

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, 2016

Dear Shareholders,

Notice of Convening the 71st Ordinary General Meeting of Shareholders
of
JSR Corporation

We are pleased to announce the convening of the 71st 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, 2016 (Friday) 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 71st Fiscal Term (from April 1, 2015 to March 31, 2016) and Audit Report thereon by the Accounting Auditors and the Audit & Supervisory Board
2. Non-Consolidated Financial Statements for the 71st Fiscal Term (from April 1, 2015 to March 31, 2016)

Matters to be Resolved

- Proposal 1. Appropriation of surplus
- Proposal 2. Partial Modification of Articles of Incorporation
- Proposal 3. Election of eight (8) Directors
- Proposal 4. Election of one (1) Audit & Supervisory Board Member
- Proposal 5. Election of two (2) Substitute Audit & Supervisory Board Members
- Proposal 6. Payment of annual bonuses to Directors

4. Matters related to exercising your voting rights

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

Please hand over the ballot form attached hereto at the reception.

(2) By Post:

Please return the ballot form attached hereto after indicating your approval or disapproval so that your ballot reaches us by 5:45 pm on Thursday, June 16, 2016 (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 Thursday, June 16, 2016 (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/or “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 viewpoint 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) Form of dividend

Cash

##### (2) Matters regarding disbursements of dividends to shareholders and total amount thereof

The Company would like to distribute ¥25 per ordinary share of the Company as year-end dividends.

The total amount of year-end dividends will therefore amount to ¥5,639,658,050.-

Accordingly, total dividends per share for this fiscal year (inclusive of interim dividends) will be ¥50, and the total amount of dividends distributed will be ¥11,279,008,650.-

##### (3) Effective Date of dividend distribution

June 20, 2016

#### Proposal 2. Partial Modification of Articles of Incorporation

##### 1. Reasons for the Proposal

- (1) For reasons such as the Company's acquisition of MEDICAL & BIOLOGICAL LABORATORIES CO., LTD. on October 2, 2015 and taking into consideration the present business situation of the Company and its subsidiaries, the Company proposes the modification of Article 2 (Purposes) of its Articles of Incorporation.
- (2) Pursuant to the Act for Partial Amendment of the Companies Act (Act No. 90 of 2014), which came into force on May 1, 2015, the range of company executives who are eligible to sign the Agreements for Limitation of Liability has been expanded to include all the Audit & Supervisory Board Members.

The Company therefore proposes the partial modification of Article 31 (Agreements with Outside Audit & Supervisory Board Members for Limiting Liabilities) of its Articles of Incorporation to expand the eligible executives to include Audit & Supervisory Board Members who are not Outside Audit & Supervisory Board Members, in order to enable them to fully perform their expected duties with protection. Each of the Audit & Supervisory Board Members has consented to the submission of this proposal to modify Article 31 of the Company's current Articles of Incorporation to this ordinary general meeting of shareholders.

**2. Details of Modifications**

The proposals of the modifications are as follows:

| <b>Current</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>Modified</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
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| <p>(Purposes)<br/>Article 2.<br/>The purposes of the Company shall be to engage in the following businesses:<br/>1. Manufacture, process and sale of the following products:<br/>    (1) Synthetic rubbers, plastics and other chemical industrial products;<br/>    (2) Raw materials for synthetic rubbers, plastics and other chemical industrial products;<br/>    (3) Optical electronics devices, information equipment, physical-chemical instruments, medical equipment, power generation and storage devices and parts, components and materials of all items of foregoing;<br/>    (4) Materials for civil engineering, housing, and packaging;<br/>    (5) Materials, equipment and other products for environment improvement, health and safety;<br/>    (6) Audio and visual disks and software;<br/>    (7) <u>Foodstuffs and medical products;</u><br/><br/>2. <u>Licensing</u>, technical assistance, research and consulting for the businesses listed in the paragraph 1 above;<br/>3. Design, manufacture and sale of facilities and machinery for chemical industry and design, implementation and management of civil engineering works;<br/>4. Warehousing, cargo transportation via trucking, maintenance of vehicles;<br/>5. Data processing services;<br/><br/>6. Sale, purchase and lease of real estate;<br/>7. Financing and leasing;<br/>8. Casualty insurance agency and life insurance solicitation;<br/>9. Sale of office goods, appliances and daily miscellaneous goods;<br/>10. All other business activities incidental to the foregoing.</p> | <p>(Purposes)<br/>Article 2.<br/>The purposes of the Company shall be to engage in the following businesses:<br/>1. Manufacture, process and sale of the following products:<br/>    (1) Synthetic rubbers, plastics and other chemical industrial products;<br/>    (2) Raw materials for synthetic rubbers, plastics and other chemical industrial products;<br/>    (3) Optical electronics devices, information equipment, physical-chemical instruments, medical equipment, power generation and storage devices and parts, components and materials of all items of foregoing;<br/>    (4) Materials for civil engineering, housing, and packaging;<br/>    (5) Materials, equipment and other products for environment improvement, health and safety;<br/>    (6) Audio and visual disks and software;<br/>    (7) <u>Foodstuffs, medical products, quasi-drugs and other life science-related products, as well as the ingredients and intermediate products thereof;</u><br/><br/>2. <u>Research and development</u>, assistance, <u>investigation</u> and consulting as well as licensing and technical assistance for the businesses listed in the paragraph 1 above;<br/>3. Design, manufacture and sale of facilities and machinery for chemical industry and design, implementation and management of civil engineering works;<br/>4. Warehousing, cargo transportation via trucking, maintenance of vehicles;<br/>5. Data processing services, <u>verification and assistance with respect to management and accounting;</u><br/>6. Sale, purchase and lease of real estate;<br/>7. Financing and leasing;<br/>8. Casualty insurance agency and life insurance solicitation;<br/>9. Sale of office goods, appliances and daily miscellaneous goods;<br/>10. All other business activities incidental to the foregoing.</p> |

**(Agreements with Outside Corporate Auditors for Limiting Liabilities )**

**Article 31.**

The Company may enter into an agreement with each of the Outside Corporate Auditors to the effect that any liabilities of such Outside Corporate Auditor under Paragraph 1 of Article 423 of the Companies Act shall be limited to an amount set by applicable laws and regulations; provided that such Outside Corporate Auditor must have acted in good faith and without gross negligence in performing his/her duties.

**(Agreements with Audit & Supervisory Board Members for Limiting Liabilities )**

**Article 31.**


The Company may enter into an agreement with each of the Audit & Supervisory Board Members to the effect that any liabilities of each Audit & Supervisory Board Member under Paragraph 1 of Article 423 of the Companies Act shall be limited to an amount set by applicable laws and regulations; provided that such Audit & Supervisory Board Member must have acted in good faith and without gross negligence in performing his/her duties.


**Note:** The Company has changed the English reference of “Corporate Auditor” to “Audit & Supervisory Board Member”.


### Proposal 3. Election of eight (8) Directors

As the tenures of all seven (7) current Directors will expire at the close of this ordinary general meeting of shareholders, the Company proposes, considering optimum composition of the board members to ensure continuing growth of corporate value, that following eight (8) Directors to be newly elected. The following candidates for Directors were nominated based on the recommendations of the Company's Nomination Advisory Committee, the majority members of which are Independent Outside Directors.


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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
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| 1   | <p data-bbox="260 667 486 728">Mitsunobu Koshiba<br/>(November 9, 1955)</p>  <p data-bbox="260 1021 443 1055"><u>Re-appointment</u></p> <p data-bbox="260 1088 614 1149">Number of the Company shares<br/>owned: 28,900</p> <p data-bbox="260 1182 595 1243">Record of attendance at BOD<br/>meetings: 16/16 times (100%)</p> | <p data-bbox="663 667 1406 981">           Oct. 1981 Joined JSR<br/>           Jun. 2004 Director, General Manager, Electronic Materials<br/>           Division<br/>           Jun. 2005 Senior Officer, General Manager, Electronic Materials<br/>           Division<br/>           Jun. 2006 Managing Director, General Manager, Electronic<br/>           Materials Division<br/>           Jun. 2008 Senior Managing Director<br/>           Apr. 2009 Representative Director and President (current<br/>           position)         </p> <p data-bbox="663 1010 1406 1563"> <b>Reasons for the Nomination of Candidate:</b><br/>           Since joining JSR, Mr. Mitsunobu Koshiba has worked in the field<br/>           of JSR's electronic material businesses, and has been engaged in<br/>           JSR's research and development as well as the establishment of<br/>           JSR's overseas offices in the Europe and America. As General<br/>           Manager of Electronic Materials Division, he has advanced the<br/>           globalization and expansion of JSR's businesses. After assuming<br/>           the office of Representative Director and President, he has also<br/>           pushed forward JSR's midterm management plans (JSR20i3,<br/>           JSR20i6) to realize the JSR's objectives for 2020. Additionally, Mr.<br/>           Koshiba has enhanced the Company's corporate governance<br/>           standards, thereby enhancing the trust of all stakeholders' of the<br/>           Company. Mr. Koshiba is expected to continue to contribute his<br/>           vast experiences and knowledge to help the Company in making<br/>           crucial decisions and to supervise the Company at the BOD level,<br/>           thereby contributing further to the enhancement of JSR's corporate<br/>           value. For the above reasons, he has been nominated as a candidate<br/>           for Director.         </p> |


| No. | Name<br>(Date of Birth)                                                                                                                                                                                                                                                                                                                                                                    | Brief personal record, position, responsibilities,<br>and other important concurrent positions held                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
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| 2   | <p data-bbox="260 320 432 376">Hozumi Sato<br/>(May 17, 1952)</p>  <p data-bbox="260 674 440 703"><u>Re-appointment</u></p> <p data-bbox="260 736 571 792">Number of Company shares<br/>owned: 14,200</p> <p data-bbox="284 831 616 887">Record of attendance at BOD<br/>meetings: 16/16 times (100%)</p> | <p data-bbox="663 320 919 349">Apr. 1977 Joined JSR</p> <p data-bbox="663 349 887 378">Jun. 2004 Director</p> <p data-bbox="663 378 1350 434">Jun. 2005 Senior Officer, General Manager, Yokkaichi R&amp;D<br/>Center</p> <p data-bbox="663 434 1310 501">Jun. 2006 Director and Senior Officer, General Manager,<br/>Yokkaichi R&amp;D Center</p> <p data-bbox="663 501 1007 530">Jun. 2007 Managing Director</p> <p data-bbox="663 530 1142 560">Jun. 2011 Director and Managing Officer</p> <p data-bbox="663 560 1390 616">Jun. 2013 Representative Director and Executive Vice President<br/>(current position)</p> <p data-bbox="663 616 1334 683">Jun. 2014 Director, MEDICAL &amp; BIOLOGICAL<br/>LABORATORIES CO., LTD (current position).</p> <p data-bbox="663 719 1214 775">(current responsibilities),<br/>Creation of businesses, LIC businesses</p> <p data-bbox="663 810 1222 900">(Important concurrent position held)<br/>Director, MEDICAL &amp; BIOLOGICAL<br/>LABORATORIES CO., LTD.</p> <p data-bbox="663 936 1390 1397">Reasons for the Nomination of Candidate:<br/>Mr. Hozumi Sato has, for many years since joining JSR, been engaged in JSR's research and development. After assuming the position of Director, he served as the General Manager at JSR's Yokkaichi R&amp;D Center. He has also been in charge of JSR's research and development, new business development, and precision processing and strategic businesses. Through his career, he has contributed to enhancing JSR's corporate value.<br/>Mr. Sato is expected to continue to contribute his vast experiences and knowledge to help the Company in making crucial decisions and to supervise the Company at the BOD level, thereby contributing further to the enhancement of JSR's corporate value. For the above reasons, he has been nominated as a candidate for Director.</p> |


| No. | Name<br>(Date of Birth)                                                                                                                                                                                                                                                                           | Brief personal record, position, responsibilities,<br>and other important concurrent positions held                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
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| 3   | <p data-bbox="260 342 451 403">Koichi Kawasaki<br/>(April 20, 1957)</p> <p data-bbox="260 432 462 465"><u>New-appointment</u></p>  <p data-bbox="260 750 571 810">Number of Company shares<br/>owned: 10,500</p> | <p data-bbox="662 309 925 342">Apr. 1983 Joined JSR</p> <p data-bbox="662 342 1284 403">Jun. 2005 Officer, General Manager, Manufacturing &amp; Technology Division</p> <p data-bbox="662 403 1308 463">Jun. 2007 Director and Senior Officer, General Manager, Manufacturing &amp; Technology Division</p> <p data-bbox="662 463 1308 524">Jun. 2008 Director and Senior Officer, General Manager, Elastomer Business Division</p> <p data-bbox="662 524 1204 584">Jun. 2011 Managing Officer, General Manager, Petrochemical Products Division</p> <p data-bbox="662 584 1300 645">Jun. 2012 Director and President, JAPAN BUTYL CO., LTD.</p> <p data-bbox="662 645 1324 741">Jun. 2014 Executive Managing Officer, General Manager, Petrochemical Products Division (current position)</p> <p data-bbox="662 741 1228 801">Mar. 2016 Director and President, KRATON JSR ELASTOMERS K.K.</p> <p data-bbox="662 840 1109 929">(current responsibilities)<br/>Petrochemical Products Sector<br/>(including synthetic Plastics)</p> <p data-bbox="662 963 1372 1086">(Important concurrent positions held)<br/>Director and President, JAPAN BUTYL CO., LTD.<br/>Director and President, KRATON JSR ELASTOMERS K.K.</p> <p data-bbox="662 1120 1412 1612">Reasons for the Nomination of Candidate:<br/>For many years since joining JSR, Mr. Koichi Kawasaki has been engaged in JSR's production, manufacturing &amp; technology-related businesses.<br/>After assuming the position of Officer, he served as the General Manager at JSR's Manufacturing &amp; Technology Division and Product Safety &amp; Quality Division. He has also been in charge of JSR's petrochemical products businesses as the General Manager of JSR's Elastomer Business Division and Petrochemical Products Division. Throughout his career, he has contributed to the enhancement of JSR's corporate value.<br/>Mr. Kawasaki is expected to contribute his vast experiences and knowledge to help the Company in making crucial decisions and to supervise the Company at the BOD level, thereby contributing further to the enhancement of JSR's corporate value. For the above reasons, he has been nominated as a candidate for Director.</p> |



