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(TSE Code 4185)

May 25, 2007

Dear Shareholders,

Notice of Convening the 62nd Ordinary General Meeting of Shareholders

We are pleased to announce the convening of the 62nd 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 after reviewing the "Reference Materials for the General Meeting of Shareholders" attached hereto and indicating your approval or disapproval for each agenda item.

Sincerely,

Yoshinori Yoshida
President & Representative Director
JSR Corporation
5-6-10 Tsukiji, Chuo-ku, Tokyo

1. **Date and time** June 15, 2007 (Friday) 10:00 a.m.
2. **Venue** COURTYARD by Marriott Tokyo Ginza Hotel (former Ginza Tobu Hotel)
2F "Sakura-no-ma"
6-14-10, Ginza, Chuo-ku, Tokyo

3. Agenda

Matters to be Reported

1. Business Report, Consolidated Financial Statements, and Audit Report thereon by the Accounting Auditors and the Board of Corporate Auditors for the 62nd Fiscal Term (from April 1, 2006 to March 31, 2007)
2. Financial Statements for the 62nd Fiscal Term (from April 1, 2006 to March 31, 2007)

Matters to be Resolved

- Proposal 1. Appropriation of Surplus
- Proposal 2. Election of 9 Directors
- Proposal 3. Election of 2 Corporate Auditors
- Proposal 4. Payment of Bonus to Directors
- Proposal 5. Setting the Amount of the Directors' Remuneration to be Granted as Stock Options

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4. Ways of exercising your voting rights

- (1) Participating in the general meeting of shareholders

Please hand over the ballot form attached hereto at the reception

- (2) By Post

Please return the ballot form attached hereto after indicating your approval or disapproval so that your ballot reaches us by 5:00 p.m. on Thursday, June 14, 2007 (Japan Time).

- (3) Voting via Internet

Please exercise your voting rights via Internet at our web site for online voting (<http://www.web54.net>) by 5:00 pm on Thursday, June 14, 2007 (Japan Time) after reviewing the “Reminders to Shareholders for Online Voting” on page 49 (of this translation)

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

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

- (4) 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 a certificate evidencing the power to vote on your behalf to the Company.

5. Notice to institutional investors

- (1) If you intend to use diverse methods of exercising voting rights, please advise the Company through its transfer agent of your intention and the reasons in writing or via electromagnetic transmission (Internet, etc.) at least 3 days prior to the date of the general meeting of shareholders.
- (2) You may exercise your voting rights through the Electronic Proxy Voting Platform operated by ICJ Inc. as a way to exercise your voting rights.

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Notice

Should it become necessary to correct the information contained in the materials for the general meeting of shareholders, we will post the correction on our web site (<http://www.jsr.co.jp>).

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**(Appendix to the Notice of the 62nd Ordinary General Meeting of Shareholders)**

**Business Report**

(from April 1, 2006 to March 31, 2007)

**1. Items related to Current Status of JSR Group**

**(1) Progress and Results of Businesses**

**Business Environment and Business Performance**

During the fiscal year ending on March 31, 2007, the Japanese economy continued its recovery and remained on track for steady growth as solid corporate performance brought expansion in capital expenditure and improvements in employment and personal income, and thus the period for continuing growth exceeded that of the postwar record of “Izanagi boom” although there were a certain negative factors such as the steep surge in oil prices and the slowdown in private consumption growth.

As far as our major user industries are concerned, production in automobiles and automotive tires achieved steady gains over the previous fiscal year, while production of paper remained almost flat compared with a year ago. Semiconductor output were higher than our initial projections, as demand for personal computers, cellular phones and digital consumer electronics grew. Production of flat panel displays, however, grew slower than our initial projection as inventory adjustment for liquid crystal panels spread rapidly during the first half of the fiscal year and production for year-end sales ended early in the second half.

As far as our raw material prices are concerned, factors such as increasing global demand for crude oil and geopolitical instability in the Middle East resulted in a steep surge in crude oil and naphtha prices, which caused continuously soaring major raw materials prices for petrochemical products and adversely affected the earnings of the businesses.

Under these circumstances, in petrochemical products businesses, JSR Group has made concerted efforts to expand sales volume and increase prices to recover product margins, with the aim of stabilizing earnings. On the other hand, in our diversified products businesses, information electronics materials being the core products in this segment, we have been focusing our efforts on expansion in the global market by continuously introducing most advanced materials based on our proprietary technologies, with the aim of achieving further growth.

In addition, we have remained committed to implementing our group-wide innovative cost reduction project, CRG-II (Cost Revolution for Growth-II) for the purpose of reducing all costs involved in the entire supply chain from raw materials procurement to product distribution and improving the profitability of the businesses of JSR Group.

As a result, JSR Group recorded, on consolidated basis, net sales of 365,831 million yen (an 8.2% increase over the previous fiscal year), an operating income of 55,242 million yen (a 3.5% increase), an ordinary profit of 54,719 million yen (a 3.3% increase) and a net profit of 33,654 million yen (a 10.1% increase).

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## **Segment Information**

### **(Elastomer Businesses)**

Domestic sales of general-purpose synthetic rubber such as styrene butadiene rubber (SBR) and polybutadiene rubber (BR) exceeded the results of the previous fiscal year by wide margins, as a result of a steady increase in automobile tire production and increase in our product prices reflecting a steep rise in raw materials prices. Domestic sales of functional specialty rubber, including ethylene propylene rubber (EPDM) and nitrile rubber (NBR), also showed increases over the previous fiscal year with steady demand growth due to higher automobile production and our efforts to improve our product prices.

Export sales volume and amount of general-purpose synthetic rubber showed substantial increases over the previous fiscal year because of our efforts to increase sales of solution polymerized styrene butadiene rubber (S-SBR) for high performance tires and growing demand for other types of general-purpose synthetic rubber. Export sales of functional specialty rubber recorded a sizeable increase over the previous fiscal year, reflecting steady growth in NBR demand in Southeast Asia.

Domestic sales volume and sales amounts of thermoplastic elastomers (TPE), including butadiene TPE and butadiene styrene TPE, were higher compared with the previous fiscal year, as a result of a recovery in demand and our efforts to increase sales volume and improve our prices. Export sales of butadiene TPE showed a steady increase. Export sales for TPE business increased as a whole over the previous fiscal year because of our efforts to improve our prices despite lower sales volume due to our withdrawal from unprofitable business segments.

Concerning production capacity, we consolidated EPDM production to Kashima Plant and increased its production capacity to 36,000 tons per annum in June 2006. In an additional step, we increased our equity to 50% in Kumho Polychem Co., Ltd., a joint venture in Korea for production and sales of EPDM, and will complete the expansion of production capacity to 78,000 tons pa by August 2007. With these actions, we will establish our position, as JSR Group, as a leading EPDM supplier, in Asia for rubber applications.

To regain our profit margins depressed by surging raw materials prices, we endeavored to increase our prices. At the same time, the entire JSR Group strove to reduce costs by vigorously implementing the CRG-II Project.

As a result of the above, consolidated net sales for Elastomer Businesses grew by 11.8% to 116,249 million yen, while operating income grew by 5.3% to 12,368 million yen.

### **(Emulsion Businesses)**

Domestic sales volume of paper coating latices, the main product in this segment, decreased as a result of tougher competition despite the same level of production of coated papers as that in the previous fiscal year. Domestic sales amount of the product reached the level of the previous fiscal year, attributable to our efforts to raise our prices in relation to the increase in raw materials prices. Domestic sales volume and sales amounts of acrylic emulsions, however, decreased substantially, due to lower sales volume of coating materials for building outer walls.

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To regain profit margins depressed by surging raw materials prices, we endeavored to increase our prices. At the same time, the entire JSR Group strove to reduce costs by vigorously implementing the CRG-II Project.

As a result of the above, consolidated net sales for Emulsion Businesses decreased by 2.3% to 24,362 million yen, while operating income decreased by 30.5% to 1,776 million yen.

#### (Plastics Businesses)

Domestic sales volume were lower compared with the previous fiscal year because of weak demand for electrical appliances and our withdrawal from certain unprofitable business segments although there were increases in specialty ABS plastics, including ultra-heat resistant ABS for automotive parts and weather-resistant AES. Sales amount, however, exceeded the level of the previous fiscal year as we expanded sales in specialty and high value-added segments and endeavored to increase our prices.

Overseas sales volume and sales amount were lower compared with the previous fiscal year, despite our efforts to expand sales in specialty and high value-added segments and our efforts to increase our prices. This was the result of sluggish demand for motorcycles in the ASEAN region and our withdrawal from certain unprofitable business segments.

Currently, we are focusing on reforming and reinforcing our business structure to achieve a stronger product portfolio with a leaner cost structure by accelerating the shift to specialty and high-value added products on the sales front and by undertaking massive rationalization by launching streamlining and integration of existing plants on the production front.

To regain our profit margins depressed by surging raw materials prices, we endeavored to increase our prices. At the same time, the entire JSR Group made serious efforts to reduce costs by vigorously implementing the CRG-II Project.

As a result of the above, consolidated net sales for Plastics Businesses decreased by 2.8% to 64,614 million yen while operating income decreased by 8.0% to 3,865 million yen.

#### (Diversified Products Businesses)

Looking at materials for semiconductors, photoresists, the core products of this segment, performed well as growth in semiconductor production prompted higher demand for the products, especially those for excimer photoresists, both in Japan and other countries in Asia. Sales of new ArF photoresists, in particular, showed remarkable growth among other excimer photoresists thanks to increase in commercial usage in the most advanced application fields. Our subsidiaries in Europe and the United States also posted higher sales compared with the previous fiscal year reflecting steady growth in semiconductor demand in these regions. Sales of materials for semiconductors grew substantially over the previous fiscal year as, in addition to the above, revenue from new materials including Chemical Mechanical Planarization (CMP) materials, multi-layered materials, and packaging materials jumped as a result of continuously growing demand and our efforts to increase sales.

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Among flat panel display materials, sales volume of liquid crystal display (LCD) materials was higher than those in the previous fiscal year as the market for LCD TVs grew globally. However, the volume did not reach our initial projections as the impact of inventory adjustments for LCD panels prevailed throughout the fiscal year. Sales of LCD materials remained at the same level as that in the previous fiscal year, due to stronger pressure on our prices reflecting steeply falling LCD panel prices. Sales of plasma display panel (PDP) materials were higher than those of the previous fiscal year due to increase in domestic sales reflecting higher production of large sized TVs in the first half of the year although there were sluggish sales for export caused by continuing adjustment of production at our major overseas customers. We completed our LCD materials plant in Taiwan, following our LCD materials plant in Korea, and started commercial production in July 2006. We have launched the second phase expansion at the plant that enables us to increase production capacity with wider ranges of products. We will make our every effort to ensure commencement of full scale production at the plant in the fall of 2007.

Sales of optical functional materials marked sharp increases over the previous fiscal year as sales of optical fiber coating materials, the core products of this segment, steadily increased reflecting expanding demand for optical fiber cables both in Japan and overseas and recovery of the demand for antireflection coating materials recovered. Sales of the heat-resistant transparent resin ARTON<sup>®</sup> grew substantially compared with the previous fiscal year, the result of our efforts to expand its sales in the optical film market, a major market for the products. However, sales of the resin did not reach our initial projection.

Moreover, during the fiscal year, we constructed the “ME Line” at our Yokkaichi Plant, a facility based on a new concept for zero-defect with clean-room environment, for the purpose of manufacturing such next-generation semiconductors materials as ArF photoresists for the 45nm node and multi-layered materials. We will strengthen our competitive edges in the areas of most advanced materials by reinforcing our infrastructure for manufacturing next-generation lithographic precision materials.

We endeavored to expand sales of our unique products and to reduce costs by vigorously implementing the CRG-II Project to cope with pressure for price reduction caused by falling prices of major products in user industries.

As a result of the above, consolidated net sales for Diversified Products Businesses grew by 12.5 % to 160,605 million yen, while operating income grew by 6.6 % to 40,731 million yen.

## **(2) Capital Expenditure**

Major capital expenditures by JSR Group during the fiscal year included large LCD board evaluation equipment, a facility for manufacturing ArF photoresists for the 45nm node and multi-layered materials, and Yokkaichi Training Center. Total capital expenditures were approximately 22,000 million yen.

## **(3) Fund Raising**

No funds were raised through the issuing of new shares or corporate bonds during the fiscal year. Total debt of JSR Group inclusive of corporate bonds as at the end of the fiscal year was approximately 18,200 million yen, representing a decrease of approximately 12,600 million yen from the previous fiscal year.

