

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, 2015

Dear Shareholders,

**Notice of Convening the 70th Ordinary General Meeting of Shareholders**  
**of**  
**JSR Corporation**

We are pleased to announce the convening of the 70th 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, 2015 (Wednesday) 10:00 a.m. (Reception from 9:00 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 70th Fiscal Term (from April 1, 2014 to March 31, 2015) and Audit Report thereon by the Accounting Auditors and the Audit & Supervisory Board
2. Non-Consolidated Financial Statements for the 70th Fiscal Term (from April 1, 2014 to March 31, 2015)

**Matters to be Resolved**

- Proposal 1. Appropriation of surplus
- Proposal 2. Election of seven (7) Directors
- Proposal 3. Election of two (2) Substitute Audit & Supervisory Board Members
- Proposal 4. Payment of annual bonuses to Directors
- Proposal 5. Introduction of mid-term performance-linked bonuses for 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 Tuesday, June 16, 2015 (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 Tuesday, June 16, 2015 (Japan Time) after reviewing the “Reminders for Exercising Voting Rights via Internet” on page 13 (of this translation).  
**Please note, however, the above web site for online voting is only available in the Japanese language.**
- (4) Exercising your voting rights in duplicate
  - i) If you exercise your voting rights in duplicate by post and via electromagnetic transmission (Internet, etc.), we will treat the voting made via electromagnetic transmission (Internet, etc.) as the effective one.
  - ii) If you exercise your voting rights via electromagnetic transmission (Internet, etc.) more than once, we will treat the last voting as the effective one.
- (5) Voting by Proxy  
If you would like to exercise your voting rights by proxy, please assign another shareholder of the Company as your proxy and make such proxy submit to the Company a certificate evidencing the power to vote on your behalf.
- (6) Use of Electronic Proxy Voting Platform  
If you are a shareholder among institutional investors, you may be able to exercise your voting rights through the Electronic Proxy Voting Platform operated by ICJ Inc. for its participants as a way to exercise your voting rights.

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Notice

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

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

## Reference Materials for the General Meeting of Shareholders

### Agenda and Reference 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, to sustain continual and stable dividends considering an appropriate balance between distribution of profits to its shareholders and enhancement of internal reserve required for future growth of the Company, taking into account the performance and the capital requirement.

The Company will acquire, considering market environment, treasury shares in a timely fashion as a measure for distributing the profit supplement to its dividends, and will effectively utilize its internal reserves for investments that ensures further future growth and higher corporate values of the Company. The Company endeavors to maintain 50% or more of total return ratio (calculated by combining its dividends and acquisition of its treasury shares) during the period set for "JSR 20i6", its mid-term business plan.

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 ¥20 per ordinary share of the Company, with the total amount of ¥4,602,228,680.-

As a result, the dividends including the interim dividends will be ¥40 per share, with the total amount of ¥9,301,619,280.-



(2) Effective Date of dividends from surplus



June 18, 2015


## 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 Koshiha<br/>(November 9, 1955)</p>  <p>Re-appointment</p> <p>Number of the shares of the<br/>Company owned: 27,700 shares</p> <p>Numbers of attendance to BOD<br/>meetings: 17/17 times (100%)</p> | <p>Oct. 1981 Joined JSR<br/>Jun. 2004 Director<br/>Jun. 2005 Senior Officer, General Manager, Electronic<br/>Materials Division<br/>Jun. 2006 Managing Director<br/>Jun. 2008 Senior Managing Director<br/>Apr. 2009 Representative Director and President (current<br/>position)</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 2   | <p>Hozumi Sato<br/>(May 17, 1952)</p>  <p>Re-appointment</p> <p>Number of the shares of the<br/>Company owned: 13,500 shares</p> <p>Numbers of attendance to BOD<br/>meetings: 17/17 times (100%)</p>         | <p>Apr. 1977 Joined JSR<br/>Jun. 2004 Director<br/>Jun. 2005 Senior Officer, General Manager, Yokkaichi<br/>R&amp;D Center<br/>Jun. 2006 Director and Senior Officer, General Manager,<br/>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<br/>President<br/>Jun. 2014 Director, MEDICAL &amp; BIOLOGICAL<br/>LABORATORIES CO., LTD. (current position)<br/>Apr. 2015 Representative Director and Executive Vice<br/>President currently responsible for<br/>Strategic Businesses (current position)</p> <p>(Other important concurrent position held )<br/>Director, MEDICAL &amp; BIOLOGICAL<br/>LABORATORIES CO., LTD.</p> |

| No. | Name<br>(Date of Birth)                                                                                                                                                                                                                                                                                                                                  | Brief personal record, position, responsibilities,<br>and other important concurrent positions held                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3   | <p data-bbox="300 376 502 436">Hisao Hasegawa<br/>(August 13, 1949)</p>  <p data-bbox="300 716 654 929">Re-appointment<br/><br/>Number of the shares of the<br/>Company owned: 11,300 shares<br/><br/>Numbers of attendance to BOD<br/>meetings: 13/13 times (100%)</p> | <p data-bbox="715 376 1396 806">Apr. 1974 Joined JSR<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, and General Manager of<br/>Manufacturing and Technology Group<br/>Jun. 2014 Director and Managing Officer and General<br/>Manager of Manufacturing and Technology Group<br/>Apr. 2015 Director, Managing Officer, currently responsible<br/>for Manufacturing and Technology, Product Safety<br/>&amp; Quality Assurance, Procurement, Logistics and<br/>IT Strategy, and General Manager of<br/>Manufacturing and Technology Group (current<br/>position)</p> |
| 4   | <p data-bbox="300 940 502 1001">Hayato Hirano<br/>(May 15, 1961)</p>  <p data-bbox="300 1288 654 1512">Re-appointment<br/><br/>Number of the shares of the<br/>Company owned: 9,100 shares<br/><br/>Numbers of attendance to BOD<br/>meetings: 17/17 times (100%)</p> | <p data-bbox="715 940 1396 1310">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.2014 Director and Senior Officer and General Manager<br/>of Group Companies Coordination Department<br/>Sep.2014 Director and Senior Officer currently responsible<br/>for Accounting &amp; Financing, Corporate<br/>Communications and Group Companies<br/>Coordination, and Human Resources and General<br/>Manager of Group Companies Coordination<br/>Department (current position)</p>                                                                                            |

| No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Name<br>(Date of Birth)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Brief personal record, position, responsibilities,<br>and other important concurrent positions held                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
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| 5                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <p data-bbox="296 353 494 416">Michio Kariya<br/>(January 5, 1942)</p>  <p data-bbox="296 707 536 801"> <u>Outside Director</u><br/> <u>Re-appointment</u><br/> <u>Independent Director</u> </p> <p data-bbox="296 833 686 896">Number of shares of the Company owned : 0</p> <p data-bbox="296 927 679 990">Term of office :<br/>4 years at the close of this meeting</p> <p data-bbox="296 1021 686 1084">Numbers of attendance to BOD meetings: 17/17 times (100%)</p> | <p data-bbox="711 353 1394 416">Apr. 1967 Joined Nippon Kogaku K.K. (currently known as Nikon Corporation)</p> <p data-bbox="711 421 1158 452">Jun. 1995 Director, Nikon Corporation</p> <p data-bbox="711 456 1350 519">Jun. 2001 Managing Director and Senior Officer, Nikon Corporation</p> <p data-bbox="711 524 1350 586">Jun. 2003 Senior Managing Director and Senior Officer, Nikon Corporation</p> <p data-bbox="711 591 1327 654">Jun. 2004 Representative Director and Vice President, Nikon Corporation</p> <p data-bbox="711 658 1378 721">Jun. 2005 Representative Director and President, CEO and COO, Nikon Corporation</p> <p data-bbox="711 725 1350 788">Jun. 2010 Representative Director and Chairman, Nikon Corporation</p> <p data-bbox="711 792 1283 824">Jun. 2011 Outside Director, JSR (current position)</p> <p data-bbox="711 828 1366 891">Jun. 2012 Executive Advisor, Nikon Corporation (current position)</p> <p data-bbox="711 896 1184 913">(Other important concurrent position held)</p> <p data-bbox="743 918 1174 936">Executive Advisor, Nikon Corporation</p> |
| <p data-bbox="296 1115 1129 1146">The following are the items relating to the candidates for Outside Directors;</p> <ol data-bbox="322 1178 1401 1890" style="list-style-type: none"> <li data-bbox="322 1178 983 1209">(1) Mr. Michio Kariya is a candidate for Outside Director.</li> <li data-bbox="322 1214 1401 1487">(2) Reasons for the nomination of a candidate for an Outside Director;<br/>The Company acknowledges that he has been greatly contributing to further increase its corporate value and enhance 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 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 data-bbox="322 1491 1401 1644">(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 data-bbox="322 1648 1401 1738">(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 data-bbox="322 1742 1401 1890">(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, 2014. 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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| 6   | <p>Kazunori Yagi<br/>(April 1, 1949)</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 : 3,500</p> <p>Term of office :<br/>3 years at the close of this meeting</p> <p>Numbers of attendance to BOD meetings: 17/17 times (100%)</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <p>Apr. 1972 Joined Yokogawa Electric Works Ltd. (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>Jul. 2002 Director and Executive Managing Officer, Yokogawa Electric Corporation</p> <p>Jun. 2011 Advisor, Yokogawa Electric Corporation (current position)</p> <p>Jun. 2011 Outside Audit &amp; Supervisory Board Member, Yokogawa Bridge Holdings Corporation (current position)</p> <p>Jun. 2012 Outside Director, JSR Corporation (current position)</p> <p>Jun. 2013 Outside Audit &amp; Supervisory Board Member, 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 Audit &amp; Supervisory Board Member, Yokogawa Bridge Holdings Corp.<br/>Outside Audit &amp; Supervisory Board Member, 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 increase its corporate value and 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 0.4% of the sales of YEC during the previous fiscal year ending on March 31, 2014, 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, 2014, 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, 2014, while no conflict of interest exists between the Company and YBHC. 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>Yuzuru Matsuda<br/>(June 25, 1948)</p>  <p><u>Outside Director</u><br/><u>New-appointment</u><br/><u>Independent Director</u></p> <p>Number of shares of the Company owned : 0</p> | <p>Apr.1977 Joined KYOWA HAKKO KOGYO CO., LTD. (“KHK”) (currently known as Kyowa Hakko Kirin, Co., Ltd (“KH Kirin”))</p> <p>Jun. 2000 Executive Officer and Executive Director of Pharmaceutical Research Institute Laboratory, KHK</p> <p>Jun. 2002 Executive Director and Director of Corporate Planning Department, KHK</p> <p>Jun. 2003 President and Chief Operating Officer, KHK</p> <p>Oct. 2008 President and Chief Executive Officer, KH Kirin</p> <p>Mar. 2012 Senior Advisor, KH Kirin</p> <p>Jun. 2012 President of Kato Memorial Bioscience Foundation, a public interest incorporated association (current position)</p> <p>Mar. 2014 Retired from Senior Advisor, KH Kirin</p> <p>Jun. 2014 Outside Director, KUBOTA Corporation (current position)</p> <p>Jun. 2014 Outside Director, BANDAI NAMCO Holdings Inc. (current position)</p> <p>(Other important concurrent positions held )<br/>President of Kato Memorial Bioscience Foundation, a public interest incorporated association<br/>Outside Director. KUBOTA Corporation<br/>Outside Director, BANDAI NAMCO Holdings Inc.</p> |
| <p>The following are the items relating to the candidates for Outside Directors;</p> <ol style="list-style-type: none"> <li>(1) Mr. Yuzuru Matsuda is a candidate for Outside Director.</li> <li>(2) Reasons for the nomination of a candidate for an Outside Director;<br/>The Company believes that he will greatly contribute to further increase its corporate value and 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 of KHK and KH Kirin, a leading international manufacturer and marketer of pharmaceutical and biochemical products.</li> <li>(3) Summaries of agreement to limit Outside Directors’ liabilities;<br/>The Company intends to 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 subject to the approval of this Proposal 2 at this general meeting of shareholders.</li> <li>(4) As the Company will register 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 conflict of interest exists between the Company and any of Kato Memorial Bioscience Foundation, KUBOTA Corporation and BANDAI NAMCO Holdings Inc. where he holds concurrent important positions. No conflict of interest currently exists between the Company and Kyowa Hakko Kirin Co., Ltd. (renamed in Oct. 2008 following the merger of KHK with Kirin Pharma Company Limited) where he had served as President and Chief Executive Officer. KH Kirin had held at most 1.49% of the shares of the Company succeeded from KHK where he had served as President and Chief Operating Officer, however, after selling the entire shares of the Company, KH Kirin has not been a shareholder of the Company since March 31, 2011. The Company has, as it had with KHK, business relationships with KH Neochem Co., Ltd. (“KH Neochem”) a corporation succeeded the chemical business spun off from KHK, involving purchase of raw materials of which amount is less than 0.2% of the sales of KH Neochem during the previous fiscal year ending on December 31, 2014. 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 two (2) Substitute Audit & Supervisory Board Members

As a provision for the contingency of a shortage in the number of Audit & Supervisory Board Members required by law, the Company proposes that two (2) Substitute Audit & Supervisory Board Members be elected being Mr. Makoto Doi to substitute for Mr. Shoichi Kataoka, an Audit & Supervisory Board Member and Mr. Sotaro Mori to substitute for either Mr. Hiroichi Uekusa or Ms. Hisako Kato, Outside Audit & Supervisory Board Members.

The Audit & Supervisory Board has consented to the submission of this proposal in advance.

The details of the candidates for Substitute Audit & Supervisory Board Members 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: 5,900 shares</p> | <p>Apr. 1983 Joined Sumitomo Metal Industries, Ltd. (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 (current position)</p>                                                                                                                                                                                                   |
| 2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <p>Sotaro Mori<br/>(January 20, 1951)</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 Audit &amp; Supervisory Board Member, Asahi Tanker Co., Ltd. (current position)</p> <p>(Other important concurrent position held )</p> <p>Partner, YOSHIDA &amp; PARTNERS</p> <p>Arbitrator, The Japan Shipping Exchange Inc.</p> <p>Outside Audit &amp; Supervisory Board Member, Asahi Tanker Co., Ltd.</p> |
| <p>(1) Mr. Sotaro Mori is a candidate for Substitute Outside Audit &amp; Supervisory Board Member.</p> <p>(2) Reasons for the nomination of candidate for a Substitute Outside Audit &amp; Supervisory Board Member;<br/>The Company believes that he will greatly contribute to further increase its corporate value and 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 his duty as Outside Audit &amp; Supervisory Board Member for the reasons set forth above.</p> <p>(3) Summaries of agreement to limit Outside Audit &amp; Supervisory Board Members' liabilities;<br/>The Company will, upon his assumption of office as an Outside Audit &amp; Supervisory Board Member, 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 Audit &amp; Supervisory Board Member subject to the approval of this proposal at this meeting.</p> <p>(4) No conflict of interest exists 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 Audit & Supervisory Board Members.