| No. | Name<br>(Date of Birth)                                                                                                                                                                                                                                                                         | Brief personal record, position, responsibilities,<br>and other important concurrent positions held                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
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| 4   | <p data-bbox="260 342 467 405">Nobuo Kawahashi<br/>(July 23, 1956)</p>  <p data-bbox="260 730 464 763"><u>New-appointment</u></p> <p data-bbox="260 792 571 855">Number of Company shares<br/>owned: 2,200</p> | <p data-bbox="662 311 1390 651"> Apr. 1981    Joined JSR<br/> Jun. 2002    Head, Functional Materials Development Laboratory,<br/> Fine Electronic Materials Research Laboratories<br/> Jun. 2008    Officer, General Manager, Display Material Business<br/> Division and New FPD Materials Division<br/> Jun. 2009    Officer, General Manager, Electronic Materials<br/> Division<br/> Jun. 2010    Director and President of, JSR Micro Korea Co., Ltd.<br/> Jun. 2011    Senior Officer<br/> Apr. 2014    Senior Officer, General Manager, Research and<br/> Development Division </p> <p data-bbox="662 685 1086 748">(current responsibilities )<br/> Research and Development</p> <p data-bbox="662 804 1406 1236"> Reasons for the Nomination of Candidate:<br/> For many years since joining JSR, Mr. Nobuo Kawahashi has been engaged in JSR's research and development. After assuming the position of Officer, he served as the General Manager at JSR's Display Material Business Division and Electronic Materials Division. He also served as President of JSR Micro Korea Co., Ltd. He is currently in charge of research and development, and has contributed to the enhancement of JSR's corporate value.<br/> Mr. Kawahashi is expected to contribute his vast experiences and knowledge to help the Company in making crucial decisions and to supervise the Company at the BOD level, thereby contributing further to the enhancement of JSR's corporate value. For the above reasons, he has been nominated as a candidate for Director. </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="261 309 456 371">Takao Shimizu<br/>(March 10, 1957)</p>  <p data-bbox="261 846 464 880"><u>New-appointment</u></p> <p data-bbox="261 913 572 976">Number of Company shares<br/>owned: 3,371</p> | <p data-bbox="660 309 1410 398">Apr. 1982 Joined the Ministry of International Trade and Industry<br/>(currently known as the Ministry of Economy, Trade<br/>and Industry)</p> <p data-bbox="660 405 1410 495">Sep. 2005 Chief of the Product Safety Division, Consumer Affairs<br/>Division, Commerce and Information Policy Bureau,<br/>Ministry of Economy, Trade and Industry</p> <p data-bbox="660 501 1410 591">Jul. 2006 General Manager, Industrial Technology, Agricultural<br/>and Marine Products Division, Japan External Trade<br/>Organization</p> <p data-bbox="660 598 922 631">Sep. 2009 Joined JSR</p> <p data-bbox="660 638 1353 683">Apr. 2011 General Manager, Business Planning Department,<br/>Strategic Business</p> <p data-bbox="660 689 1310 745">Jun. 2012 Officer, General Manager, Corporate Planning<br/>Department</p> <p data-bbox="660 752 1289 786">Jun. 2015 Senior Officer, Head, Office of the President</p> <p data-bbox="660 808 1326 869">(current responsibilities)<br/>Corporate Planning, President's Office, and CSR</p> <p data-bbox="660 902 1410 1395">Reasons for the Nomination of Candidate:<br/>Mr. Takao Shimizu joined JSR after having served as Chief of<br/>the Product Safety Division, Consumer Affairs Division of the<br/>Commerce and Information Policy Bureau at the Ministry of<br/>Economy, Trade and Industry, as well as the General Manager<br/>of the Industrial Technology, Agricultural and Marine<br/>Products Division at the Japan External Trade Organization.<br/>Since joining JSR and assuming the position of Officer, he has been<br/>in charge of JSR's Corporate Planning, President's Office and CSR.<br/>Throughout his career, he has contributed to the enhancement of<br/>JSR's corporate value.<br/>Mr. Shimizu is expected to contribute his vast experiences and<br/>knowledge to help the Company in making crucial decisions and to<br/>supervise the Company at the BOD level, thereby contributing<br/>further to the enhancement of JSR's corporate value. For the<br/>above reasons, he has been nominated as a candidate for Director.</p> |

| No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Name<br>(Date of Birth)                                                                                                                                                                                                                                                                                                                                                       | Brief personal record, position, responsibilities,<br>and other important concurrent positions held                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
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| <p>The following are the items relating to the candidate for Outside Director;</p> <ol style="list-style-type: none"> <li>(1) Mr. Kazunori Yagi is a candidate for Outside Director.</li> <li>(2) Summary of agreement to limit Outside Directors' liabilities proposed to be entered into with Mr. Yagi:<br/>The Company had previously, pursuant to Paragraph 1 of Article 423 of the Companies Act, entered into an agreement with Mr. Yagi to limit his liabilities to the maximum permitted extent as set forth Paragraph 1 of Article 425 of the Companies Act. Subject to the approval of this Proposal at this ordinary general meeting of shareholders, the Company intends to renew the agreement with Mr. Yagi.</li> <li>(3) The Company has registered Mr. Yagi with the Tokyo Stock Exchange as an Independent Director, as such term is defined by the Exchange. If this proposal is approved in its original form, he will be re-appointed as an Independent Director.</li> <li>(4) Mr. Yagi meets the "Criteria for judging independence of outside directors and audit &amp; supervisory board members", set forth on page 18 of this translation..</li> <li>(5) There are some ongoing transactions involving the purchase of control systems and other products between the group companies of Yokogawa Electric Corporation (where Mr. Yagi had previously served as Director and Executive Vice President) and the group companies of JSR Corporation. The value of such transactions in the previous business year (from April, 2014 to March, 2015) amounted to less than 0.1% of JSR's consolidated net sales for the previous business year.</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 data-bbox="233 353 422 414">Yuzuru Matsuda<br/>(June 25, 1948)</p>  <p data-bbox="233 719 475 808"><u>Outside Director</u><br/><u>Re-appointment</u><br/><u>Independent Director</u></p> <p data-bbox="233 831 544 891">Number of Company shares<br/>owned : None</p> <p data-bbox="233 920 608 981">Term of office :<br/>1 year at the close of this meeting</p> <p data-bbox="233 1010 592 1093">Record of attendance at BOD<br/>meetings: 12/12 times held after<br/>assuming his office (100%)</p> | <p data-bbox="643 353 1409 450">Apr.1977 Joined KYOWA HAKKO KOGYO CO., LTD. (“KHK”) (currently known as Kyowa Hakko Kirin, Co., Ltd (“KH Kirin”))</p> <p data-bbox="643 450 1382 510">Jun. 2000 Officer, Head of the Pharmaceutical Research Institute Laboratory, KHK</p> <p data-bbox="643 510 1382 571">Jun. 2002 Executive Director and Director of Corporate Planning Department, KHK</p> <p data-bbox="643 571 1273 607">Jun. 2003 President and Chief Operating Officer, KHK</p> <p data-bbox="643 607 1203 642">Oct. 2008 President and Chief Officer, KH Kirin</p> <p data-bbox="643 642 1074 678">Mar. 2012 Senior Advisor, KH Kirin</p> <p data-bbox="643 678 1409 736">Jun. 2012 President of Kato Memorial Bioscience Foundation, a public interest incorporated association (current position)</p> <p data-bbox="643 736 1203 772">Mar. 2014 Retired from Senior Advisor, KH Kirin</p> <p data-bbox="643 772 1430 808">Jun. 2014 Outside Director, KUBOTA Corporation (current position)</p> <p data-bbox="643 808 1350 866">Jun. 2014 Outside Director, BANDAI NAMCO Holdings Inc. (current position)</p> <p data-bbox="643 866 1358 902">Jun. 2015 Outside Director, JSR Corporation (current position)</p> <p data-bbox="643 920 1249 1070">(Important concurrent position 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 data-bbox="643 1099 1430 1503">Reasons for Nomination of Candidate:<br/>Mr. Yuzuru Matsuda served as the President and Chief Officer of KYOWA HAKKO KOGYO CO., LTD and Kyowa Hakko Kirin, Co., Ltd.<br/>He has vast experience in corporate management for global companies especially in the field of medical products and biochemical. He also possesses the independent perspective as outside personnel.<br/>He has utilized his experiences and independent viewpoints to help the Company in making crucial decisions, to supervise the Company at the BOD level, and to strengthen the Company’s fair corporate governance through enhancing the fair and reasonable business judgment and transparent and sound management. He is therefore nominated again as a candidate for Outside Director.</p> |
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <p data-bbox="233 1529 1046 1565">The following are the items relating to the candidate for Outside Director;</p> <p data-bbox="256 1565 1439 1991">(1) Mr. Yuzuru Matsuda is a candidate for Outside Director.<br/>(2) Summary of agreement to limit Outside Directors’ liabilities proposed to be entered into with Mr. Matsuda:<br/>The Company had previously, pursuant to Paragraph 1 of Article 423 of the Companies Act, entered into an agreement with Mr. Matsuda to limit his liabilities to the maximum permitted extent as set forth in Paragraph 1 of Article 425 of the Companies Act. Subject to the approval of this Proposal at this ordinary general meeting of shareholders, the Company intends to renew the agreement with Mr. Matsuda.<br/>(3) The Company has registered Mr. Matsuda with the Tokyo Stock Exchange as an Independent Director, as such term is defined by the Exchange. If this proposal is approved in its original form, he will be re-appointed as an Independent Director.<br/>(4) Mr. Matsuda meets the “Criteria for judging independence of outside directors and audit &amp; supervisory board members”, set forth on page 18 of this translation.<br/>(5) There are some ongoing transactions involving the purchase of testing reagents and other products between the group companies of Kyowa Hakko Kirin, Co., Ltd. (where Mr. Matsuda served as</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

President and Chief Officer) and the group companies of JSR Corporation. The value of such transactions in the business year (from April, 2015 to March, 2016) amounts to less than 0.1% of JSR's consolidated net sales for the business year.

- (6) KUBOTA-AGRI-SERVICE Corporation, a subsidiary of KUBOTA Corporation (where Mr. Matsuda currently holds an important position), was subject to on-site investigation by the Japan Fair Trade Commission in November 2013 for violating the antitrust laws of Japan in relation to its acceptance of orders from agricultural cooperatives for the construction of joint drying facilities. The Commission issued a cease and desist order against, and imposed a penalty payment on KUBOTA-AGRI-SERVICE Corporation in March 2015. A penalty was also imposed on KUBOTA Corporation for the same violation. Mr. Matsuda assumed the position of Outside Director of KUBOTA Corporation in June 2014, after such violation was revealed, and has committed to reorganize KUBOTA Corporation and enhance its compliance standards, as well as conclusively prevent a recurrence of the abovementioned violations in all KUBOTA Corporation group companies.


| No. | Name<br>(Date of Birth)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Brief personal record, position, responsibilities,<br>and other important concurrent positions held                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|     | <p>Shiro Sugata<br/>(November 17, 1949)</p>  <p><u>Outside Director</u><br/><u>New-appointment</u><br/><u>Independent Director</u></p> <p>Number of Company shares owned : None</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <p>Apr. 1972 Joined USHIO INC.<br/>Jan. 1993 President, BLV LICHT-UND VAKUUMTECHNIK GmbH<br/>Mar. 1994 General Manager, Technical Research Institute, USHIO INC.<br/>Jun. 2000 Director, Senior Officer, USHIO INC.<br/>Apr. 2004 Director, Executive Managing Officer, USHIO INC.<br/>Jun. 2004 Representative Director, Executive Managing Officer, USHIO INC.<br/>Mar. 2005 Representative Director and President, USHIO, INC.<br/>Apr. 2013 Vice Chairman, Executive Director, Japan Association of Corporate Executives (current position)<br/>Oct. 2014 Director and Advisor, USHIO INC. (current position)<br/>Apr. 2015 Chairman, Organization and Membership Committee, Japan Association of Corporate Executives</p> <p>(Important concurrent positions held)<br/>Vice Chairman, Executive Director,<br/>Japan Association of Corporate Executives<br/>Chairman, Organization and Membership Committee,<br/>Japan Association of Corporate Executives</p> <p>Reasons for the Nomination of Candidate:<br/>Mr. Shiro Sugata served as the Representative Director and President of USHIO INC., where he currently serves as the Director and Advisor. He also serves as Vice Chairman, Executive Director at the Japan Association of Corporate Executives.<br/>He has vast experience in the corporate management of global companies especially in the field of optical application products and industrial machineries and also has experience obtained through activities in the business community, and possesses the perspectives as an independent outside personnel.<br/>He is expected to contribute his experiences and independent viewpoints to help the Company in making crucial decisions, to supervise the Company at the BOD level, and to strengthen the Company's fair corporate governance through enhancing the fair and reasonable business judgment and transparent and sound management. He is therefore nominated as a candidate for Outside Director.</p> |
|     | <p>The following are the items relating to the candidate for Outside Director;</p> <ol style="list-style-type: none"> <li>(1) Mr. Shiro Sugata is a candidate for Outside Director.</li> <li>(2) Summary of agreement to limit Outside Directors' liabilities proposed to be entered into with Mr. Sugata: Subject to the approval of this Proposal at this ordinary general meeting of shareholders, the Company intends, pursuant to Paragraph 1 of Article 423 of the Companies Act, to enter into an agreement with Mr. Sugata to limit his liabilities to the maximum permitted extent as set forth in Paragraph 1 of Article 425 of the Companies Act.</li> <li>(3) If this proposal is approved in its original form, the Company will register Mr. Shiro Sugata to the Tokyo Stock Exchange as an Independent Director defined by the Exchange.</li> <li>(4) Mr. Sugata meets the "Criteria for judging independence of outside directors and audit &amp; supervisory board members", as set forth on page 18 of this translation..</li> <li>(5) There have been some ongoing transactions involving the purchase of devices between the group companies of USHIO INC. (where Mr. Sugata served as Representative Director and President and is serving as Director and Advisor) and the group companies of JSR Corporation. The value of such transactions in the previous business year (from April, 2014 to March, 2015) amounted to less than 0.1% of JSR's consolidated net sales for the previous business year.</li> </ol> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

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

#### Proposal 4. Election of one (1) Audit & Supervisory Board Member

As the tenure of Mr. Shoichi Kataoka will expire at the close of this ordinary general meeting of shareholders, the Company proposes that following one (1) Audit & Supervisory Board Member to be newly elected. This proposal is based on the advance recommendations of the Company's Nomination Advisory Committee, the majority members of which are Independent Outside Directors.

The candidate for Audit & Supervisory Board Member is as follows:

| No. | Name<br>(Date of Birth)                                                                                                                                                                                                                                                                                    | Brief personal record, position, responsibilities,                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1   | <p data-bbox="284 600 480 660">Atsushi Kumano<br/>(August 8, 1956)</p>  <p data-bbox="284 1064 491 1093"><u>New-appointment</u></p> <p data-bbox="284 1126 687 1187">Number of Company shares owned:<br/>7,200 shares</p> | <p data-bbox="710 600 1374 972">           Apr. 1984 Joined JSR<br/>           Apr. 1999 Head, Office of Display Materials Laboratory, Fine Electronic Materials Research Laboratories, Development Center, Research and Development Group<br/>           Jun. 2005 Officer, General Manager, Display Laboratory, Yokkaichi R&amp;D Center<br/>           Jun. 2007 Senior Officer, General Manager, Research and Development Division and Tsukuba Research Laboratories<br/>           Apr. 2014 Senior Officer, JSR, Director and President, JSR Micro Korea Co., Ltd. (current position)         </p> <p data-bbox="710 1003 1310 1064">(Important concurrent position held)<br/>Director and President, JSR Micro Korea Co., Ltd.</p> <p data-bbox="710 1095 1382 1556">           Reasons for the Nomination of Candidate:<br/>           For many years since joining JSR, Mr. Atsushi Kumano has been engaged in JSR's research and development. After assuming the position of Officer, he served as the General Manager at JSR's principal laboratory, and has been in charge of advancing JSR's research and development as well as management. He currently serves as President at JSR Micro Korea Co., Ltd and is engaged in its management. He is expected to contribute his vast experience, knowledge, and sophisticated expertise to audit the Directors' in their decision-making and in respect of the Company's operations through enhancing its fair and reasonable judgment and transparent and sound management. He is therefore nominated as a candidate for Audit &amp; Supervisory Board Member.         </p> |

Note: No conflict of interest exists between the Company and the candidate for Audit & Supervisory Board Member.

Summary of agreement to limit the Audit & Supervisory Board Members' liabilities proposed to be entered into with Mr. Kumano:

Subject to the approval of Proposal 2 and this Proposal at this ordinary general meeting of shareholders, the Company intends, pursuant to Paragraph 1 of Article 423 of the Companies Act, to enter into an agreement with Mr. Kumano to limit his liabilities the maximum extent permitted under Paragraph 1 of Article 425 of the Companies Act.




**Proposal 5. 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 following two (2) Substitute Audit & Supervisory Board Members to be elected being Mr. Makoto Doi to substitute for Mr. Atsushi Kumano, 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, based on the recommendations of the Company’s Nomination Advisory Committee, the majority members of which are Independent Outside Directors.