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#### **(4) Challenges for JSR Group companies**

JSR Group has engaged in the three-year mid-term business plan “JSRevolution II” since fiscal 2004 as a “step” stage preparing for a big “jump,” as in a “hop, step and jump” process, toward our goal of becoming the kind of company we’d like to be in the year 2010.

Fiscal 2006 marked the final year of the JSRevolution II. Recognizing the vital importance of the year as preparation for the next mid-term business plan and having made every effort to achieve our objectives, we achieved nearly all target figures we initially set, including those for sales and operating income.

We decided to launch the new mid-term business plan called “JUMP2010” starting from fiscal 2007.

Our vision for the new mid-term business plan is to be “a company that realizes a ‘jump’ by taking full advantage of its proprietary technologies and excellent human resources”. Our operating guidelines is to become “a chemical company that is steadily growing as a front runner by accelerating changes and evolution and thereby completing a ‘jump’ in the year 2010 through creation of the group of next generation growth businesses and through increase in the earnings from both diversified and petrochemical products businesses”.

In petrochemical products businesses such as elastomers, emulsions and plastics businesses, we are determined to maintain and increase earnings through expanding sales of higher value-added products and through productivity improvement and cost reduction by exploiting our innovative technologies.

In diversified products businesses, such as electronics materials, we are committed to maintenance and improvement of profitability of the businesses through expansion by increasing sales of existing materials, developing new materials in the peripheral segments and proceeding cost reduction activities. Following our plant in Korea, we started the construction of second phase expansion at our LCD materials plant in Taiwan, for which we are seriously endeavoring to ensure smooth full-scale production this autumn.

Among future growth businesses, we are determined to quickly establish the foundation for high-precision processing and to launch several businesses in the fields of environment, energy and medical care.

In order to continuously strengthen our competitiveness, we will promote a new cost reduction project named “E-100” (Efficiency 100%) through which we are committed to improving earnings and to achieving leaner cost structures group-wide.

Furthermore, in order to achieve our objectives and strengthen sound foundation for management of the Company, we are determined to proceed necessary actions such as investment for education and training of personnel who are capable of leading and/or supporting the growth of the businesses and actions that will bring improvement in organizational skills.

The Company has been and will be striving to strengthen and improve our internal control. Board of Directors of the Company adopted a resolution for the “Basic Policy on the Internal Control System” at its meeting in May 2006 in accordance with the Corporations Law.

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To ensure the effectiveness of internal control, Audit Office responsible for internal auditing and reporting directly to the President has been conducting internal audits on regular basis to monitor compliance with rules and regulations at each division of the Company and JSR group companies. We are, based upon the results of the audit, currently preparing a “systems that further ensure and improve the compliance of the JSR group companies with legal requirements and regulations”. In addition, we are striving to establish an internal control system to ensure the correctness of our financial reports through a Group-wide project.

Moreover, we will strive to bolster the management of JSR Group and fulfill our corporate social responsibility (CSR) by steadily pursuing our activities for Responsible Care and business ethics promotions. We are therefore committed to making every possible effort to achieve our vision to becoming “the kind of company we’d like to be in the year 2010.”

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

| Category                 | 59th Term<br>(FY 2003) | 60th Term<br>(FY 2004) | 61st Term<br>(FY 2005) | 62nd Term<br>(FY 2006) |
|--------------------------|------------------------|------------------------|------------------------|------------------------|
| Sales (¥ million)        | 275,071                | 305,368                | 338,159                | 365,831                |
| Net profit (¥ million)   | 19,353                 | 27,563                 | 30,554                 | 33,654                 |
| Net profit per share (¥) | 75.12                  | 107.54                 | 119.63                 | 133.10                 |
| Total Assets (¥ million) | 308,581                | 325,031                | 381,096                | 408,949                |

(Notes)

1. Both sales and net profit for the 59th Term increased mainly as a result of increased sales in the diversified business.
2. Both sales and net profit for the 60th Term increased with higher sales in each business.
3. Both sales and net profit for the 61st Term increased with higher sales in each business.
4. Results for the 62nd Term are as shown in the “Progress and Results of Businesses” in (1) above.

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**(6) Principal Subsidiaries and Affiliated Companies (as of March 31, 2007)**

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               |
| Kyushu Gomu Kako Co., Ltd.                | ¥90 million     | 85 (15)            | Production and sale of carbon master batches and rubber compounds               |
| JSR AMERICA, INC.                         | US\$1,200,000   | 100                | Procurement and sale of synthetic rubber and plastics                           |
| ELASTOMIX (THAILAND) CO., LTD.            | Baht 75,000,000 | 25 (50)            | Production and sale of carbon master batches and rubber compounds               |
| Emulsion Technology Co., Ltd.             | ¥168 million    | 100                | Production and sale of latex compounds                                          |
| Techno Polymer Co., Ltd.                  | ¥3,000 million  | 60                 | Production, processing and sale of plastics                                     |
| Japan Coloring Co., Ltd.                  | ¥280 million    | 75 (25)            | Production and sale of plastics color compounds                                 |
| Excel Tokai Co., Ltd.                     | ¥50 million     | 100                | Production and sale of plastics extrusions                                      |
| TECHNO POLYMER HONG KONG CO., LTD.        | HK\$2,500,000   | -(100)             | Procurement and sale of plastics                                                |
| Techno Polymer (Thailand) Co., Ltd.       | Baht 8,010,000  | -(82.8)            | Procurement and sale of plastics                                                |
| Techno Polymer (Shanghai) Co., Ltd.       | US\$ 200,000    | -(100)             | Procurement and sale of plastics                                                |
| TECHNO POLYMER AMERICA, INC.              | US\$ 300,000    | -(100)             | Procurement and sale of plastics                                                |
| Shanghai Rainbow Color Plastics Co., Ltd. | ¥700 million    | -(60)              | Production and sale of plastics color compounds                                 |
| JSR Micro Kyushu Co., Ltd.                | ¥300 million    | 100                | Production and sale of semiconductor materials and flat panel display materials |
| JSR Microtech Inc.                        | ¥50 million     | 100                | Production and sale of IC testing fixtures                                      |
| D-MEC Ltd.                                | ¥65 million     | 100                | Sale of solid modeling systems and optically-hardened resins                    |
| JSR Optech Tsukuba Co., Ltd.              | ¥50 million     | 100                | Production, processing, and sale of optical fiber coating materials             |

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| Company Name              | Capital              | Shareholding ratio | Main business                                                                                          |
|---------------------------|----------------------|--------------------|--------------------------------------------------------------------------------------------------------|
| JSR Micro N.V.            | EUR<br>11,155,000    | 100 %              | Production and sale of semiconductor materials                                                         |
| JSR Micro, Inc.           | US\$<br>21,700,000   | 78.1 (21.9)        | Production and sale of semiconductor materials                                                         |
| JSR Micro Korea Co., Ltd. | KRW<br>2,000 million | 100                | Production and sale of flat panel display materials and semiconductor materials                        |
| JSR Logistics Co., Ltd.   | ¥170 million         | 100                | Transportation, warehousing, and delivery management                                                   |
| JSR Engineering Co., Ltd. | ¥180 million         | 100                | Engineering and consultation for chemical engineering equipment                                        |
| Nichigo Kogyo Co., Ltd.   | ¥50 million          | 50                 | Product packaging, civil engineering, and construction                                                 |
| JSR Trading Co. Ltd.      | ¥480 million         | 100                | Procurement and sale of chemicals, etc.                                                                |
| JSR Service Co., Ltd.     | ¥10 million          | 100                | Non-life insurance agency, management of company welfare facilities, accounting services on commission |
| JNT System Co., Ltd.      | ¥200 million         | 62                 | Computer software development, sales, and servicing                                                    |

(Notes)

- Figures in brackets under the shareholding ratio column represent shareholding ratio owned by our subsidiaries.
- Techno Polymer Co., Ltd. (60% of which shares are owned by the Company) owns 100% of the shares of TECHNO POLYMER HONG KONG CO., LTD, Techno Polymer (Shanghai) Co., Ltd and TECHNO POLYMER AMERICA, INC. respectively and owns 82.8% of the shares of Techno Polymer (Thailand) Co., Ltd.  
Each of Techno Polymer Co., Ltd and Japan Coloring Co., Ltd (75% of which shares are owned by our company) owns 30% of the shares of Shanghai Rainbow Color Plastics Co., Ltd respectively  
Elastomix Co., Ltd. (98.5% of which shares are owned by the Company) owns 50% of the shares of ELASTOMIX (THAILAND) CO., LTD.

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## 2) Principal Affiliates

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

## (7) Major Business Activities (as of March 31, 2007)

Manufacturing and sales of the following products

| Business Category      |                                | Content                                                                                                                              |
|------------------------|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|
| Petrochemical Products | Elastomers                     | General purpose synthetic rubber, specialty rubber, thermoplastic elastomers (TPEs), carbon master batches, rubber compounds, etc.   |
|                        | Emulsions                      | Paper coating latex, general purpose industrial latex, acrylic emulsion, latex compounds, etc.                                       |
|                        | Plastic                        | ABS resin, AES resin, AS resin, ASA resin, and colored plastics compounds                                                            |
| Diversified business   | Semiconductor materials        | Photoresists, CMP materials, packaging materials, multi-layered materials, etc.                                                      |
|                        | Flat panel display materials   | Color liquid crystal display (LCD) materials, plasma display panel (PDP) materials, etc.                                             |
|                        | Optical materials              | Optical fiber coating materials, functional coating materials, anti-reflection film, heat-resistant transparent resin and film, etc. |
|                        | Performance chemical materials | Highly functional coating materials, high performance dispersants, functional particles for industrial use, bio-medical materials    |
|                        | Others                         | Chemical products and other chemicals, circuit inspection tools and equipment, packing materials, etc.                               |

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**(8) Sales Offices, Plants, and other facilities (as of March 31, 2007)**

1) Company

|                          |                                |                                               |                |
|--------------------------|--------------------------------|-----------------------------------------------|----------------|
| Head Office              | 5-6-10 Tsukiji, Chuo-ku, Tokyo |                                               |                |
| Business & Sales Offices | Osaka Branch                   | Osaka                                         |                |
|                          | Nagoya Branch                  | Nagoya                                        |                |
|                          | Kyushu Sales Office            | Saga, Saga                                    |                |
| Plants                   | Yokkaichi Plant                | Yokkaichi, Mie                                |                |
|                          | Chiba Plant                    | Ichihara, Chiba                               |                |
|                          | Kashima, Plant                 | Kamisu, Ibaraki                               |                |
| Research Institutes      | Yokkaichi Research Center      | Polymer Research Laboratories                 | Yokkaichi, Mie |
|                          |                                | Semiconductor Materials Research Laboratories | Yokkaichi, Mie |
|                          |                                | Fine Electronic Research Laboratories         | Yokkaichi, Mie |
|                          |                                | Display Research Laboratories                 | Yokkaichi, Mie |
|                          | Tsukuba Research Laboratories  | Tsukuba, Ibaraki                              |                |
| Overseas                 | Europe Office                  | Belgium                                       |                |
|                          | Shanghai Office                | China                                         |                |
|                          | Seoul Office (*)               | South Korea                                   |                |
|                          | Taiwan Office                  | Taiwan                                        |                |

(\*) note : Seoul Office was closed on Apr 1, 2007 and businesses relating thereto were transferred to JSR Micro Korea Co., Ltd.