#### **Proposal 4. Payment of annual bonuses to Directors**

The Company would like to pay, considering the business performance of the JSR Group for the current fiscal term, annual bonuses to four (4) Directors (excluding Outside Directors) incumbent as of the end of the current fiscal term in a total amount of ¥ 39million.

The above annual bonuses are to be paid in accordance with the annual business performance by comparing the target and the actual amount of the consolidated net sales and the consolidated operating income of the Company respectively. The Remuneration Advisory Committee of which majority members are Independent Outside Directors has approved the method of calculation and the amount thereof as appropriate accordingly.

#### **Proposal 5. Introduction of mid-term performance-linked bonuses for Directors**

This proposal concerns the introduction of mid-term performance-linked bonuses to be paid as remuneration for Directors upon a resolution of the Board of Directors, and the upper limit thereof.

Previously, the remuneration structure for Directors of the Company (excluding Outside Directors) was composed of basic remuneration paid in fixed amount, annual bonuses linked to the annual business performance of the Company, and Stock Option as Remuneration to Directors, with the intent of having Directors share with shareholders the effects of changes in stock prices.

Upon receipt of deliberation of the Remuneration Advisory Committee of which majority members are Independent Outside Directors (hereinafter to be referred to as “Remuneration Advisory Committee”), the Company proposes the introduction of mid-term performance-linked bonuses, in addition to the current remuneration, with the view to further enhance enthusiasm and motivation among Directors to continuously improve corporate value and further strengthen corporate governance.

In actual terms, the Company proposes payment of mid-term performance-linked bonuses to its Directors (excluding Outside Directors) upon a resolution of the Board of Directors reflecting the deliberation of the Remuneration Advisory Committee as specified in the “Outline of the mid-term performance-linked bonuses” below, with the maximum amount not exceeding ¥270 million, which is in addition to and separate from: the maximum amount of ¥30 million per month for basic remuneration as approved at the 44th Ordinary General Meeting of Shareholders held on June 29, 1989; the annual bonus linked to the annual business performance of the Company; and the maximum amount of ¥100 million for Stock Option as Remuneration to Directors as approved at the 62nd Ordinary General Meeting of Shareholders held on June 15, 2007.

If Proposal 2. is approved at this ordinary general meeting of shareholders, the number of Directors (excluding Outside Directors) subject to this proposal will be four (4).

The Board of Directors will resolve, upon receipt of deliberations and reports by the Remuneration Advisory Committee, the specific numerical targets and calculation methods to calculate the mid-term performance-linked bonuses.

The Company thereby requests that any specific amounts paid to each of the Directors be at the discretion of the Board of Directors.

#### **Outline of the mid-term performance-linked bonuses**

The Company uses, as performance evaluation reference for mid-term performance-linked bonuses, an averaged consolidated ROE (return on equity ratio) over a three year evaluation period with the view to further create corporate value over the medium to long term by way of improving capital productivity.

The first evaluation period of three years will start from FY 2015 ending on March 31, 2016, and new periods will start in each year thereafter.

The Company will pay, after the end of each evaluation period, the mid-term performance-linked bonuses to its Directors (excluding Outside Directors), in the amount determined by the level of achievement relative to the targets by comparing the consolidated average ROE of those targeted at the beginning of each evaluation period and actually achieved during such period.

The mid-term performance-linked bonuses will have a standard of 100% pay-out ratio for 100% level of achievement, and the pay-out ratio will vary according to the level of achievement, with an upper limit of 150% and a lower limit of 0%.

The Company will pay, after the end of each evaluation period, remuneration to those Directors (excluding Outside Directors) whose terms of office expired or who retired for appropriate reasons during an evaluation period or who are appointed after the conclusion of this ordinary general meeting of shareholders in an amount corresponding to their term of office.

The Company has received a deliberation of the Remuneration Advisory Committee of which majority members are Independent Outside Directors confirming that the maximum amounts and structure of the mid-term performance-linked bonuses, are appropriate.

#### **[Reference]**

Upon approval of this Proposal 5 at this ordinary general meeting of shareholders; the Company will pay the similar mid-term performance-linked bonuses to its Officers who do not concurrently serve as Directors upon resolution of the Board of Directors of the Company.

Additionally, “(3) Policies for determining the amount of remuneration for Directors and Audit & Supervisory Board Members of the Company or the method of calculation thereof” on page 31 (in this translation) of the Business Report, Appendix to the Notice of the 70th Ordinary General Meeting of Shareholders will be modified as follows.

#### **(3) Policies for determining the amount of remuneration for Directors and Audit & Supervisory Board Members of the Company or the method of calculation thereof**

##### **1) Principles on remuneration for Directors and Audit & Supervisory Board Members**

The Company has set forth the following basic policies in order to ensure continuous and sustainable growth and medium to long term improvement in corporate value by steadily pursuing its management plans and business strategies while maintaining transparency and accountability to its shareholders;

Remuneration framework should:

- i. attract, secure, and reward diverse and excellent personnel for the purpose of further enhancing and improving its competitive advantages;
- ii. encourage the management to demonstrate healthy entrepreneurial spirits by motivating them to achieve the objectives of business strategies aiming at continuous growth while addressing the incentives reflecting the latent risks therein;
- iii. promote medium to long term improvement in corporate value by sharing the benefit between management and shareholders via the reinforcement of stock ownership during his/her term of office as Directors; and
- iv. be subject to deliberation of the remuneration advisory committee of which majority members are Independent Outside Directors (hereinafter to be referred to as “Remuneration Advisory Committee”), and therefore be objective and transparent especially in the determination process and method thereof

##### **2) Remuneration structure**

- i. Remuneration for Directors of the Company consists of basic remuneration, annual bonuses linked to the annual business performance of the Company, Stock Option as Remuneration to Directors designed for having Directors share the benefits and risks of changes in stock prices with shareholders, and mid-term performance-linked bonuses that are linked to the level of achievement of medium to long term business results.
- ii. However, remuneration for Independent Outside Directors and Audit & Supervisory Board Members, in light of their roles, consists only of basic remuneration.

- iii. The standard amount of annual bonuses is around 25-30% of the basic remuneration depending upon the position; the annual amount of Stock Option as Remuneration to Directors is around 15-25% of the basic remuneration depending upon the position; and the annual standard amount of the mid-term performance-linked bonuses is around 30-50% of the basic remuneration depending upon the position respectively.
- iv. The Company recommends the reinforcement of stock ownership while in office via the exercise of Stock Option as Remuneration to Directors.

3) Performance-linked structure

- i. Annual bonuses are determined based on the evaluation of business performance in terms of annual consolidated business results and individual evaluation including the achievement level of assigned segments and duties.

The Company uses both consolidated net sales and consolidated operating income as performance evaluation references and the level of achievement relative to their respective targets set at the beginning of the fiscal year will be reflected in the pay-out ratio which may vary from 0-200% with 100% being standard for 100% level of achievement.

- ii. Mid-term performance-linked bonuses are determined based on the evaluation of business performance in terms of mid-term consolidated business results.

The Company uses 3 year average of the consolidated ROE (return on equity ratio) as performance evaluation reference and the level of achievement relative to its target set at the beginning of each period will be reflected in the pay-out ratio which may vary from 0-150% with 100% being standard for 100% level of achievement.

The targets used in the above respective evaluations of business performance are determined by the Board of Directors based on deliberation of the Remuneration Advisory Committee.

4) Method to determine remuneration level

- i. The Company determines the level of remuneration to its Directors by referring to directors' remuneration survey from an outside specialist institution, and by annual benchmarking companies similar to the Company in business scope, industry and business category, and considering latent risks related to the achievement of business targets.
- ii. The determination of remuneration levels is subject to deliberation by the Remuneration Advisory Committee.

5) Process to determine remuneration

- i. For the purpose of ensuring objectivity, transparency and accountability during the course of monitoring and reviewing remuneration structures, the Company has set up the Remuneration Advisory Committee, which deliberates and reports to the Board of Directors in a timely fashion the basic remuneration policy, remuneration structure, method for reflecting business performances, determination of targets and evaluation of business performance.
- ii. In the Remuneration Committee, in order to ensure the necessary commitment and appropriate advices from the Independent Outside Directors in deliberation of the remuneration structure, the Company provides them with sufficient information in advance such as annual committee schedule, possible agendas, and advices attained from outside specialists..
- iii. The Remuneration for Audit & Supervisory Board Members is determined through consultation among the Audit & Supervisory Board Members.

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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.

■ Contact point for inquiries relating to how to operate your PCs, etc.

1. Inquiries relating to operation of your PCs for exercising your voting rights via Internet:  
“Web Support” (dedicated phone line), Stock Transfer Agency,  
Sumitomo Mitsui Trust Bank, Limited.  
Tel: 0120-652-031 (free dial)  
accessible from 9:00-21:00
2. Inquiries relating to your registered address, number of shares owned, or other:  
Operating Center, Stock Transfer Agency,  
Sumitomo Mitsui Trust Bank, Limited.  
Tel: 0120-782-031 (free dial)  
accessible from 9:00-17:00 only on weekdays (excluding national holidays)

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 70th Ordinary General Meeting of Shareholders)

**Business Report**

for the period from April 1, 2014 to March 31, 2015 ("the current fiscal year")

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

**(1) Business Developments and Results**

In fiscal year ending on March 31, 2015 ("FY March 2015"), the JSR Group's business environment drastically changed in the latter half of the year: raw material prices fell and the prices of the products in the market subsequently decreased due to a plunge in crude oil prices; and yen rapidly weakened against major currencies. Meanwhile, the business environment for its main customer industries was generally stable: the production of automotive tires and automobiles increased globally; the production of semiconductors was steady due to strong demand, centering on multi-functional mobile terminals such as smartphones and tablets; and the production of flat panel displays (FPD) was strong, supported by increasing demand for TVs with larger screens.

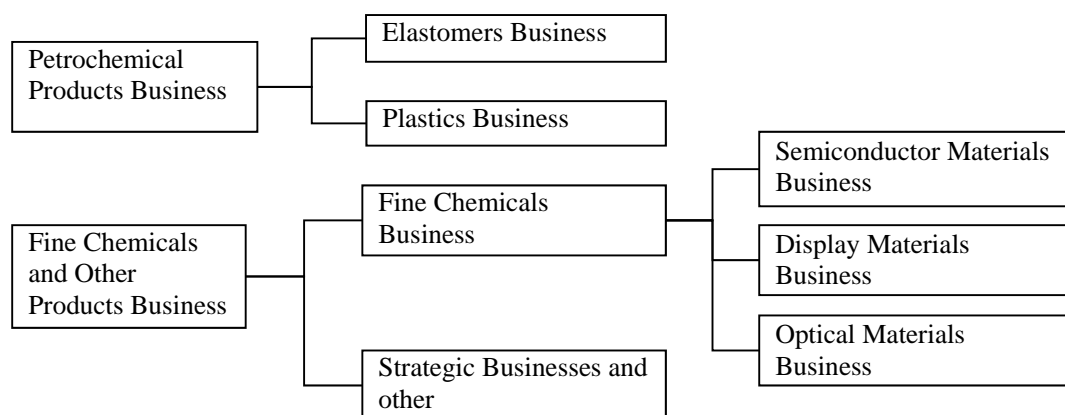
Amid these circumstances, in the Petrochemicals Business, the JSR Group saw net sales remain almost unchanged from the previous fiscal year but operating income decrease sharply. This was mainly due to the deterioration of the supply-demand balance caused by excessive supply, especially in East Asia, resulting in narrowed products margins in the Elastomers Business, despite global demand growth.

On the other hand, in the Fine Chemicals and Other Products Business, sales of semiconductor materials and display materials expanded, supported by the solid growth of the semiconductor and FPD markets. In addition, withdrawal from unprofitable businesses in the precision materials & processing business contributed to earnings growth. Consequently, net sales increased and operating income jumped from the previous year, making up for a decline in the Petrochemicals Business. Ordinary income also grew from the previous year, although its growth was depressed due to a fall in equity in the earnings of affiliates in the Petrochemicals Business.

In FY March 2015, the JSR Group reported net sales of 404,073 million yen (up 2.5% year-on-year), operating income of 38,068 million yen (up 5.6%), ordinary income of 41,609 million yen (up 5.0%), and net income of 29,918 million yen (up 18.9%).

**Business Segment Overview**

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



## **Elastomers Business**

The production of automotive tires, one of the JSR Group's main customer industries, increased from the previous year in North America and China, grew slightly in Europe, and remained flat in Japan.

Under such circumstances, the sales volume of synthetic rubbers steadily increased, though the launch of Solution Styrene-Butadiene Rubber (S-SBR) production by a joint-venture company in Thailand was delayed slightly. However, the total sales volume of elastomers decreased slightly from the previous year although the production of automotive tires in Japan remained almost flat compared with a year earlier. Net sales were almost unchanged from the previous year due to a price revision in the first half of the year associated with rising raw material costs and the impact of the weaker yen, although the market conditions continued to be sluggish. On the other hand, operating income plunged from the previous year, since the margins of the products narrowed due to the global deterioration of the supply-and-demand balance for synthetic rubbers and butadiene, sending synthetic rubber prices down; sales volumes decreased; and periodical maintenance shut down expenses increased.

As a result, the Elastomers Business segment posted operating income of 10,735 million yen (down 38.1%) on net sales of 198,957 million yen (down 2.2%).

## **Plastics Business**

The production of automobiles, one of the JSR Group's main customer industries, increased from the previous year in North America and China, remained almost unchanged in Europe, and decreased in Japan due to the effect of the consumption tax hike.

Under such circumstances, the total sales volume of plastics products decreased from the previous year due to a year-on-year fall in automobile production in Japan coupled with sluggish sales for industrial material applications including construction materials and miscellaneous goods. Net sales declined from the previous year as the price revision made in the first half of the year associated with rising raw material costs and the impact of the weaker yen in the latter half of the year were not sufficient to make up for a fall in sales caused by the lower sales volume. Operating income dropped from the previous year mainly due to a fall in sales volume, although profitability has recovered recently.

As a result, the Plastics Business segment posted operating income of 2,841 million yen (down 27.5%) on net sales of 55,161 million yen (down 4.5%).

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

Net sales and operating income rose from the previous year in the Fine Chemicals and Other Products Business segment as a whole. In the semiconductor materials business, sales increased from the previous year due to the start of full-scale mass production, at the JSR Group's main customers, of the cutting-edge 20 nm (nano-meter) generation in which the Company holds a large share, in addition to robust demand for semiconductors. In the display materials business, sales grew from the previous year due to strong demand for materials used in larger-size TVs and multi-functional mobile terminals, supported by sound market growth, in particular, in association with a shift to TVs with larger screens.