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,                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1   | <p>Makoto Doi<br/>(December 25, 1959)</p>  <p>Number of the shares of the Company owned: 8,400 shares</p> | <p>Apr. 1983 Joined Sumitomo Metal Industries, Ltd. (currently known as NIPPON STEEL &amp; SUMITOMO METAL CORPORATION)<br/>           Nov. 2002 Joined Unicharm Corporation<br/>           Dec. 2003 Joined JSR<br/>           Jun. 2012 Officer and General Manager, Legal Department</p> <p>Reason for the Nomination of a Candidate:<br/>           Since joining JSR, Mr. Makoto Doi has been engaged in the legal affairs of JSR by virtue of his expertise. Since 2012, he has been in charge of legal and general affairs as an Officer of JSR. He is expected to contribute his vast experience, knowledge, and sophisticated expertise to audit the Directors’ in their decision-making and in respect of the Company’s operations through enhancing its fair and reasonable judgment and transparent and sound management. He is therefore nominated as a candidate for Substitute Audit &amp; Supervisory Board Member.</p> <p><b>Note</b><br/>           Summary of agreement to limit the Audit &amp; Supervisory Board Members’ liabilities proposed to be entered into with Mr. Doi: Subject to the approvals of Proposal 2, Proposal 4 and this Proposal at this ordinary general meeting of shareholders, and if Mr. Doi assumes the position of Substitute Audit &amp; Supervisory Board Member, the Company intends, pursuant to Paragraph 1 of Article 423 of the Companies Act, to enter into an agreement with him to limit his liabilities to the maximum extent permitted as set forth under Paragraph 1 of Article 425 of the Companies Act.</p> |



| No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Name<br>(Date of Birth)                                                                                                                                                             | Brief personal record, position, responsibilities,                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <p>Sotaro Mori<br/>(January 20, 1951)</p>  <p>Number of shares of the Company owned : 0 shares</p> | <p>Apr. 1977 Registered as Attorney at Law (current position)<br/> Apr. 1977 Joined YOSHIDA&amp; PARTNERS<br/> Apr. 1982 Partner, YOSHIDA &amp; PARTNERS (current position)<br/> Jul. 2004 Arbitrator, The Japan Shipping Exchange Inc. (current position)<br/> Jun.2005 Outside Audit &amp; Supervisory Board Member, Asahi Tanker Co., Ltd. (current position)</p> <p>(Important concurrent position held)<br/> Partner, YOSHIDA &amp; PARTNERS<br/> Arbitrator, The Japan Shipping Exchange Inc.<br/> Outside Audit &amp; Supervisory Board Member, Asahi Tanker Co., Ltd.</p> <p>Reason for the Nomination of a Candidate:<br/> Mr. Sotaro Mori has a vast legal expertise and experiences as a Lawyer and an arbitrator at the Japan Shipping Exchange Inc. It is expected that he utilizes his vast experiences, knowledge, and sophisticated expertise as well as the viewpoint as an independent outsider for auditing the Directors' decision-making and execution of operation, and to commit to enhancing fair and reasonable judgment for, and accountable and sound management of, the businesses of the Company. Thus he is appointed as a candidate for Substitute Audit &amp; Supervisory Board Member. Mr. Sotaro Mori has had no experience of corporate management. The Company, however, believes that he will be able to appropriately perform his duty for the reasons set forth above.</p> |
| <p>(1) Mr. Sotaro Mori is a candidate for Substitute Outside Audit &amp; Supervisory Board Member.<br/> (2) Summaries of agreement to limit the Audit &amp; Supervisory Board Members' liabilities;<br/> If he will assume the position of Audit &amp; Supervisory Board Member, the Company intends to enter into an agreement with him to limit the liabilities under Paragraph 1 of Article 423 of the Companies Act to the maximum amount set forth under Paragraph 1 of Article 425 thereof.<br/> (3) Mr. Mori meets the "Criteria for judging independence of outside directors and audit &amp; supervisory board members", as set forth on page 18 of this translation.<br/> (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.</p> |                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

Note: No conflict of interest exists between the Company and each of the candidates for Substitute Audit & Supervisory Board Members.

#### Proposal 6. 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 ¥21 million.

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.

**[Reference]**

**Criteria for judging independence of outside directors and audit & supervisory board members**

JSR has set criteria for judging the independence of outside directors and audit & supervisory board members (hereinafter collectively or independently referred as “outside officers” or “outside officer”). If an outside officer (including a candidate) falls under any of the following categories, the Company judges such person does not have sufficient independence.

- (1) Executive (\*1) of JSR or its consolidated subsidiary (JSR Group) or ex-executive
- (2) Major shareholder of JSR (any shareholder who directly or indirectly holds 10% or more of the voting rights)
- (3) Executive of a company, etc. that falls under any of the following
  - 1) Major shareholder of JSR
  - 2) Major business partner of the JSR Group (\*2)
  - 3) Major creditor of the JSR Group (\*3)
  - 4) Company, etc. in which the JSR Group holds 10% or more of the voting rights
- (4) Certified Public Accountant who belongs to an accounting firm that serves as the JSR Group Independent Auditor
- (5) Expert, such as a consultant, accountant, lawyer, judicial scrivener, or patent agent, etc., who receives a large amount (\*4) of monetary consideration or other property benefits from the JSR Group
- (6) Person who receives a large amount of donations from the JSR Group (\*5)
- (7) Executive of a company, between which and JSR outside directors are mutually appointed (\*6)
- (8) Person with a close relative (\*7) who falls under any of the above paragraphs from (1) to (7) (limited to an important person (\*8) excluding paragraphs (4) and (5))
- (9) Person who fell under any of the above paragraphs from (2) to (8) in the past five years
- (10) Person who is deemed to have special reasons that would cause a conflict of interest with JSR, notwithstanding the provisions of the preceding paragraphs

- (\*1) Executive refers to a director (excluding an outside director), an officer, an executive officer and an employee.
- (\*2) Major business partner refers to a company whose annual transactions with JSR exceed 2% of the consolidated sales of JSR or such company.
- (\*3) Major creditor refers to a financial institution whose loans to JSR exceed 2% of the consolidated total assets of JSR or such financial institution.
- (\*4) A large amount refers to: 10 million yen or more per year in case such expert is an individual; and 2% or more of annual total revenue of such organization in case such expert is an organization such as an enterprise or association. However, when a consideration for services directly offered by such expert exceeds 10 million yen, even if the amount does not exceed 2% of consolidated total assets of JSR or such financial institution, such amount is considered to be a large amount.
- (\*5) Person who receives a large amount of donations refers to a person who receives donations of 10 million yen or more per year from the JSR Group.
- (\*6) Mutually appointed relationship refers to a relationship in which an executive of the JSR Group serves as an outside officer of a company and an executive of such company serves as outside officer of JSR.
- (\*7) Close relative refers to a spouse and a relative within the second degree.
- (\*8) Important person refers to an executive including a director, an officer, an executive officer and a person in the position of general manager or higher or an executive who has authority equivalent to those persons.

## 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) ①Microsoft® Internet Explorer Ver.5.01SP2 or later and ②Adobe® Acrobat® Reader Ver.4.0 or later, or Adobe® Reader Ver6.0 or later must be installed in your PC in order to enable you to refer to materials for General Meeting of Shareholders at this web site.
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 through 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 others:  
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 71st Ordinary General Meeting of Shareholders)**

### **Business Report**

for the period from April 1, 2015 to March 31, 2016 ("the current fiscal year")

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

##### **(1) Business Developments and Results**

In FY March 2016, among the JSR Group's main customer industries, automobile tire production and automobile production rose slightly above the previous year's level globally; domestic tire production was sluggish; demand for semiconductor production stagnated; the flat panel display (FPD) market slowed down rapidly due to a major production adjustment toward the latter half of the year; and the yen strengthened at the end of the year.

Amid these circumstances, the Petrochemicals Business of the JSR Group saw significant growth in sales of Solution Styrene-Butadiene Rubber (S-SBR) for fuel-efficient tires in the Elastomers Business, while other elastomers sales were largely impacted by sluggish domestic tire production, its main customer industry. In addition, the supply-demand balance failed to improve in East Asia due to excessive supply of elastomers coupled with stagnant growth in demand, which resulted in continued weakness of the elastomer products market. Thus, net sales of the Petrochemicals Business as a whole decreased from the previous fiscal year. Although operating income of the Plastics Business increased on the back of improved profitability, it failed to offset the decline in operating income of the Elastomers Business, which led to a drop in operating income of the entire Petrochemicals Business from the previous fiscal year.

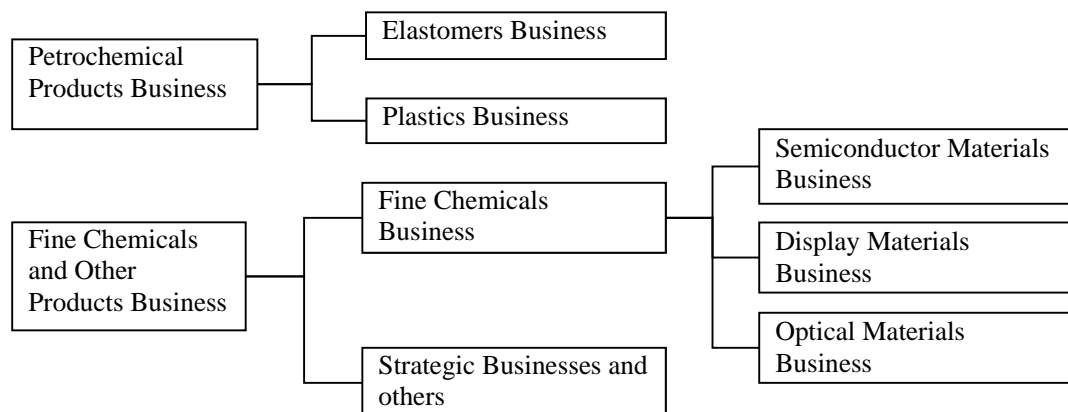
The Fine Chemicals and Other Products Business saw a substantial increase in net sales from the previous fiscal year's level due to a significant rise in sales in the life sciences area of the strategic businesses field, despite a plunge in sales of the fine chemicals business from the previous fiscal year's level due to the weakness of the semiconductor market and the impact of a rapid slow-down of the flat panel display (FPD) market in the latter half of the year. Operating income of the Fine Chemicals and Other Products Business fell below the previous fiscal year's level, as it was significantly affected by the drop in sales of the Fine Chemicals Business.

Ordinary income fell short of the previous year's level due to the impact of the drop in operating income and the increase in exchange losses in dollar-denominated borrowings by a Thai group company owing to the weakness of the baht, despite an increase in earnings of affiliates in the Petrochemicals Business. Profit attributable to owners of parent fell below the previous fiscal year's level due to extraordinary losses recorded at a Group company that manufactures and sells lithium ion capacitors.

In the fiscal year ended March 31, 2016, we reported net sales of 386,709 million yen (down 4.3% year-on-year), operating income of 34,408 million yen (down 9.6% year-on-year), ordinary income of 33,633 million yen (down 19.2% year-on-year), and profit attributable to owners of parent of 24,068 million yen (down 19.6% year-on-year).

## Business Segment Overview

The JSR Group's business is classified into three reporting segments: Elastomers, Plastics, and Fine Chemicals and Other Products. The positioning of the reporting segments is shown as below.



### <Elastomers Business Segment>

The production of automobile tires, one of the segment's main customer industries, increased from the previous year in North America, China, and Europe, while it fell below the previous year's level in Japan.

Under such circumstances, with regard to the sales of synthetic rubbers, the sales volume of Solution Styrene-Butadiene Rubber (S-SBR) rose substantially on the back of the full-scale operation of S-SBR at JSR BST Elastomer Co., Ltd. (JBE), a joint-venture company in Thailand. However, the total sales volume of elastomers decreased from the previous fiscal year due in part to the drop in domestic production of automobile tires. Net sales fell below the previous fiscal year's level due to a decline in product prices on the back of a drop in raw material prices, as well as a decrease in sales volume. In addition, operating income dropped from the previous fiscal year due to a failure of improvement in margins (the difference between the selling price and major raw material prices), owing to the continued weakness of synthetic rubber prices on the back of excessive supply, as well as a drop in sales volume.

As a result, the Elastomers Business segment posted operating income of 7,491 million yen (down 30.2% year-on-year) on net sales of 179,252 million yen (down 9.9% year-on-year).

### <Plastics Business Segment>

The production of automobiles, one of the segment's main customer industries, increased from the previous year in North America, China, and Europe, while it fell below the previous year's level in Japan.

Under such circumstances, the sales volume of plastics products rose from the previous fiscal year due to an increase in sales both in Japan and abroad, despite a year-on-year fall in automobile production in Japan, as well as robust sales for industrial material applications, mainly in miscellaneous goods. Net sales declined from the previous year as the increase in sales volume was not sufficient to make up for a fall in product prices owing to the drop in raw material costs. Operating income saw a year-on-year rise due to a recovery in profitability and an increase in sales volume.

As a result, the Plastics Business segment posted operating income of 5,113 million yen (up 80.0%

year-on-year) on net sales of 52,206 million yen (down 5.4% year-on-year).

#### <Fine Chemicals and Other Products Business Segment>

Net sales rose from the previous fiscal year, but operating income fell below that of the previous fiscal year in the Fine Chemicals and Other Products Business segment as a whole.

In the semiconductor materials business, sales dropped from the previous fiscal year due to sluggish growth of semiconductor demand as demand for smartphones weakened, in addition to sluggish demand for materials, since FY March 2016 coincided with the transition of the cutting-edge generation from 20 nm (nanometers) to the next generation 14–16 nm. In the display materials business, net sales decreased from the previous fiscal year on the back of a rapid slowdown in demand for materials used in larger-size TVs and/or multi-functional mobile terminals in the latter half of the year, in addition to a notable drop in unit selling prices due to intensified competition in the materials market. In strategic businesses, sales in the life sciences area rose substantially owing to the effect of the two newly consolidated group companies.

As a result, the Fine Chemicals and Other Products Business segment posted operating income of 21,802 million yen (down 11.0% year-on-year) on net sales of 155,249 million yen (up 3.5% year-on-year).

## **(2) Capital Expenditure**

The JSR Group's capital expenditure totaled 24.2 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 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 43.0 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” as the second phase of the three phases of its master plan to realize its vision set for 2020. However, the JSR Group failed to achieve its initial earnings target in FY March 2016, the second year of “JSR20i6,” since the business environment fell below initial assumptions.

On the other hand, we have been able to achieve the following progress in initiatives taken in each business.

In the Elastomers Business segment, the JSR Group has expanded sales steadily due to the start of full-scale operation of the first phase plant of JSR BST Elastomer Co., Ltd. (JBE), a joint-venture in Thailand that supplies Solution Styrene-Butadiene Rubber (S-SBR) for fuel-efficient tires, which is seeing a rise in demand globally. We have also launched higher performance products. To meet further demand expansion, JBE has been constructing a second phase plant to double its production capacity, which is scheduled for launch in the second half of FY March 2017. In addition, JSR MOL Synthetic Rubber Ltd. (JMSR), a joint-venture in

Hungary, has embarked on the construction of a new plant.

In the Fine Chemicals and Other Products Business, lithography materials have obtained a large share in the cutting-edge 20 nm generation processes in the semiconductor materials business, and are expected to be succeeded in the next 14–16 nm generation. With regard to EUV lithography materials, which are expected to be one of the main technologies for the more refined 7 nm generation and onward, the JSR Group established EUV Resist Manufacturing & Qualification Center N.V. (EUV RMQC), a joint-venture with imec, an advanced research institute for nano-electronics in Belgium, to provide product and quality control services. In addition, the JSR Group also has promoted the development of packaging materials, such as the joint development of a new technology that realizes future high-density packaging. In the display materials business, the JSR Group has steadily promoted sales expansion in the Chinese market, which is expected to grow rapidly. JSR Micro (Changshu) Co., Ltd., a joint-venture in China to manufacture display materials, is constructing its plant which is expected to start operation within 2016. For the purpose of coping with commoditization of liquid crystal display panels, the JSR Group has been making efforts in securing earnings from of the business through business reforms, as it also strives to expand the product group surrounding mobile products, which are expected to continue to grow in the future.

In strategic businesses, the life sciences business saw significant growth in its scale as the JSR Group made KBI Biopharma, Inc. (KBI), a U.S. biopharmaceuticals contract development and manufacturing company which the JSR Group took the initiative to jointly purchase, its consolidated subsidiary from the beginning of FY March 2016, and purchased additional shares of Medical & Biological Laboratories Co., Ltd. (MBL), an equity method affiliate in the previous fiscal year, and made it a consolidated subsidiary in the latter half of FY March 2016. The diagnostic intermediates business of J&W Beijing Biotech Co., Ltd. (J&W), a joint-venture in China, is also seeing steady progress. The JSR Group is also constructing the JSR-Keio University Medical and Chemistry Innovation Center, a joint-research facility with the School of Medicine of Keio University. In the lithium ion capacitor (LIC) business, the Group completed a new plant with the expectation of sales expansion, but it failed to be adopted for large-lot use. In order to re-establish the business, the JSR Group reduced its operation costs and promoted the switching of its target market.