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2) Important subsidiaries and affiliated companies

| Business Categories  | Company Name                              | Address of Head Office |
|----------------------|-------------------------------------------|------------------------|
| Elastomer Business   | Elastomix Co., Ltd.                       | Yokkaichi, Mie         |
|                      | Kyushu Gomu Kako Co., Ltd.                | Tosu, Saga             |
|                      | JSR AMERICA, INC.                         | United States          |
|                      | Japan Butyl Co., Ltd.*                    | Kawasaki, Kanagawa     |
|                      | Kumho Polychem Co., Ltd.*                 | South Korea            |
|                      | Kraton JSR Elastomers K.K.*               | Minato-ku, Tokyo       |
|                      | ELASTOMIX (THAILAND) CO., LTD.            | Thailand               |
| Emulsion Business    | Emulsion Technology Co., Ltd              | Yokkaichi, Mie         |
| Plastic Business     | Techno Polymer Co., Ltd.                  | Chuo-ku, Tokyo         |
|                      | Japan Coloring Co., Ltd.                  | Yokkaichi, Mie         |
|                      | Excel Tokai Co., Ltd.                     | Gotenba, Shizuoka      |
|                      | TECHNO POLYMER HONG KONG CO., LTD.        | Hong Kong              |
|                      | Techno Polymer (Thailand) Co., Ltd.       | Thailand               |
|                      | Techno Polymer (Shanghai) Co., Ltd.       | China                  |
|                      | TECHNO POLYMER AMERICA, INC.              | United States          |
|                      | Shanghai Rainbow Color Plastics Co., Ltd. | China                  |
| Diversified Business | JSR Micro Kyushu Co., Ltd                 | Saga, Saga             |
|                      | JSR Microtech Inc.                        | Hidaka, Saitama        |
|                      | D-MEC Ltd.                                | Chuo-ku, Tokyo         |
|                      | JSR Optech Tsukuba Co., Ltd.              | Tsuchiura, Ibaraki     |
|                      | JSR Micro N.V.                            | Belgium                |
|                      | JSR Micro, Inc.                           | United States          |
|                      | JSR Micro Korea Co., Ltd.                 | South Korea            |
|                      | Japan Fine Coatings Co., Ltd.*            | Tsuchiura, Ibaraki     |
|                      | JSR Logistics Co., Ltd                    | Yokkaichi, Mie         |
|                      | JSR Engineering Co., Ltd.                 | Yokkaichi, Mie         |
|                      | Nichigo Kogyo Co., Ltd.                   | Kamisu, Ibaraki        |
|                      | JSR Trading Co. Ltd.                      | Chuo-ku, Tokyo         |
|                      | JSR Service Co., Ltd.                     | Chuo-ku, Tokyo         |
| JNT System Co., Ltd. | Chuo-ku, Tokyo                            |                        |

(Note) \* Denotes an important affiliated company

(9) Employees (as of March 31, 2007)

| No. of employees | Increase/decrease from previous term |
|------------------|--------------------------------------|
| 4,693            | +117                                 |

(10) Major Lenders (as of March 31, 2007)

| Creditors                              | Outstanding amount of borrowings |
|----------------------------------------|----------------------------------|
|                                        | ¥ million                        |
| Mizuho Corporate Bank, Ltd.            | 5,055                            |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 3,843                            |
| Sumitomo Mitsui Banking Corporation    | 3,845                            |

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 notice and this English translation, the Japanese original notice shall be controlling in all respects.

## 2 Shares of the Company (as of March 31, 2007)

|                                                    |             |
|----------------------------------------------------|-------------|
| (1) Total number of shares authorized to be issued | 696,061,000 |
| (2) Total number of issued shares                  | 255,885,166 |
| (3) One unit of shares                             | 100         |
| (4) Number of shareholders                         | 29,972      |
| (5) Major Shareholders                             |             |

| Name of shareholder                                                                                        | Investments in the Company |                    |
|------------------------------------------------------------------------------------------------------------|----------------------------|--------------------|
|                                                                                                            | No. of shares held         | Shareholding Ratio |
|                                                                                                            | '000 shares                | %                  |
| Bridgestone Corp.                                                                                          | 40,866                     | 16.20              |
| Japan Trustee Services Bank, Ltd. (trust account)                                                          | 12,088                     | 4.79               |
| The Master Trust Bank of Japan, Ltd. (trust account)                                                       | 11,899                     | 4.71               |
| Mizuho Corporate Bank, Ltd.                                                                                | 10,249                     | 4.06               |
| The Master Trust Bank of Japan, Ltd. (trust account for Retirement Allowance of Mitsubishi Chemical Corp.) | 9,888                      | 3.92               |
| State Street Bank & Trust Co. 505103                                                                       | 6,404                      | 2.53               |
| The Chase Manhattan Bank, NA London                                                                        | 6,227                      | 2.46               |
| The Chase Manhattan Bank 385036                                                                            | 6,223                      | 2.46               |
| Nippon Life Insurance Company                                                                              | 5,998                      | 2.37               |
| State Street Bank and Trust Company                                                                        | 5,389                      | 2.13               |

(Notes)

1. The "number of shares held" stated in the above table has been rounded down to thousands of shares.
2. The shareholding ratio has been calculated by using the number of shares 252,220,392 shares (the number equals to that Total number of issued shares minus that of treasury shares (3,664,774 shares) and rounded down to two decimal places.

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### 3. Matters Related to stock acquisition rights of the Company (as of March 31, 2007)

#### (1) Summary of existing Stock acquisition rights issued by the Company

| Name of stock acquisition rights (issuing date)                                    | The number of stock acquisition rights | Class and number of shares to be issued | Exercise price | Period for exercising stock acquisition rights | Qualified individuals                 |
|------------------------------------------------------------------------------------|----------------------------------------|-----------------------------------------|----------------|------------------------------------------------|---------------------------------------|
| JSR Corporation Stock acquisition rights for 2005 (June 17, 2005)                  | 577                                    | Ordinary shares<br>57,700 shares        | 1 yen          | From June 18, 2005 to June 17, 2025            | Directors and Officers of the Company |
| JSR Corporation Stock acquisition rights for 2006 (for Directors) (August 1, 2006) | 245                                    | Ordinary shares<br>24,500 shares        | 1 yen          | From August 2, 2006 to June 16, 2026           | Directors of the Company              |
| JSR Corporation Stock acquisition rights for 2006 (for Officers) (August 1, 2006)  | 146                                    | Ordinary shares<br>14,600 shares        | 1 yen          | From August 2, 2006 to June 16, 2026           | Officers of the Company               |

(Note)

Terms and conditions of the exercise of stock acquisition rights is as follows: the holders of stock acquisition rights may only exercise them on and after the day (“Commencement Date of the exercise period”) following the date when they serve as neither Director nor Officers of the Company.

#### (2) Stock acquisition rights held by the Directors at the end of this fiscal year

| Name of stock acquisition rights (issuing date)                                    | The number of stock acquisition rights | Class and number of shares to be issued | Exercise price | Period for exercising stock acquisition rights | Qualified individuals    | Number of holders |
|------------------------------------------------------------------------------------|----------------------------------------|-----------------------------------------|----------------|------------------------------------------------|--------------------------|-------------------|
| JSR Corporation Stock acquisition rights for 2005 (June 17, 2005)                  | 381                                    | Ordinary shares<br>38,100 shares        | 1 yen          | From June 18, 2005 to June 17, 2025            | Directors of the Company | 9                 |
| JSR Corporation Stock acquisition rights for 2006 (for Directors) (August 1, 2006) | 245                                    | Ordinary shares<br>24,500 shares        | 1 yen          | From August 2, 2006 to June 16, 2026           | Directors of the Company | 9                 |

(Note) The Company has not issued stock acquisition rights to its Corporate Auditors.

#### (3) Stock acquisition rights issued to employees during this fiscal year

| Name of stock acquisition rights (issuing date)                   | The number of stock acquisition rights | Class and number of shares to be issued | Exercise price | Period for exercising stock acquisition rights | Qualified individuals   | Number of employees issued |
|-------------------------------------------------------------------|----------------------------------------|-----------------------------------------|----------------|------------------------------------------------|-------------------------|----------------------------|
| Stock acquisition rights for 2006 (for Officers) (August 1, 2006) | 146                                    | Ordinary shares<br>14,600 shares        | 1 yen          | From August 2, 2006 to June 16, 2026           | Officers of the Company | 13                         |

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

##### (1) Directors and Corporate Auditors of the Company (as of March 31, 2007)

| Position                                             | Name              | Responsibilities and representation for other companies                                                                                                                                                                        |
|------------------------------------------------------|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| President and Representative Director                | Yoshinori Yoshida | (Representation of other companies)<br>President, Japan Butyl Co., Ltd.                                                                                                                                                        |
| Executive Vice President and Representative Director | Tadahiko Ito      | Petrochemical Products Business Sector, Manufacturing and Technologies, Logistics, Product Safety & Quality Assurance (present)<br>(Representation of other companies)<br>Executive Vice President, Kraton JSR Elastomers K.K. |
| Senior Managing Director                             | Takashi Yamaguchi | CSR, Plastics Business, Raw Materials, General Affairs, Legal Affairs, Environment & Safety (present)<br>(Representation of other companies)<br>President, Tobu Butadiene Co., Ltd.                                            |
| Managing Director                                    | Tsugio Haruki     | Accounting, finance, public relations (present)                                                                                                                                                                                |
| Managing Director                                    | Seiichi Hasegawa  | Corporate planning, group companies, Information Technology (present)                                                                                                                                                          |
| Managing Director                                    | Mitsunobu Koshiba | Fine chemicals (present)                                                                                                                                                                                                       |
| Director                                             | Nobuo Bessho      | New Businesses Development (present)                                                                                                                                                                                           |
| Director                                             | Masaki Hirose     | Human Resources (present)                                                                                                                                                                                                      |
| Director                                             | Hozumi Sato       | Research and Development (present)                                                                                                                                                                                             |
| Full-time Corporate Auditor                          | Masahiro Sugie    |                                                                                                                                                                                                                                |
| Full-time Corporate Auditor                          | Fumio Ozaki       |                                                                                                                                                                                                                                |
| Full-time Corporate Auditor                          | Kunihiro Fukasawa |                                                                                                                                                                                                                                |
| Corporate Auditor                                    | Masayuki Okabe    | Officer, Bridgestone Corporation.                                                                                                                                                                                              |
| Corporate Auditor                                    | Kenji Ito         |                                                                                                                                                                                                                                |

(Notes)

1. Kunihiro Fukasawa, Masayuki Okabe and Kenji Ito, Corporate Auditors, are Outside Corporate Auditors.
2. Kenji Ito, a Corporate Auditor, is a certified public accountant, having sufficient knowledge of financing and accounting.
3. The following Directors retired from their office during the current term (titles as of the time of retirement):  
Director: Yoshihiko Itami (retired on June 16, 2006)  
Director: Hitoshi Yamanaka (retired on June 16, 2006)

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#### 4. Reference: Officers of the Company (as of March 31, 2007)

| Position       | Name                | Responsibilities and Title                                                                                                 |
|----------------|---------------------|----------------------------------------------------------------------------------------------------------------------------|
| Senior Officer | Masaki Hirose*      | General Manager, Human Resources                                                                                           |
| Senior Officer | Hozumi Sato*        | General Manager of Yokkaichi R&D Center                                                                                    |
| Senior Officer | Tomokazu Ito        | General Manager, Optical Materials                                                                                         |
| Senior Officer | Akira Tsuji         | President of JSR Micro Taiwan Co., Ltd                                                                                     |
| Senior Officer | Goro Miyabe         | General Manager of Business Center, Opto-Electronic Materials and Business Planning Dept., and President of JSR Micro N.V. |
| Senior Officer | Eitaro Nakamura     | General Manager of Specialty Elastomer Div., Asst. Director of Petrochemicals Business                                     |
| Senior Officer | Yasuki Sajima       | General Manager, Display Materials Div.                                                                                    |
| Senior Officer | Hisao Hasegawa      | Plant Manager, Yokkaichi Plant                                                                                             |
| Officer        | Toshiyuki Fujimoto  | General Manager, Accounting & Finance Dept.                                                                                |
| Officer        | Atsushi Kumano      | General Manager of Display Research Lab. and Display Materials Lab., Yokkaichi Research Center                             |
| Officer        | Shinichiro Iwanaga  | General Manager, Electronic Materials Lab. and Specialty Chemicals Lab. of Yokkaichi R&D Center                            |
| Officer        | Koichi Kawasaki     | General Manager of Manufacturing & Technology Dept., Product Safety & Quality Assurance Dept.                              |
| Officer        | Yoshiyuki Ohashi    | General Manager of Process Technology Center and Functional Film Dept.                                                     |
| Officer        | Takashi Wakabayashi | President of JSR Micro Korea Co., Ltd.                                                                                     |
| Officer        | Tatsushi Kawai      | General Manager of Elastomer Div., Elastomer Dept                                                                          |

\* Denotes officers that concurrently serve as Directors

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

| Classification                                                                                                                            | Director |                  | Corporate Auditor |                  |
|-------------------------------------------------------------------------------------------------------------------------------------------|----------|------------------|-------------------|------------------|
|                                                                                                                                           | Number   | Amount           | Number            | Amount           |
|                                                                                                                                           | (people) | (¥ million/year) | (people)          | (¥ million/year) |
| Monthly remuneration based on resolution of the general meeting of shareholders<br>(for Outside Directors and Outside Corporate Auditors) | 9<br>(-) | 295<br>(-)       | 5<br>(3)          | 96<br>(26)       |
| Bonus for this fiscal year<br>(for Outside Directors and Outside Corporate Auditors)                                                      | 9<br>(-) | 97<br>(-)        | -<br>(-)          | -<br>(-)         |
| Total<br>(for Outside Directors and Outside Corporate Auditors)                                                                           | 9<br>(-) | 392<br>(-)       | 5<br>(3)          | 96<br>(26)       |

(Notes)

1. The maximum monthly remuneration for Directors was set at ¥30 million per month by a resolution of the 44th ordinary general meeting of shareholders held on June 29, 1989.
2. The maximum monthly remuneration for Corporate Auditors was set at ¥10 million per month by a resolution of the 60th ordinary general meeting of shareholders held on June 17, 2005.
3. The amount for bonus is subject to approval on the Proposal 4 of the agenda at this general meeting of shareholders.
4. In addition to the above, remuneration by way of stock acquisition rights as stock option granted to 9 Directors in accordance with the resolution of the 61st ordinary general meeting of shareholders held on June 16, 2006. (The amount for ¥43 million was posted as remuneration to Directors for this fiscal year out of the fair value of the stock option for ¥60 million calculated by the Black Scholes model based on the stock price on the issuing date.)
5. The above figures do not include the salary for the employee portion of the Directors who concurrently serve as employees.
6. The above figures are rounded down to one million yen.