As a result, the Fine Chemicals and Other Products Business segment posted operating income of 24,491 million yen (up 65.3%) on net sales of 149,953 million yen (up 12.7%).

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

The JSR Group's capital expenditure totaled 35.1 billion yen in the current fiscal year including those for the construction of a production plant for 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 39.0 billion yen.

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

##### **<Progress of the mid-term business plan “JSR20i6”>**

“JSR20i6” is the JSR Group’s mid-term business plan for the three years from FY March 2015 to FY March 2017 to be recognized as the period for its “Jump onto the growth track” being the second of the three phases of its master plan to realize its vision set for 2020. The objective of “JSR20i6” is to have businesses and products that we have intensively strengthened under “JSR20i3” the previous mid-term business plan ended in FY March 2014, steadily contribute to earnings growth. The JSR Group achieved its initial earnings target in FY March 2015, the first year of JSR20i6.

In the Elastomers Business segment, JSR BST Elastomer Co., Ltd. (“JBE”), a joint-venture company in Thailand, began full-scale operations amid global demand growth for S-SBR. To meet further demand expansion, the JSR Group has been constructing a second phase plant at JBE to double its production capacity while it has been preparing for the construction of a new plant at JSR MOL Synthetic Rubber Ltd., its joint venture in Hungary. .

In the Fine Chemicals and Other Products Business segment, the JSR Group has expanded sales of the semiconductor materials business due to the start of full-scale mass production at its main customers of the cutting-edge 20 nm generation in which it holds a large share. In the display materials business, the JSR Group has strived to strengthen its competitiveness in its group companies in South Korea and Taiwan by thoroughly reducing the costs and establishing its technical service system. In addition, the JSR Group decided to set up JSR Micro (Changshu) Co., Ltd., a joint-venture company in China to manufacture display materials, to expand its sales in the Chinese market, which is expected to grow rapidly.

In the Strategic Business segment, the JSR Group intensively allocated its resources to the Life Sciences Business and the Lithium-Ion Capacitor (LIC) Business (an electric storage device). In the Life Sciences Business, the JSR Group made great progress in the establishment of business infrastructure for business development in the future.

It expanded the scope of its business through cooperation with external companies. Specifically, the JSR Group enhanced its relationship with MEDICAL & BIOLOGICAL LABORATORIES. CO., LTD. (“MBL”), a pioneer in the manufacturing of antibodies in Japan, through a tender offer; and the JSR Group jointly purchased KBI Biopharma, Inc. (“KBI”), a biopharmaceuticals contract development and manufacturing company.

In the LIC business, the number of companies that adopted its LICs increased steadily and sales of LICs grew accordingly, though sales were still small. To expand sales further, the JSR Group constructed a new plant for small flat prismatic-type products with good balanced properties of improved super low-resistance, high voltage, and high durability performances.

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

The JSR Group will expand sales by capturing demand for S-SBR for fuel-efficient tires, which is expected to increase globally. It will also expand its S-SBR production capacity in Thailand and Hungary to meet growing demand.

Furthermore, during the period of the doldrums of the market (the JSR Group will make capital expenditures to upgrade its facilities (replacing obsolete facilities and securing labor safety) with the aim of establishing a resilient and sustainable earnings structure under the next mid-term business plan following “JSR20i6.”

##### **<Fine Chemicals and Other Products Business segment>**

In the semiconductor materials business, the JSR Group will strengthen its R&D efforts and promote sales expansion to maintain its high market share in products for 14nm generation and beyond, the next generation following that of 20nm, and will further strive to develop materials for 10nm generation and beyond.

In the display materials business, the JSR Group will continue its efforts to improve the competitiveness of its group companies in South Korea and Taiwan for larger panels and to start commercial operation at a new plant of its joint-venture company in China as scheduled. In addition, it will strive to expand sales by launching new products for small and medium sized panels that handle high-functional needs.

In the strategic business, the JSR Group are committed to expand bioprocess materials and in vitro diagnostics agents businesses in the Life Sciences field by using its global development, manufacturing, and marketing



infrastructures. In particular, as a framework to promote the Life Sciences business, it will aim not only to expand businesses by using existing resources within the JSR Group, but also extend the scope of its businesses, including offering services in the field for the development of in vitro diagnostics agents, manufacturing process development, and contract manufacturing, in addition to the development of raw materials. To that end, the JSR Group will use MBL's knowledge and sales channels in the production of in vitro diagnostics agents, and KBI's biopharmaceuticals contract development and manufacturing functions in the production of bioprocess materials.

In the LIC business, using a newly-built mass production plant, the JSR Group will increase sales, mainly to customers who have already adopted our LICs, and cultivate new customers and explore new applications.

## **< 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 further promote diversity at work and encourage individual people and organizations to act voluntarily while sharing its targets and values.

### **Corporate Governance**

JSR Corporation is a company with Audit & Supervisory Board Members. The Board of Directors and the Audit & Supervisory Board Members 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 lawyer and certified public accountant with extensive professional knowledge and vast experiences as Outside Audit & Supervisory Board Members from June 2009. The Company will deal with each items required by the Corporate Governance Code and continuously strive to strengthen and enhance its corporate governance to realize the fair, transparent and prompt execution of operations.

### **Corporate Social Responsibilities (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.

## (5) Development of Assets and Business Results

| Category             |             | The 67th Term<br>Apr 2011-Mar 2012 | The 68th Term<br>Apr 2012-Mar 2013 | The 69th Term<br>Apr 2013-Mar 2014 | The 70th Term<br>Apr 2014-Mar 2015 |
|----------------------|-------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Net sales            | (¥ million) | 349,946                            | 371,487                            | 394,309                            | 404,073                            |
| Operating profit     | (¥ million) | 35,964                             | 35,206                             | 36,061                             | 38,068                             |
| Net profit           | (¥ million) | 26,407                             | 30,278                             | 25,172                             | 29,918                             |
| Net profit per share | (¥)         | 109.46                             | 126.13                             | 106.10                             | 128.19                             |
| Total Assets         | (¥ million) | 430,692                            | 482,935                            | 501,319                            | 534,592                            |

(Notes)

1. Net profit for the 67th Term decreased despite increase in net sales.
2. Both net sales and net profit for the 68th Term increased with higher sales in every business.
3. Net profit for the 69th Term decreased despite increase in net sales.
4. Results for the 70th Term are as shown in the “Business Developments and Results” in (1) above.

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

| Category             |             | 71st Term<br>Apr 2015-Mar 2016 |
|----------------------|-------------|--------------------------------|
| Net sales            | (¥ million) | 420,000                        |
| Operating profit     | (¥ million) | 41,000                         |
| Net profit           | (¥ million) | 31,000                         |
| Net profit per share | (¥)         | 134.72                         |

(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, 2015)**

**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)              |
| JSR MOL Synthetic Rubber Ltd.             | Euro 12 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)          | Procurement and sale of plastics                                     |
| Shanghai Rainbow Color Plastics Co., Ltd. | ¥700 million                 | 60 (60)            | Production and sale of plastics color compounds                      |
| JSR Micro Kyushu Co., Ltd.                | ¥300 million                 | 100                | Production and sale of semiconductor materials and 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 display materials                                                                               |
| JSR Micro Taiwan Co., Ltd.                              | NT\$ 200 million     | 100                | Production and sale of 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                                                                            |
| SCIVAX Life Sciences, Inc.                              | ¥103 million         | 100                | Development, manufacturing and sales of three-dimensional (3D) cell culture plate                                      |
| JSR・mbl VC Life Sciences Investment Limited Partnership | ¥3,000 million       | 93.3 (93.3)        | Investments to venture capital in life sciences field                                                                  |
| J & W Beijing Biotech Co., Ltd.                         | RMB 40 million       | 60                 | Development, manufacturing and sale of latex reagents intermediates and chemiluminescent reagents intermediates        |
| KBI Biopharma, Inc.                                     | US\$49,168 thousand  | 51                 | contract development and manufacturing of biopharmaceuticals.                                                          |
| 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 Trading Bangkok Co., Ltd.                           | Baht 19 million      | 100 (100)          | Procurement, sale, import and export of chemicals, testing machines, etc.                                              |
| 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  |
| JSR Logistics and Customer Center Co., Ltd.             | ¥10 million          | 100                | Customer service agent and logistics management                                                                        |

(Notes)

- Figures in the above "Capital" are rounded down to the unit numbers indicated in each column.
- 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.
- JSR MOL Synthetic Rubber Ltd., SCIVAX Life Sciences, Inc. , JSR・mbl VC Life Sciences Investment Limited Partnership, KBI Biopharma, Inc., JSR Trading Bangkok Co., Ltd., JSR Logistics and Customer Center Co., Ltd. are added to the list above from the current fiscal year.
- Amount of Capital of KBI Biopharma, Inc. is stated as of December 31, 2014.

## 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)                                                                                                        |
| TIANJIN KUO CHENG RUBBER INDUSTRY CO., LTD. | US\$2,600 thousand    | 50 (23)            | Production and sale of carbon master batches and rubber compounds                                                                                            |
| JSR Electronic Materials Korea Co., Ltd.    | KRW<br>100 million    | 40                 | Sales agent for semiconductor materials etc.                                                                                                                 |
| JAPAN FINE COATINGS Co., Ltd.               | ¥92 million           | 50                 | Sales of coating materials for optical fibers                                                                                                                |
| 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        | 47.1               | 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                                                                  |
| Jey-Trans Co., Ltd.                         | ¥170 million          | 40                 | Freight forwarding, warehousing, delivery management                                                                                                         |

(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. JSR Electronic Materials Korea Co., Ltd. and Jey-Trans Co., Ltd. are added to the list above from the current fiscal year.

**(7) Major Business Activities (as of March 31, 2015)**

Manufacturing and sales of the following products

| Business Segments                          |                                          | Products / Materials                        |                                                                                                                                                                                                        |
|--------------------------------------------|------------------------------------------|---------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Petrochemical Products Business            | Elastomers                               | Synthetic Rubbers                           | 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.                                                                                                         |
|                                            |                                          | Functional Chemicals                        | Highly functional coating materials, high performance dispersants, functional particles for industrial use, latent heat storage materials, materials for heat resistant paint, battery materials, etc. |
|                                            | Others                                   | Chemical products such as butadiene monomer |                                                                                                                                                                                                        |
|                                            | Plastics                                 |                                             | ABS resin, AES resin, AS resin, ASA resin, etc.                                                                                                                                                        |
| Fine Chemicals and Other Products Business | Fine Chemicals Business                  | Semiconductor materials                     | Lithography Materials (photoresists, multi-layered materials), CMP materials, packaging materials, etc.                                                                                                |
|                                            |                                          | Display materials                           | Color liquid crystal display (LCD) materials, anti-reflection film materials, functional coating materials, etc.                                                                                       |
|                                            |                                          | Optical materials                           | Heat-resistant transparent resin and functional film, optical fiber coating materials, stereolithography, etc.                                                                                         |
|                                            | Strategic Businesses and other materials |                                             | Life sciences (in vitro diagnostics reagents, bioprocess materials,) and Lithium ion capacitors                                                                                                        |

**(8) Sales Offices, Plants, and other facilities (as of March 31, 2015)**

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

(Notes)

1. The Company abolished Precision Processing Center on June 17, 2014
2. The Company transferred the business of Kyushu Sales Office to JSR Micro Kyushu effective from April 1, 2015
3. The Company abolished Yokkaichi Research Center and made three laboratories thereunder independent ones effective from April 1, 2015

**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                |
|                                            | JSR MOL Synthetic Rubber Ltd.                             | Hungary                 |
|                                            | 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                   |
| Plastic Business                           | Emulsion Technology Co., Ltd.                             | Yokkaichi, Mie          |
|                                            | 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              |
|                                            | 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 Electronic Materials Korea Co., Ltd.*                 | South Korea             |
|                                            | JSR Micro Taiwan Co., Ltd.                                | Taiwan                  |
|                                            | JM Energy Corporation                                     | Hokuto, Yamanashi       |
|                                            | JSR Life Sciences Corporation                             | Minato-ku, Tokyo        |
|                                            | SCIVAX Life Sciences, Inc.                                | Kawasaki, Kanagawa      |
|                                            | JSR · mbl VC Life Sciences Investment Limited Partnership | Chiyoda-ku, Tokyo       |
|                                            | J & W Beijing Biotech Co., Ltd.                           | China                   |
|                                            | KBI Biopharma, Inc.                                       | United States           |
|                                            | 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                                                     |                         |
| JSR Trading Bangkok Co., Ltd               | Thailand                                                  |                         |
| Others                                     | JSR ENGINEERING CO., LTD.                                 | Yokkaichi, Mie          |
|                                            | JSR Business Services Co., Ltd.                           | Minato-ku, Tokyo        |
|                                            | JN System Partners Co., Ltd.*                             | Minato-ku, Tokyo        |
|                                            | JSR Logistics and Customer Center Co., Ltd.               | Yokkaichi, Mie          |
|                                            | Jey-Trans Co., Ltd. *                                     | Yokkaichi, Mie          |

(Note) \* denotes principal affiliates

#### (9) Employees (as of March 31, 2015)

| Number of employees | Increase/decrease from previous term |
|---------------------|--------------------------------------|
| 5,990               | Increase by 442                      |

**(10) Major Lenders (as of March 31, 2015)**

| Lenders                                | Outstanding amount of loans |
|----------------------------------------|-----------------------------|
| Mizuho Bank, Ltd.                      | 3,000 ¥ million             |
| Sumitomo Mitsui Banking Corporation    | 2,000                       |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 2,000                       |

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

**(11) Transfer and acquisition of major businesses, acquisition and disposal of shares of the other companies**

- 1) The Company acquired 51% of KBI Biopharma, Inc. on March 24, 2015
- 2) The Company possesses 47.1% of MEDICAL & BIOLOGICAL LABORATORIES CO., LTD as of March 31, 2015 after TOB made during the period from February 10 to March 11, 2015.