#### **<Petrochemicals Business Segment>**

The JSR Group will operate its business based on the assumption that the trends of customer industries and product prices continue to be severe. Under such circumstances, S-SBR maintains high-level operation in both plants at Yokkaichi and Thailand, and together with the additional production capacity provided by the construction of the second phase plant at JBE in Thailand and the plant construction at JMSR in Hungary, the JSR Group intends to focus on taking advantage of the global expansion in demand for S-SBR for fuel-efficient tires and increasing sales.

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

In the semiconductor materials business, the JSR Group will develop and expand sales of lithography materials, CMP materials, and packaging materials, in order to support the performance improvement and energy-saving of semiconductor chips, which are required by society, from the refinement and high-density packaging aspects. In particular, the Group will promote the launch of EUV RMQC in Belgium toward early practical application of EUV lithography for the 7 nm generation and onward.

In the display materials business, although the supply-demand trend of the liquid crystal display panel industry is a cause for concern, the JSR Group will operate its new plant at JMCH, a joint-venture in China, as

scheduled, in response to the growth of the Chinese market. The Group intends to strengthen the business platform as its fundamental business that will continue to underpin the JSR Group's business by securing earnings from the business through constant business reforms in the commoditization of panels.

The JSR Group will, in view of the achievements of business expansion, re-position the life sciences business as a new pillar of growth along with the fine chemicals business although the business had been positioned as one of the strategic businesses in the Fine Chemicals and Other Products Business. The JSR Group will newly establish the Life sciences Division and focus on the two areas of bioprocess and diagnostic & research drugs. Since the cutting-edge technologies and markets of these areas are mainly in the United States and Europe, the JSR Group's American senior officer will head the division and supervise the business globally, although the importance of the Japanese market will not change. With regard to bioprocess materials, the JSR Group will make efforts to increase KBI's biopharmaceuticals contract development and manufacturing, for which demand is growing year by year, not only in the United States but also in Europe. With regard to diagnostic & research drug materials, the JSR Group will promote sales expansion overseas, building on the strength of MBL. The JSR Group will also consider moving into new areas for further business expansion.

In the LIC business, the JSR Group will focus its business targets on application areas where high-added value can be expected by making the most of LIC's characteristics of ultra-low resistance, high voltage, and high durability, in an effort to achieve profitability as early as possible.

## < Other Challenges for the JSR Group >

### **Development of Human Resources**

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 encourage individual people and organizations to act voluntarily while sharing the Group's targets and values. In addition to pursuing the penetration of the Group's Essential Elements and the enhancement of its corporate culture, the JSR Group will continuously implement measures for developing human resources with a global mind to strengthen its organizational capabilities. It will further promote diversity at work, in conjunction with the progress of globalization of businesses.

The JSR Group was selected as a "Nadeshiko Brand" for fiscal 2015; such brands are chosen by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange to commend listed companies that excel in promoting the participation of women in the workplace.

### **Corporate Governance**

JSR Corporation is a company with audit and supervisory board members, and has been striving to strengthen the function of management supervision of the Board of Directors and/or audit and supervisory board members, enhance the promptness and efficiency of business execution, and improve the transparency and soundness of business management through measures such as the introduction of an officer system, the appointment of outside directors (three directors) and outside audit and supervisory board members (two members), who are independent of the company and have extensive business experience and a high level of expertise, the establishment of a Nomination Advisory Committee and a Remuneration Advisory Committee, the majority of whose members are independent outside directors, and the introduction of performance-based



remuneration.

The JSR Group announced its basic views on corporate governance in October 2015. The Group will continue to strengthen and enhance its corporate governance, and continuously improve its corporate value to become an attractive corporation that can earn the trust of and satisfy the interests of all our stakeholders.

### **Corporate Social Responsibility (CSR)**

The JSR Group aims to establish good relationships with our various stakeholders based on our Corporate Mission, and become a corporate citizen that is trusted and required. To that end, the JSR Group will strive to resolve socially important issues by viewing business management to implement our Corporate Mission and corporate social responsibility (CSR) as one. The CSR Committee controls four activities—corporate ethics, responsible care, risk management, and social contribution—in promoting CSR. To be specific, it sorts its efforts into the three axes of environment (E), society (S), and governance (G), based on the perspectives of “offense (business strategy)” and “defense (business foundation).” From the “offense” perspective, the JSR Group seeks to contribute to society through environment-conscious products such as S-SBR on the environment axis, and through products and services in the life sciences business that are required by a sustainable society where people can enjoy health and longevity on the society axis. From the “defense” perspective, the JSR Group will promote supply chain management and responsible care activities in each of the E, S, and G domains. As a member of the chemical industry, the JSR Group recognizes that safety is a major premise for management, and will strive to raise the level of safety throughout the entire Group.

The JSR Group is committed to tackling and accomplishing the challenges addressed in the above by way of steadily carrying out its Mid-term Business Plan, “JSR20i6,” in its final year.

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

| Category                                          |             | The 68th Term<br>Apr 2012-Mar<br>2013 | The 69th Term<br>Apr 2013-Mar<br>2014 | The 70th Term<br>Apr 2014-Mar<br>2015 | The 71st Term<br>Apr 2015-Mar<br>2016 |
|---------------------------------------------------|-------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Net sales                                         | (¥ million) | 371,487                               | 394,309                               | 404,073                               | 386,709                               |
| Operating profit                                  | (¥ million) | 35,206                                | 36,061                                | 38,068                                | 34,408                                |
| Net income<br>attributable to<br>owners of parent | (¥ million) | 30,278                                | 25,172                                | 29,918                                | 24,068                                |
| Net profit per<br>share                           | (¥)         | 126.13                                | 106.10                                | 128.19                                | 105.87                                |
| Total Assets                                      | (¥ million) | 482,935                               | 501,319                               | 534,592                               | 516,359                               |

(Notes)

1. Both net sales and net income attributable to owners of parent for the 68th Term increased with higher sales in every business.
2. Net income attributable to owners of parent for the 69th Term decreased despite increase in net sales.
3. Both net sales and income attributable to owners of parent for the 70th Term increased as a result of increase in net sales of fine chemicals and other products business despite decrease in that of petrochemical products business
4. Results for the 71st Term are as shown in the “Business Developments and Results” in (1) above.

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

| Category                                          |             | 72nd Term<br>Apr 2016-Mar<br>2017 |
|---------------------------------------------------|-------------|-----------------------------------|
| Net sales                                         | (¥ million) | 395,000                           |
| Operating profit                                  | (¥ million) | 35,000                            |
| Net income<br>attributable to<br>owners of parent | (¥ million) | 24,500                            |
| Net profit per share                              | (¥)         | 108.61                            |

(Note)

Financial Outlook provided in the table left hand side is based on information available at the time of writing and assumptions deemed

**(6) Principal Subsidiaries and Affiliates (as of March 31, 2016)**

**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                                                      |
| JSR BST Elastomer Co., Ltd.                 | Baht 5,220 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                                                                        |
| 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                                                                               |
| MEDICAL & BIOLOGICAL LABORATORIES CO., LTD. | ¥4,482 million       | 50.4               | Research, development, manufacturing, import, export and sale of reagents for medical and biological purpose           |
| KBI Biopharma, Inc.                         | US\$50,385 thousand  | 51                 | contract development and manufacturing of biopharmaceuticals.                                                          |
| JM Energy Corporation                       | ¥300 million         | 100                | Development, manufacture and sale of lithium ion capacitors and modules                                                |
| JSR Trading Co., Ltd.                       | ¥480 million         | 100                | Procurement, sale and import and export of chemicals, etc. casualties insurance agency and life insurance solicitation |

(Notes)

- Figures in the above "Capital" column 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.
- MEDICAL & BIOLOGICAL LABORATORIES CO., LTD. is added to the list above from the current fiscal year as JSR holds more than 50% of ownership of its voting rights since October 2, 2015.
- All shares of Shanghai Rainbow Color Plastics Co., Ltd. held by the JSR Group was transferred to the partner company as of July 1, 2015.
- Among the consolidated subsidiaries of JSR in Japan and overseas, only major subsidiaries in the light of business forms and/or the amount of sales are disclosed in the list above from the current fiscal year. As a result, following subsidiaries are excluded from the list above; ELASTOMIX (FOSHAN) CO., LTD., PT. ELASTOMIX INDONESIA, JSR MOL Synthetic Rubber Ltd., TECHNO POLYMER HONG KONG CO., LTD., Techno Polymer (Thailand) Co., Ltd., Techno Polymer (Shanghai) Co., Ltd., Techno Polymer Guangzhou Co., Ltd., TECHNO POLYMER AMERICA, INC., Techno Europe N.V.,

JSR Micro Kyushu Co., Ltd., D-MEC LTD., JSR Optech Tsukuba Co., Ltd., JSR Micro (Changshu) Co., Ltd., EUV Resist Manufacturing & Qualification Center N.V., JSR Life Sciences Corporation, SCIVAX Life Sciences, Inc., JSR • mbl VC Life Sciences Investment Limited Partnership, J&W Beijing Biotech Co., Ltd., JSR (Shanghai) Co., Ltd., JSR TRADING, INC., JSR Trading (Shanghai) Co., Ltd., JSR Trading Bangkok Co., Ltd., JSR ENGINEERING CO., LTD., JSR Business Services Co., Ltd., JSR Logistics and Customer Center Co., Ltd.

## 2) Principal Affiliates

| Company Name                  | Capital               | Shareholding ratio | Main business                                                       |
|-------------------------------|-----------------------|--------------------|---------------------------------------------------------------------|
|                               |                       | %                  |                                                                     |
| Japan Butyl Co., Ltd.         | ¥3,168 million        | 50                 | Production and sale of butyl rubber                                 |
| Kumho Polychem Co., Ltd.      | KRW<br>21,500 million | 50                 | Production, purchasing and sale of ethylene propylene rubber (EPDM) |
| KRATON JSR ELASTOMERS K.K.    | ¥1,500 million        | 50                 | Production and sale of thermoplastic elastomers (TPE)               |
| JAPAN FINE COATINGS Co., Ltd. | ¥92 million           | 50                 | Sales of coating materials for optical fibers                       |

(Notes)

1. Figures in the above “ Capital” column are rounded down to the unit numbers indicated in each column.
2. MEDICAL & BIOLOGICAL LABORATORIES CO., LTD. is excluded from the list above and added to the list of Principal Subsidiaries from the current fiscal year.
3. Tri Chemical Laboratories Inc. is excluded from the list above as JSR dissolved its cooperative relationship in capital and business alliance with it since October 13, 2015.
4. Among the non-consolidated affiliates of JSR in Japan and overseas, only major affiliates in the light of business forms and/or the amount of sales are disclosed in the list above from the current fiscal year. As a result, following non-consolidated affiliates are excluded from the list above;  
TIANJIN KUO CHENG RUBBER INDUSTRY CO., LTD., JSR Electronic Materials Korea Co., Ltd., JN System Partners Co., Ltd., Jey-Trans Co., Ltd.

**(7) Major Business Activities (as of March 31, 2016)**

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 reagents for diagnostics and/or research, raw materials for such reagents, bioprocess materials, contract development and manufacturing of biopharmaceuticals) and Lithium ion capacitors |

**(8) Sales Offices, Plants, and other facilities (as of March 31, 2016)**

**1) The Company**

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

(Notes)

1. The Company established the Taiwan Branch effective from September 14, 2015 and transferred the business operated by the Taiwan Office.

## 2) Principal Subsidiaries and Affiliates

| Business Segments                          | Company                                        | Location of Head Office |
|--------------------------------------------|------------------------------------------------|-------------------------|
| Elastomer Business                         | ELASTOMIX Co., Ltd.                            | Yokkaichi, Mie          |
|                                            | ELASTOMIX (THAILAND) CO., LTD.                 | Thailand                |
|                                            | JSR BST Elastomer Co., Ltd.                    | Thailand                |
|                                            | Japan Butyl Co., Ltd.*                         | Kawasaki, Kanagawa      |
|                                            | Kumho Polychem Co., Ltd.*                      | South Korea             |
|                                            | KRATON JSR ELASTOMERS K.K.*                    | Minato-ku, Tokyo        |
|                                            | Emulsion Technology Co., Ltd.                  | Yokkaichi, Mie          |
| Plastic Business                           | Techno Polymer Co., Ltd.                       | Minato-ku, Tokyo        |
|                                            | JAPAN COLORING CO., LTD.                       | Yokkaichi, Mie          |
| Fine Chemicals and Other Products Business | JSR Micro N.V.                                 | Belgium                 |
|                                            | JSR Micro, Inc.                                | United States           |
|                                            | JSR Micro Korea Co., Ltd.                      | South Korea             |
|                                            | JSR Micro Taiwan Co., Ltd.                     | Taiwan                  |
|                                            | M MEDICAL & BIOLOGICAL LABORATORIES CO., LTD.* | Nagoya, Aichi           |
|                                            | KBI Biopharma, Inc.                            | United States           |
|                                            | JM Energy Corporation                          | Hokuto, Yamanashi       |
|                                            | JAPAN FINE COATINGS Co., Ltd.*                 | Minato-ku, Tokyo        |
| JSR Trading Co., Ltd.                      | Minato-ku, Tokyo                               |                         |

(Note) \* denotes principal affiliates

## (9) Employees (as of March 31, 2016)

| Number of employees | Increase/decrease from previous term |
|---------------------|--------------------------------------|
| 6,587               | Increase by 597                      |

## (10) Major Lenders (as of March 31, 2016)

| 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.

## 2. Shares of the Company (as of March 31, 2016)

- (1) Total number of shares authorized to be issued 696,061,000 shares  
 (2) Total number of issued shares 226,074,545\* shares

\* 11,898,660 shares (5% of total number of issued shares before cancellation) had been cancelled upon the resolution of the Board of Directors Meeting held on October 26, 2015 and the total number of issued shares after such cancellation is 226,074,545 shares.

- (3) One unit of shares 100  
 (4) Number of shareholders 17,449  
 (5) Major Shareholders

| Name of shareholder                                  | Investments in the Company              |                        |
|------------------------------------------------------|-----------------------------------------|------------------------|
|                                                      | Number of shares held (thousand shares) | Shareholding Ratio (%) |
| Bridgestone Corporation                              | 27,866                                  | 12.35                  |
| Japan Trustee Services Bank, Ltd. (trust account)    | 9,855                                   | 4.36                   |
| The Master Trust Bank of Japan, Ltd. (trust account) | 7,988                                   | 3.54                   |
| Japan Trustee Services Bank, Ltd. (trust account 9)  | 7,282                                   | 3.22                   |
| BNYML-NON TREATY ACCOUNT                             | 6,602                                   | 2.92                   |
| JP MORGAN CHASE BANK 385632                          | 5,809                                   | 2.57                   |
| STATE STREET BANK CLIENT OMNIBUS OM04                | 5,592                                   | 2.47                   |
| HSBC BANK PLC A/C CLIENTS 1                          | 4,771                                   | 2.11                   |
| Mizuho Bank, Ltd.                                    | 4,225                                   | 1.87                   |
| Nippon Life Insurance Company                        | 3,716                                   | 1.64                   |

(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 225,586,322 shares (calculated by deducting number of treasury shares (488,223 shares) from Total number of issued shares (226,074,545 shares) and rounded down to two decimal places.
3. The Company acquired 4,550,000 treasury shares for 8,994,664,100 yen upon the resolution of Board of Directors Meeting held on July 27, 2015.

**3. Matters Related to stock acquisition rights (subscription rights to shares) of the Company  
(as of March 31, 2016)**

**(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                 |
|             | JSR Corporation Stock acquisition rights for 2015 (July 28, 2015)                  | 170 units                              | Ordinary shares 17,000 shares                                      | 1 yen                                                 | From July 29, 2015 to July 28, 2020            | 4                 |

(Note) 1. 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. Upon the resolution of Board of Directors Meeting held on July 13, 2015, the period for exercising stock acquisition rights was shortened to 5 years from the next day of the allotment (provided that incumbent directors can exercise their right from the next day after 3 years from the next day of the allotment) for the purpose of strengthening the ties between directors and shareholders to share benefits by encouraging stock ownership during his/her term of office as directors.