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

#### 1) Concurrent serving of Outside Corporate Auditors as Executive Directors of other companies

| Name              | Position                    | Concurrent duties and the place of concurrent serving                                                                                                                                                  |
|-------------------|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Kunihiro Fukasawa | Full-time Corporate Auditor | None                                                                                                                                                                                                   |
| Masayuki Okabe    | Corporate Auditor           | Mr. Okabe concurrently serves as the Officer of Bridgestone Corporation. Bridgestone is our major business partner and a major shareholder, falling under the category of specially related companies. |
| Kenji Ito         | Corporate Auditor           | None                                                                                                                                                                                                   |

#### 2) Major activities this fiscal year

| Name              | Position                    | Major activities                                                                                                                                                                                                                                                                                                                                 |
|-------------------|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Kunihiro Fukasawa | Full-time Corporate Auditor | Mr. Fukasawa participated in all 18 meetings of the Board of Directors and in all 16 meetings of the Board of Corporate Auditors this fiscal year, and made comments necessary for agenda and discussions as required from time to time, using his range of knowledge about finance and accounting that he cultivated when working in a bank.    |
| Masayuki Okabe    | Corporate Auditor           | Mr. Okabe participated in 17 of the 18 meetings of the Board of Directors and 15 of the 16 meetings of the Board of Corporate Auditors this fiscal year and made comments necessary for agenda and discussions as required from time to time, using his range of knowledge that he cultivated in the control division of a business corporation. |
| Kenji Ito         | Corporate Auditor           | Mr. Ito participated in all 12 meetings of the Board of Directors and all 11 meetings of the Board of Corporate Auditors this fiscal year after taking office as an Corporate Auditor and made comments necessary for agenda and discussions as required from time to time, using his professional knowledge as a certified public accountant.   |

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## **5. Accounting Auditor**

### **(1) Name**

KPMG AZSA & Co.

### **(2) Amount of remuneration for Accounting Auditor for this fiscal year**

#### 1) Amount of remuneration as an Accounting Auditor of the Company

Amount of remuneration for businesses under Paragraph 1, Article 2 of the Certified Public Accountant Law ; ¥34 million

#### 2) Total amount of remuneration to be paid by the Company and its subsidiaries; ¥50 million (Notes)

1. In the contract for auditing services between the Company and the Accounting Auditor, no apparent distinction with regard to audit remuneration is made between audits under the Corporations Law and audits 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 is the audit remuneration under the Securities and Exchange Law.
2. The Company has been paying the Accounting Auditor commission for an advisory business in relation to internal control, which falls in a business other than those provided for in Paragraph 1, Article 2 of the Certified Public Accountant Law.

### **(3) Policies for determining dismissal or non reappointment of Accounting Auditor**

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

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## **6. Structures to ensure propriety of business conduct**

The Board of Directors of the Company made, on June 15, 2006, a resolution for the structure to ensure propriety of business conduct of the company as detailed below;

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

The Company holds and relies on the following corporate philosophy and management policies for managing and conducting its businesses.

#### Corporate philosophy:

“Materials Innovation”

By offering new materials and through their value, contribute to the realization of a wealthy human society (people, society, and environment)

#### Management policies:

- Persistently challenge “revolution”, constantly “evolve” globally and strive towards technology oriented company.
- Pursue efficient management, transparency, and wholesomeness, and strive towards a company trusted by stakeholders.
- Practice Responsible Care for the future of the world.

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

- 1) The Board of Directors makes decisions, as well as monitors the execution of duties of Directors, under the rules of the Board of Directors and other relevant rules, on important management matters of the Company and on fundamental management matters of JSR group companies (“JSR Group”) consisting of the companies whose parent company under the Corporations Law is the Company.
- 2) The Company has established CSR Committee chaired by the Director in charge in order to express its determination and enhance activities for compliance, which supervises and promotes activities to ensure that the all members of JSR Group comply with laws, ordinances and other rules through promotion of corporate ethics and responsible care. The company established “JSR Group Principles of Corporate Ethics” as a code of conduct for the Directors and employees of the Group.
- 3) The Company has established Audit Office, independent from the business execution divisions, in order to monitor and internally audit the effectiveness of the internal control system.
- 4) The Company has established a consulting and reporting system so that the Directors, Auditors and employees can report to the Corporate Ethics Committee or outside attorneys (which may be done anonymously) when they become aware of internal actions that violate or are likely to violate the compliance rules. The Company ensures that the informant suffers no disadvantage as a result of such reporting.

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

- 1) The Board of Directors holds regular meetings on monthly basis and ad hoc meetings if required in order to discuss and resolve important matters relating to the execution of businesses and to monitor and supervise the execution of duties of Directors.  
Management Committee consisting of the Directors and Officers appointed by the President holds meetings on weekly basis, for the purpose of ensuring quick decision making and improvement in management efficiency, to review matters relating to the management plans and major business issues and to determine whether the issues should be brought up the Board of Directors for resolution.

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Further, Strategic Issues Committee consisting of Directors holds regular meetings with the aim of reviewing fundamental policies of the management, managerial guidelines, and essential business issues well in advance and thereby supports the Board of Directors and Management Committee.

- 2) The Company has established, taking possible changes in business environment in the future into consideration, the medium-term business plan “JSRevolutions II” (note 1) of which implementation plans were broken down into corporate annual budget and targets consisting of respective targets and action plans of the each of the business divisions of Company.
- 3) The Company has been vigorously promoting the cost reduction project “CRG-II” (note 2) to reduce cost from entire supply chain from materials procurement to delivery of the products in the whole Group.
- 4) The Company has shortened the tenure of office of Directors from two years to one year so that the Company can quickly cope with the ever-changing business environment.
- 5) The Company has adopted Officer system in order to clearly separate managerial decision-making and monitoring functions and those of business execution and enhance respective functions.

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

- 1) The Company has continually monitored the risks associated with businesses by way of controlling budget as well as reviewing and receiving reports at meetings of the Board of Director, Management Committee, and/or Strategic Issues Reviewing Committee as mentioned above.
- 2) The Company has been coping with the risks such as those relating to environment, safety and violation of compliance rules or other individual risks arising during the course of businesses execution through activities of cross-divisional organization such as Responsible Care Promotion Committee and Corporate Ethics Committee or through activities of individual business divisions.
- 3) In the event of serious crisis, the Emergency Headquarters directed by the President will be set up in order to proceed necessary crisis management in accordance with “Risk Control Manual.”

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

The Company has established the system, in accordance with the relevant laws and “Rules for Documents and Information Management”, that ensures not only proper maintenance and management of the minutes of meetings of the shareholders, the Board of Directors, Management Committees, and authorization documents and other relevant documents recording to the execution of duties of Directors but easy access thereto by the Directors and Corporate Auditors.

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

- 1) The Company has established a “ Guideline for Group Companies Management” to manage JSR Group. The important management decisions on any of JSR Group needs relevant approval by the Board of Directors of the Company and the Management Committee in accordance with the rules of the Company,
- 2) The department responsible for management of JSR Group and relevant business divisions of the Company have the responsibility in controlling, supervising the management each of JSR Group, while other corporate functional departments such as Environmental and Health, Legal, and Accounting provide common support and services to JSR Group.
- 3) The Company has established “JSR Group Corporate Ethics Guideline” to ensure and promote the compliance with the laws and other rules by JSR Group as a whole.
- 4) The Audit Office regularly conducts internal auditing at JSR Group to monitor the effectiveness of the internal control systems.

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

- 1) Matters related to employees assisting Corporate Auditors and ensuring his/her independence  
The Company has appointed a personnel whose responsibilities are to assist Corporate Auditors. Any personnel decisions on such assistant are subject to prior consultation and approval by the Board of Corporate Auditors as well as Corporate Auditors evaluate performance of such assistant.

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- 2) Structures for Corporate Auditors to receive reports from Directors and employees of the Company and other reports
  - i. The Company ensures that Corporate Auditors can review major decisions of the execution of the Duties of Directors by ensuring their participation to the meetings of the Board of Directors and Management Committee and the circulation of authorization documents.
  - ii. The Audit Office regularly reports the results of internal auditing to the Corporate Auditors.
  - iii. The Corporate Auditors may ask, as they deem it necessary, Directors, business divisions, and group companies to submit reports on the business operations.
- 3) Other structures to ensure effectiveness of auditing by Corporate Auditors  
The Corporate Auditors maintains cooperation and communication from time to time with relevant parties such as the Audit Office, the Accounting Auditors, corporate auditors of JSR Group and the department responsible for management of JSR Group.

(Notes)

1. The Company started the new medium-term plan “JUMP 2010” from fiscal 2007 after achieving most of its initial targets such as sales and operating profits set for the fiscal year 2006 , the final year in “JSRevolution II.” .
2. The Company started promotion of the cost reduction project “E-100” (Efficiency 100%) from 2007 to continuously improve competitiveness.

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### Consolidated Balance Sheet

(In millions of yen, as of March 31, 2007)

| Items                                 | Amount         | Items                                            | Amount         |
|---------------------------------------|----------------|--------------------------------------------------|----------------|
| <b>Assets</b>                         |                | <b>Liabilities</b>                               |                |
| <b>Current Assets</b>                 | <b>249,238</b> | <b>Current Liabilities</b>                       | <b>142,100</b> |
| Cash & deposits                       | 15,586         | Notes & accounts payable                         | 87,952         |
| Notes & accounts receivable           | 93,340         | Short-term loan                                  | 15,523         |
| Marketable securities                 | 38,418         | Income taxes payable                             | 10,794         |
| Inventory                             | 67,220         | Others                                           | 27,828         |
| Deferred tax assets                   | 5,073          | <b>Fixed Liabilities</b>                         | <b>26,862</b>  |
| Accounts rec. – other                 | 24,691         | Long-term debt                                   | 2,745          |
| Others                                | 5,004          | Allowance for employees' retirement benefits     | 14,782         |
| Allowance for doubtful accounts       | (97)           | Allowance for environmental costs                | 3,294          |
|                                       |                | Deferred tax liabilities                         | 3,290          |
|                                       |                | Others                                           | 2,750          |
|                                       |                | <b>Total Liabilities</b>                         | <b>168,962</b> |
| <b>Fixed Assets</b>                   | <b>159,710</b> | <b>Net Assets</b>                                |                |
| <b>Property, plant and equipment</b>  | <b>98,182</b>  | <b>Shareholders' equity</b>                      | <b>223,573</b> |
| Buildings & structures                | 29,206         | <b>Common stock</b>                              | <b>23,320</b>  |
| Machinery, equip. & vehicles          | 36,971         | <b>Capital surplus</b>                           | <b>25,179</b>  |
| Land                                  | 16,957         | <b>Retained earnings</b>                         | <b>183,374</b> |
| Construction in progress              | 7,580          | <b>Treasury stock</b>                            | <b>(8,299)</b> |
| Others                                | 7,466          |                                                  |                |
| <b>Intangible fixed assets</b>        | <b>5,712</b>   | <b>Valuation and translation adjustments</b>     | <b>11,612</b>  |
|                                       |                | <b>Net unrealized holding gain on securities</b> | <b>10,087</b>  |
| <b>Investments &amp; other assets</b> | <b>55,815</b>  | <b>Foreign currency translation adjustments</b>  | <b>1,525</b>   |
| Investment securities                 | 44,306         | <b>Stock acquisition rights</b>                  | <b>70</b>      |
| Long-term loans                       | 4,726          | <b>Minority interest</b>                         | <b>4,729</b>   |
| Deferred tax assets                   | 2,462          |                                                  |                |
| Others                                | 4,505          |                                                  |                |
| Allowance for doubtful accounts       | (185)          | <b>Total Net Assets</b>                          | <b>239,986</b> |
| <b>Total Assets</b>                   | <b>408,949</b> | <b>Total Liabilities/Net Assets</b>              | <b>408,949</b> |