**2. Shares of the Company (as of March 31, 2015)**

- |                                                    |                    |
|----------------------------------------------------|--------------------|
| (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                         | 17,336             |
| (5) Major Shareholders                             |                    |

| Name of shareholder                                  | Investments in the Company              |                        |
|------------------------------------------------------|-----------------------------------------|------------------------|
|                                                      | Number of shares held (thousand shares) | Shareholding Ratio (%) |
| Bridgestone Corporation                              | 32,266                                  | 14.02                  |
| STATE STREET BANK AND TRUST COMPANY 505223           | 9,337                                   | 4.05                   |
| Japan Trustee Services Bank, Ltd. (trust account)    | 8,850                                   | 3.84                   |
| The Master Trust Bank of Japan, Ltd. (trust account) | 8,679                                   | 3.77                   |
| Mizuho Bank, Ltd.                                    | 4,225                                   | 1.83                   |
| Nippon Life Insurance Company                        | 3,716                                   | 1.61                   |
| Meiji Yasuda Life Insurance Company                  | 3,631                                   | 1.57                   |
| THE BANK OF NEW YORK MELON SA/NV 10                  | 3,316                                   | 1.44                   |
| Japan Trustee Services Bank, Ltd. (trust account 9)  | 3,102                                   | 1.34                   |
| STATE STREET BANK AND TRUST COMPANY 505001           | 2,610                                   | 1.13                   |

(Notes)

1. The numbers in the columns under "Number of shares held" are rounded down to thousands of shares.
2. The shareholding ratio is calculated by using 230,111,434 shares (calculated by deducting number of treasury shares (7,861,771 shares) from Total number of issued shares (237,973,205 shares) and rounded down to two decimal places.
3. The Company acquired 4,871,600 treasury shares for 10 billion yen upon resolution of Board of Directors Meeting held on October 27, 2014.



**3. Matters Related to stock acquisition rights (subscription rights to shares) of the Company  
(as of March 31, 2015)**

**(1) Stock acquisition rights held by the Directors and Audit & Supervisory Board Members 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)                  | 48 units                               | Ordinary shares 4,800 shares                                       | 1 yen                                                 | From June 18, 2005 to June 17, 2025            | 2                 |
|             | JSR Corporation Stock acquisition rights for 2006 (for Directors) (August 1, 2006) | 38 units                               | Ordinary shares 3,800 shares                                       | 1 yen                                                 | From August 2, 2006 to June 16, 2026           | 2                 |
|             | JSR Corporation Stock acquisition rights for 2006 (for Officers) (August 1, 2006)  | 15 units                               | Ordinary shares 1,500 shares                                       | 1 yen                                                 | From August 2, 2006 to June 16, 2026           | 1                 |
|             | JSR Corporation Stock acquisition rights for 2007 (July 10, 2007)                  | 74 units                               | Ordinary shares 7,400 shares                                       | 1 yen                                                 | From July 11, 2007 to July 10, 2027            | 3                 |
|             | JSR Corporation Stock acquisition rights for 2008 (July 15, 2008)                  | 123 units                              | Ordinary shares 12,300 shares                                      | 1 yen                                                 | From July 16, 2008 to July 15, 2028            | 3                 |
|             | JSR Corporation Stock acquisition rights for 2009 (July 14, 2009)                  | 200 units                              | Ordinary shares 20,000 shares                                      | 1 yen                                                 | From July 15, 2009 to July 14, 2029            | 3                 |
|             | JSR Corporation Stock acquisition rights for 2010 (July 13, 2010)                  | 228 units                              | Ordinary shares 22,800 shares                                      | 1 yen                                                 | From July 14, 2010 to July 13, 2030            | 4                 |
|             | JSR Corporation Stock acquisition rights for 2011 (July 12, 2011)                  | 237 units                              | Ordinary shares 23,700 shares                                      | 1 yen                                                 | From July 13, 2011 to July 12, 2031            | 4                 |
|             | JSR Corporation Stock acquisition rights for 2012 (July 10, 2012)                  | 290 units                              | Ordinary shares 29,000 shares                                      | 1 yen                                                 | From July 11, 2012 to July 10, 2032            | 4                 |
|             | JSR Corporation Stock acquisition rights for 2013 (July 16, 2013)                  | 163 units                              | Ordinary shares 16,300 shares                                      | 1 yen                                                 | From July 17, 2013 to July 16, 2033            | 4                 |
|             | JSR Corporation Stock acquisition rights for 2014 (July 30, 2014)                  | 185 units                              | Ordinary shares 18,500 shares                                      | 1 yen                                                 | From July 31, 2014 to July 30, 2034            | 4                 |

**(Note)** The Company has not issued stock acquisition rights to either its Outside Directors or Audit & Supervisory Board Members as remuneration for exercising duties as Outside Directors or Audit & Supervisory Board Members.

**(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 2014 (July 30, 2014) | 355 units                              | Ordinary shares 35,500 shares                                      | 1 yen                                                 | From July 31, 2014 to July 30, 2034            | 18                         |

#### 4. Matters Related to Directors and Audit & Supervisory Board Members

##### (1) Directors and Audit & Supervisory Board Members of the Company (as of March 31, 2015)

| Position                                   | Name              | Title and Responsibilities as Officers and Important concurrent positions held, etc.                                                                                                                                                         |
|--------------------------------------------|-------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Representative Director and President      | Mitsunobu Koshiba |                                                                                                                                                                                                                                              |
| Representative Director                    | Hozumi Sato       | Executive Vice President responsible for Research & Development and Strategic Businesses and Director, MEDICAL & BIOLOGICAL LABORATORIES CO., LTD.                                                                                           |
| Director                                   | Hisao Hasegawa    | Managing Officer, responsible for Manufacturing and Technology, Product Safety & Quality Assurance, Procurement, Logistics, and IT Strategy, and General Manager, Manufacturing and Technology Group and President, Tobu Butadiene Co., Ltd. |
| Director                                   | Hayato Hirano     | Senior Officer responsible for Accounting, Finance, Corporate Communications, Group Companies Coordination, and Human Resources, and General Manager, 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 Audit & Supervisory Board Member, Yokogawa Bridge Holdings Corporation, Outside Audit & Supervisory Board Member, TDK Corporation, and Outside Director, OYO Corporation                     |
| Full-time Audit & Supervisory Board Member | Shoichi Kataoka   |                                                                                                                                                                                                                                              |
| Audit & Supervisory Board Member           | Hiroichi Uekusa   | Lawyer, Partner, Minato - Kyouwa Law Office and Professor, University of Tsukuba Law School                                                                                                                                                  |
| Audit & Supervisory Board Member           | Hisako Kato       | Certified Public Accountant, Certified Tax Accountant, and Representative, Hisako Kato Accounting Office and Outside Audit & Supervisory Board Member, NTT Urban Development Corporation                                                     |

(Notes)

1. Messrs. Takuya Goto, Michio Kariya, and Kazunori Yagi are Outside Directors.
2. Mr. Hiroichi Uekusa and Ms. Hisako Kato are Outside Audit & Supervisory Board Members.
3. Ms. Hisako Kato, Audit & Supervisory Board Member, is a certified public accountant both in Japan and US and a certified tax accountant, having sufficient knowledge of financing and accounting.
4. Messrs. Takuya Goto, Michio Kariya and Kazunori Yagi, Directors, and Mr. Hiroichi Uekusa and Ms. Hisako Kato, Audit & Supervisory Board Members are registered as independent directors/auditors at Tokyo Stock Exchange in accordance with its definitions.
5. No conflict of interest exists 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, 2014.

6. 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, 2014.
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 0.4% of the net sales of YEC during the previous fiscal year ending on March 31, 2014, 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, 2014 while no conflict of interest exists between the Company and Yokogawa Bridge Holdings Corporation.
8. No conflict of interest exists between the Company and Minato-Kyouwa Law Office nor University of Tsukuba Law School, where Mr. Hiroichi Uekusa, Audit & Supervisory Board Member, has important concurrent positions.
9. No conflict of interest exists between the Company and either Hisako Kato Accounting Office or NTT Urban Development Corporation where Ms. Hisako Kato has important concurrent positions
10. The following are the list of Director and Audit & Supervisory Board Member who retired during the current fiscal year (Titles are stated as of the date of retirement );
  - Director and Executive Advisor: Mr. Yoshinori Yoshida (retired on June 17, 2014)
  - Audit & Supervisory Board Member: Mr. Kenji Ito (retired on June 17, 2014)

**(Reference) : Officers of the Company (as of March 31, 2015)**

| Position                   | Name               | Responsibilities and Title                                                                                                                                                                                                                              |
|----------------------------|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Executive Vice President   | Hozumi Sato*       | Responsible for Research & Development and Strategic Businesses,<br>Director, MEDICAL & BIOLOGICAL LABORATORIES CO., LTD.                                                                                                                               |
| Executive Managing Officer | Koichi Kawasaki    | Responsible for Petrochemical Products Sector (including Plastics),<br>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, Manufacturing and Technology Group and President, Tobu Butadiene Co., Ltd.                               |
| Managing Officer           | Yasuhisa Nagahiro  | Responsible for Display Materials Business, Optical Materials Business, Safety and Environment Affairs,                                                                                                                                                 |
| Senior Officer             | Atsushi Kumano     | President, JSR Micro Korea Co., Ltd                                                                                                                                                                                                                     |
| Senior Officer             | Nobuo Kawahashi    | Responsible for Research & Development (deputy),<br>General Manager, R&D Department                                                                                                                                                                     |
| Senior Officer             | Kazuyoshi Nakazawa | Responsible for Yokkaichi Plant,<br>Yokkaichi Plant Manager                                                                                                                                                                                             |
| Senior Officer             | Hayato Hirano*     | Responsible for Accounting, Finance, Corporate Communications, Group Companies Coordination, and Human Resources,<br>General Manager, Group Companies Coordination                                                                                      |
| Senior Officer             | Katsuya Inoue      | Responsible for Business Planning Fine Chemical Business,<br>General Manager, Business Planning Department, Fine Chemical Business                                                                                                                      |
| Officer                    | Takatoshi Nagatomo | President, JSR MOL Synthetic Rubber , Ltd.                                                                                                                                                                                                              |
| Officer                    | Takeshi Sugimoto   | Responsible for Electronic Materials Business,<br>General Manager, Electronic Materials Division and General Manager, Lithography Materials Department                                                                                                  |
| Officer                    | Tsuyoshi Watanabe  | Responsible for China Business<br>Chairman, JSR (Shanghai) Co., Ltd., and President, J & W Beijing Biotech Co., Ltd.                                                                                                                                    |
| Officer                    | Fumio Tsutsumi     | Responsible for Petrochemical Products Sector (deputy) ,<br>General Manager, Performance Chemicals Division                                                                                                                                             |
| Officer                    | Kazumasa Yamawaki  | Responsible for Petrochemical Products Sector (deputy)<br>General Manager, Business Planning Department, Petrochemical Products                                                                                                                         |
| Officer                    | Eric Johnson       | President, JSR Micro, Inc.                                                                                                                                                                                                                              |
| Officer                    | Eiichi Kobayashi   | Responsible for Strategic Businesses (deputy),<br>President, JM Energy Corporation                                                                                                                                                                      |
| Position                   | Name               | Responsibilities and Title                                                                                                                                                                                                                              |

|         |                   |                                                                                           |
|---------|-------------------|-------------------------------------------------------------------------------------------|
| Officer | Makoto Doi        | Responsible for Legal, General Affairs,<br>General Manager, Legal Department              |
| Officer | Takao Shimizu     | Responsible for Corporate Planning, CSR<br>General Manager, Corporate Planning Department |
| Officer | Tsutomu Shimokawa | Responsible for Yokkaichi Research Center<br>General Manager, Yokkaichi Research Center,  |
| Officer | Hiroaki Nemoto    | President, JSR Micro Taiwan. Co., Ltd.                                                    |
| Officer | Yoichi Mizuno     | General Manager, Optical Materials Division                                               |

(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, 2015

| Date     | Position                   | Name              | Responsibilities and Title                                                                                                                                                                         |
|----------|----------------------------|-------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| April 1  | Executive Vice President   | Hozumi Sato*      | Responsible for Strategic Businesses,<br>Director, MEDICAL & BIOLOGICAL LABORATORIES CO., LTD.                                                                                                     |
| April 1  | Executive Managing Officer | Koichi Kawasaki   | Responsible for Petrochemical Products Sector (including Plastics), General Manager, Petrochemical Products Division, President, Japan Butyl Co., Ltd., Vice President, KRATON JSR ELASTOMERS K.K. |
| April 1  | Managing Officer           | Hisao Hasegawa*   | Responsible for Manufacturing and Technology, Product Safety & Quality Assurance, Procurement, Logistics, and IT Strategy,<br>General Manager, Manufacturing and Technology Group                  |
| April 1  | Managing Officer           | Yasuhisa Nagahiro | Safety and Environment Affairs,                                                                                                                                                                    |
| April 1  | Senior Officer             | Nobuo Kawahashi   | Responsible for Research & Development (deputy),<br>General Manager, R&D Department                                                                                                                |
| April 1  | Senior Officer             | Katsuya Inoue     | Responsible for Business Planning Fine Chemical Business,<br>General Manager, Business Planning Department, Fine Chemical Business                                                                 |
| April 1  | Officer                    | Takeshi Sugimoto  | Responsible for Electronic Materials Business,<br>General Manager, Electronic Materials Division,<br>General Manager, Lithography Materials Department                                             |
| April 1  | Officer                    | Takao Shimizu     | Responsible for Corporate Planning,<br>Office of President and CSR<br>General Manager, Corporate Planning Department                                                                               |
| April 1  | Officer                    | Tsutomu Shimokawa | General Manager, Display Materials Research Laboratories,                                                                                                                                          |
| April 1  | Officer                    | Hiroaki Nemoto    | Responsible for Display Materials Business,<br>General Manager, Display Materials Division                                                                                                         |
| April 1  | Officer                    | Yoichi Mizuno     | General Manager, Optical Materials Division                                                                                                                                                        |
| April 10 | Officer                    | Tsuyoshi Watanabe | Responsible for China Business<br>Chairman, JSR (Shanghai) Co., Ltd.                                                                                                                               |

**(2) Amount of remuneration for Directors and Audit & Supervisory Board Members**

| Classification                                                                                                                                         | Director |                  | Audit & Supervisory Board Member |                  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|----------|------------------|----------------------------------|------------------|
|                                                                                                                                                        | Number   | Amount           | Number                           | Amount           |
|                                                                                                                                                        | (people) | (¥ million/year) | (people)                         | (¥ million/year) |
| Basic Remuneration based on resolution of the general meeting of shareholders<br>(for Outside Directors and Outside Audit & Supervisory Board Members) | 8        | 188              | 4                                | 37               |
|                                                                                                                                                        | (3)      | (36)             | (3)                              | (10)             |
| Annual Bonuses for this fiscal term<br>(for Outside Directors and Outside Audit & Supervisory Board Members)                                           | 4<br>(-) | 39<br>(-)        | -<br>(-)                         | -<br>(-)         |
| Stock Option as Remuneration to Directors<br>(for Outside Directors and Outside Audit & Supervisory Board Members)                                     | 5        | 29               | -                                | -                |
|                                                                                                                                                        | (-)      | (-)              | (-)                              | (-)              |
| Total<br>(for Outside Directors and Outside Audit & Supervisory Board Members)                                                                         | 8<br>(3) | 256<br>(36)      | 4<br>(3)                         | 37<br>(10)       |

(Notes)

1. The numbers of the Directors and Audit & Supervisory Board Members and the amount of remunerations thereto in the table above include those for 1 Director and 1 Audit & Supervisory Board Member who retired during the current fiscal year.
2. The maximum Basic 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 Basic Remuneration for Audit & Supervisory Board Members 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 Annual Bonuses is subject to approval on the Proposal 4 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) Policies for determining the amount of remuneration for Directors and Audit & Supervisory Board Members of the Company or the method of calculation thereof**

1) Principles on remuneration for Directors and Audit & Supervisory Board Members

The Company has set forth the following basic policies in order to ensure to steadily pursue its management plans and business strategies while maintaining transparency and accountability to its shareholders on procedures for determining remuneration for Directors and Audit & Supervisory Board Members.