**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 2015 (July 28, 2015) | 346units                               | Ordinary shares 34,600 shares                                      | 1 yen                                                 | From July 29 2015 to July 28, 2020             | 19                         |

**(Note)** Upon the resolution of Board of Directors Meeting held on July 13, 2015, the period for exercising stock acquisition rights was shortened to 5 years from the next day of the allotment (provided that incumbent officers can exercise their right from the next day after 3 years from the next day of the allotment) for the purpose of strengthening the ties between officers and shareholders to share benefits by encouraging stock ownership during his/her term of office as officers.

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

##### (1) Directors and Audit & Supervisory Board Members of the Company (as of March 31, 2016)

| 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 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 |
| 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                                   | Michio Kariya     | Executive Advisor, Nikon Corporation                                                                                                                                                                 |
| Director                                   | Kazunori Yagi     | Outside Audit & Supervisory Board Member, Yokogawa Bridge Holdings Corporation, Outside Audit & Supervisory Board Member, TDK Corporation, and Outside Director, OYO Corporation                     |
| Director                                   | Yuzuru Matsuda    | President of Kato Memorial Bioscience Foundation, a public interest incorporated association, Outside Director, KUBOTA Corporation, Outside Director, BANDAI NAMCO Holdings Inc.                     |
| 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. Michio Kariya, Kazunori Yagi and Yuzuru Matsuda 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. Michio Kariya, Kazunori Yagi and Yuzuru Matsuda, 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. 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, 2015.

6. The Company has business relationships 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, 2015 while no conflict of interest exists between the Company and Yokogawa Bridge Holdings Corporation.
7. No conflict of interest exists between the Company and Kato Memorial Bioscience Foundation, a public interest incorporated association, KUBOTA Corporation and BANDAI NAMCO Holdings Inc., where Mr. Yuzuru Matsuda, Director, has important concurrent positions.
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: Mr. Takuya Goto (retired on June 17, 2015)

**(Reference) : Officers of the Company (as of March 31, 2016)**

| Position                   | Name               | Responsibilities and Title                                                                                                                                                                       |
|----------------------------|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Executive Vice President   | Hozumi Sato*       | Responsible for Strategic Businesses, Director, MEDICAL & BIOLOGICAL LABORATORIES CO., LTD.                                                                                                      |
| Executive Managing Officer | Koichi Kawasaki    | Responsible for Petrochemical Products Sector (including Plastics), General Manager, Petrochemical Products Division, President, Japan Butyl Co., Ltd. and President, KRATON JSR ELASTOMERS K.K. |
| Managing Officer           | Hisao Hasegawa*    | Responsible for Manufacturing and Technology, Product Safety & Quality Assurance, Procurement, Logistics, and IT Strategy, General Manager, Manufacturing and Technology Group                   |
| Managing Officer           | Yasuhisa Nagahiro  | Responsible for Safety and Environment Affairs                                                                                                                                                   |
| Senior Officer             | Atsushi Kumano     | President, JSR Micro Korea Co., Ltd                                                                                                                                                              |
| Senior Officer             | Nobuo Kawahashi    | Responsible for Research & Development, General Manager, R&D Department                                                                                                                          |
| Senior Officer             | Kazuyoshi Nakazawa | Responsible for Manufacturing and Technology (deputy) General Manager, Manufacturing and Technology Group Second Unit                                                                            |
| Senior Officer             | Hayato Hirano*     | Responsible for Accounting, Finance, Corporate Communications, Group Companies Coordination, and Human Resources, General Manager, Group Companies Coordination                                  |
| Senior Officer             | Katsuya Inoue      | Responsible for Business Planning Fine Chemical Business and Business Promotion Fine Chemical Business, General Manager, Business Planning Department, Fine Chemical Business                    |
| Senior Officer             | Takatoshi Nagatomo | President, JSR MOL Synthetic Rubber , Ltd.                                                                                                                                                       |
| Senior Officer             | Takeshi Sugimoto   | Responsible for Electronic Materials Business, General Manager, Electronic Materials Division                                                                                                    |
| Senior Officer             | Eric Johnson       | President, JSR Micro, Inc.                                                                                                                                                                       |
| Senior Officer             | Takao Shimizu      | Responsible for Corporate Planning, President's Office, and CSR General Manager, President's Office                                                                                              |
| Officer                    | Tsuyoshi Watanabe  | Responsible for China Business Chairman, JSR (Shanghai) Co., Ltd.                                                                                                                                |
| Officer                    | Kazumasa Yamawaki  | Responsible for Petrochemical Products Sector (deputy) General Manager, Business Planning Department, Petrochemical Products                                                                     |
| Officer                    | Eiichi Kobayashi   | Vice President, JSR Micro, Inc                                                                                                                                                                   |
| Officer                    | Makoto Doi         | Responsible for Legal, General Affairs, General Manager, Legal Department                                                                                                                        |

| Position | Name                | Responsibilities and Title                                                                                                                                                   |
|----------|---------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Officer  | Hiroaki Nemoto      | Responsible for Liquid Crystal Display Materials Business, Display Solution Business General Manager, Display Solution Business and Chairman, JSR Micro (Changshu) Co., Ltd. |
| Officer  | Yoichi Mizuno       | Responsible for Optical Materials Business General Manager, Optical Materials Division                                                                                       |
| Officer  | Kiichirou Kamiya    | Responsible for Strategic Businesses President, JSR Life Sciences Corporation and Director, MEDICAL & BIOLOGICAL LABORATORIES CO., LTD.                                      |
| Officer  | Mika Nakayama       | Responsible for Diversity Promotion General Manager, Corporate Planning Department and Diversity Promotion Office                                                            |
| Officer  | Yoshikazu Yamaguchi | General Manager, Business Promotion Fine Chemical Business Division                                                                                                          |
| Officer  | Kouichi Saeki       | Yokkaichi Plant, Yokkaichi Plant Manager                                                                                                                                     |
| Position | Name                | Responsibilities and Title                                                                                                                                                   |
| Officer  | Makoto Doi          | Responsible for Legal, General Affairs, General Manager, Legal Department                                                                                                    |
| Officer  | Hiroaki Nemoto      | Responsible for Liquid Crystal Display Materials Business, Display Solution Business General Manager, Display Solution Business and Chairman, JSR Micro (Changshu) Co., Ltd. |
| Officer  | Yoichi Mizuno       | Responsible for Optical Materials Business General Manager, Optical Materials Division                                                                                       |
| Officer  | Kiichirou Kamiya    | Responsible for Strategic Businesses President, JSR Life Sciences Corporation and Director, MEDICAL & BIOLOGICAL LABORATORIES CO., LTD.                                      |
| Officer  | Mika Nakayama       | Responsible for Diversity Promotion General Manager, Corporate Planning Department and Diversity Promotion Office                                                            |
| Officer  | Yoshikazu Yamaguchi | General Manager, Business Promotion Fine Chemical Business Division                                                                                                          |
| Officer  | Kouichi Saeki       | Yokkaichi Plant, Yokkaichi Plant Manager                                                                                                                                     |

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

The followings are the changes in responsibilities and/or title of the Officers after the organizational reform on April 1, 2016

| Date    | Position                 | Name              | Responsibilities and Title                                                                                                                                                                                                                |
|---------|--------------------------|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| April 1 | Executive Vice President | Hozumi Sato*      | Responsible for Lithium Ion Capacitor Business and Business Incubation<br>Director, MEDICAL & BIOLOGICAL LABORATORIES CO., LTD.                                                                                                           |
| April 1 | Senior Officer           | Eric Johnson      | Responsible for Life Science Businesses<br>President, JSR Micro, Inc. and General Manager, Life Science Businesses Division                                                                                                               |
| April 1 | Officer                  | Kazumasa Yamawaki | Responsible for Petrochemical Products Sector (deputy)<br>General Manager, Business Planning Department, Petrochemical Products and Representative Director, JSR Elastomer Europe GmbH                                                    |
| April 1 | Officer                  | Hiroaki Nemoto    | Responsible for Liquid Crystal Display Materials Business, Display Solution Business<br>General Manager, Display Solution Business, Chairman, JSR Micro (Changshu) Co., Ltd. and General Manager, Display Materials Research Laboratories |
| April 1 | Officer                  | Kiichirou Kamiya  | Responsible for Life Science Businesses(deputy),<br>President, JSR Life Sciences Corporation, Deputy General Manager, Life Science Businesses Division and Director, MEDICAL & BIOLOGICAL LABORATORIES 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        | 196              | 3                                | 43               |
|                                                                                                                                                        | (4)      | (38)             | (2)                              | (15)             |
| Annual Bonuses for this fiscal term<br>(for Outside Directors and Outside Audit & Supervisory Board Members)                                           | 4<br>(-) | 21<br>(-)        | -<br>(-)                         | -<br>(-)         |
| Stock Option as Remuneration to Directors<br>(for Outside Directors and Outside Audit & Supervisory Board Members)                                     | 4        | 30               | -                                | -                |
|                                                                                                                                                        | (-)      | (-)              | (-)                              | (-)              |
| Total<br>(for Outside Directors and Outside Audit & Supervisory Board Members)                                                                         | 8<br>(4) | 247<br>(38)      | 3<br>(2)                         | 43<br>(15)       |

(Notes)

1. The numbers of the Directors and Audit & Supervisory Board Members and the amount of remunerations thereto in the table above include one (1) Director who retired during the current fiscal year.
2. The maximum Basic Remuneration for Directors was set at ¥30 million per month by the 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 the 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 6 of the agenda at this Ordinary General Meeting of Shareholders.
5. The Board of Directors may, upon its resolution, grant Stock Option as Remuneration to Directors as long as the maximum annual amount does not exceed ¥100 million in accordance with the resolution of the 62nd Ordinary General Meeting of Shareholders held on June 15, 2007.  
The amounts in the “Stock Option as Remuneration to Directors” column in the above table are those of the fair value of the stock acquisition rights issued to the Directors of the Company as remuneration and recorded as expenses for the current fiscal year.
6. The above figures do not include the salaries for the employee portion of the Directors who concurrently serve as employees.
7. The above figures are rounded down to ¥1 million.

### **(3) 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 a) Basic Remuneration as a fixed remuneration, b) Annual Bonuses linked to the annual business performance of the Company, c) Stock Option as Remuneration to Directors designed for having Directors share the benefits and risks of changes in stock prices with shareholders, and d) Mid-term Performance-linked Bonuses that are linked to the level of achievement of medium to long term business results.  
However, remuneration for Independent Outside Directors and Audit & Supervisory Board Members, in the light of their roles, consists only of basic remuneration.
- ii. 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.
- iii. 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- to long-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**



- ii. 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.
  - iii. 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 appropriate commitment and 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 Member is determined through 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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-----------------|------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Michio Kariya   | Outside Director                         | Mr. Kariya participated in all 16 meetings of the Board of Directors held during the current fiscal year. Mr. Kariya has been greatly contributing to continuous improvement of the corporate values through ensuring 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 necessary and 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 16 meetings of the Board of Directors held during the current fiscal year. Mr. Yagi has been greatly contributing to continuous improvement of the corporate values through ensuring 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 necessary appropriate advices, as well as neutral and independent view point, at the Board of Directors meetings etc. from time to time,                                                   |
| Yuzuru Matsuda  | Outside Director                         | Mr. Matsuda participated in all 12 meetings of the Board of Directors held during the current fiscal year after his appointment as a Director. Mr. Matsuda has been greatly contributing to continuous improvement of the corporate values through ensuring 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 medical products and biochemical , and by providing necessary 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 all 16 meetings of the Board of Directors and in all 18 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 ensure 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 necessary and 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 16 meetings of the Board of Directors and in all 18 meetings of the Audit & Supervisory Board held respectively during the current fiscal year. Ms. Kato has been effectively performing the audit of the Company and greatly contributing to ensure 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 necessary and 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 Companies Act 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 Act; ¥57 million
- 2) Total amount of remuneration to be paid by the Company and its subsidiaries; ¥86 million

(Notes)

1. The Audit & Supervisory Board of the Company has made its consent to the remuneration for Accounting Auditors of the Company under Paragraph 1 and 2, Article 399 of the Companies Act by judging it appropriate after reviewing the performance by the Accounting Auditors until the previous fiscal year, the transition of the amount of remuneration until now, and the audit plan and the calculation basis of the quotation for the current fiscal year.
2. 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 Companies Act 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 Act.
3. The Company entrusted to its Accounting Auditors consulting services for introducing International Financial Reporting Standards as non-auditing services other than audit certification services set forth under Article 2.1 of Public Accountant Act.
4. 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 Companies Act. 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.

## **Structures to Ensure Propriety of Business Conduct and Outline of Operating Status of Systems for Ensuring the Propriety of Business Conduct**

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

The Board of Directors of the Company made the resolution at its meeting on the “Policies for establishing an internal control system” with regard to the structures to ensure propriety of business conduct of the Company 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 Companies Act 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 supervises 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 supervising the 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 for CSR (Corporate Social Responsibility) 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 Act, 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 as a contact point for the suppliers of JSR Group to 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 expert 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 policies, management policies, management plans of JSR Group and/or major business execution 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 fundamental policies and/or management policies and the fundamental policies or changes in business strategy behind the individual business decisions well in advance, which will be further reviewed and discussed at the Board of Directors Meetings or Executive Committee.
  - ii. the officer system has been adopted 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 the performance of the Company.
  - iii. "the Code of Group Companies Management" for the management of Group Companies has been established. Relevant Responsible Business Divisions 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, legal affairs and CSR, provide supports and services to Group Companies.
- 2) 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 deliberates and decides 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 deliberates and decides 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 tenure of office of directors of JSR Group is 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 group-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, Business Issues Committee and 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/or employees of the Group Companies to the Company**

- 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 Member of a Group Company on regular basis reports to Audit & Advisory Board Members 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 Member (“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 Member is responsible for evaluating the performance of the assistant.
- 2) Matters related to effectiveness of command by an Audit & Advisory Board Member to its Assistant  
The Assistant shall follow instructions and command solely made by the Audit & Advisory Board Member.
- 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 important decisions on the execution of duties through participation to the meetings of the Board of Directors, Executive Committee, Business Issues Committee and Officer Committee and the circulation of major 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 facts that might cause material damages to the Company and/or the JSR Group, 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/or 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 against its directors and employees solely because they had reported to Audit & Advisory Board Members.
  - 5) Matters on policies related to procedures for advance payment or pay back of audit expenses and handling of 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 the Group Companies.

**(8) Policies for establishing an internal control system for a Listed Subsidiary Group of the Company**

Policies for establishing an internal control system for the “Listed Subsidiary Group” (which means a corporate group consisting of companies whose parent company under the Companies Act is a listed subsidiary of the Company) are as detailed below:

- 1) In order to respect the independence of the Listed Subsidiary Group, the matters described above under “(3) Structures to ensure the efficient execution of duties of the Directors of the JSR Group” are not applied to the Listed Subsidiary Group, and the policies for establishing an internal control system for the Listed Subsidiary Group are respected.
- 2) However, with the aim of ensuring the propriety of the business conduct of the JSR Group as a whole including the Listed Subsidiary Group, the following measures are taken.
  - i. Significant decision-making in the Listed Subsidiary Group is conducted by decision-making bodies such as the Board of Directors or the Management Committee, etc., of a listed subsidiary. It is not required to obtain a prior approval from decision-making bodies such as the Board of Directors or the Management Committee, etc., of the Company.
  - ii. A listed subsidiary submits the minutes of its Board of Directors and/or the Management Committee along with attachments to the relevant Responsible Business Divisions of the JSR Group and the Audit & Supervisory Board Members.
  - iii. The Relevant Responsible Business Divisions of the JSR Group review the minutes and report the contents to the Board of Directors and/or the Management Committee of the Company in accordance with designated criteria. Thereby, the Company confirms that the propriety of the

- business conduct of the Listed Subsidiary Group has been ensured at the Board of Directors and/or the Management Committee of the Company.
- iv. In accordance with “the Code of Group Companies Management,” the relevant Responsible Business Divisions of the JSR Group supervise and advise on the management of the respective Listed Subsidiary Group, while other management divisions such as safety and environmental affairs, accounting, finance, general affairs, legal affairs, and CSR, provide support and services to the listed subsidiaries.
  - v. The Internal Auditing Office of the Company audits the effectiveness of the internal control systems in order to ensure the appropriateness of the financial report by the Listed Subsidiary Group in accordance with the Financial Instruments and Exchange Act, as well as the effectiveness of the internal control systems, in order to ensure the propriety of the business conduct of the Listed Subsidiary Group.
  - vi. The Audit & Supervisory Board Members of the Company review the minutes prescribed in ii) above and receive reports as prescribed in iii) above at the Board of Directors and/or the Management Committee, in order to ensure the propriety of the business conduct of the Listed Subsidiary Group.
  - vii. While respecting the independence of the Listed Subsidiary Group, the Company endeavors to establish a unified and effective internal control system for the JSR Group from now on.