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

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**Consolidated Statement of Income**  
(from April 1, 2006 to March 31, 2007)

| Items                                                        | Amount (in millions of yen) |
|--------------------------------------------------------------|-----------------------------|
| <b>Net Sales</b>                                             | <b>365,831</b>              |
| <b>Cost of sales</b>                                         | <b>252,752</b>              |
| <b>Gross profit on sales</b>                                 | <b>113,078</b>              |
| <b>Selling, general and administrative expenses</b>          | <b>57,835</b>               |
| <b>Operating income</b>                                      | <b>55,242</b>               |
| <b>Non-operating income</b>                                  | <b>5,434</b>                |
| Interest received & dividend received                        | 1,030                       |
| Investment income according to equity method                 | 1,438                       |
| Others                                                       | 2,965                       |
| <b>Non-operating expenses</b>                                | <b>5,958</b>                |
| Interest expenses                                            | 398                         |
| Others                                                       | 5,559                       |
| <b>Ordinary profit</b>                                       | <b>54,719</b>               |
| <b>Extraordinary profit</b>                                  | <b>227</b>                  |
| Gains on sales of fixed assets                               | 227                         |
| <b>Extraordinary losses</b>                                  | <b>1,505</b>                |
| Loss on disposal of fixed assets                             | 843                         |
| Cost of asbestos removal                                     | 460                         |
| Provision of allowance for environmental costs               | 201                         |
| <b>Pre-tax net profit</b>                                    | <b>53,440</b>               |
| <b>Income tax, residential tax and enterprise tax</b>        | <b>20,127</b>               |
| <b>Adjustments of income tax</b>                             | <b>(1,136)</b>              |
| <b>Minority interest income of consolidated subsidiaries</b> | <b>794</b>                  |
| <b>Net profit</b>                                            | <b>33,654</b>               |

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

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**Consolidated Statement of Changes in Net Assets**  
(from April 1, 2006 to March 31, 2007)

|                                             | Shareholders' equity |                    |                    |                    |                            |
|---------------------------------------------|----------------------|--------------------|--------------------|--------------------|----------------------------|
|                                             | Common stock         | Capital surplus    | Retained earnings  | Treasury stock     | Total shareholders' equity |
|                                             | In millions of yen   | In millions of yen | In millions of yen | In millions of yen | In millions of yen         |
| Balance as of March 31, 2006                | 23,320               | 25,179             | 155,433            | (2,898)            | 201,034                    |
| Changes during fiscal year                  |                      |                    |                    |                    |                            |
| Dividends from surplus                      |                      |                    | (5,568)            |                    | (5,568)                    |
| Directors' bonuses by profit appropriation  |                      |                    | (135)              |                    | (135)                      |
| Net profit                                  |                      |                    | 33,654             |                    | 33,654                     |
| Acquisition of treasury stock               |                      |                    |                    | (5,411)            | (5,411)                    |
| Disposal of treasury stock                  |                      |                    | (9)                | 9                  | 0                          |
| Net changes other than shareholders' equity |                      |                    |                    |                    |                            |
| Total change during fiscal year             | —                    | —                  | 27,940             | (5,401)            | 22,538                     |
| Balance as of March 31, 2007                | 23,320               | 25,179             | 183,374            | (8,299)            | 223,573                    |

|                                             | Valuation and translation adjustments     |                                         | Stock acquisition rights | Minority interest  | Total net assets   |
|---------------------------------------------|-------------------------------------------|-----------------------------------------|--------------------------|--------------------|--------------------|
|                                             | Net unrealized holding gain on securities | Foreign currency translation adjustment |                          |                    |                    |
|                                             | In millions of yen                        | In millions of yen                      | In millions of yen       | In millions of yen | In millions of yen |
| Balance as of March 31, 2006                | 11,151                                    | 564                                     | —                        | 3,957              | 216,707            |
| Changes during fiscal year                  |                                           |                                         |                          |                    |                    |
| Dividends from surplus                      |                                           |                                         |                          |                    | (5,568)            |
| Directors' bonuses by profit appropriation  |                                           |                                         |                          |                    | (135)              |
| Net profit                                  |                                           |                                         |                          |                    | 33,654             |
| Acquisition of treasury stock               |                                           |                                         |                          |                    | (5,411)            |
| Disposal of treasury stock                  |                                           |                                         |                          |                    | 0                  |
| Net changes other than shareholders' equity | (1,063)                                   | 961                                     | 70                       | 772                | 739                |
| Total change during fiscal year             | (1,063)                                   | 961                                     | 70                       | 772                | 23,278             |
| Balance as of March 31, 2007                | 10,087                                    | 1,525                                   | 70                       | 4,729              | 239,986            |

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

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 notice and this English translation, the Japanese original notice shall be controlling in all respects.

## Notes on Consolidated Financial Statements

### 1. Notes on significant matters serving as the basis for the production of consolidated accounting 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: 26 companies

Names of consolidated subsidiaries:

Elastomix Co., Ltd., Kyushu Gomu Kako Co., Ltd.  
JSR AMERICA, INC.,  
ELASTOMIX (THAILAND) CO., LTD., Emulsion Technology Co., Ltd.,  
Techno Polymer Co., Ltd., Japan Coloring Co., Ltd.,  
Excel Tokai Co., Ltd., TECHNO POLYMER HONG KONG CO., LTD.,  
Techno Polymer (Thailand) Co., Ltd.,  
Techno Polymer (Shanghai) Co., Ltd.,  
TECHNO POLYMER AMERICA, INC.,  
Shanghai Rainbow Color Plastics Co., Ltd., JSR Micro Kyushu Co., Ltd.,  
JSR Microtech Inc., D-MEC Ltd.,  
JSR Optech Tsukuba Co., Ltd., JSR Micro N.V., JSR Micro, Inc.,  
JSR Micro Korea Co., Ltd.,  
JSR Logistics Co., Ltd., JSR Engineering Co., Ltd.  
Nichigo Kogyo Co., Ltd., JSR Trading Co., Ltd.,  
JSR Service Co., Ltd., JNT System Co., Ltd.

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

Name of major non-consolidated subsidiaries:

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

Reason 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 profit 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 accounting statements.

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

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

Companies to which the equity method is applied: Four 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.

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

Names of major companies:

(Non-consolidated subsidiaries) Techno Polymer Shanghai Technical Development Co., Ltd. etc.  
(Affiliated companies) Tobu Butadiene Co., Ltd., etc.

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Reason for non-application of the equity method:

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

3) Matters to be specially mentioned concerning the procedure for application of the equity method  
Of the companies to which the equity method applies, we used accounting 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 9 companies is December 31; JSR AMERICA, INC., ELASTOMIX (THAILAND) CO., LTD., TECHNO POLYMER HONG KONG CO., LTD., Techno Polymer (Thailand) Co., Ltd., Techno Polymer (Shanghai) Co., Ltd., TECHNO POLYMER AMERICA, INC., Shanghai Rainbow Color Plastics Co., Ltd., JSR Micro N.V. and JSR Micro, Inc.

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

## 2. Matters related to accounting standards

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

1) Securities

Other securities:

Securities carrying market value ... Valued by market method based on fair market value prevailing on the account closing date. Any valuation difference is recorded directly in shareholders' equity, and the cost of sale of relevant securities was calculated on the basis of moving average method.

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

2) Derivatives

Valued by market method

3) Inventories

Mainly stated at cost based on gross average method

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

1) Property, plant and equipment

Depreciated by the declining-balance method, provided, however, that the buildings (excluding accessory equipment) acquired on or after April 1, 1998 are depreciated by the straight-line method. Further, the same standard as the method stipulated in the corporate tax law is applied to the useful life and the residual value.

2) Intangible fixed assets

Depreciated by the straight-line method.

Further, the same standard as the method stipulated in the corporate tax law is applied to the useful life. Provided, however, that goodwill is depreciated in the straight-line method (5 years).

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) Standards applicable to reporting of significant reserves

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 notice and this English translation, the Japanese original notice shall be controlling in all respects.

- 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) Allowance for Directors' and Corporate Auditors' 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 term is reported on the basis of anticipated amounts.
  - 3) Allowance for employees' 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 term is reported on the basis of anticipated amounts of retirement benefits obligations and annuity assets as of the close of the current term.  
Mathematical variances in the retirement benefits accounting system are treated as one lump-sum expense during the term immediately following the accounting term in which they accrue (for certain subsidiaries, such variances are treated by the straight line method over a period of 10 years).  
We have reported the amount proportionally divided by the straight-line method over a fixed period (3 years) within employees' average remaining service period at the time of cost emergence as past service liability.
  - 4) Allowance for environmental costs  
We have recorded our estimate of the cost of disposing of polychlorinated biphenyl (PCB) and other materials.
- (4) Other significant matters serving as the basis for the production of consolidated accounting statements
- 1) Treatment of significant lease transactions  
Financial lease transactions other than those in which leasehold ownership is deemed to have moved to the lessee are accounted by a method that conforms to the method applied to ordinary lease transactions.
  - 2) Hedge accounting  
Allotting treatment is applied to currency swap transactions if the requirements for allotting treatment are fulfilled, and a special-measures treatment is applied to interest rate swap transactions if the requirements for special-measures treatment are fulfilled.
  - 3) 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.
- (5) Matters related to valuation of assets and liabilities of consolidated subsidiaries  
In the valuation of assets and liabilities of consolidated subsidiaries, we apply the mark to market method throughout.
- (6) Changes in significant matters serving as the basis for the production of consolidated accounting statements
- 1) Standard applicable to Directors' and Corporate Auditors' bonuses  
The Company has adopted the Accounting Standard for Directors' Bonus (Accounting Standards Board of Japan (ASBJ) Statement No. 4, issued on November 29, 2005) for domestic companies from the current term. This change has little effect on operating income, ordinary profit and pretax net profit.
  - 2) Accounting standard concerning indication in the net assets section of the balance sheet, etc.  
The Company has adopted the Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Statement No. 5, issued on December 9, 2005) and its Implementation Guidance, Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Guidance No. 8, issued on December 9, 2005) from the current term. The amount corresponding to the sum previously reported under Shareholders' Equity is 235,186 million yen.
  - 3) Accounting standard applicable to stock options, etc.  
The Company has adopted the Accounting Standard for Stock Options (ASBJ Statement No. 8, issued on December 27, 2005) and its Implementation Guidance, Guidance on Accounting Standard for Stock Options (ASBJ Guidance No. 11, finally revised on May 31, 2006) from the current term. This change has little effect on operating income, ordinary profit and pretax net profit.

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 notice and this English translation, the Japanese original notice shall be controlling in all respects.

### 3. Notes on consolidated balance sheet

(1) Assets pledged and claims related to them

|                             |                                              |                 |
|-----------------------------|----------------------------------------------|-----------------|
| Assets pledged              | Property, plant and equipment                | ¥13,637 million |
| Claims related to the above | Long-term debt (debt from bank transactions) | ¥1 million      |

(2) Accumulated depreciation on property, plant and equipment: ¥268,008 million

(3) Guarantee obligations

|                              |                     |
|------------------------------|---------------------|
| ELASTOMIX (FOSHAN) CO., LTD. | ¥256 million        |
| Employees                    | ¥155 million        |
| Others (1 company)           | ¥49 million         |
| <u>Total</u>                 | <u>¥462 million</u> |

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

(1) Class and number of issued shares at the end of the term: 255,885,166 ordinary shares

(2) Matters related to dividend from surplus

1) Amount of dividend paid

| Resolution                                                | Class of share | Total amount of dividend (million yen) | Dividend per share (yen) | Record date        | Effectuation date |
|-----------------------------------------------------------|----------------|----------------------------------------|--------------------------|--------------------|-------------------|
| Ordinary General Meeting of Shareholders on June 16, 2006 | Ordinary share | 2,542                                  | 10                       | March 31, 2006     | June 19, 2006     |
| Board of Directors Meeting on October 24, 2006            | Ordinary share | 3,026                                  | 12                       | September 30, 2006 | November 28, 2006 |
| <u>Total</u>                                              |                | <u>5,568</u>                           |                          |                    |                   |

2) Dividends whose record dates belong to the current consolidated accounting term and whose effectuation dates fall after the end of the current consolidated accounting term

The Company shall place the following item concerning term-end dividend as disposition of retained earnings on the agenda of the Ordinary General Meeting of Shareholders scheduled for convening on June 15, 2007.