Remuneration framework should:

- i. attract, secure, and reward diverse and excellent personnel for the purpose of further enhancing and improving its competitive advantages;
- ii. accelerates continuous improvement in corporate values and thereby cause the Directors of the Company to share the benefits with its shareholders;
- iii. motivate Directors of the Company to achieve the objectives of business strategies aiming at continuous growth; and
- iv. be objective and transparent especially in the determination process and method thereof.

2) Remuneration structure

Remuneration for Directors (excluding Outside Directors) of the Company consists of Basic Remuneration, Annual Bonuses linked to the annual business performance of the Company, and Stock Option as Remuneration to Directors designed for having Directors share with shareholders the benefits and risks of changes in share prices.

However, remuneration for Independent Outside Directors and Audit & Supervisory Board Members, consists only of Basic Remuneration in light of their roles.

The Company abolished the retirement benefit to its Directors and Audit & Supervisory Board Members in June 2005.

3) Performance-linked structure

Annual Bonuses are determined based on the evaluation of business performance in terms of consolidated business results and individual evaluation including the achievement level of assigned segments and duties.

The Company uses both the consolidated net sales and the consolidated operating income as performance evaluation references.

4) Method to determine remuneration level

The Company determines the level of remuneration to its Directors by referring to directors' remuneration survey from an outside specialist institution and by annually benchmarking companies similar to the Company in business scope, industry and business category.

5) Process to determine remuneration

For the purpose of enhancing objectivity, transparency and accountability during the process of monitoring and reviewing issues on remuneration structure, the Company set up the Remuneration Advisory Committee involving Outside Directors as its members in October 2012, which has, in a timely manner, made deliberations and reports to the Board of Directors concerning the basic remuneration policy, remuneration structure, structures of annual bonuses and others.

Remuneration for Audit & Supervisory Board Members is determined by consultation among the Audit & Supervisory Board Members.

### (3) Matters related to Outside Directors and Outside Audit & Supervisory Board Members

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

| Name            | Position                                 | Major activities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-----------------|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Takuya Goto     | Outside Director                         | Mr. Goto participated in all 17 meetings of the Board of Directors held during the current fiscal year. Mr. Goto has been greatly contributing to enhance fair and reasonable judgment for, and accountable and sound management of, the businesses of the Company, by utilizing range of his knowledge and vast experience, on management of the company that pursues major global businesses of consumer products and industrial chemicals, and by providing appropriate advices, as well as neutral and independent view point, at the Board of Directors meetings etc. from time to time                                                                                                                                                                                  |
| Michio Kariya   | Outside Director                         | Mr. Kariya participated in all 17 meetings of the Board of Directors held during the current fiscal year. Mr. Kariya has been greatly contributing to enhance fair and reasonable judgment for, and accountable and sound management of, the businesses of the Company, by utilizing range of his knowledge and vast experience on management of the company that pursues major global businesses of imaging products and precision equipment, and by providing appropriate advices, as well as neutral and independent view point, at the Board of Directors meetings etc. from time to time,                                                                                                                                                                                |
| Kazunori Yagi   | Outside Director                         | Mr. Yagi participated in all 17 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,                                                                                                       |
| Hiroichi Uekusa | Outside Audit & Supervisory Board Member | Mr. Uekusa participated in 16 out of 17 meetings of the Board of Directors and in 16 out of 17 meetings of the Audit & Supervisory Board 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.                                                                                                                           |
| Hisako Kato     | Outside Audit & Supervisory Board Member | Ms. Kato participated in all 13 meetings of the Board of Directors and in all 12 meetings of the Audit & Supervisory Board held respectively during the current fiscal year but after her assumption of the office. Ms. Kato has been effectively performing the audit of the Company and greatly contributing to enhance fair and reasonable judgment for, and accountable and sound management of, the businesses of the Company, by utilizing range of her professional knowledge and vast experience on financing and accounting matters as a Certified Public Accountant both in Japan and US and a Certified Tax Accountant 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 Audit & Supervisory Board Members 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; ¥63 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 Audit & Supervisory Board of the Company will dismiss the Accounting Auditor upon the consent of all the Audit & Supervisory Board Members if 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 that the Audit & Supervisory Board decides to propose dismissal or non-reappointment any of Accounting Auditors at a general meeting of shareholders considering performance of executing duties and audit qualities thereof, the Board of Directors will, upon request from Audit & Supervisory Board, present such proposals at the general meeting of shareholders.

## **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 of the Company 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 Vice President, 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 companies 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 has 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 appropriateness of its financial report.
- 5) The Company has established an organization specialized in internal auditing and independent from the business execution divisions (“Internal Auditing Office”), in order to monitor and internally audit the effectiveness of the internal control system.
- 6) The Company has established consulting and reporting channel so that the Directors and employees can report directly to the Corporate Ethics Committee or through designated external hotlines involving 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 has also established suppliers’ hotlines so that its suppliers can report the issues relating to compliance rules to the Company. The Company ensures that, in any case, the person who made such reports suffers no disadvantageous treatment 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 of the Company**

- 1) The Board of Directors holds regular meetings on monthly basis in principle and ad hoc basis if required in order to deliberate and resolve important matters relating to the execution of businesses and to monitor and direct the execution of duties of Directors and Officers.

Executive Committee consisting of President, Executive Vice 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 deliberate, direct and/or receive reports on fundamental management policies, managerial guidelines, management plans and/or major business issues from business divisions. After review and deliberation 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 Vice 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 sharing information and views, clarify 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 well in advance, which will be further reviewed and discussed at the Board of Directors Meetings or Executive Committee Meetings.

- 2) The Company has established, in relation to business management, its mid-term business plan “JSR 20i6” 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.
- 3) 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.
- 4) The Company has adopted officer system 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 for the purpose of sharing common and thorough understanding on status of and major issues relating to the management and performance of the Company.

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

- 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 of the Company**

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 Audit & Supervisory Board Members of the Company.

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

- 1) The Company has established a “Code of 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) Relevant responsible business divisions of the Company as specified under the “Code of Group Companies Management” are responsible for administration and management of respective Group Companies, while other corporate functional departments such as safety and environmental affairs, accounting, finance, general affairs and legal affairs, provide support and services to Group Companies.
- 3) The Company has established “The JSR Group Principles of Corporate Ethics” to ensure and promote the compliance with the laws and other rules by JSR Group as a whole.
- 4) Internal Auditing Office regularly conducts internal auditing at Group Companies to monitor the effectiveness of the internal control systems.

**(7) Matters related to audit by Audit & Supervisory Board Members**

- 1) Matters related to employees assisting Audit & Supervisory Board Members and ensuring his/her independence  
The Company has appointed a personnel whose responsibilities are to assist Audit & Supervisory Board Members. Any personnel decisions on such assistant are subject to prior consultation and approval by the Audit & Supervisory Board. In addition, solely Audit & Supervisory Board Members is responsible for evaluating performance of such assistant.
- 2) Structures for Audit & Supervisory Board Members to receive reports from Directors and employees of the Company and other reports
  - i. The Company ensures that Audit & Supervisory Board Members 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. Internal Auditing Office regularly reports the results of internal auditing to the Audit & Supervisory Board Members.
  - iii. The Audit & Supervisory Board Members 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 Audit & Supervisory Board Members 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 Audit & Supervisory Board Members.
- 3) Other structures to ensure effectiveness of auditing by Audit & Supervisory Board Members  
The Audit & Supervisory Board Members maintain cooperation and communication from time to time with relevant parties such as Internal Auditing Office, the Accounting Auditors, Audit & Supervisory Board Members of Group Companies.

## **(Reference) Structures to Ensure Propriety of Business Conduct (effective from May 1, 2015)**

The Board of Directors of the Company made a resolution at its meeting on May 11, 2015 with regard to the revised structures to ensure propriety of business conduct of the Company effective from May 1, 2015 as detailed below;

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

“JSR Group” (which hereinafter means JSR group companies consisting of the Company and those whose parent company under the Corporation Law is 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 of JSR Group 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 of the Company inclusive of independent Outside Directors monitors and directs the execution of duties of Directors and Officers (hereafter including Executive Vice President, Executive Managing Officers, Managing Officers and Senior Officers) of the Company, as well as makes decisions on important management matters of the Company and on fundamental management matters of JSR Group.  
As for the monitoring and directing execution of duties of the directors and employees of the “Group Companies” (which hereinafter means companies that belong to JSR Group but other than the Company), an Officer in charge of the business division of the Company responsible for the relevant Group Companies as specified under “the Code of Group Companies Management” (“responsible business division”, is responsible for such monitoring and direction.
- 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 has 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 appropriateness of financial report of JSR Group.
- 5) The Company has established an organization specialized in internal auditing independent from the business execution divisions (“Internal Auditing Office”) in order to monitor and internally audit the effectiveness of the internal control system of JSR Group.

- 6) The Company has established consulting and reporting channel so that any directors and employees of JSR Group can report directly to the Corporate Ethics Committee of respective Group Companies to which they belong or of the Company, or through designated external hotlines involving 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 has also established suppliers' hotlines so that the suppliers of JSR Group can report the issues relating to compliance rules to the Company. The Company ensures that, in any case, the person who made such reports suffers no disadvantageous treatment as a result of such reporting.
- 7) The JSR Group'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 or, as the case may be, of respective Group Companies 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 of JSR Group**

- 1) At the Company
  - i. The Board of Directors holds regular meetings on monthly basis in principle and ad hoc basis if required in order to deliberate and resolve important matters relating to the execution of businesses and to monitor and direct the execution of duties of Directors and Officers.  
Executive Committee consisting of President, Executive Vice 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 deliberate, direct and/or receive reports on fundamental management policies, managerial guidelines, management plans and/or major business issues from business divisions. After review and deliberation 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 Vice 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 sharing information and views, clarify 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 well in advance, which will be further reviewed and discussed at the Board of Directors Meetings or Executive Committee Meetings.
  - ii. The Company has adopted officer system 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 holds two meetings on monthly basis (Officers reside abroad will attend such meeting on quarterly basis) in principle for the purpose of sharing common and thorough understanding on the status and major issues relating to the management and performance of the Company.
  - iii. The Company has established "the Code of Group Companies Management" for the management of Group Companies. Relevant responsible business divisions of the Company are responsible for administration and management of respective Group Companies, while other corporate functional departments such as safety and environmental affairs, accounting, finance, general affairs and legal affairs, provide support and services to Group Companies.
- 2) At Group Companies
  - i. As Group Companies in Japan does not have the board of directors, executive committee of the company consisting of the president, other key management personnel, and audit & advisory board members of the company, and representatives from the responsible business divisions of the Company holds meetings on regular basis and deliberate and decide important business matters in accordance with the relevant internal rules and regulations.
  - ii. At overseas Group Companies, the board of directors holds meetings on regular basis and deliberate and decide important business matters in accordance with the relevant internal rules and regulations.
- 3) The JSR Group has established its mid-term business plan "JSR 20i6" considering possible changes in business environment in the future, of which implementation plans were broken down into corporate annual targets and budget of JSR Group as a whole. Each of the companies of JSR Group and the business divisions thereof will set up and implement its action plans to achieve the objectives.

- 4) The JSR Group has shortened the tenure of office of its directors from two years to one year so that JSR Group can quickly cope with the ever-changing business environment.

**(4) Structures for loss and risk management and other rules of JSR Group**

- 1) The Company has been continually monitoring the risks associated with the execution and progress of the businesses of JSR Group 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 of the Company 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 of JSR Group 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 of the JSR Group, the “Emergency Headquarters” (“Anti-Disaster Headquarters” in the case of accidents or disaster) directed by the President of the Company 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 of the Company**

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 Audit & Supervisory Board Members of the Company.

**(6) Structures for reporting the execution of duties by directors and employees of the Group Companies**

- 1) The relevant responsible business divisions of the Company reports business results and financial statements of the Group Companies in charge to Executive Committee and the Board of Directors on regular basis.
- 2) The audit & supervisory board members of a Group Company on regular basis reports to Audit & Advisory Board Member and Internal Audit Office of the Company the results of the audit made at the Group Company.

**(7) Matters related to audit by Audit & Supervisory Board Members**

- 1) Matters related to employees assisting Audit & Supervisory Board Members and ensuring his/her independence  
The Company has appointed a personnel whose responsibilities are to assist Audit & Supervisory Board Members (“the assistant”). Any personnel decisions on the assistant are subject to prior consultation and approval by the Audit & Supervisory Board. In addition, solely Audit & Supervisory Board Members is responsible for evaluating the performance of the assistant.
- 2) Matters related to effectiveness of command by Audit & Advisory Board Members to the assistant  
The assistant shall follow instructions and command solely made by Audit & Advisory Board Members.
- 3) Structures for Directors and employees of the Company, for directors and employees of the Group Companies or for those who received reports from them to report to Audit & Supervisory Board Members of the Company.
  - i. Audit & Supervisory Board Members ensures that they can review major decisions on the execution of duties of Directors through participation to the meetings of the Board of Directors, Executive Committee and Officer Committee and the circulation of authorization documents after approval by the relevant personnel.

- ii. Such corporate administrative department including general affairs, legal and CSR as designated by Audit & Advisory Board Members regularly, or upon request, report to Audit & Advisory Board Members on the progress and operating status of internal control system such as compliance with rules and regulations and risk management.
  - iii. Internal Auditing Office regularly, or upon request, reports the results of internal auditing on JSR Group to Audit & Advisory Board Members.
  - iv. Directors and employees of the Company promptly and effectively report to Audit & Supervisory Board Members 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 Audit & Supervisory Board Members.
  - v. Directors and employees of JSR Group promptly report to Audit & Supervisory Board Members relating to execution of businesses.
- 4) Structures to ensure that persons who report to Audit & Advisory Board Members do not suffer disadvantageous treatment as a result of such report.  
The JSR Group prohibits disadvantageous treatment its directors and employees solely because they had reported to Audit & Advisory Board Members.
- 5) Matters related to policies related to procedures for advance payment or pay back of audit expenses and handling audit expenses and others  
The Company bears all the expenses incurred in relation to execution of duties of Audit & Advisory Board Members unless such expenses are deemed unnecessary
- 6) Other structures to ensure effectiveness of auditing by Audit & Supervisory Board Members  
The Audit & Supervisory Board Members maintain cooperation and communication from time to time with relevant parties such as Internal Auditing Office, the Accounting Auditors, audit & supervisory board members of Group Companies.