## **2. Outline of Operating Status of Systems for Ensuring the Propriety of Business Conduct**

The Company and the Group Companies establish and appropriately operate internal control systems pursuant to the policies detailed above. Key measures taken by the JSR Group during the current fiscal year that are deemed important for the internal control are outlined below:

### **(1) Compliance measures**

- 1) Corporate ethics: By issuing the Indonesian version of the JSR Group Principles of Corporate Ethics in addition to the existing Japanese, English, Korean, Chinese and Thai versions, efforts have been made to disseminate the contents through regular training by level as well as e-Learning sessions on corporate ethics. In addition, corporate ethics awareness surveys are conducted every year targeting JSR Group companies both in Japan and overseas, in order to confirm the compliance status of laws and regulations as well as the JSR Group Principles of Corporate Ethics and the implementation status of corporate ethics activities. While reporting the survey results to the Officer Committee, feedback is provided to each of the Group Companies and is reflected in the following year’s corporate ethics promotion activities of the JSR Group as a whole, as well as of each group company. In FY ended March 2016, the JSR Group started to enact, revise or apply the internal regulations to ensure the compliance of laws and regulations targeting the JSR Group in Japan and overseas with the aim of establishing a global system to ensure adherence to laws and regulations. Moreover, a Korean version of the Compliance Handbook in correspondence to Korean laws was issued in addition to the existing Japanese version, with the aim of further improving the system of adherence to laws and regulations at each of the Group Companies.
- 2) Hotline reporting channels: The JSR Group has introduced a “Corporate Ethics Hotline” as an internal reporting system. Specifically, issues can be reported to the Corporate Ethics Committee of the Company and of the respective Group Companies via an internal hotline, or to external attorneys or specialized organizations via an external hotline. The external hotline, which is operated by outside specialized organizations, offers services in Japanese, English, Korean, Chinese and Thai, making it easy for overseas offices to use the services. In FY ended March 2016, 16 matters were reported to the



hotline. The reported matters are investigated, a summary of the results is regularly reported to the Corporate Ethics Committee, the CSR Committee, the Internal Auditing Office, the Audit & Supervisory Board Members, and the President, and feedback is provided to the persons who made such reports. The scope of the suppliers' hotline, which had been established in FY ended March 2015, was expanded to the suppliers of materials other than raw materials and equipment in FY ended March 2016.

(2) Risk management measures

- 1) Identification and management of key risks: At the JSR Group, the Risk Management Committee of the Company specifies key risks (risks other than business risks) in accordance with the degree of impact and frequency of occurrence, and promotes activities to reduce such risks by designating the divisions in charge. In FY ended March 2016, external consultants were introduced with the aim of reviewing the risk assessment criteria and the reporting system for key risks, etc. in an effort to enhance the level and effectiveness of risk management.
- 2) Crisis management training: The JSR Group has conducted regular crisis management drills at each office in anticipation of damage and accidents as a result of a large-scale earthquake. In FY ended March 2016, a crisis management drill was conducted at the headquarters based on the premise of a large-scale earthquake striking the Tokyo metropolitan area by using external consultants. At the plants, crisis management drills were conducted on the hypothesis of disasters at the respective offices in an effort to minimize the impact and enhance the capability of business continuity in an event of a crisis.

(3) Internal audit measures

- 1) The Internal Audit Office, the department in charge of internal auditing at the Company, assessed the status of establishment of internal control systems and their operational status for financial reporting in accordance with the criteria prescribed by the Financial Services Agency, targeting 13 group companies in Japan and overseas including the Company, and confirmed that the status of establishment of internal control systems and their operational status have been functioning effectively.
- 2) In order to confirm the effective functioning of internal control systems of the JSR Group, the Internal Audit Office conducts operational audits (including compliance audits) of the JSR Group as a whole, including overseas group companies. Operational audits are aimed at confirming the status of internal control with a focus on key operational processes (purchasing, production, sales, IT security control, etc.).
- 3) Members of the Internal Audit Office concurrently serve as Audit & Supervisory Board Members of major subsidiaries in Japan and overseas. They attend the Management Committee of each subsidiary, monitor and direct the execution of duties of Directors of each subsidiaries, and conduct audits on earnings, etc.

(4) Audits by Audit & Supervisory Board Members

Audit & Supervisory Board Members attended important meetings including the Board of Directors' Meeting, the Management Committee, etc., performed on-site audits on plants and group companies, and conducted half-yearly interviews with administration divisions while reviewing important documents such as authorization documents, etc. In addition to holding liaison meetings for Audit & Supervisory Board Members of the JSR Group, which comprise Audit & Supervisory Board Members of the Company and of Group companies, in order to promote information sharing, information and opinions were exchanged with the Internal Audit Office and Accounting Auditors regularly and as required, with the aim of reinforcing

collaboration and enhancing the effectiveness of audits.

(5) Status of amendments to basic policies for establishing an internal control system

Pursuant to the amendments of the Companies Act effective as of May 1, 2015, partial amendments were made to the basic policies for establishing an internal control system as a result of the resolution at the Board of Directors' Meeting held on May 11, 2015. Furthermore, in line with the consolidation of Medical & Biological Laboratories Co., Ltd. as the Company's listed subsidiary as of October 2, 2015, partial amendments were made to said policies at the Board of Directors' Meeting held on December 14, 2015.

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, 2016)

| 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>300,532</b>      | <b>319,396</b>                   | <b>Current Liabilities</b>                    | <b>109,322</b>      | <b>126,327</b>                   |
| Cash and deposits                        | 52,081              | 47,984                           | Notes and accounts payable-trade              | 53,836              | 72,441                           |
| Notes and accounts receivable-trade, net | 77,878              | 83,122                           | Short-term loans payable                      | 20,840              | 18,639                           |
| Short-term investment securities         | 60,010              | 67,997                           | Other                                         | 34,646              | 35,245                           |
| Inventories                              | 77,458              | 79,320                           | <b>Noncurrent Liabilities</b>                 | <b>44,683</b>       | <b>43,591</b>                    |
| Other                                    | 33,104              | 40,971                           | Long-term loans payable                       | 22,249              | 20,387                           |
|                                          |                     |                                  | Net defined benefit liability                 | 15,180              | 13,745                           |
|                                          |                     |                                  | Other                                         | 7,254               | 9,458                            |
| <b>Noncurrent Assets</b>                 | <b>215,827</b>      | <b>215,195</b>                   | <b>Total Liabilities</b>                      | <b>154,005</b>      | <b>169,918</b>                   |
| <b>Property, plant and equipment</b>     | <b>112,693</b>      | <b>115,913</b>                   | <b>Net Assets</b>                             |                     |                                  |
| Buildings and structures, net            | 34,809              | 36,896                           | <b>Shareholders' equity</b>                   | <b>329,420</b>      | <b>324,321</b>                   |
| Machinery, equipment and vehicles, net   | 37,058              | 41,581                           | Common stock                                  | 23,320              | 23,320                           |
| Land                                     | 17,135              | 17,761                           | Capital surplus                               | 25,179              | 25,179                           |
| Construction in progress                 | 17,944              | 14,055                           | Retained earnings                             | 281,877             | 291,151                          |
| Other, net                               | 5,745               | 5,617                            | Treasury stock                                | (956)               | (15,329)                         |
| <b>Intangible assets</b>                 | <b>16,663</b>       | <b>14,298</b>                    | <b>Accumulated Other Comprehensive Income</b> | <b>23,724</b>       | <b>33,981</b>                    |
| Goodwill                                 | 9,788               | 6,479                            | Unrealized gains on securities, net of taxes  | 15,231              | 19,257                           |
| Other                                    | 6,875               | 7,818                            | Foreign currency translation adjustment       | 9,307               | 14,575                           |
| <b>Investments and other assets</b>      | <b>86,470</b>       | <b>84,983</b>                    | Remeasurements of defined benefit plans       | (814)               | 148                              |
| Investment securities                    | 67,877              | 74,509                           | <b>Subscription rights to shares</b>          | <b>930</b>          | <b>852</b>                       |
| Long-term loans receivable               | 5,894               | 1,517                            | <b>Minority interests</b>                     | <b>8,278</b>        | <b>5,518</b>                     |
| Other, net                               | 12,698              | 8,956                            | <b>Total Net Assets</b>                       | <b>362,353</b>      | <b>364,673</b>                   |
| <b>Total Assets</b>                      | <b>516,359</b>      | <b>534,592</b>                   | <b>Total Liabilities and Net Assets</b>       | <b>516,359</b>      | <b>534,592</b>                   |

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

**Consolidated Statements of Income**  
(from April 1, 2015 to March 31, 2016)

(in millions of yen)

| Items                                                    | <b>Current Fiscal Year</b> | Previous Fiscal Year<br>(Reference) |
|----------------------------------------------------------|----------------------------|-------------------------------------|
|                                                          | Amount                     | Amount                              |
| <b>Net Sales</b>                                         | <b>386,709</b>             | <b>404,073</b>                      |
| <b>Cost of sales</b>                                     | <b>280,175</b>             | <b>300,303</b>                      |
| <b>Gross profit</b>                                      | <b>106,533</b>             | <b>103,769</b>                      |
| <b>Selling, general and administrative expenses</b>      | <b>72,125</b>              | <b>65,701</b>                       |
| <b>Operating income</b>                                  | <b>34,408</b>              | <b>38,068</b>                       |
| <b>Non-operating income</b>                              | <b>4,794</b>               | <b>5,792</b>                        |
| Interest income                                          | 237                        | 241                                 |
| Dividends income                                         | 1,142                      | 1,149                               |
| Foreign exchange gains                                   | —                          | 3,021                               |
| Equity in earnings of affiliates companies               | 1,848                      | —                                   |
| Other                                                    | 1,565                      | 1,380                               |
| <b>Non-operating expenses</b>                            | <b>5,568</b>               | <b>2,251</b>                        |
| Interest expenses                                        | 526                        | 345                                 |
| Foreign exchange losses                                  | 3,036                      | —                                   |
| Equity in losses of affiliates companies                 | —                          | 275                                 |
| Other                                                    | 2,005                      | 1,630                               |
| <b>Ordinary income</b>                                   | <b>33,633</b>              | <b>41,609</b>                       |
| <b>Extraordinary income</b>                              | <b>2,391</b>               | <b>2,220</b>                        |
| Gain on sales of investment securities                   | 633                        | —                                   |
| Compensation income                                      | —                          | 1,895                               |
| Gain on step acquisitions                                | 1,757                      | —                                   |
| Gain on transfer from business divestitures              | —                          | 325                                 |
| <b>Extraordinary loss</b>                                | <b>8,658</b>               | <b>2,760</b>                        |
| Loss on valuation of investment securities               | 52                         | 2,642                               |
| Impairment loss                                          | 7,539                      | —                                   |
| Other                                                    | 1,066                      | 117                                 |
| <b>Income before income taxes and minority interests</b> | <b>27,366</b>              | <b>41,068</b>                       |
| <b>Income taxes</b>                                      | <b>5,036</b>               | <b>11,904</b>                       |
| Income tax-current                                       | 5,073                      | 11,201                              |
| Income tax-deferred                                      | (36)                       | 702                                 |
| <b>Net income</b>                                        | <b>22,330</b>              | <b>29,164</b>                       |
| <b>Loss attributable to non-controlling interests</b>    | <b>(1,738)</b>             | <b>(754)</b>                        |
| <b>Net income attributable to owners of parent</b>       | <b>24,068</b>              | <b>29,918</b>                       |

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

**Consolidated Statements of Changes in Net Assets**  
(from April 1, 2015 to March 31, 2016)

(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          | 291,151           | (15,329)       | <b>324,321</b>             |
| Changes of items during the current fiscal year       |                      |                 |                   |                |                            |
| Dividends from surplus                                |                      |                 | (10,241)          |                | <b>(10,241)</b>            |
| Net income                                            |                      |                 | 24,068            |                | <b>24,068</b>              |
| Purchase of treasury stock                            |                      |                 |                   | (8,997)        | <b>(8,997)</b>             |
| Disposal of treasury stock                            |                      |                 | (24)              | 51             | <b>27</b>                  |
| Cancellation of treasury stock                        |                      |                 | (23,318)          | 23,318         | —                          |
| Change of scope of consolidation                      |                      |                 | 242               |                | <b>242</b>                 |
| Net changes of items other than shareholders' equity  |                      |                 |                   |                |                            |
| Total changes of items during the current fiscal year | —                    | —               | (9,273)           | 14,372         | <b>5,099</b>               |
| <b>Balance at the end of the current fiscal year</b>  | <b>23,320</b>        | <b>25,179</b>   | <b>281,877</b>    | <b>(956)</b>   | <b>329,420</b>             |

|                                                       | Accumulated other comprehensive income       |                                         |                                         |                                              | Subscriptions on 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   | 19,257                                       | 14,575                                  | 148                                     | 33,981                                       | 852                               | 5,518              | <b>364,673</b>   |
| Changes of items during the current fiscal year       |                                              |                                         |                                         |                                              |                                   |                    |                  |
| Dividends from surplus                                |                                              |                                         |                                         | —                                            |                                   |                    | <b>(10,241)</b>  |
| Net income                                            |                                              |                                         |                                         | —                                            |                                   |                    | <b>24,068</b>    |
| Purchase of treasury stock                            |                                              |                                         |                                         | —                                            |                                   |                    | <b>(8,997)</b>   |
| Disposal of treasury stock                            |                                              |                                         |                                         | —                                            |                                   |                    | <b>27</b>        |
| Cancellation of treasury stock                        |                                              |                                         |                                         | —                                            |                                   |                    | —                |
| Change of scope of consolidation                      |                                              |                                         |                                         | —                                            |                                   |                    | <b>242</b>       |
| Net changes of items other than shareholders' equity  | (4,025)                                      | (5,268)                                 | (963)                                   | (10,257)                                     | 77                                | 2,760              | (7,419)          |
| Total changes of items during the current fiscal year | (4,025)                                      | (5,268)                                 | (963)                                   | (10,257)                                     | 77                                | 2,760              | <b>(2,320)</b>   |
| <b>Balance at the end of the current fiscal year</b>  | <b>15,231</b>                                | <b>9,307</b>                            | <b>(814)</b>                            | <b>23,724</b>                                | <b>930</b>                        | <b>8,278</b>       | <b>362,353</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: 43 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., 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 Science Corporation,  
J & W Beijing Biotech Co., Ltd., KBI Biopharma Inc., KBI Biopharma Boulder, LLC,  
MEDICAL & BIOLOGICAL LABORATORIES Co., LTD., and 10 subsidiaries.  
Effective from the current consolidated fiscal year, MEDICAL & BIOLOGICAL LABORATORIES  
Co., LTD. and 10 subsidiaries were excluded from the companies to which the equity method is  
applied and have been consolidated since October 2, 2015 because JSR holds more than 50% of  
ownership voting rights.

Shanghai Rainbow Color Plastics Co., Ltd. was excluded from consolidated subsidiaries due to  
transfer of all shares to outside the group.

##### 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: 13 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., JN System Partners Co., Ltd., JEY-TRANS CO., LTD.,  
MEDICAL & BIOLOGICAL LABORATORIES Co., LTD., and 5 equity method affiliates.

Effective from the current consolidated fiscal year, MEDICAL & BIOLOGICAL LABORATORIES  
Co., LTD. and 10 subsidiaries were excluded from the companies to which the equity method is applied  
and have been consolidated since October 2, 2015 because JSR holds more than 50% of ownership  
voting rights.

Tri Chemical Laboratories, Inc. was excluded from the scope of consolidation due to transfer of all  
shares to outside the group.