Item related to ordinary share dividend

|                     |                   |
|---------------------|-------------------|
| Dividends in total  | ¥3,026 million    |
| Source of dividends | Retained earnings |
| Amount per share    | ¥12               |
| Record date         | March 31, 2007    |
| Effectuation date   | June 18, 2007     |

(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 accounting term

96,800 ordinary shares

### 5. Notes on per-share information

|                      |         |
|----------------------|---------|
| Net assets per share | ¥932.47 |
| Net profit per share | ¥133.10 |

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## Balance Sheet

(In millions of yen, as of March 31, 2007)

| Items                                 | Amount         | Items                                        | Amount         |
|---------------------------------------|----------------|----------------------------------------------|----------------|
| Assets                                |                | Liabilities                                  |                |
| <b>Current Assets</b>                 | <b>206,139</b> | <b>Current Liabilities</b>                   | <b>118,143</b> |
| Cash & deposits                       | 5,315          | Accounts payable                             | 71,412         |
| Notes receivable                      | 2,844          | Short-term borrowings                        | 13,843         |
| Accounts receivable                   | 72,903         | Accounts payable-other                       | 4,907          |
| Marketable securities                 | 38,418         | Income taxes payable                         | 8,560          |
| Finished products                     | 26,359         | Accrued expense                              | 11,171         |
| Semi-finished products                | 5,477          | Other current liabilities                    | 8,248          |
| Work in process                       | 1,561          |                                              |                |
| Raw materials                         | 9,168          | <b>Fixed Liabilities</b>                     | <b>22,397</b>  |
| Supplies                              | 4,558          | Long-term debt                               | 2,500          |
| Accounts rec. – other                 | 33,411         | Allowance for employees’ retirement benefits | 12,448         |
| Deferred tax assets                   | 2,902          | Allowance for environmental costs            | 3,033          |
| Other current assets                  | 3,242          | Deferred tax liabilities                     | 3,128          |
| Allowance for doubtful accounts       | (23)           | Other long-term liabilities                  | 1,287          |
|                                       |                | <b>Total Liabilities</b>                     | <b>140,541</b> |
| <b>Fixed Assets</b>                   | <b>142,591</b> | Net Assets                                   |                |
| <b>Property, plant and equipment</b>  | <b>72,117</b>  | <b>Shareholders’ equity</b>                  | <b>198,157</b> |
| Buildings                             | 16,310         | <b>Common stock</b>                          | <b>23,320</b>  |
| Structures                            | 4,610          | <b>Capital surplus</b>                       | <b>25,179</b>  |
| Machinery & equip.                    | 27,612         | Capital reserve                              | 25,179         |
| Vehicles                              | 107            | <b>Retained earnings</b>                     | <b>157,957</b> |
| Tools, furniture & fixtures           | 6,049          | Profit reserve                               | 3,710          |
| Land                                  | 14,343         | Other retained earnings                      | 154,246        |
| Construction in progress              | 3,083          | Res. for special depre.                      | 827            |
| <b>Intangible fixed assets</b>        | <b>5,327</b>   | Res. for advanced depre.                     | 3,800          |
| Goodwill and software                 | 5,327          | Separate reserve                             | 42,431         |
| <b>Investments &amp; other assets</b> | <b>65,145</b>  | Retained earnings carried forward            | 107,187        |
| Investment securities                 | 33,980         | <b>Treasury stock</b>                        | <b>(8,299)</b> |
| Securities of sub./affil.             | 14,173         |                                              |                |
| Investments in sub./affil.            | 64             | <b>Valuation and translation adjustments</b> | <b>9,962</b>   |
| Long-term loans                       | 14,140         | <b>Net valuation gains on sec.</b>           | <b>9,962</b>   |
| Other investments, etc.               | 2,958          |                                              |                |
| Allowance for doubtful accounts       | (172)          | <b>Stock acquisition rights</b>              | <b>70</b>      |
|                                       |                | <b>Total Net Assets</b>                      | <b>208,189</b> |
| <b>Total Assets</b>                   | <b>348,731</b> | <b>Total Liabilities &amp; Net Assets</b>    | <b>348,731</b> |

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

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**Statement of Income**  
(from April 1, 2006 to March 31, 2007)

| Items                                                 | Amount (in millions of yen) |
|-------------------------------------------------------|-----------------------------|
| <b>Net Sales</b>                                      | <b>249,812</b>              |
| <b>Cost of sales</b>                                  | <b>166,800</b>              |
| <b>Gross profit on sales</b>                          | <b>83,011</b>               |
| <b>Selling, general and administrative expenses</b>   | <b>40,122</b>               |
| <b>Operating income</b>                               | <b>42,889</b>               |
| <b>Non-operating income</b>                           | <b>7,170</b>                |
| Interest received                                     | 280                         |
| Dividend received                                     | 3,623                       |
| Others                                                | 3,266                       |
| <b>Non-operating expenses</b>                         | <b>4,463</b>                |
| Interest expenses                                     | 319                         |
| Others                                                | 4,144                       |
| <b>Ordinary profit</b>                                | <b>45,596</b>               |
| <b>Extraordinary profit</b>                           | <b>341</b>                  |
| Gain on transfer of business                          | 341                         |
| <b>Extraordinary losses</b>                           | <b>1,272</b>                |
| Loss on disposal of fixed assets                      | 782                         |
| Cost of asbestos removal                              | 288                         |
| Provision of allowance for environmental costs        | 201                         |
| <b>Net profit before taxes</b>                        | <b>44,665</b>               |
| <b>Income tax, residential tax and enterprise tax</b> | <b>15,816</b>               |
| <b>Adjustments of income tax</b>                      | <b>(366)</b>                |
| <b>Net profit</b>                                     | <b>29,216</b>               |

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

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**Statement of Changes in Net Assets**  
(from April 1, 2006 to March 31, 2007)

|                                                                | Shareholders' equity |                    |                    |                                  |                                   |                    |                                   |                    |
|----------------------------------------------------------------|----------------------|--------------------|--------------------|----------------------------------|-----------------------------------|--------------------|-----------------------------------|--------------------|
|                                                                | Common stock         | Capital surplus    | Retained earnings  |                                  |                                   |                    |                                   | Total              |
|                                                                |                      | Capital reserve    | Profit reserve     | Other retained earnings          |                                   |                    | Retained earnings carried forward |                    |
|                                                                |                      |                    |                    | Reserve for special depreciation | Reserve for advanced depreciation | Separate reserve   |                                   |                    |
|                                                                | In millions of yen   | In millions of yen | In millions of yen | In millions of yen               | In millions of yen                | In millions of yen | In millions of yen                | In millions of yen |
| Balance as of March 31, 2006                                   | 23,320               | 25,179             | 3,710              | 971                              | 4,323                             | 42,431             | 82,956                            | 134,392            |
| Changes during fiscal year                                     |                      |                    |                    |                                  |                                   |                    |                                   |                    |
| Dividends from surplus                                         |                      |                    |                    |                                  |                                   |                    | (5,568)                           | (5,568)            |
| Directors' bonuses by profit appropriation                     |                      |                    |                    |                                  |                                   |                    | (73)                              | (73)               |
| Reversal of reserve for special depreciation                   |                      |                    |                    | (747)                            |                                   |                    | 747                               | —                  |
| Provision of reserve for special depreciation                  |                      |                    |                    | 603                              |                                   |                    | (603)                             | —                  |
| Reversal of reserve for advanced depreciation of fixed assets  |                      |                    |                    |                                  | (525)                             |                    | 525                               | —                  |
| Provision of reserve for advanced depreciation of fixed assets |                      |                    |                    |                                  | 3                                 |                    | (3)                               | —                  |
| Net profit                                                     |                      |                    |                    |                                  |                                   |                    | 29,216                            | 29,216             |
| Acquisition of treasury stock                                  |                      |                    |                    |                                  |                                   |                    |                                   | —                  |
| Disposal of treasury stock                                     |                      |                    |                    |                                  |                                   |                    | (9)                               | (9)                |
| Net changes other than shareholders' equity                    |                      |                    |                    |                                  |                                   |                    |                                   | —                  |
| Total change during fiscal year                                | —                    | —                  | —                  | (143)                            | (522)                             | —                  | 24,230                            | 23,564             |
| Balance as of March 31, 2007                                   | 23,320               | 25,179             | 3,710              | 827                              | 3,800                             | 42,431             | 107,187                           | 157,957            |

|                                                                | Shareholders' equity |                            | Valuation and translation adjustments | Stock acquisition rights | Total net assets   |
|----------------------------------------------------------------|----------------------|----------------------------|---------------------------------------|--------------------------|--------------------|
|                                                                | Treasury stock       | Total shareholders' equity | Net valuation gains on securities     |                          |                    |
|                                                                | In millions of yen   | In millions of yen         | In millions of yen                    | In millions of yen       | In millions of yen |
| Balance as of March 31, 2006                                   | (2,898)              | 179,994                    | 10,998                                | —                        | 190,992            |
| Changes during fiscal year                                     |                      |                            |                                       |                          |                    |
| Dividends from surplus                                         |                      | (5,568)                    |                                       |                          | (5,568)            |
| Directors' bonuses by profit appropriation                     |                      | (73)                       |                                       |                          | (73)               |
| Reversal of reserve for special depreciation                   |                      | —                          |                                       |                          | —                  |
| Provision of reserve for special depreciation                  |                      | —                          |                                       |                          | —                  |
| Reversal of reserve for advanced depreciation of fixed assets  |                      | —                          |                                       |                          | —                  |
| Provision of reserve for advanced depreciation of fixed assets |                      | —                          |                                       |                          | —                  |
| Net profit                                                     |                      | 29,216                     |                                       |                          | 29,216             |
| Acquisition of treasury stock                                  | (5,411)              | (5,411)                    |                                       |                          | (5,411)            |
| Disposal of treasury stock                                     | 9                    | 0                          |                                       |                          | 0                  |
| Net changes other than shareholders' equity                    |                      | —                          | (1,035)                               | 70                       | (965)              |
| Total change during fiscal year                                | (5,401)              | 18,162                     | (1,035)                               | 70                       | 17,197             |
| Balance as of March 31, 2007                                   | (8,299)              | 198,157                    | 9,962                                 | 70                       | 208,189            |

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

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 notice and this English translation, the Japanese original notice shall be controlling in all respects.

## Notes on Financial Statements

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

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

##### 1) Securities

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

Other securities:

|                                  |       |                                                                                                                                                                                                                                                        |
|----------------------------------|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Securities carrying market value | ..... | Valued by market method based on fair market value prevailing on the fiscal 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

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

##### 1) Property, plant and equipment

Property, plant and equipment are depreciated by the declining-balance method (partly by the straight-line method), provided, however, that the buildings (excluding accessory equipment) acquired on or after April 1, 1998 are depreciated by the straight-line method.

Further, the same standard as the method stipulated in the corporate tax law is applied to the useful life and the residual value.

##### 2) Intangible fixed assets

Intangible fixed assets are depreciated by the straight-line method, provided, the same standard as the method stipulated in the corporate tax law is applied to the useful life. Provided, however, that goodwill is depreciated in the straight line-method (5 years). 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) 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) Allowance for Directors' and Corporate Auditors' 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 term is reported on the basis of anticipated amounts.

##### 3) Allowance for employees' 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 term is reported on the basis of anticipated amounts of retirement benefits obligations and annuity assets as of the close of the current term.

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

We have reported the amount proportionally divided by the straight-line method over a fixed period (3 years) within employees' average remaining service period at the time of cost emergence as past service liability.

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 notice and this English translation, the Japanese original notice shall be controlling in all respects.

4) Allowance for environmental costs

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

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

1) Treatment of significant lease transactions

Financial lease transactions other than those in which leasehold ownership is deemed to have moved to the lessee are accounted by a method that conforms to the method applied to ordinary lease transactions.

2) Hedge accounting

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

3) 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.

(5) Changes in accounting policies

1) Standard applicable to Directors' and Corporate Auditors' bonuses

The Company has adopted the Accounting Standard for Directors' Bonus (Accounting Standards Board of Japan Statement No. 4, issued on November 29, 2005) from the current term. This change has little effect on operating income, ordinary profit and pretax net profit.