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, 2015)

| 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>319,396</b>      | <b>326,504</b>                   | <b>Current Liabilities</b>                    | <b>126,327</b>      | <b>132,442</b>                   |
| Cash and deposits                        | 47,984              | 33,390                           | Notes and accounts payable-trade              | 72,441              | 85,333                           |
| Notes and accounts receivable-trade, net | 83,122              | 87,613                           | Short-term loans payable                      | 18,639              | 15,578                           |
| Short-term investment securities         | 67,997              | 81,004                           | Other                                         | 35,245              | 31,529                           |
| Inventories                              | 79,320              | 78,689                           | <b>Noncurrent Liabilities</b>                 | <b>43,591</b>       | <b>31,617</b>                    |
| Other                                    | 40,971              | 45,804                           | Long-term loans payable                       | 20,387              | 11,069                           |
|                                          |                     |                                  | Net defined benefit liability                 | 13,745              | 15,242                           |
|                                          |                     |                                  | Provision for environmental measures          | 1,308               | 1,734                            |
|                                          |                     |                                  | Deferred tax liabilities                      | 6,700               | 2,720                            |
|                                          |                     |                                  | Other                                         | 1,449               | 850                              |
| <b>Noncurrent Assets</b>                 | <b>215,195</b>      | <b>174,815</b>                   | <b>Total Liabilities</b>                      | <b>169,918</b>      | <b>164,059</b>                   |
| <b>Property, plant and equipment</b>     | <b>115,913</b>      | <b>95,630</b>                    | <b>Net Assets</b>                             |                     |                                  |
| Buildings and structures, net            | 36,896              | 30,623                           | <b>Shareholders' equity</b>                   | <b>324,321</b>      | <b>313,033</b>                   |
| Machinery, equipment and vehicles, net   | 41,581              | 37,627                           | Common stock                                  | 23,320              | 23,320                           |
| Land                                     | 17,761              | 18,626                           | Capital surplus                               | 25,179              | 25,179                           |
| Construction in progress                 | 14,055              | 4,697                            | Retained earnings                             | 291,151             | 269,620                          |
| Other, net                               | 5,617               | 4,415                            | Treasury stock                                | (15,329)            | (5,087)                          |
|                                          |                     |                                  |                                               |                     |                                  |
| <b>Intangible assets</b>                 | <b>14,298</b>       | <b>7,250</b>                     | <b>Accumulated Other Comprehensive Income</b> | <b>33,981</b>       | <b>18,250</b>                    |
| Goodwill                                 | 6,479               | 664                              | Unrealized gains on securities, net of taxes  | 19,257              | 11,467                           |
| Other                                    | 7,818               | 6,586                            | Foreign currency translation adjustment       | 14,575              | 6,971                            |
|                                          |                     |                                  | Remeasurements of defined benefit plans       | 148                 | (188)                            |
| <b>Investments and other assets</b>      | <b>84,983</b>       | <b>71,935</b>                    | <b>Subscription rights to shares</b>          | <b>852</b>          | <b>792</b>                       |
| Investment securities                    | 74,509              | 60,952                           | <b>Minority interests</b>                     | <b>5,518</b>        | <b>5,183</b>                     |
| Other, net                               | 10,473              | 10,982                           |                                               |                     |                                  |
|                                          |                     |                                  | <b>Total Net Assets</b>                       | <b>364,673</b>      | <b>337,259</b>                   |
| <b>Total Assets</b>                      | <b>534,592</b>      | <b>501,319</b>                   | <b>Total Liabilities and Net Assets</b>       | <b>534,592</b>      | <b>501,319</b>                   |

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

**Consolidated Statements of Income**  
(from April 1, 2014 to March 31, 2015)

(in millions of yen)

| Items                                                    | <b>Current<br/>Fiscal Year</b> | Previous<br>Fiscal Year<br>(Reference) |
|----------------------------------------------------------|--------------------------------|----------------------------------------|
|                                                          | Amount                         | Amount                                 |
| <b>Net Sales</b>                                         | <b>404,073</b>                 | <b>394,309</b>                         |
| <b>Cost of sales</b>                                     | <b>300,303</b>                 | <b>294,924</b>                         |
| <b>Gross profit</b>                                      | <b>103,769</b>                 | <b>99,384</b>                          |
| <b>Selling, general and administrative expenses</b>      | <b>65,701</b>                  | <b>63,322</b>                          |
| <b>Operating income</b>                                  | <b>38,068</b>                  | <b>36,061</b>                          |
| <b>Non-operating income</b>                              | <b>5,792</b>                   | <b>5,065</b>                           |
| Interest income                                          | 241                            | 256                                    |
| Dividends income                                         | 1,149                          | 659                                    |
| Foreign exchange gains                                   | 3,021                          | 1,672                                  |
| Equity in earnings of affiliates companies               | —                              | 1,546                                  |
| Subsidy income                                           | 628                            | —                                      |
| Other                                                    | 751                            | 931                                    |
| <b>Non-operating expenses</b>                            | <b>2,251</b>                   | <b>1,496</b>                           |
| Interest expenses                                        | 345                            | 141                                    |
| Taxes and dues                                           | 312                            | 8                                      |
| Equity in losses of affiliates companies                 | 275                            | —                                      |
| Other                                                    | 1,317                          | 1,346                                  |
| <b>Ordinary income</b>                                   | <b>41,609</b>                  | <b>39,631</b>                          |
| <b>Extraordinary income</b>                              | <b>2,220</b>                   | —                                      |
| Compensation income                                      | 1,895                          | —                                      |
| Gain on transfer from business divestitures              | 325                            | —                                      |
| <b>Extraordinary loss</b>                                | <b>2,760</b>                   | <b>2,675</b>                           |
| Loss on valuation of investment securities               | 2,642                          | —                                      |
| Restructuring Loss                                       | —                              | 2,409                                  |
| Other                                                    | 117                            | 265                                    |
| <b>Income before income taxes and minority interests</b> | <b>41,068</b>                  | <b>36,956</b>                          |
| <b>Income taxes</b>                                      | <b>11,904</b>                  | <b>12,760</b>                          |
| Income tax-current                                       | 11,201                         | 11,636                                 |
| Income tax-deferred                                      | 702                            | 1,123                                  |
| <b>Income before minority at loss</b>                    | <b>29,164</b>                  | <b>24,195</b>                          |
| <b>Minority interest in income</b>                       | <b>(754)</b>                   | <b>(977)</b>                           |
| <b>Net income</b>                                        | <b>29,918</b>                  | <b>25,172</b>                          |

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

**Consolidated Statements of Changes in Net Assets**  
(from April 1, 2014 to March 31, 2015)

(in millions of yen)

|                                                       | Shareholders' equity |                 |                   |                 |                            |
|-------------------------------------------------------|----------------------|-----------------|-------------------|-----------------|----------------------------|
|                                                       | Common stock         | Capital surplus | Retained earnings | Treasury stock  | Total shareholders' equity |
| Balance at the beginning of the current fiscal year   | 23,320               | 25,179          | 269,620           | (5,087)         | 313,033                    |
| Cumulative effects of changes in accounting policies  |                      |                 | 964               |                 | 964                        |
| Restated balance                                      | 23,320               | 25,179          | 270,585           | (5,087)         | 313,997                    |
| Changes of items during the current fiscal year       |                      |                 |                   |                 |                            |
| Dividends from surplus                                |                      |                 | (9,166)           |                 | (9,166)                    |
| Net income                                            |                      |                 | 29,918            |                 | 29,918                     |
| Purchase of treasury stock                            |                      |                 |                   | (10,271)        | (10,271)                   |
| Disposal of treasury stock                            |                      | (0)             | (5)               | 29              | 23                         |
| Change of scope of consolidation                      |                      |                 | (180)             |                 | (180)                      |
| Net changes of items other than shareholders' equity  |                      |                 |                   |                 |                            |
| Total changes of items during the current fiscal year | —                    | (0)             | 20,566            | (10,242)        | 10,323                     |
| <b>Balance at the end of the current fiscal year</b>  | <b>23,320</b>        | <b>25,179</b>   | <b>291,151</b>    | <b>(15,329)</b> | <b>324,321</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   | 11,467                                       | 6,971                                   | (188)                                   | 18,250                                       | 792                           | 5,183              | 337,259          |
| Cumulative effects of changes in accounting policies  |                                              |                                         |                                         |                                              |                               |                    | 964              |
| Restated balance                                      | 11,467                                       | 6,971                                   | (188)                                   | 18,250                                       | 792                           | 5,183              | 338,224          |
| Changes of items during the current fiscal year       |                                              |                                         |                                         |                                              |                               |                    |                  |
| Dividends from surplus                                |                                              |                                         |                                         | —                                            |                               |                    | (9,166)          |
| Net income                                            |                                              |                                         |                                         | —                                            |                               |                    | 29,918           |
| Purchase of treasury stock                            |                                              |                                         |                                         | —                                            |                               |                    | (10,271)         |
| Disposal of treasury stock                            |                                              |                                         |                                         | —                                            |                               |                    | 23               |
| Change of scope of consolidation                      |                                              |                                         |                                         | —                                            |                               |                    | (180)            |
| Net changes of items other than shareholders' equity  | 7,789                                        | 7,603                                   | 337                                     | 15,731                                       | 59                            | 335                | 16,126           |
| Total changes of items during the current fiscal year | 7,789                                        | 7,603                                   | 337                                     | 15,731                                       | 59                            | 335                | 26,449           |
| <b>Balance at the end of the current fiscal year</b>  | <b>19,257</b>                                | <b>14,575</b>                           | <b>148</b>                              | <b>33,981</b>                                | <b>852</b>                    | <b>5,518</b>       | <b>364,673</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: 33 companies

Names of consolidated subsidiaries:

ELASTOMIX Co., Ltd., ELASTOMIX (THAILAND) CO., LTD.,  
ELASTOMIX (FOSHAN) CO., LTD., JSR TRADING, INC.,  
JSR BST Elastomer Co., Ltd., JSR Trading Bangkok 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(Shanghai) Co., Ltd.,  
JSR ENGINEERING CO., LTD., JSR Logistics & Customer Center Co., Ltd.  
JSR Trading Co., Ltd., JSR Business Services Co., Ltd., JM Energy Corporation,  
JSR Trading (Shanghai) Co., Ltd. and JSR Life Sciences Corporation,  
J & W Beijing Biotech Co., Ltd., KBI Biopharma, Inc., KBI Biopharma Boulder, LLC,

Effective from the current consolidated fiscal year, the following companies have been included into the scope of consolidation; JSR(Shanghai) Co., Ltd., J & W Beijing Biotech Co., Ltd., and JSR Trading Bangkok Co., Ltd. due to increase in materiality, JSR Logistics & Customer Center Co., Ltd. due to establishment on April 1, 2014 through incorporation-type company split, KBI Biopharma, Inc. and KBI Biopharma Boulder, LLC due to purchase of 51% share of KBI Biopharma Inc. As the date for acquisition of KBI Biopharma, Inc. and KBI Biopharma Boulder, LLC is deemed to be March 31, 2015, only the balance sheet is consolidated for the fiscal year ending on March 31, 2015.

##### 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: 10 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., JSR  
Electronic Materials Korea Co., Ltd, Tri Chemical Laboratories, Inc., MEDICAL & BIOLOGICAL  
LABORATORIES CO., LTD., JN System Partners Co., Ltd. and JEY-TRANS CO., LTD.

Effective from the current consolidated fiscal year, JSR LOGISTICS CO., LTD. (renamed to JEY-TRANS CO., LTD. on April 1, 2014) has been excluded from the scope of consolidation and included in the scope of the equity method after transferring 60% of its shares to a company outside of the group companies for consolidation. JSR Electronic Materials Korea Co., Ltd. established by incorporation-type company split on September 30, 2014 has been included in the scope of the equity method from the current fiscal year after transferring 60% of its shares to a company outside of the group companies for consolidation.

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: Kyodo Polymer 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 (Kyodo Polymer 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, etc., of consolidated subsidiaries.

Of consolidated subsidiaries, the end of the business year of the following 12 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., JSR Trading (Shanghai) Co., Ltd.,

JSR(Shanghai) Co., Ltd., J & W Beijing Biotech Co., Ltd., KBI Biopharma, Inc., and

KBI Biopharma Boulder, LLC

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 11 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.

## 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' bonuses, the amount deemed to have accrued at the end 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) Amortization of goodwill

Goodwill is amortized by the straight-line method over the period for estimated useful lives of respective items up to twenty years.

(5) 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

In order to prepare for retirement benefit for employees, net defined benefit liability is provided by deducting projected fair value of the pension assets from the amount of retirement benefit obligation recognized to have accrued at the end of this fiscal year. The benefit formula standard is applied as the method for attributing expected retirement benefit to the relevant corresponding period.

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

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

4) Application of consolidated corporate-tax return system

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

### 3. Changes in accounting policies

Adaptation of accounting standards related to retirement benefits

Effective from the fiscal year ending on March 31, 2015, JSR has applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012; hereinafter the “Accounting Standard”) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, March 26, 2015; hereinafter the “Guidance”) with regard to the provisions prescribed in the main text of Article 35 of the Accounting Standard and Article 67 of the Guidance. As a result, the Company reviewed the calculation methods of retirement benefit obligations and service costs, applied the benefit formula standard for the method of attributing expected retirement benefit to periods, and changed the calculation method of discount rates.

With regard to the application of the above Accounting Standard and other standards, in accordance with the transitional treatment prescribed in Article 37 of the Accounting Standard, the effects of the changes in the calculation methods of retirement benefit obligations and service costs were reflected in adjustments in retained earnings at the beginning of the current fiscal year.

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

### 4. Changes in presentation

(1) Changes in presentation of consolidated balance sheet

“Accounts receivables-other” and “Income taxes payable” respectively disclosed as independent items in current assets and current liabilities in the previous fiscal year have been included in “Other” within the respective classification for the current fiscal year due to decrease of materiality.

“Construction in progress” of Property, plant and equipment, “Goodwill” of Intangible assets and “Deferred tax liabilities” of Noncurrent liabilities included respectively in “Other, net”, “Intangible assets” and “Other” in the previous fiscal year have been disclosed as independent items for the current fiscal year due to increase of materiality.

(2) Changes in presentation of consolidated statements of income

“Taxes and dues” of non-operating expenses included in “Other” in the previous fiscal year has been disclosed as an independent item for the current fiscal year due to increase of materiality.