##### 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 of consolidated subsidiaries, etc.

Of consolidated subsidiaries, the end of the business year of the following 20 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.,

JSR Trading (Shanghai) Co., Ltd., JSR(Shanghai) Co., Ltd., J & W Beijing Biotech Co., Ltd., KBI

Biopharma Inc., KBI Biopharma Boulder, and LLC, 9 subsidiaries of MEDICAL & BIOLOGICAL LABORATORIES Co., LTD.

On preparation of the consolidated financial statements, the JSR Group consolidated the financial statements of JSR BST Elastomer Co., Ltd on the basis of its provisional settlement of account as of the consolidated account closing date. Regarding other 19 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' and Corporate Auditors' bonuses, the amount that is deemed to have accrued at the close of the current consolidated fiscal year is reported on the basis of anticipated amounts.
  - 3) Provision for environmental measures  
The JSR Group recorded its estimate of the cost of disposing of polychlorinated biphenyl (PCB) and other materials.
- (4) Amortization of goodwill  
Goodwill is amortized by the straight-line method over the estimated useful lives 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  
Net defined benefit liability is provided for provision and expenses for employees' severance and retirement benefits at year-end based for the amount recognized to have incurred on the estimated amounts of projected benefits obligation and the fair value of the pension assets. The benefit formula standard is applied for the method of attributing expected retirement benefit to periods.  
Actuarial differences are recognized as a lump sum expense in the following fiscal year.  
Unrecognized actuarial gains or losses is, after tax effect adjustment, recorded as re-measurements of defined benefit plans under accumulated other comprehensive income in the net assets section.
  - 4) Application of consolidated corporate-tax return system  
The consolidated corporate-tax return system is applied.

### **3. Changes in accounting policies**

Application of accounting standards for business combinations



JSR has adopted the “Accounting Standard for Business Combinations” (ASBJ Statement No.21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ statement No.22, September 13, 2013) and the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013) from the consolidated fiscal year. Under the adopted accounting standards, acquisition-related costs are recognized as expenses in the consolidated fiscal year in which costs are incurred. In addition, presentation of net income and non-controlling interest from shares of minor shareholders has been changed. To reflect the change in presentation, consolidated financial statement of previous fiscal year is reclassified.

Accounting Standard Business Combinations, etc. has been applied from the beginning of the consolidated fiscal year in accordance with the transitional treatment prescribed in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, in Paragraph 44-5 4) of the Accounting Standard for Consolidated Financial Statements and in Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures.

The influence of this application is insignificant.

There is no influence on the year-end balance of capital surplus in consolidated statement of changes in net assets of consolidated fiscal year.

In addition, the effects on net assets per share, net income per share and diluted net income per share are minor.

#### 4. Changes in presentation

##### (1) Changes in presentation of consolidated balance sheet

“Provision for environmental measures” and “Deferred tax liabilities” disclosed as independent items in Non-current Liabilities in the previous fiscal year are included in “Other” for the current fiscal year due to decrease of materiality.

“Long-term loans” included in “Other” in “Investment and other assets” in the previous fiscal year is disclosed as an independent item for the current fiscal year due to increase of materiality.

##### (2) Changes in presentation of consolidated statements of income

“Subsidy income” and “Taxes and dues” disclosed as independent items in Non-operating income and Non-operating expenses respectively in the previous fiscal year are included in “Other” in the respective classifications for the current fiscal year due to decrease of materiality.

#### 5. Notes on consolidated balance sheet

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

|                                  |                                                               |                 |
|----------------------------------|---------------------------------------------------------------|-----------------|
| Assets pledged                   | Current assets                                                | ¥5,937 million  |
|                                  | Property, plant and equipment                                 | ¥8,757 million  |
|                                  | Intangible assets                                             | ¥109 million    |
|                                  | Investment and other assets                                   | ¥159 million    |
|                                  | <u>total</u>                                                  | ¥14,964 million |
| Liabilities related to the above | Short-term loans payable (liabilities from bank transactions) | ¥1,651 million  |
|                                  | Long-term loans payable (liabilities from bank transactions)  | ¥210 million    |
|                                  | <u>Total</u>                                                  | ¥1,861 million  |

##### (2) Allowance for doubtful accounts directly deducted from assets

|                               |                                          |               |
|-------------------------------|------------------------------------------|---------------|
| Current Assets;               | Notes and accounts receivable-trade, net | ¥ 418 million |
| Investments and other assets; | Other                                    | ¥ 359 million |

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

¥ 375,383 million

(4) Export exchange notes discounted: ¥ 162 million

(5) Guarantee obligations

|                              |                        |
|------------------------------|------------------------|
| CMIC JSR Biologics Co., Ltd. | ¥ 1,122 million        |
| JEY-TRANS CO., LTD.          | ¥ 156 million          |
| PT.ELASTOMIX INDONESIA       | ¥ 187 million          |
| Employees                    | ¥ 1 million            |
| <u>Total</u>                 | <u>¥ 1,468 million</u> |

The guarantee obligation for CMIC JSR Biologics Co., Ltd. is joint and several sureties.

## 6. Notes on consolidated statements of income

### Impairment loss on fixed assets

Regarding business-use assets which profitability has declined, the book values have been devalued to their recoverable value, resulting in a ¥7,539 million extraordinary loss. Assets recorded as an extraordinary loss are following.

| Description                       | Place                | Type                              | Amount<br>(in millions of yen) |
|-----------------------------------|----------------------|-----------------------------------|--------------------------------|
| Assets for fine chemical business | Hokuto,<br>Yamanashi | Buildings and structures          | 2,287                          |
|                                   |                      | Machinery, equipment and vehicles | 3,471                          |
|                                   |                      | Other tangible fixed assets       | 139                            |
|                                   |                      | Intangible fixed assets           | 124                            |
|                                   |                      | Land                              | 118                            |
|                                   | Others               | Land and buildings etc.           | 1,398                          |

## 7. Notes on financial instruments

(1) Class and number of issued shares at the end of the current consolidated fiscal year:

226,074,545 ordinary shares

(2) Matters related to dividends from surplus

1) Amount of dividends paid

| Resolution                                                | Class of shares | Total amount of dividends<br>(million yen) | Dividends per share<br>(yen) | Record date        | Effective date of dividends |
|-----------------------------------------------------------|-----------------|--------------------------------------------|------------------------------|--------------------|-----------------------------|
| Ordinary General Meeting of Shareholders on June 17, 2015 | Ordinary shares | 4,602                                      | 20                           | March 31, 2016     | June 18, 2015               |
| Board of Directors Meeting on October 26, 2015            | Ordinary shares | 5,639                                      | 25                           | September 30, 2015 | November 26, 2015           |
| Total                                                     |                 | 10,241                                     | 45                           |                    |                             |

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, 2016, an agenda for term-end dividends for appropriation of surplus as detailed below;

Item related to ordinary share dividends

|                             |                   |
|-----------------------------|-------------------|
| Dividends in total          | ¥ 5,639 million   |
| Source of dividends         | Retained earnings |
| Amount per share            | ¥ 25              |
| Record date                 | March 31, 2016    |
| Effective date of dividends | June 20, 2016     |

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

242,100 ordinary shares

## 8. Notes on financial instruments

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

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

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

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

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

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

There are no material differences between the book value on the consolidated balance sheet and the market value of the above financial instruments as of March 31, 2016 (consolidated account closing date).

## 9. Notes on per-share information

|                      |           |
|----------------------|-----------|
| Net assets per share | ¥1,565.45 |
| Net income per share | ¥105.87   |

Please note that this is an English translation of the original "Non-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.

**Balance Sheet**  
(as of March 31, 2016)

(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>207,097</b>      | <b>231,701</b>                   | <b>Current Liabilities</b>                             | <b>76,679</b>       | <b>100,544</b>                   |
| Cash and deposits                                                | 25,022              | 21,419                           | Accounts payable-trade                                 | 40,167              | 59,037                           |
| Notes receivable                                                 | 62                  | 72                               | Short-term loans payable                               | 8,920               | 8,420                            |
| Accounts receivable-trade, net                                   | 47,896              | 59,257                           | Accounts payable-other                                 | 4,081               | 6,984                            |
| Short-term investment securities                                 | 59,999              | 67,997                           | Accrued expenses                                       | 11,683              | 10,632                           |
| Inventories                                                      | 42,846              | 43,179                           | Income taxes payable                                   | —                   | 4,443                            |
| Accounts receivable-other                                        | 23,674              | 29,964                           | Deposits received from subsidiaries and affiliates     | 11,367              | 10,713                           |
| Deferred tax assets                                              | 901                 | 1,673                            | Other                                                  | 459                 | 313                              |
| Other                                                            | 6,693               | 8,138                            | <b>Noncurrent Liabilities</b>                          | <b>17,244</b>       | <b>20,618</b>                    |
|                                                                  | <b>163,033</b>      | <b>165,600</b>                   | Long-term loans payable                                | —                   | 500                              |
|                                                                  | <b>59,281</b>       | <b>61,069</b>                    | Provision for retirement benefits                      | 11,506              | 11,917                           |
| <b>Noncurrent Assets</b>                                         | 17,924              | 19,060                           | Deferred tax liabilities                               | 4,383               | 6,645                            |
| <b>Property, plant and equipment</b>                             | 4,378               | 3,875                            | Other                                                  | 1,353               | 1,555                            |
| Buildings, net                                                   | 16,227              | 16,989                           | <b>Total Liabilities</b>                               | <b>93,924</b>       | <b>121,162</b>                   |
| Structures, net                                                  | 39                  | 28                               | <b>Net Assets</b>                                      |                     |                                  |
| Machinery and equipment, net                                     | 3,687               | 4,391                            | <b>Shareholders' equity</b>                            | <b>260,287</b>      | <b>256,298</b>                   |
| Vehicles, net                                                    | 15,314              | 16,056                           | <b>Common stock</b>                                    | <b>23,320</b>       | <b>23,320</b>                    |
| Tools, furniture and fixtures, net                               | 1,709               | 668                              | <b>Capital surplus</b>                                 | <b>25,179</b>       | <b>25,179</b>                    |
| Land                                                             | <b>2,842</b>        | <b>3,028</b>                     | Legal capital surplus                                  | 25,179              | 25,179                           |
| Construction in progress                                         | 830                 | 851                              | <b>Retained earnings</b>                               | <b>212,744</b>      | <b>223,128</b>                   |
|                                                                  | 2,011               | 2,176                            | Legal retained earnings                                | 3,710               | 3,710                            |
|                                                                  |                     |                                  | Other retained earnings                                | 209,033             | 219,418                          |
| <b>Intangible assets</b>                                         | <b>100,909</b>      | <b>101,502</b>                   | Reserve for special depreciation                       | 16                  | 21                               |
| Software                                                         | 36,992              | 43,227                           | Reserve for advanced depreciation of noncurrent assets | 5,770               | 5,723                            |
| Other                                                            | 44,712              | 38,145                           | General reserve                                        | 42,431              | 42,431                           |
|                                                                  | 4,855               | 3,259                            | Retained earnings brought forward                      | 160,815             | 171,242                          |
| <b>Investments and other assets</b>                              | <b>12,206</b>       | <b>14,730</b>                    | <b>Treasury stock</b>                                  | <b>(956)</b>        | <b>(15,329)</b>                  |
| Investment securities                                            |                     |                                  | <b>Treasury stock</b>                                  | <b>15,002</b>       | <b>18,988</b>                    |
| Shares of subsidiaries and affiliates                            | 844                 | 670                              | <b>Valuation and translation adjustments</b>           | <b>15,002</b>       | <b>18,988</b>                    |
| Investments in capital of subsidiaries and affiliates            |                     |                                  | Unrealized gains on securities, net of taxes           | <b>915</b>          | <b>852</b>                       |
| Long-term loans receivable from subsidiaries and affiliates, net | 1,298               | 1,468                            | <b>Subscription rights to shares</b>                   |                     |                                  |
| Long-term prepaid expenses                                       |                     |                                  |                                                        |                     |                                  |
| Other                                                            |                     |                                  |                                                        |                     |                                  |
|                                                                  |                     |                                  | <b>Total Net Assets</b>                                | <b>276,205</b>      | <b>276,140</b>                   |
| <b>Total Assets</b>                                              | <b>370,130</b>      | <b>397,302</b>                   | <b>Total Liabilities and Net Assets</b>                | <b>370,130</b>      | <b>397,302</b>                   |

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

## Statements of Income

(from April 1, 2015 to March 31, 2016)

(in millions of yen)

| Items                                                | <b>Current<br/>Fiscal Year</b> | Previous<br>Fiscal Year<br>(Reference) |
|------------------------------------------------------|--------------------------------|----------------------------------------|
|                                                      | Amount                         | Amount                                 |
| <b>Net Sales</b>                                     | <b>230,723</b>                 | <b>266,856</b>                         |
| <b>Cost of sales</b>                                 | <b>169,770</b>                 | <b>200,262</b>                         |
| <b>Gross profit</b>                                  | <b>60,952</b>                  | <b>66,594</b>                          |
| <b>Selling, general and administrative expenses</b>  | <b>38,269</b>                  | <b>37,750</b>                          |
| <b>Operating income</b>                              | <b>22,682</b>                  | <b>28,843</b>                          |
| <b>Non-operating income</b>                          | <b>12,065</b>                  | <b>9,639</b>                           |
| Interest income                                      | 293                            | 295                                    |
| Dividends income                                     | 10,619                         | 6,222                                  |
| Other                                                | 1,152                          | 3,121                                  |
| <b>Non-operating expenses</b>                        | <b>1,583</b>                   | <b>1,487</b>                           |
| Interest expenses                                    | 68                             | 76                                     |
| Foreign exchange losses                              | 373                            | —                                      |
| Taxes and dues                                       | 388                            | 297                                    |
| Other                                                | 753                            | 1,113                                  |
| <b>Ordinary income</b>                               | <b>33,164</b>                  | <b>36,994</b>                          |
| <b>Extraordinary income</b>                          | <b>1,168</b>                   | <b>2,258</b>                           |
| Gain on sales of investment securities               | 633                            | —                                      |
| Gain on sales of subsidiaries and affiliates' stocks | 535                            | 363                                    |
| Compensation income                                  | —                              | 1,895                                  |
| <b>Extraordinary loss</b>                            | <b>10,709</b>                  | <b>6,069</b>                           |
| Bad debts written off                                | 8,556                          | 117                                    |
| Other                                                | 2,152                          | 5,951                                  |
| <b>Income before income taxes</b>                    | <b>23,624</b>                  | <b>33,184</b>                          |
| <b>Income taxes</b>                                  | <b>423</b>                     | <b>9,678</b>                           |
| Income taxes-current                                 | (540)                          | 9,072                                  |
| Income taxes-deferred                                | 964                            | 606                                    |
| <b>Net income</b>                                    | <b>23,200</b>                  | <b>23,505</b>                          |

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

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

(in millions of yen)

|                                                                     | Shareholders' equity |                       |                         |                                   |                                                        |                 |                                   | Total           |
|---------------------------------------------------------------------|----------------------|-----------------------|-------------------------|-----------------------------------|--------------------------------------------------------|-----------------|-----------------------------------|-----------------|
|                                                                     | Comm on stock        | Capital surplus       | Retained earnings       |                                   |                                                        |                 |                                   |                 |
|                                                                     |                      | Legal capital surplus | Legal retained earnings | Other retained earnings           |                                                        |                 |                                   |                 |
|                                                                     |                      |                       |                         | Reserve for special depreciati on | Reserve for advanced depreciation of noncurrent assets | General reserve | Retained earnings brought forward |                 |
| Balance at the beginning of current period                          | 23,320               | 25,179                | 3,710                   | 21                                | 5,723                                                  | 42,431          | 171,242                           | <b>223,128</b>  |
| Changes of items during the period                                  |                      |                       |                         |                                   |                                                        |                 |                                   |                 |
| Dividends from surplus                                              |                      |                       |                         |                                   |                                                        |                 | (10,241)                          | <b>(10,241)</b> |
| Net income                                                          |                      |                       |                         |                                   |                                                        |                 | 23,200                            | <b>23,200</b>   |
| Reversal of reserve for special depreciation                        |                      |                       |                         | (4)                               |                                                        |                 | 4                                 | —               |
| Reversal of reserve for advanced depreciation of noncurrent assets  |                      |                       |                         |                                   | (163)                                                  |                 | 163                               | —               |
| Provision of reserve for advanced depreciation of noncurrent assets |                      |                       |                         |                                   | 210                                                    |                 | (210)                             | —               |
| Purchase of treasury stock                                          |                      |                       |                         |                                   |                                                        |                 |                                   |                 |
| Disposal of treasury stock                                          |                      |                       |                         |                                   |                                                        |                 | (24)                              | (24)            |
| Cancellation of treasury stock                                      |                      |                       |                         |                                   |                                                        |                 | (23,318)                          | (23,318)        |
| Net changes of items other than shareholders' equity                |                      |                       |                         |                                   |                                                        |                 |                                   |                 |
| Total changes of items during the period                            | —                    | —                     | —                       | (4)                               | 47                                                     | —               | (10,426)                          | <b>(10,384)</b> |
| <b>Balance at the end of current period</b>                         | <b>23,320</b>        | <b>25,179</b>         | <b>3,710</b>            | <b>16</b>                         | <b>5,770</b>                                           | <b>42,431</b>   | <b>160,815</b>                    | <b>212,744</b>  |

|                                                                     | Shareholders' equity |                            | Valuation and translation adjustments      | Subscripti on 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                          | (15,329)             | <b>256,298</b>             | 18,988                                     | 852                            | <b>276,140</b>   |
| Changes of items during the period                                  |                      |                            |                                            |                                |                  |
| Dividends from surplus                                              |                      | <b>(10,241)</b>            |                                            |                                | <b>(10,241)</b>  |
| Net income                                                          |                      | <b>23,200</b>              |                                            |                                | <b>23,200</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                                          | (8,997)              | <b>(8,997)</b>             |                                            |                                | <b>(8,997)</b>   |
| Disposal of treasury stock                                          | 51                   | <b>27</b>                  |                                            |                                | <b>27</b>        |
| Cancellation of treasury stock                                      | 23,318               | —                          |                                            |                                | —                |
| Net changes of items other than shareholders' equity                |                      | —                          | (3,986)                                    | 63                             | <b>(3,922)</b>   |
| Total changes of items during the period                            | 14,372               | <b>3,988</b>               | (3,986)                                    | 63                             | <b>65</b>        |
| <b>Balance at the end of current period</b>                         | <b>(956)</b>         | <b>260,287</b>             | <b>15,002</b>                              | <b>915</b>                     | <b>276,205</b>   |

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

## Notes on Financial Statements

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

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

##### 1) Securities

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

Available-for-sale securities:

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

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

##### 2) Derivatives

Valued by market method

##### 3) Inventories

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

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

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

The declining-balance method is applied for depreciation.