2) Accounting standard concerning indication in the net assets section of the balance sheet, etc.

The Company has adopted the Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Statement No. 5, issued on December 9, 2005) and its Implementation Guidance, Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Guidance No. 8, issued on December 9, 2005) from the current term. The amount corresponding to the sum previously reported under Shareholders' Equity is 208,119 million yen.

3) Accounting standard applicable to stock options, etc.

The Company has adopted the Accounting Standard for Share-based Payment (ASBJ Statement No. 8, issued on December 27, 2005) and its Implementation Guidance, Guidance on Accounting Standard for Share-based Payment (ASBJ Guidance No. 11 finally revised on May 31, 2006) from the current term. This change has little effect on operating income, ordinary profit and pretax net profit.

## 2. Notes on balance sheet

(1) Assets pledged and claims related to them

|                             |                                              |                 |
|-----------------------------|----------------------------------------------|-----------------|
| Assets pledged              | Property, plant and equipment                | ¥13,637 million |
| Claims related to the above | Long-term debt (debt from bank transactions) | ¥1 million      |

(2) Accumulated depreciation on property, plant and equipment: ¥218,622 million

(3) Claims to/from subsidiaries and affiliated companies

|                                            |                 |
|--------------------------------------------|-----------------|
| Short-term monetary claims to affiliates   | ¥35,139 million |
| Long-term monetary claims to affiliates    | ¥14,126 million |
| Short-term monetary claims from affiliates | ¥32,259 million |

(4) Export exchange notes discounted: ¥272 million

(5) Guarantee obligations

|                      |                     |
|----------------------|---------------------|
| JSR Micro N.V.       | ¥369 million        |
| Employees            | ¥155 million        |
| Others (2 companies) | ¥13 million         |
| <u>Total</u>         | <u>¥538 million</u> |

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 notice and this English translation, the Japanese original notice shall be controlling in all respects.

### **3. Notes on statement of income**

|                                                         |                 |
|---------------------------------------------------------|-----------------|
| Transactions with subsidiaries and affiliated companies |                 |
| Sales                                                   | ¥48,721 million |
| Purchasing                                              | ¥38,905 million |
| Other trade transactions                                | ¥15,884 million |
| Interest received                                       | ¥521 million    |
| Dividend received                                       | ¥3,189 million  |
| Interest expenses                                       | ¥25 million     |
| Gain on transfer of business                            | ¥341 million    |

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

Class and number of treasury stock at the end of the term: 3,664,774 ordinary shares

### **5. Note on tax effect accounting**

Allowance for employees' retirement benefits were a major cause of deferred tax assets. Variances of the estimates of other negotiable securities were a major cause of deferred tax liabilities.

### **6. Note on fixed assets used under lease**

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

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## 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                         | Term-end balance (million yen) |
|------------|----------------------------|----------------------------------|--------------------------------|----------------------------------------------------------|-------------------------------------------|----------------------------------|------------------------------|--------------------------------|
|            |                            |                                  | Directors serving concurrently | Business relationship                                    |                                           |                                  |                              |                                |
| Subsidiary | Techno Polymer Co., Ltd.   | 60%                              | None                           | Supply of raw materials                                  | Supply of raw material gas, etc. (Note 1) | 17,467                           | Accounts rec.                | 7,530                          |
| Subsidiary | JSR Micro Korea Co., Ltd.  | 100%                             | 1                              | Sales of our products and supply of raw materials        | Provision of loans (Note 2)               | —                                | Long-term loans              | 4,315                          |
|            |                            |                                  |                                |                                                          | Transfer of business (Note 3)             | 341                              | Gain on transfer of business | —                              |
| Subsidiary | JSR Micro Taiwan Co., Ltd. | 100%                             | 1                              | Sales of our products and supply of raw materials        | Provision of loans (Note 2)               | 1,787                            | Long-term loans              | 3,932                          |
| Affiliate  | Kraton JSR Elastomers K.K. | 50%                              | 3                              | Manufacturing of licensed elastomer products             | Purchase of products (Note 4)             | 10,650                           | Accounts payable             | 5,612                          |
| Affiliate  | Tobu Butadiene Co., Ltd.   | 50%                              | 1                              | Supply of raw material gas and purchase of butadiene gas | Supply of raw material gas (Note 1)       | 10,195                           | Accounts rec.                | 5,077                          |
|            |                            |                                  |                                |                                                          | Purchase of butadiene gas (Note 4)        | 12,419                           | Accounts payable             | 5,952                          |

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

- For the supply of raw material gas, the Company offered desirable prices in consideration of market prices and determined the prices through price negotiations.
- For interest on loans, the Company determined the rates through negotiation in consideration of the market interest rates.
- As for the transfer of business, JSR Micro Korea Co., Ltd. assigned its business of flat panel display materials sales in Korea according to the parent company's policy. The value of the business assignment was determined through negotiations based on the value of the business calculated on the basis of future profit.
- As for the purchase of elastomer products and the purchase of butadiene gas, the Company offered desirable prices in consideration of final costs and market prices, and determined the prices through price negotiations.
- Transaction amounts do not include consumption tax, etc. Term-end balances 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                | Term-end balance (million yen) |
|-------------------|---------------------|----------------------------------|--------------------------------|-----------------------|-----------------------------|----------------------------------|---------------------|--------------------------------|
|                   |                     |                                  | Directors serving concurrently | Business relationship |                             |                                  |                     |                                |
| Major shareholder | Bridgestone Corp.   | Direct ownership 16.2            | 1                              | Sales of our products | Sales of elastomer products | 36,542                           | Accounts receivable | 16,180                         |

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

- Prices and other terms and conditions of transactions are determined upon price negotiations in consideration of market prices.
- 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 | ¥825.15 |
| Net profit per share | ¥115.55 |

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 notice and this English translation, the Japanese original notice shall be controlling in all respects.

## Accounting Auditors' Report

May 9, 2007

To: Board of Directors  
JSR Corporation

KPMG AZSA & Co.

|                                  |                             |                      |
|----------------------------------|-----------------------------|----------------------|
| Designated and Operating Partner | Certified Public Accountant | Teruo Iida (seal)    |
| Designated and Operating Partner | Certified Public Accountant | Masao Wada(seal)     |
| Designated and Operating Partner | Certified Public Accountant | Masayuki Kasai(seal) |

Pursuant to Article 444, Paragraph 4 of the Company Law, we have audited the Consolidated Financial Statements of JSR Corporation, covering the fiscal year commencing on April 1, 2006 and ending on March 31, 2007, namely the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, and notes on consolidated accounting. The responsibility for preparing these Consolidated Financial Statements rests with the management of JSR Corporation, while our responsibility as accounting auditor lies in expressing our opinions on such Consolidated Financial Statements.

We have conducted the above audit in accordance with auditing standards that are generally accepted in Japan. The said auditing standards demand that a reasonable assurance be obtained that the Consolidated Financial Statements are free of any material misstatement. Our audit was on a test basis and included an examination of the overall presentation of the Consolidated Financial Statements, including an evaluation of the accounting policies adopted by the management of JSR Corporation and how they were applied and an assessment of the estimates made by the management. In our judgment, we have acquired a reasonable basis for expressing our opinions as a result of the audit described above.

We find that the above Consolidated Financial Statements are in accordance with the corporate accounting standards that are generally accepted in Japan, and present fairly the assets and profits/losses of the Group, which consists of JSR Corporation and its consolidated subsidiaries, for the fiscal year under review in every important respect.

There is no conflict of interest between the Company and ourselves that should be described pursuant to the provisions of the Certified Public Accountants Law.

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 notice and this English translation, the Japanese original notice shall be controlling in all respects.

## Accounting Auditors' Report

May 9, 2007

To: Board of Directors  
JSR Corporation

KPMG AZSA & Co.

|                                  |                             |                      |
|----------------------------------|-----------------------------|----------------------|
| Designated and Operating Partner | Certified Public Accountant | Teruo Iida (seal)    |
| Designated and Operating Partner | Certified Public Accountant | Masao Wada(seal)     |
| Designated and Operating Partner | Certified Public Accountant | Masayuki Kasai(seal) |

Pursuant to Article 436, Paragraph 2, Article 1 of the Company Law, we have audited the Financial Statements of JSR Corporation, covering its 62nd Business Term commencing on April 1, 2006 and ending on March 31, 2007, namely the balance sheet, statement of income, statement of changes in net assets, notes on non-consolidated accounting, and the supplementary statements. The responsibility for preparing these Financial Statements and the supplementary statements thereto rests with the management of JSR Corporation, while our responsibility as accounting auditor lies in expressing our opinions on such Financial Statements and the supplementary statements.

We have conducted the above audit in accordance with auditing standards that are generally accepted in Japan. The said auditing standards demand that a reasonable assurance be obtained that the Financial Statements and the supplementary statements are free of any material misstatement. Our audit was on a test basis and included an examination of the overall presentation of the Financial Statements and the supplementary statements, including an evaluation of the accounting policies adopted by the management of JSR Corporation and how they were applied and an assessment of the estimates made by the management. In our judgment, we have acquired a reasonable basis for expressing our opinions as a result of the audit described above.

We find that the above Financial Statements and the supplementary statements are in accordance with the corporate accounting standards that are generally accepted in Japan, and present fairly the assets and profits/losses for the fiscal year under review in every important respect.

There is no conflict of interest between the Company and ourselves that should be described pursuant to the provisions of the Certified Public Accountants Law.

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 notice and this English translation, the Japanese original notice shall be controlling in all respects.

## **Audit Report**

We, the Board of Corporate Auditors, have discussed the Directors' business activities during the 62nd business term commencing on April 1, 2006 and ending on March 31, 2007, based on audit reports prepared by each Corporate Auditor, and prepared our audit report as described below.

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

The Board of Corporate Auditors formulated an audit policy, distribution of duties, and other audit related items, received reports from each Corporate Auditor (on the implementation and results of audits), from the Directors, the Accounting Auditors, and other parties on the conduct of their business activities, and requested explanations from them when necessary.

In accordance with the Standards for Auditing by Corporate Auditors, the audit policy, distribution of duties, and other audit related items that were determined by the Board of Corporate Auditors, each Corporate Auditor: communicated well with Directors, internal monitoring and auditing organization, other employees and other parties; gathered information and improved the audit environment; attended the Board of Directors meetings and other important meetings; received reports from Directors, other employees and other parties on the conduct of their business activities; requested explanations from them when necessary; reviewed important documents evidencing the decision and other materials; and conducted inspections of operations and the state of the assets at the Head Office and other major offices. Each Corporate Auditor also monitored and verified: the resolution of the Board of Directors on the establishment and improvement of a system, which is provided in the Article 100, Paragraph 1 and 3 of the Enforcement Regulations of the Corporations Law to ensure that the business activities' of the directors is in compliance with laws, regulations and the Articles of Incorporation of the Company as well as a structure to ensure that joint-stock company's operations are carried out appropriately; and the internal control system established based on the said resolution. Each Corporate Auditor strove to communicate well and exchange information with Directors and Corporate Auditors of the subsidiaries, received reports from the subsidiaries on their businesses whenever necessary. Through these methods, each Corporate Auditor examined the business report and the supplementary statements for the fiscal year under review.

In addition, we monitored and verified whether the Accounting Auditors implemented appropriate audits while maintaining its independent position, received reports from the Accounting Auditors on the conduct of their operations, and requested explanations from them when we regarded it necessary. We were notified and requested explanations when necessary from the Accounting Auditors that the entity has established a "System to Ensure Accounting Auditors' Appropriate Execution of Duties" (the matters listed in Article 159 of the Corporate Calculation Regulations) in accordance with the "Quality Control Standards for Audits" (Business Accounting Council (October 28, 2005)). Through these methods, we reviewed the Non-consolidated Financial Statements (the balance sheet, the statement of income, the statement of changes in net assets, and notes on non-consolidated accounting) and their supplementary statements as well as the Consolidated Financial Statements (the consolidated balance sheets, the consolidated statements of income, the consolidated statements of changes in net assets, and notes on consolidated accounting), for the fiscal year under review.

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 notice and this English translation, the Japanese original notice shall be controlling in all respects.

## 2. Audit results

### (1) Business report, etc.

- a. We find that the business report and its supplementary statements correctly represents the status of the Company pursuant to the provisions of the laws and regulations and the Articles of Incorporation.
- b. We find there was neither unjust conduct nor serious violation of laws and regulations or the Articles of Incorporation committed by any Directors in the execution of their duties.
- c. We find that the resolutions of the Board of Directors regarding the internal control system are proper and correct. We find nothing that needs to be pointed out concerning the directors' performance of their duties regarding the internal control system.