“Depreciation” and “Loss on abandonment of non-current assets” respectively disclosed as independent items in non-operating expenses in the previous fiscal year have been included in “Other” within the non-operating expenses for the current fiscal year due to decrease of materiality.

### 5. Notes on consolidated balance sheet

|                                                    |                                                               |                        |
|----------------------------------------------------|---------------------------------------------------------------|------------------------|
| (1) Assets pledged and liabilities related thereto |                                                               |                        |
| Assets pledged                                     | Current assets                                                | ¥3,144 million         |
|                                                    | Property, plant and equipment                                 | ¥8,679 million         |
|                                                    | Intangible assets                                             | ¥102 million           |
|                                                    | Investment and other assets                                   | ¥75 million            |
|                                                    | <u>total</u>                                                  | <u>¥12,001 million</u> |
| Liabilities related to the above                   | Short-term loans payable (liabilities from bank transactions) | ¥852 million           |
|                                                    | Long-term loans payable (liabilities from bank transactions)  | ¥523 million           |
|                                                    | <u>Total</u>                                                  | <u>¥1,375 million</u>  |

(2) Allowance for doubtful accounts directly deducted from assets

|                               |                                          |               |
|-------------------------------|------------------------------------------|---------------|
| Current Assets;               | Notes and accounts receivable-trade, net | ¥ 326 million |
| Investments and other assets; | Other                                    | ¥ 140 million |

(3) Accumulated depreciation on property, plant and equipment (including accumulated impairment loss):  
¥ 356,690 million

(4) Export exchange notes discounted: ¥ 141 million

(5) Guarantee obligations

|                              |                        |
|------------------------------|------------------------|
| CMIC JSR Biologics Co., Ltd. | ¥ 663 million          |
| JEY-TRANS CO., LTD.          | ¥ 208 million          |
| PT.ELASTOMIX INDONESIA       | ¥ 187 million          |
| Employees                    | ¥ 3 million            |
| <u>Total</u>                 | <u>¥ 1,062 million</u> |

The guarantee obligation for CMIC JSR Biologics Co., Ltd. is joint and several sureties and each of the Company and other company jointly provides 100% guarantee for the debt of the company in question.

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

(1) Class and total number of issued shares at the end of the current consolidated fiscal year:  
237,973,205 ordinary shares

(2) Matters related to dividends from surplus

1) Amount of dividends paid

| Resolution                                                | Class of shares | Total amount of dividends (million yen) | Dividends per share (yen) | Record date        | Effective date of dividends |
|-----------------------------------------------------------|-----------------|-----------------------------------------|---------------------------|--------------------|-----------------------------|
| Ordinary General Meeting of Shareholders on June 17, 2014 | Ordinary shares | 4,467                                   | 19                        | March 31, 2014     | June 18, 2014               |
| Board of Directors Meeting on October 27, 2014            | Ordinary shares | 4,699                                   | 20                        | September 30, 2014 | November 27, 2014           |
| Total                                                     |                 | 9,166                                   | 39                        |                    |                             |

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, 2015, an agenda for term-end dividends for appropriation of surplus as detailed below;

|                                          |                   |
|------------------------------------------|-------------------|
| Item related to ordinary share dividends |                   |
| Dividends in total                       | ¥ 4,602 million   |
| Source of dividends                      | Retained earnings |
| Amount per share                         | ¥ 20              |
| Record date                              | March 31, 2015    |
| Effective date of dividends              | June 18, 2015     |

(3) Class and number of shares to be issued or transferred upon exercise of the subscription rights to shares (stock acquisition rights) at the end of the current consolidated fiscal year  
256,100 ordinary shares

## 7. 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. As for the usage of loans, mainly short term loans are used for working capital while long term loans are used for investment in plant and equipment etc. .

(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, 2015 (consolidated account closing date).

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

|                      |           |
|----------------------|-----------|
| Net assets per share | ¥1,557.08 |
| Net income per share | ¥128.19   |

**Balance Sheet**  
(as of March 31, 2015)

(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>231,701</b>      | <b>254,449</b>                   | <b>Current Liabilities</b>                             | <b>100,544</b>      | <b>113,821</b>                   |
| Cash and deposits                                                | 21,419              | 12,848                           | Accounts payable-trade                                 | 59,037              | 71,183                           |
| Notes receivable                                                 | 72                  | 623                              | Short-term loans payable                               | 8,420               | 13,663                           |
| Accounts receivable-trade, net                                   | 59,257              | 68,298                           | Accounts payable-other                                 | 6,984               | 6,854                            |
| Short-term investment securities                                 | 67,997              | 80,497                           | Accrued expenses                                       | 10,632              | 10,134                           |
| Inventories                                                      | 43,179              | 45,713                           | Income taxes payable                                   | 4,443               | 3,755                            |
| Accounts receivable-other                                        | 29,964              | 37,759                           | Deposits received from subsidiaries and affiliates     | 10,713              | 7,944                            |
| Deferred tax assets                                              | 1,673               | 1,766                            | Other                                                  | 313                 | 285                              |
| Other                                                            | 8,138               | 6,942                            |                                                        |                     |                                  |
| <b>Noncurrent Assets</b>                                         | <b>165,600</b>      | <b>141,302</b>                   | <b>Noncurrent Liabilities</b>                          | <b>20,618</b>       | <b>18,568</b>                    |
| <b>Property, plant and equipment</b>                             | <b>61,069</b>       | <b>56,794</b>                    | Long-term loans payable                                | 500                 | 500                              |
| Buildings, net                                                   | 19,060              | 16,000                           | Provision for retirement benefits                      | 11,917              | 13,033                           |
| Structures, net                                                  | 3,875               | 3,332                            | Provision for environmental measures                   | 1,176               | 1,568                            |
| Machinery and equipment, net                                     | 16,989              | 16,756                           | Deferred tax liabilities                               | 6,645               | 2,648                            |
| Vehicles, net                                                    | 28                  | 47                               | Other                                                  | 379                 | 818                              |
| Tools, furniture and fixtures, net                               | 4,391               | 3,240                            |                                                        |                     |                                  |
| Land                                                             | 16,056              | 16,730                           | <b>Total Liabilities</b>                               | <b>121,162</b>      | <b>132,389</b>                   |
| Construction in progress                                         | 668                 | 687                              | <b>Net Assets</b>                                      |                     |                                  |
| <b>Intangible assets</b>                                         | <b>3,028</b>        | <b>2,890</b>                     | <b>Shareholders' equity</b>                            | <b>256,298</b>      | <b>251,242</b>                   |
| Software                                                         | 851                 | 1,027                            | <b>Common stock</b>                                    | <b>23,320</b>       | <b>23,320</b>                    |
| Other                                                            | 2,176               | 1,862                            | <b>Capital surplus</b>                                 | <b>25,179</b>       | <b>25,179</b>                    |
|                                                                  |                     |                                  | Legal capital surplus                                  | 25,179              | 25,179                           |
|                                                                  |                     |                                  | Other capital surplus                                  | —                   | 0                                |
| <b>Investments and other assets</b>                              | <b>101,502</b>      | <b>81,617</b>                    | <b>Retained earnings</b>                               | <b>223,128</b>      | <b>207,830</b>                   |
| Investment securities                                            | 43,227              | 34,310                           | Legal retained earnings                                | 3,710               | 3,710                            |
| Shares of subsidiaries and affiliates                            | 38,145              | 28,679                           | Other retained earnings                                | 219,418             | 204,119                          |
| Investments in capital of subsidiaries and affiliates            | 3,259               | 3,080                            | Reserve for special depreciation                       | 21                  | 25                               |
| Long-term loans receivable from subsidiaries and affiliates, net | 14,730              | 13,471                           | Reserve for advanced depreciation of noncurrent assets | 5,723               | 5,374                            |
| Long-term prepaid expenses                                       | 670                 | 927                              | General reserve                                        | 42,431              | 42,431                           |
| Other                                                            | 1,468               | 1,149                            | Retained earnings brought forward                      | 171,242             | 156,288                          |
|                                                                  |                     |                                  | <b>Treasury stock</b>                                  | <b>(15,329)</b>     | <b>(5,087)</b>                   |
|                                                                  |                     |                                  | <b>Valuation and translation adjustments</b>           | <b>18,988</b>       | <b>11,326</b>                    |
|                                                                  |                     |                                  | Unrealized gains on securities, net of taxes           | 18,988              | 11,326                           |
|                                                                  |                     |                                  | <b>Subscription rights to shares</b>                   | <b>852</b>          | <b>792</b>                       |
|                                                                  |                     |                                  |                                                        |                     |                                  |
|                                                                  |                     |                                  | <b>Total Net Assets</b>                                | <b>276,140</b>      | <b>263,361</b>                   |
| <b>Total Assets</b>                                              | <b>397,302</b>      | <b>395,751</b>                   | <b>Total Liabilities and Net Assets</b>                | <b>397,302</b>      | <b>395,751</b>                   |

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

**Statements of Income**  
(from April 1, 2014 to March 31, 2015)

(in millions of yen)

| Items                                                  | <b>Current<br/>Fiscal Year</b> | Previous<br>Fiscal Year<br>(Reference) |
|--------------------------------------------------------|--------------------------------|----------------------------------------|
|                                                        | Amount                         | Amount                                 |
| <b>Net Sales</b>                                       | <b>266,856</b>                 | <b>265,605</b>                         |
| <b>Cost of sales</b>                                   | <b>200,262</b>                 | <b>201,301</b>                         |
| <b>Gross profit</b>                                    | <b>66,594</b>                  | <b>64,303</b>                          |
| <b>Selling, general and administrative expenses</b>    | <b>37,750</b>                  | <b>37,625</b>                          |
| <b>Operating income</b>                                | <b>28,843</b>                  | <b>26,678</b>                          |
| <b>Non-operating income</b>                            | <b>9,639</b>                   | <b>9,646</b>                           |
| Interest income                                        | 295                            | 284                                    |
| Dividends income                                       | 6,222                          | 6,088                                  |
| Foreign exchange gains                                 | 1,670                          | 1,874                                  |
| Other                                                  | 1,450                          | 1,398                                  |
| <b>Non-operating expenses</b>                          | <b>1,487</b>                   | <b>1,225</b>                           |
| Interest expenses                                      | 76                             | 105                                    |
| Loss on abandonment of inventories                     | 171                            | —                                      |
| Taxes and dues                                         | 297                            | —                                      |
| Other                                                  | 942                            | 1,120                                  |
| <b>Ordinary income</b>                                 | <b>36,994</b>                  | <b>35,100</b>                          |
| <b>Extraordinary income</b>                            | <b>2,258</b>                   | <b>—</b>                               |
| Compensation income                                    | 1,895                          | —                                      |
| Gain on sales of shares of subsidiaries and associates | 363                            | —                                      |
| <b>Extraordinary loss</b>                              | <b>6,069</b>                   | <b>3,882</b>                           |
| Provision of allowance for doubtful accounts           | 3,508                          | 2,300                                  |
| Loss on valuation of investment securities             | 2,133                          | —                                      |
| Restructuring loss                                     | —                              | 1,316                                  |
| Other                                                  | 427                            | 265                                    |
| <b>Income before income taxes</b>                      | <b>33,184</b>                  | <b>31,217</b>                          |
| <b>Income taxes</b>                                    | <b>9,678</b>                   | <b>8,510</b>                           |
| Income taxes-current                                   | 9,072                          | 7,351                                  |
| Income taxes-deferred                                  | 606                            | 1,159                                  |
| <b>Net income</b>                                      | <b>23,505</b>                  | <b>22,707</b>                          |

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

**Statements of Changes in Net Assets**  
(from April 1, 2014 to March 31, 2015)

(in millions of yen)

|                                                                     | Shareholders' equity |                       |                       |                         |              |                                  |                                                        |                 |                                   | Total          |
|---------------------------------------------------------------------|----------------------|-----------------------|-----------------------|-------------------------|--------------|----------------------------------|--------------------------------------------------------|-----------------|-----------------------------------|----------------|
|                                                                     | Common stock         | Capital surplus       |                       |                         | Total        | Retained earnings                |                                                        |                 |                                   |                |
|                                                                     |                      | 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                | 0                     | 25,179                  | 3,710        | 25                               | 5,374                                                  | 42,431          | 156,288                           | <b>207,830</b> |
| Cumulative effects of changes in accounting policies                |                      |                       |                       |                         |              |                                  |                                                        |                 | 964                               | <b>964</b>     |
| Restated balance                                                    | 23,320               | 25,179                | 0                     | 25,179                  | 3,710        | 25                               | 5,374                                                  | 42,431          | 157,253                           | <b>208,794</b> |
| Changes of items during the period                                  |                      |                       |                       |                         |              |                                  |                                                        |                 |                                   |                |
| Dividends from surplus                                              |                      |                       |                       |                         |              |                                  |                                                        |                 | (9,166)                           | <b>(9,166)</b> |
| Net income                                                          |                      |                       |                       |                         |              |                                  |                                                        |                 | 23,505                            | <b>23,505</b>  |
| Reversal of reserve for special depreciation                        |                      |                       |                       |                         |              | (3)                              |                                                        |                 | 3                                 | —              |
| Reversal of reserve for advanced depreciation of noncurrent assets  |                      |                       |                       |                         |              |                                  | (334)                                                  |                 | 334                               | —              |
| Provision of reserve for advanced depreciation of noncurrent assets |                      |                       |                       |                         |              |                                  | 682                                                    |                 | (682)                             | —              |
| Purchase of treasury stock                                          |                      |                       |                       |                         |              |                                  |                                                        |                 |                                   |                |
| Disposal of treasury stock                                          |                      |                       | (0)                   | (0)                     |              |                                  |                                                        |                 | (5)                               | (5)            |
| Net changes of items other than shareholders' equity                |                      |                       |                       |                         |              |                                  |                                                        |                 |                                   |                |
| Total changes of items during the period                            | —                    | —                     | (0)                   | (0)                     | —            | (3)                              | 348                                                    | —               | 13,989                            | <b>14,334</b>  |
| <b>Balance at the end of current period</b>                         | <b>23,320</b>        | <b>25,179</b>         | <b>—</b>              | <b>25,179</b>           | <b>3,710</b> | <b>21</b>                        | <b>5,723</b>                                           | <b>42,431</b>   | <b>171,242</b>                    | <b>223,128</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                          | (5,087)              | 251,242                    | 11,326                                     | 792                           | <b>263,361</b>   |
| Cumulative effects of changes in accounting policies                |                      | 964                        |                                            |                               | <b>964</b>       |
| Restated balance                                                    | (5,087)              | 252,207                    | 11,326                                     | 792                           | <b>264,326</b>   |
| Changes of items during the period                                  |                      |                            |                                            |                               |                  |
| Dividends from surplus                                              |                      | (9,166)                    |                                            |                               | <b>(9,166)</b>   |
| Net income                                                          |                      | 23,505                     |                                            |                               | <b>23,505</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                                          | (10,271)             | (10,271)                   |                                            |                               | <b>(10,271)</b>  |
| Disposal of treasury stock                                          | 29                   | 23                         |                                            |                               | <b>23</b>        |
| Net changes of items other than shareholders' equity                |                      |                            | 7,662                                      | 59                            | <b>7,722</b>     |
| Total changes of items during the period                            | (10,242)             | 4,091                      | 7,662                                      | 59                            | <b>11,813</b>    |
| <b>Balance at the end of current period</b>                         | <b>(15,329)</b>      | <b>256,298</b>             | <b>18,988</b>                              | <b>852</b>                    | <b>276,140</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' bonuses, the amount that is deemed to have accrued at the end 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 recognized to have accrued at the end 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. The benefit formula standard is applied for the method of attributing expected retirement benefit to the relevant corresponding periods.