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

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

The straight-line method is applied.

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

##### 3) Lease assets

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

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

##### 1) Allowance for doubtful accounts

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

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

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

##### 3) Provision for retirement benefits

In order to prepare for payment of employees' retirement benefits, the amount that is deemed to have accrued at the close of the current fiscal year is reported on the basis of anticipated amounts of retirement benefits obligations and annuity assets as of the close of the current fiscal year. The benefit formula standard is applied for the method of attributing expected retirement benefit to periods.

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

4) Provision for environmental measures

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

5) Allowance for investment loss

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

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

1) Hedge accounting

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

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

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

3) Application of consolidated corporate-tax return system

The consolidated corporate-tax return system is applied.

## 2. Changes in presentation

### Changes in presentation of Statements of income

(1) Changes in presentation of balance sheet

“Provision for environmental measures” disclosed as an independent item in Non-current Liabilities in the previous fiscal year is included in “Other” for the current fiscal year due to decrease of materiality.

(2) Changes in presentation of statements of income

“Loss on abandonment of inventories”, “Provision of allowance for doubtful accounts” and “Loss on valuation of investment securities” disclosed as independent items in Non-operating Expenses and Extraordinary Loss in the previous fiscal year respectively are included in “Other” within the respective classifications for the current fiscal year due to decrease of materiality.

“Bad debts written off” in Extraordinary loss included in “Other” in the previous fiscal year is disclosed as an independent item for the current fiscal year due to increase of materiality.

(1) Changes in presentation of consolidated balance sheet

“Provision for environmental measures” was disclosed as an independent item in non-operating expenses in the previous fiscal year. They are included in “Other” within the non-operating expenses for the current fiscal year due to decrease of materiality.

## 3. Notes on balance sheet

(1) Assets pledged and claims related thereto

|                                  |                                                                        |                 |
|----------------------------------|------------------------------------------------------------------------|-----------------|
| Assets pledged                   | Property, plant and equipment                                          | ¥ 6,380 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                                                         |                  | ¥ 11 million      |
| Investments and other assets;                                                                          |                  |                   |
| Long-term loans receivable from subsidiaries and affiliates, net                                       |                  | ¥ 1,715 million   |
| Other                                                                                                  |                  | ¥ 61 million      |
| 2) Allowance for investment loss                                                                       |                  |                   |
| Investments and other assets; Stocks of subsidiaries and affiliates                                    |                  | ¥ 310 million     |
| (3) Accumulated depreciation on property, plant and equipment (including accumulated impairment loss): |                  | ¥ 294,828 million |
| (4) Claims to/from subsidiaries and affiliated companies                                               |                  |                   |
| Short-term monetary claims to affiliates                                                               | ¥ 29,376 million |                   |
| Long-term monetary claims to affiliates                                                                | ¥ 13,853 million |                   |
| Short-term monetary obligation from affiliates                                                         | ¥ 26,720 million |                   |

(5) Export exchange notes discounted: ¥ 19 million

|                              |                      |
|------------------------------|----------------------|
| (6) Guarantee obligations    |                      |
| JSR BST Elastomer Co., Ltd.  | ¥ 13,844 million     |
| CMIC JSR Biologics Co., Ltd. | ¥ 1,122 million      |
| <u>JEY-TRANS CO., LTD.</u>   | <u>¥ 156 million</u> |
| <u>Employees</u>             | <u>¥ 1 million</u>   |
| Total                        | ¥ 15,125 million     |

The guarantee obligation for JSR BST Elastomer Co., Ltd. is joint and several sureties. Total amount of the guarantee obligation (including other company obligation) is ¥ 27,146 million.

The guarantee obligation for CMIC JSR Biologics Co., Ltd. is joint and several sureties.

#### 4. Notes on statement of income

Transactions with subsidiaries and affiliated companies:

|                            |                   |
|----------------------------|-------------------|
| Operating transaction      |                   |
| Sales                      | ¥ 105,668 million |
| Amount for goods purchased | ¥ 38,036 million  |
| Other trade transactions   | ¥ 16,605 million  |
| Non-operating transaction  | ¥ 30,200 million  |

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

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

488,223 ordinary shares

#### 6. Note on tax effect accounting

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

## 7. Notes on transactions with related parties

(1) Subsidiaries, affiliated companies, etc.

| Attribute  | Name of the company           | Voting rights ownership rate (%) | Contents of relationship       |                                                    | Contents of transactions                          | Transaction amount (million yen) | Item                                           | Balance at the end of the current fiscal year (million yen) |
|------------|-------------------------------|----------------------------------|--------------------------------|----------------------------------------------------|---------------------------------------------------|----------------------------------|------------------------------------------------|-------------------------------------------------------------|
|            |                               |                                  | Directors serving concurrently | Business relationship                              |                                                   |                                  |                                                |                                                             |
| Subsidiary | JSR Trading Co., Ltd.         | 100                              | None                           | Sales of products                                  | Sale of products (Note 1)                         | 39,243                           | Accounts receivable -trade                     | 5,421                                                       |
| Subsidiary | JSR Micro Korea Co., Ltd.     | 100                              | None                           | Sales of products and supply of raw materials      | Dividend income                                   | 4,948                            | —                                              | —                                                           |
| Subsidiary | Techno Polymer Co., Ltd.      | 100                              | None                           | Supply of raw materials                            | Supply of raw material gas (Note 2)               | 21,325                           | Accounts receivable -other                     | 3,063                                                       |
| Subsidiary | JSR ENGINEERING CO., LTD      | 100                              | None                           | Engineering services of production facilities etc. | Purchase of equipment & facilities (Note 3)       | 6,858                            | Accounts payable -other                        | 2,999                                                       |
| Subsidiary | JM Energy Corporation         | 100                              | None                           | Provision of loans                                 | Debt waiver                                       | 19,999                           | —                                              | —                                                           |
| Subsidiary | ELASTOMIX Co., Ltd.           | 98.5                             | None                           | Deposit from subsidiary                            | Deposit from subsidiaries and affiliates (Note 5) | 416                              | Deposit from subsidiaries                      | 5,008                                                       |
| Subsidiary | JSR BST Elastomer Co., Ltd.   | 51                               | 2                              | Guarantee obligations                              | Guarantee obligations of loan payable (Note 6)    | 13,844                           | —                                              | —                                                           |
| Subsidiary | JSR MOL Synthetic Rubber Ltd. | 51                               | 1                              | Underwriting of capital increase                   | Underwriting of capital increase                  | 5,216                            | —                                              | —                                                           |
| Affiliate  | Japan Butyl Co., Ltd.         | 50                               | 3                              | Provision of loans                                 | Provision of loans (Note 6)                       | 4,200                            | Long-term loans to subsidiaries and affiliates | 4,200                                                       |

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 deposit are determined through negotiation considering prevailing interest rates in financial market.

5. Guarantee obligation is on joint and several bases. Total amount including that of other company's is ¥ 27,146 million. Guarantee fees rates are determined through negotiation considering prevailing guarantee fees rates in financial market.
6. Interest rates on loans are determined through negotiation considering prevailing interest rates in financial market.
7. Transaction amounts do not include consumption tax, etc. The amounts stated as the balance at the end of the current fiscal year include consumption tax, etc.

(2) Major shareholders

| Attribute         | Name of the company | Voting rights ownership rate (%) | Contents of relationship                                 |                       | Contents of transactions    | Transaction amount (million yen) | Item                      | Balance at the end of the current fiscal year (million yen) |
|-------------------|---------------------|----------------------------------|----------------------------------------------------------|-----------------------|-----------------------------|----------------------------------|---------------------------|-------------------------------------------------------------|
|                   |                     |                                  | Directors and/or Corporate Auditors serving concurrently | Business relationship |                             |                                  |                           |                                                             |
| Major shareholder | Bridgestone Corp.   | Direct ownership 12.3            | None                                                     | Sales of our products | Sales of elastomer products | 27,978                           | Accounts receivable-trade | 9,770                                                       |

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

(Notes)

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

## 8. Notes on per-share information

|                      |           |
|----------------------|-----------|
| Net assets per share | ¥1,220.33 |
| Net income per share | ¥102.05   |

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 6, 2016

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, 2016 and for the year from April 1, 2015 to March 31, 2016 in accordance with Article 444-4 of the Companies Act.

**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 Act 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 Companies Act.

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 6, 2016

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, 2016 and for the year from April 1, 2015 to March 31, 2016 in accordance with Article 436-2-1 of the Companies Act.

#### **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 Act 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 Companies Act.

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 71st fiscal term commencing on April 1, 2015 and ending on March 31, 2016, 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**

- (1) 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 results of their audits. In addition, the Audit & Supervisory Board has received reports, requesting explanations when necessary, from Directors, other executives and Accounting Auditors (Independent Auditors) concerning the execution of their duties.
- (2) 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, the Internal Audit Office, employees and other parties, and has endeavored to collect information and develop an optimum audit environment while conducting audits using the following methods:
  - 1) 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 the execution of their duties, reviewed important documents evidencing the authenticity 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, with regard to subsidiaries, each Audit & Supervisory Board Member has endeavored to communicate and exchange information with Directors, Audit & Supervisory Board Members and other parties of subsidiaries, and received reports, when necessary, from subsidiaries.
  - 2) Each Audit & Supervisory Board Member has regularly received reports, requested explanations when necessary from Directors, employees and other parties, and express its opinion on (i) the contents of the resolution of the Board of Directors on the establishment of structures and the systems to ensure the compliance of Directors' execution of duties with laws and ordinances and Articles of Incorporation as well as to secure the propriety of the conducting businesses of the group comprising the Company and its subsidiaries as set forth under the Article 100, Paragraph 1 and 3 of the Enforcement Regulations of the Companies Act, and (ii) the status of operational execution and maintenance of such structures and systems (internal control system) established based on such resolutions, which are stated in the Business Report of the Company. In addition, with regard to subsidiaries of the Company, each Audit & Supervisory Board Member has received reports and requested explanations when necessary from Directors, employees and other parties of the subsidiaries with regard to the establishment of structures and systems as well as their operational status and requested explanations from such parties when necessary. Concerning 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 explanations from such parties when necessary.
  - 3) Each Audit & Supervisory Board Member has monitored and verified the Accounting Auditors' independence and propriety in implementing their audits and has also received reports, requesting explanations when necessary, on their execution of duties. In addition, each Audit & Supervisory Board Member has received a notice from the Accounting Auditors that ensures that "the system for ensuring Accounting Auditors' appropriate



execution of duties” (the terms respectively set forth under each of the paragraphs of 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), and requested explanations when necessary.

Through these methods, each Audit & Supervisory Board Member reviewed the Business Report of the Company and the supplementary statements thereto, 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 (consolidated balance sheets, consolidated statements of income, 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 violation of 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 descriptions of the Business Report and 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 this Audit Report.

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

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

### (3) Results of audit on consolidated financial statements

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

May 9, 2016

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 68th             | The 69th             | The 70th             | The 71st             |
|---------------------------------------------|-------------|----------------------|----------------------|----------------------|----------------------|
| from/to                                     |             | Apr 2012<br>Mar 2013 | Apr 2013<br>Mar 2014 | Apr 2014<br>Mar 2015 | Apr 2015<br>Mar 2016 |
| Net Sales                                   | yen million | 371,487              | 394,309              | 404,073              | 386,709              |
| Operating Income                            | yen million | 35,206               | 36,061               | 38,068               | 34,408               |
| Net Income attributable to owners of parent | yen million | 30,278               | 25,172               | 29,918               | 24,068               |
| Return on Equity Ratio                      |             | 10.3%                | 7.9%                 | 8.7%                 | 6.8%                 |
| Total Asset                                 | yen million | 482,935              | 501,319              | 534,592              | 516,359              |
| Net Asset                                   | yen million | 315,733              | 337,259              | 364,673              | 362,353              |
| Equity Ratio                                |             | 63.9%                | 66.1%                | 67.0                 | 68.0                 |
|                                             |             |                      |                      |                      |                      |
| Cash Dividends (per share)                  | yen/share   | 34                   | 38                   | 40                   | 50<br>(proposed)     |
| Cash Dividends (amount)                     | yen million | 8,138                | 8,978                | 9,301                | 11,279               |
| Dividend Payout Ratio                       |             | 27.0%                | 35.8%                | 31.1%                | 46.9%                |
| Purchase of Treasury Share                  | yen million | 6,000                | 4,182                | 9,999                | 8,997                |

### 2. Segment Information

| Fiscal Term<br>from / to          |             | Net Sales            |                      | Operating Income     |                      |
|-----------------------------------|-------------|----------------------|----------------------|----------------------|----------------------|
|                                   |             | The 70th             | The 71st             | The 70th             | The 71st             |
|                                   |             | Apr 2014<br>Mar 2015 | Apr 2014<br>Mar 2015 | Apr 2014<br>Mar 2015 | Apr 2015<br>Mar 2016 |
| Elastomers                        | yen million | 198,957              | 179,252              | 10,735               | 7,491                |
| Plastics                          | yen million | 55,161               | 52,206               | 2,841                | 5,113                |
| Fine Chemicals and Other Products | yen million | 149,953              | 155,249              | 24,491               | 21,802               |
| Total                             | yen million | 404,073              | 386,709              | 38,061               | 34,408               |

### 3. Consolidated Cash Flow

|                                                          |             | The 70th | The 71st |
|----------------------------------------------------------|-------------|----------|----------|
| Cash and its equivalent at the beginning the fiscal term | yen million | 91,114   | 77,906   |
| Cash Flow from operation                                 | yen million | 51,480   | 48,128   |
| Cash Flow from investment                                | yen million | (54,835) | (19,038) |
| Cash Flow from financing activities                      | yen million | (12,358) | (16,260) |
| Exchange differentials on cash or cash equivalent, etc.  | yen million | 2,505    | (1,341)  |
| Cash and its equivalent at the end of the fiscal term    | yen million | 77,906   | 89,394   |