Transactions with subsidiaries and affiliated companies:

|                            |                   |
|----------------------------|-------------------|
| Sales                      | ¥ 109,307 million |
| Amount for goods purchased | ¥ 45,382 million  |
| Other trade transactions   | ¥ 15,118 million  |
| Interest received          | ¥ 270 million     |
| Dividends received         | ¥ 5,510 million   |
| Interest expenses          | ¥ 12 million      |

Restructuring loss

Restructuring losses are those for restructuring of production base of Elastomers business and Fine Chemicals and Other Products Business of which breakdown includes such as ¥67 million for impairment loss of noncurrent assets, ¥197 million for loss on valuation of inventories, ¥564 million for repair & maintenance expenses associated with the restructuring and ¥228million for depreciation expenses incurred during the non-operational period and others.

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

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

2,862,706 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. 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 products                                        | Sale of products (Note 1)                         | 49,661                           | Accounts receivable -trade                     | 8,492                                                       |
| Subsidiary | JSR Micro Taiwan Co., Ltd.  | 100                              | None                           | Sales of products and supply of raw materials            | Sale of products (Note 1)                         | 12,469                           | Accounts receivable -trade                     | 4,101                                                       |
| Subsidiary | JSR Micro Korea Co., Ltd.   | 100                              | None                           | Sales of products and supply of raw materials            | Sale of products (Note 1)                         | 18,359                           | Accounts receivable -trade                     | 6,083                                                       |
| Subsidiary | Techno Polymer Co., Ltd.    | 100                              | None                           | Supply of raw materials                                  | Supply of raw material gas (Note 2)               | 20,250                           | Accounts receivable -other                     | 5,559                                                       |
| Subsidiary | JSR ENGINEERING CO., LTD.   | 100                              | None                           | Engineering services of production facilities etc.       | Purchase of equipment & facilities (Note 3)       | 8,327                            | Accounts payable -other                        | 5,780                                                       |
| Subsidiary | JM Energy Corporation       | 100                              | None                           | Provision of loans                                       | Provision of loans (Note 4)                       | 2,986                            | Long-term loans to subsidiaries and affiliates | 11,160                                                      |
| Subsidiary | ELASTOMIX Co., Ltd.         | 98.5                             | None                           | Deposit from subsidiary                                  | Deposit from subsidiaries and affiliates (Note 5) | (455)                            | Deposit from subsidiaries                      | 4,106                                                       |
| Subsidiary | JSR BST Elastomer Co., Ltd. | 51                               | 1                              | Guarantee obligations                                    | Guarantee obligations of loan payable (Note 6)    | 5,835                            | —                                              | —                                                           |
| Affiliate  | Tobu Butadiene Co., Ltd.    | 50                               | None                           | Supply of raw material gas and purchase of butadiene gas | Supply of raw material gas (Note 2)               | 12,043                           | Accounts receivable -other                     | 6,033                                                       |
|            |                             |                                  |                                |                                                          | Purchase of butadiene gas (Note 7)                | 14,768                           | Accounts payable                               | 7,242                                                       |
| Affiliate  | KRATON JSR ELASTOMERS K.K.  | 50                               | None                           | Toll manufacturing of elastomer products                 | Purchase of products (Note 8)                     | 12,008                           | Accounts payable                               | 4,850                                                       |
|            |                             |                                  |                                | Supply of raw materials                                  | Supply of raw material gas (Note 2)               | 5,688                            | Accounts receivable -other                     | 2,565                                                       |

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 is on joint and several bases. Total amount including that of other company's is ¥ 11,441 million. No guarantee fees are charged and received.
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 15.6            | None                                                     | Sales of our products | Sales of elastomer products | 37,382                           | Accounts receivable-trade | 15,151                                                      |

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

(Notes)

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

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

|                      |           |
|----------------------|-----------|
| Net assets per share | ¥1,116.79 |
| Net income per share | ¥95.71    |

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, 2014

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 | Tetsuaki Noda (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, 2013 and for the year from April 1, 2013 to March 31, 2014 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, 2014

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 | Tetsuaki Noda (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, 2014 and for the year from April 1, 2013 to March 31, 2014 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 69th fiscal term commencing on April 1, 2013 and ending on March 31, 2014, 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 (Independent 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

- 1) 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.
- 2) 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.
- 3) 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 12, 2014

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) |



## Financial Highlights (Reference)

### 1. Key Consolidated Financial Figures

| Fiscal Term                |                | The 66th             | The 67th             | The 68th             | The 69th             |
|----------------------------|----------------|----------------------|----------------------|----------------------|----------------------|
| from/to                    |                | Apr 2010<br>Mar 2011 | Apr 2011<br>Mar 2012 | Apr 2012<br>Mar 2013 | Apr 2013<br>Mar 2014 |
| Net Sales                  | yen<br>million | 340,665              | 349,946              | 371,487              | 394,309              |
| Operating Income           | yen<br>million | 39,094               | 35,964               | 35,206               | 36,061               |
| Net Income                 | yen<br>million | 27,570               | 26,407               | 30,278               | 25,172               |
| Total Asset                | yen<br>million | 390,590              | 430,692              | 482,935              | 501,319              |
| Net Asset                  | yen<br>million | 264,116              | 282,357              | 315,733              | 337,259              |
| Equity Ratio               |                | 67.3%                | 65.2%                | 63.9%                | 66.1%                |
|                            |                |                      |                      |                      |                      |
| Cash Dividends (per share) | yen/share      | 32                   | 32                   | 34                   | 38<br>(proposed)     |
| Cash Dividends (amount)    | yen<br>million | 7,767                | 7,719                | 8,138                | 8,978                |
| Dividend Payout Ratio      |                | 28.2%                | 29.2%                | 27.0%                | 35.8%                |
| Purchase of Treasury Share | yen<br>million | 5,113                | 1                    | 6,000                | 4,182                |

### 2. Segment Information

| Fiscal Term<br>from / to                |                | Net Sales            |                      | Operating Income     |                      |
|-----------------------------------------|----------------|----------------------|----------------------|----------------------|----------------------|
|                                         |                | The 68th             | The 69th             | The 68th             | The 69th             |
|                                         |                | Apr 2012<br>Mar 2013 | Apr 2013<br>Mar 2014 | Apr 2012<br>Mar 2013 | Apr 2013<br>Mar 2014 |
| Elastomers                              | yen<br>million | 195,797              | 203,478              | 17,923               | 17,329               |
| Plastics                                | yen<br>million | 51,758               | 57,763               | 2,962                | 3,918                |
| Fine Chemicals<br>and Other<br>Products | yen<br>million | 123,931              | 133,067              | 14,320               | 14,813               |
| Total                                   | yen<br>million | 371,487              | 394,309              | 35,206               | 36,061               |

### 3. Consolidated Cash Flow

|                                                          |             | The 68th | The 69th |
|----------------------------------------------------------|-------------|----------|----------|
| Cash and its equivalent at the beginning the fiscal term | yen million | 67,918   | 53,818   |
| Cash Flow from operation                                 | yen million | 47,719   | 35,474   |
| Cash Flow from investment                                | yen million | (58,696) | 8,221    |
| Cash Flow from financing activities                      | yen million | (10,159) | (8,121)  |
| Exchange differentials on cash or cash equivalent, etc.  | yen million | 7,755    | 1,722    |
| Cash and its equivalent at the end of the fiscal term    | yen million | 53,818   | 91,114   |