Any actuarial differences are recognized 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.

3) Application of consolidated corporate-tax return system

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

## 2. Changes in accounting policies

### Adaptation of accounting standards related to retirement benefits

Effective from the fiscal year ending on March 31, 2015, JSR has applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012; hereinafter the "Accounting Standard") and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, March 26, 2015; hereinafter the "Guidance"). As a result, the Company reviewed the calculation methods of retirement benefit obligations and service costs, applied the benefit formula standard for the method of attributing expected retirement benefit to periods, and changed the calculation method of discount rates.

With regard to the application of the above Accounting Standard and other standards, in accordance with the transitional treatment prescribed in Article 37 of the Accounting Standard, the effects of the changes in the calculation methods of retirement benefit obligations and service costs were reflected in adjustments in retained earnings at the beginning of the current fiscal year.

Consequently, Provision for retirement benefits decreased by ¥1,498 million and retained earnings increased by ¥964 million at the beginning of the current fiscal year. The effect of application of the Accounting Standard on operating income, ordinary income or net income before income taxes and minority interests in the current fiscal year was immaterial.

## 3. Changes in presentation

### Changes in presentation of Statements of income

"Depreciation" and "Loss on abandonment of non-current assets" disclosed as independent items in non-operating expenses in the previous fiscal year have been included in "Other" within the non-operating expenses for the current fiscal year due to decrease of materiality.

## 4. Notes on balance sheet

(1) Assets pledged and claims related thereto

|                                  |                                                                        |                 |
|----------------------------------|------------------------------------------------------------------------|-----------------|
| Assets pledged                   | Property, plant and equipment                                          | ¥ 6,545 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 | ¥ 12,408 million |
| Other                                                            | ¥ 83 million     |

2) Allowance for investment loss

|                                                                     |               |
|---------------------------------------------------------------------|---------------|
| Investments and other assets; Stocks of subsidiaries and affiliates | ¥ 910 million |
|---------------------------------------------------------------------|---------------|

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

¥ 286,317 million

(4) Monetary Claims and liabilities to subsidiaries and affiliated companies

|                                               |                  |
|-----------------------------------------------|------------------|
| Short-term monetary claims to affiliates      | ¥ 43,894 million |
| Long-term monetary claims to affiliates       | ¥ 27,138 million |
| Short-term monetary liabilities to affiliates | ¥ 34,741 million |

(5) Export exchange notes discounted: ¥ 9 million

(6) Guarantee obligations

|                              |                  |
|------------------------------|------------------|
| JSR BST Elastomer Co., Ltd.  | ¥ 14,305 million |
| CMIC JSR Biologics Co., Ltd. | ¥ 663 million    |
| JEY-TRANS CO., LTD.          | ¥ 208 million    |
| Employees                    | ¥ 3 million      |
| Total                        | ¥ 15,180 million |

The guarantee obligation for JSR BST Elastomer Co., Ltd. is joint and several sureties. Total amount of the guarantee obligation (including that of other company) is ¥ 28,050 million.

The guarantee obligation for CMIC JSR Biologics Co., Ltd. is joint and several sureties. and each of the Company and other company jointly provides 100% guarantee for the debt of the company in question.

## 5. Notes on statement of income

Transactions with subsidiaries and affiliated companies:

Operating transaction

|                            |                   |
|----------------------------|-------------------|
| Sales                      | ¥ 113,915 million |
| Amount for goods purchased | ¥ 44,423 million  |
| Other trade transactions   | ¥ 15,761 million  |

Non-operating transaction

|                   |                 |
|-------------------|-----------------|
| Interest received | ¥ 5,939 million |
|-------------------|-----------------|

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

Class and number of treasury stocks at the end of the current fiscal year: 7,861,771 ordinary shares

## 7. 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.

## 8. Notes on transactions with related parties

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

| Attribute  | Name of the company         | Voting rights ownership rate (%) | Contents of relationship       |                                                          | Contents of transactions                          | Transaction amount (million yen) | Item                                           | Balance at the end of the current fiscal year (million yen) |
|------------|-----------------------------|----------------------------------|--------------------------------|----------------------------------------------------------|---------------------------------------------------|----------------------------------|------------------------------------------------|-------------------------------------------------------------|
|            |                             |                                  | Directors serving concurrently | Business relationship                                    |                                                   |                                  |                                                |                                                             |
| Subsidiary | JSR Trading Co., Ltd.       | 100                              | None                           | Sales of products                                        | Sale of products (Note 1)                         | 45,090                           | Accounts receivable -trade                     | 6,058                                                       |
| Subsidiary | JSR Micro Korea Co., Ltd.   | 100                              | None                           | Sales of products and supply of raw materials            | Sale of products (Note 1)                         | 26,868                           | Accounts receivable -trade                     | 6,199                                                       |
| Subsidiary | Techno Polymer Co., Ltd.    | 100                              | None                           | Supply of raw materials                                  | Supply of raw material gas (Note 2)               | 15,156                           | Accounts receivable -other                     | 3,862                                                       |
| Subsidiary | JSR ENGINEERING CO., LTD    | 100                              | None                           | Engineering services of production facilities etc.       | Purchase of equipment & facilities (Note 3)       | 11,022                           | Accounts payable -other                        | 2,230                                                       |
| Subsidiary | JM Energy Corporation       | 100                              | None                           | Provision of loans                                       | Provision of loans (Note 4)                       | 6,559                            | Long-term loans to subsidiaries and affiliates | 17,719                                                      |
| Subsidiary | ELASTOMIX Co., Ltd.         | 98.5                             | None                           | Deposit from subsidiary                                  | Deposit from subsidiaries and affiliates (Note 5) | 486                              | Deposit from subsidiaries                      | 4,592                                                       |
| Subsidiary | JSR BST Elastomer Co., Ltd. | 51                               | 2                              | Guarantee obligations                                    | Guarantee obligations of loan payable (Note 6)    | 14,305                           | —                                              | —                                                           |
| Subsidiary | Tobu Butadiene Co., Ltd.    | 100                              | 1                              | Supply of raw material gas and purchase of butadiene gas | Supply of raw material gas (Note 2)               | 11,537                           | Accounts receivable -other                     | 4,916                                                       |
|            |                             |                                  |                                |                                                          | Purchase of butadiene gas (Note 7)                | 17,891                           | Accounts payable                               | 5,868                                                       |
| Affiliate  | KRATON JSR ELASTOMERS K.K.  | 50                               | None                           | Toll manufacturing of elastomer products                 | Purchase of products (Note 8)                     | 10,533                           | Accounts payable                               | 4,682                                                       |
|            |                             |                                  |                                | Supply of raw materials                                  | Supply of raw material gas (Note 2)               | 4,883                            | Accounts receivable -other                     | 2,538                                                       |

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 is ¥ 28,050 million. Guarantee fees rates are determined through negotiation considering prevailing guarantee fees rates in financial market.
  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 Audit & Advisory Board Members serving concurrently | Business relationship |                             |                                  |                           |                                                             |
| Major shareholder | Bridgestone Corporation | Direct ownership 14.0            | None                                                                 | Sales of our products | Sales of elastomer products | 36,887                           | Accounts receivable-trade | 12,777                                                      |

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

(Notes)

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

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

|                      |           |
|----------------------|-----------|
| Net assets per share | ¥1,196.32 |
| Net income per share | ¥100.72   |

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

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

May 8, 2015

To: Board of Directors  
JSR Corporation

**KPMG AZSA LLC**

|                                                            |                             |                        |
|------------------------------------------------------------|-----------------------------|------------------------|
| Designated Limited Liability Partner<br>Engagement Partner | Certified Public Accountant | Takao Tominaga (seal)  |
| Designated Limited Liability Partner<br>Engagement Partner | Certified Public Accountant | Tomoyoshi Inoue (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, 2015 and for the year from April 1, 2014 to March 31, 2015 in accordance with Article 444-4 of the Corporation Law.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statement referred to above presents fairly, in all material respects, the financial position and the results of operations of JSR Corporation and its consolidated subsidiaries for the period, for which the consolidated financial statements was prepared, in accordance with accounting principles generally accepted in Japan.

**Other Matter**

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

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

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

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

## **Independent Auditor's Report**

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

May 8, 2015

To: Board of Directors  
JSR Corporation

KPMG AZSA LLC

|                                                            |                             |                        |
|------------------------------------------------------------|-----------------------------|------------------------|
| Designated Limited Liability Partner<br>Engagement Partner | Certified Public Accountant | Takao Tominaga (seal)  |
| Designated Limited Liability Partner<br>Engagement Partner | Certified Public Accountant | Tomoyoshi Inoue (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, 2015 and for the year from April 1, 2014 to March 31, 2015 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 Audit & Supervisory Board 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 Audit & Supervisory Board**

### **Audit Report**

The Audit & Supervisory Board, with regard to the execution of duties of the Directors during the 70th fiscal term commencing on April 1, 2014 and ending on March 31, 2015, has discussed and prepared its audit report as described below based upon audit reports prepared by each of the Audit & Supervisory Board Members;

#### **1. Methods and contents of the audits by Audit & Supervisory Board Members and the Audit & Supervisory Board**

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

Each Audit & Supervisory Board Member has, in accordance with the audit standards for Audit & Supervisory Board Members set forth by the Audit & Supervisory Board 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 Audit & Supervisory Board Member 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 Audit & Supervisory Board Member 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 Audit & Supervisory Board Member 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 Audit & Supervisory Board Member has strove to facilitate communication and information exchange with directors and audit & supervisory board members of the subsidiaries, received reports, requesting explanations when necessary, from the subsidiaries on their businesses. Through these methods, each Audit & Supervisory Board Member examined the business report of the Company and the supplementary statements thereto for the fiscal term under review.

In addition, each Audit & Supervisory Board Member 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 Audit & Supervisory Board Member 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 Audit & Supervisory Board Member 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, 2015

Audit & Supervisory Board, JSR Corporation

|                                            |                 |        |
|--------------------------------------------|-----------------|--------|
| Full-time Audit & Supervisory Board Member | Shoichi Kataoka | (seal) |
|--------------------------------------------|-----------------|--------|

|                                                                                |                 |        |
|--------------------------------------------------------------------------------|-----------------|--------|
| Audit & Supervisory Board Member<br>(Outside Audit & Supervisory Board Member) | Hiroichi Uekusa | (seal) |
|--------------------------------------------------------------------------------|-----------------|--------|

|                                                                                |             |        |
|--------------------------------------------------------------------------------|-------------|--------|
| Audit & Supervisory Board Member<br>(Outside Audit & Supervisory Board Member) | Hisako Kato | (seal) |
|--------------------------------------------------------------------------------|-------------|--------|

## Financial Highlights (Reference)

### 1. Key Consolidated Financial Figures

| Fiscal Term                |             | The 67th             | The 68th             | The 69th             | The 70th             |
|----------------------------|-------------|----------------------|----------------------|----------------------|----------------------|
| from/to                    |             | Apr 2011<br>Mar 2012 | Apr 2012<br>Mar 2013 | Apr 2013<br>Mar 2014 | Apr 2014<br>Mar 2015 |
| Net Sales                  | yen million | 349,946              | 371,487              | 394,309              | 404,073              |
| Operating Income           | yen million | 35,964               | 35,206               | 36,061               | 38,068               |
| Net Income                 | yen million | 26,407               | 30,278               | 25,172               | 29,918               |
| Return on Equity Ratio     |             | 9.7%                 | 10.3%                | 7.9%                 | 8.7%                 |
| Total Asset                | yen million | 430,692              | 482,935              | 501,319              | 534,592              |
| Net Asset                  | yen million | 282,357              | 315,733              | 337,259              | 364,673              |
| Equity Ratio               |             | 65.2%                | 63.9%                | 66.1%                | 67.0                 |
|                            |             |                      |                      |                      |                      |
| Cash Dividends (per share) | yen/share   | 32                   | 34                   | 38                   | 40<br>(proposed)     |
| Cash Dividends (amount)    | yen million | 7,719                | 8,138                | 8,978                | 9301                 |
| Dividend Payout Ratio      |             | 29.2%                | 27.0%                | 35.8%                | 31.1%                |
| Purchase of Treasury Share | yen million | 1                    | 6,000                | 4,182                | 9,999                |

### 2. Segment Information

| Fiscal Term<br>from / to                |             | Net Sales            |                      | Operating Income     |                      |
|-----------------------------------------|-------------|----------------------|----------------------|----------------------|----------------------|
|                                         |             | The 69th             | The 70th             | The 69th             | The 70th             |
|                                         |             | Apr 2013<br>Mar 2014 | Apr 2014<br>Mar 2015 | Apr 2013<br>Mar 2014 | Apr 2014<br>Mar 2015 |
| Elastomers                              | yen million | 203,478              | 198,957              | 17,329               | 10,735               |
| Plastics                                | yen million | 57,763               | 55,161               | 3,918                | 2,841                |
| Fine Chemicals<br>and Other<br>Products | yen million | 133,067              | 149,953              | 14,813               | 24,491               |
| Total                                   | yen million | 394,309              | 404,073              | 36,061               | 38,061               |

### 3. Consolidated Cash Flow

|                                                          |             | The 69th | The 70th |
|----------------------------------------------------------|-------------|----------|----------|
| Cash and its equivalent at the beginning the fiscal term | yen million | 53,818   | 91,114   |
| Cash Flow from operation                                 | yen million | 35,474   | 51,480   |
| Cash Flow from investment                                | yen million | 8,221    | (54,835) |
| Cash Flow from financing activities                      | yen million | (8,121)  | (12,358) |
| Exchange differentials on cash or cash equivalent, etc.  | yen million | 1,722    | 2,505    |
| Cash and its equivalent at the end of the fiscal term    | yen million | 91,114   | 77,906   |