### (2) Non-consolidated Financial Statements and the supplementary statements

We find the methods and the conclusions of the audit by KPMG AZSA & Co. to be proper and correct.

### (3) Consolidated Financial Statements

We find the methods and the conclusions of the audit by KPMG AZSA & Co. to be proper and correct.

May 11, 2007

#### Board of Corporate Auditors, JSR Corporation

|                                               |                   |        |
|-----------------------------------------------|-------------------|--------|
| Full-time Corporate Auditor                   | Masahiro Sugie    | (seal) |
| Full-time Corporate Auditor                   | Fumio Ozaki       | (seal) |
| Full-time Corporate Auditor (outside auditor) | Kunihiro Fukasawa | (seal) |
| Corporate Auditor (outside auditor)           | Masayuki Okabe    | (seal) |
| Corporate Auditor (outside auditor)           | Kenji Ito         | (seal) |

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 notice and this English translation, the Japanese original notice shall be controlling in all respects.

## Reference

### (1) Consolidated Cash Flow Statement (from April 1, 2006 to March 31, 2007)

(million yen)

| Cash Flow from Operating Activities | Cash Flow from Investment Activities | Cash Flow from Financial Activities | Balance of Cash or its equivalent at the end of the fiscal year |
|-------------------------------------|--------------------------------------|-------------------------------------|-----------------------------------------------------------------|
| 46,471                              | (30,363)                             | (23,776)                            | 53,655                                                          |

### (2) Segment Information (from April 1, 2006 to March 31, 2007)

(million yen)

|                  | Elastomers Business | Emulsion Business | Plastics Business | Diversified Business |
|------------------|---------------------|-------------------|-------------------|----------------------|
| Sales            | 116,249             | 24,362            | 64,614            | 160,605              |
| Operating Profit | 12,368              | 1,776             | 3,865             | 40,731               |

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## Reference Materials for the General Meeting of Shareholders

### Agenda and Referential Materials

#### Proposal 1. Appropriation of Surplus

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

The Company comprehensively determines the dividends while maintaining consistency with internal reserves required for future business developments. The internal reserve is used for research and development and strategic investment for new growth, and the Company has been making efforts to return profits to shareholders by increasing the corporate value and also using the internal reserve to obtain treasury shares in the longer run.

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

- (1) Matters related to an allotment of dividend properties to shareholders and the amount  
 The Company would like to provide ¥12 per ordinary share of the Company, with the total amount of ¥3,026,644,704.  
 As a result, the dividend including the interim dividend will be ¥24 per share, with the total amount of ¥6,053,334,396.
- (2) Date when dividend of surplus becomes effective  
 June 18, 2007

#### Proposal 2. Election of 9 Directors

Since the tenures of all nine (9) current Directors will expire at the close of this general meeting of shareholders, it is proposed that nine (9) Directors be newly elected.

The candidates for Directors are as follows:

| No. | Name<br>(Date of Birth)                  | Brief personal record, position, responsibilities,<br>and representation of other companies                                                                                                                                                                      | Shares of<br>the<br>Company |
|-----|------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| 1   | Yoshinori Yoshida<br>(December 18, 1939) | Apr. 1964 Joined JSR<br>Jun. 1988 Director<br>Jun. 1993 Managing Director<br>Jun. 1997 Senior Managing Director<br>Jun. 1998 Vice President<br>Jun. 2001 President (current position)<br>(Representation of other companies)<br>President, Japan Butyl Co., Ltd. | 32,256                      |

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| No. | Name<br>(Date of Birth)                 | Brief personal record, position, responsibilities,<br>and representation of other companies                                                                                                                                                                                                                                                                                                                           | Shares of<br>the<br>Company |
|-----|-----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| 2   | Tadahiko Ito<br>(September 23, 1942)    | Apr. 1965 Joined JSR<br>Jun. 1995 Director<br>Jun. 1998 Managing Director<br>Jun. 2002 Senior Managing Director<br>Jun. 2005 Vice President (current position)<br>Currently responsible for Petrochemical Products Business Sector, Manufacturing and Technologies, Logistics, and Product Safety & Quality Assurance.<br>(Representation of other companies)<br>Executive Vice President, Kraton JSR Elastomers K.K. | 28,450                      |
| 3   | Tsugio Haruki<br>(July 27, 1946)        | Apr. 1969 Joined JSR<br>Jun. 1998 Director<br>Jun. 2002 Managing Director (current position)<br>Currently responsible for Accounting, finance, public relations                                                                                                                                                                                                                                                       | 23,185                      |
| 4   | Seiichi Hasegawa<br>(July 3, 1947)      | Apr. 1970 Joined JSR<br>Jun. 1999 Director<br>Jun. 2002 Managing Director (current position)<br>Currently responsible for Corporate planning, group companies, Information Technology.                                                                                                                                                                                                                                | 21,800                      |
| 5   | Mistunobu Koshiba<br>(November 9, 1955) | Oct. 1981 Joined JSR<br>Jun. 2004 Director<br>Jun. 2005 Senior Officer, General Manager, Electronic Materials<br>Jun. 2006 Managing Director (current position)<br>Currently responsible for Fine chemicals businesses.                                                                                                                                                                                               | 6,900                       |
| 6   | Masaki Hirose<br>(July 25, 1948)        | Apr. 1971 Joined JSR<br>Jun. 2002 Director<br>Jun. 2005 Senior Officer, General Manager, Human Resources<br>Jun. 2006 Director and Senior Officer, General Manager, Human Resources (current position)<br>Currently responsible for Human resources.                                                                                                                                                                  | 9,622                       |
| 7   | Hozumi Sato<br>(May 17, 1952)           | Apr. 1977 Joined JSR<br>Jun. 2004 Director<br>Jun. 2005 Senior Officer, General Manager, Yokkaichi R&D Center<br>Jun. 2006 Director and Senior Officer, General Manager, Yokkaichi R&D Center (current position)<br>Currently responsible for Research and Development                                                                                                                                                | 5,400                       |
| 8   | Yasuki Sajima*<br>(August 26, 1950)     | Apr. 1974 Joined JSR<br>Jun. 2004 Director, General Manager, LCD Materials Div.<br>Jun. 2005 Senior Officer, General Manager, Display Materials Div. (current position)                                                                                                                                                                                                                                               | 3,350                       |
| 9   | Koichi Kawasaki*<br>(April 20, 1957)    | Apr. 1983 Joined JSR<br>Jun. 2005 Officer, General Manager of Manufacturing & Technology Dept.<br>Jun. 2006 Officer, General Manager of Manufacturing & Technology Dept., Product Safety & Quality Assurance Dept. (current position)                                                                                                                                                                                 | 3,400                       |

(Notes)

1. No conflict of interest exists between the Director candidates and the Company.
2. \* Denotes new candidates.

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### Proposal 3. Election of 2 Corporate Auditors

Since Messrs. Masahiro Sugie and Masayuki Okabe, current Corporate Auditors, will retire at the close of this general meeting of shareholders, it is proposed that two (2) Corporate Auditors be elected. As Mr. Nobuo Bessho, the candidate for Corporate Auditor, will fill the vacancy of Corporate Auditor Mr. Masahiro Sugie while Mr. Akira Nozawa, the other candidate for Corporate Auditor, will fill the vacancy of Corporate Auditor Mr. Masayuki Okabe, the terms of their offices will be the same as those of the retiring Corporate Auditors as set forth under the Article 30-2 of the Articles of Incorporation.

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

The candidates for Corporate Auditor are as follows:

| No. | Name<br>(Date of Birth)             | Brief personal record, position, responsibilities,<br>and representation on other companies                                                                                                                                                                                                                                                                                                                                                                                              | Shares of<br>the<br>Company |
|-----|-------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| 1   | Nobuo Bessho<br>(September 7, 1949) | Apr. 1978 Joined JSR<br>Jun. 2002 Director (current position)<br>Currently responsible for New business developments.                                                                                                                                                                                                                                                                                                                                                                    | 7,900                       |
| 2   | Akira Nozawa<br>(December 1, 1948)  | Sep. 1973 Joined Bridgestone Corp.<br>Dec. 2000 Belongs to the BSF/BFE Business Division of<br>Bridgestone Corporation.<br>[Overseas assignment at<br>BRIDGESTONE/FIRESTONE,INC,<br>(Director and CFO of the company)]<br>Mar. 2006 Officer, Bridgestone Corporation.,<br>[Overseas assignment at BRIDGESTONE<br>AMERICAS HOLDING, INC. (Director and CFO<br>of the company)]<br>Oct. 2006 Officer of Bridgestone Corp. CFO, and responsible<br>for Financing, and IT (Current position) | 0                           |

(Notes)

1. No conflict of interest exists between the Corporate Auditor candidates and the Company.
2. Mr. Nozawa is a candidate for Outside Corporate Auditor as stipulated in Item 8, Paragraph 3, Article 2 of the Enforcement Regulations of the Corporations Law.
3. Mr. Nozawa is an Officer of Bridgestone Corporation. Bridgestone Corporation falls under the category of specially related companies under the Corporations Law.
4. The reasons we chose Mr. Nozawa as a candidate for Outside Corporate Auditor are that Mr. Nozawa is an Officer of Bridgestone Corporation working as a CFO and is responsible for Financing and IT, with sufficient knowledge and experience as a specialist in financing.

### Proposal 4. Payment of Bonus to Directors

The Company would like to pay, considering the business performance of the Company for this fiscal year, bonuses to nine Directors incumbent as of the end of the fiscal year in a total amount for ¥ 97 million.

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### **Proposal 5. Setting the Amount of the Directors' Remuneration to be Granted as Stock Options**

The Company, with the view to further strengthen the motivation and determination of the Directors for improvement in business performance and the value of the company by making them share with shareholders the benefit and risk of changes in share prices, abolished the traditional cash retirement benefit from fiscal 2005 and started issuing stock acquisition rights to its Directors as stock options upon approvals at the 60th ordinary general shareholders meetings held on June 17, 2005 and the 61st on June 16, 2006.

The Company intends to continue issuing stock acquisition rights as stock options to Directors due to the reasons mentioned above.

Therefore the Company would like to seek approval for, in addition to the monthly remuneration to its Directors for ¥30 million approved at the 44th ordinary general meeting of shareholders held on June 29, 1989, setting an annual maximum amount for ¥100 million, the same amount as that approved last year, as remuneration to the Directors by issuing stock acquisition rights as stock options and applying such amount as the maximum one for the stock options to be issued to its Directors every year from fiscal 2007 onward.

In addition, the Company intends to issue stock acquisition rights, of which details are provided in (1) to (6) below, by granting credit for remuneration to its Directors in the amount not exceeding the above ¥100 million and by offsetting such credit against payment due by the Directors to be made for the allotment of stock acquisition rights (fair value calculated by share price, etc. of the Company on the day of allotment of the stock acquisition rights).

Upon approval on this proposal at this general meeting of shareholders, the Company will issue stock acquisition rights to its Directors by the resolution of the Board of Directors as long as the maximum amount for remuneration by stock options to its Directors is within this proposal.

Company currently has nine (9) Directors, and this number will remain at nine (9) if Proposal 2 is approved as proposed.

(1) Number of stock acquisition rights, type and number of shares to be issued upon exercise of a stock acquisition right

- 1) Number of stock acquisition rights to be issued within one year from the date of a general shareholding meeting for respective business years;

The number of stock acquisition rights shall be determined so that the amount obtained by multiplying the fair value of one stock acquisition right as of the date of allotment ("allotment date") by the number of stock acquisition rights is not exceeding ¥100 million per year.

- 2) Type and number of shares to be issued upon exercise of a stock acquisition right;  
100 ordinary shares of the Company will be issued upon exercise of a stock acquisition right ("number of allotted shares")

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 notice and this English translation, the Japanese original notice shall be controlling in all respects.

Provided, however, in the event that the Company conducts stock splits (including gratis issue) or reverse stock split, the Company will proportionately adjust the number of allotted shares to the ratio of such stock splits or reverse stock split.

Provided further that, should any adjustment of the number of allotted shares become indispensable after the Resolution Date due to a decrease in capital or the like, the number may be adjusted to the extent reasonable in relation to the relevant terms and conditions governing such decrease in capital or the like.

Fractions less than one share, which may arise as a result of such adjustment, will be discarded.

(2) Amount to be paid for stock acquisition rights

The amount of fair value per stock acquisition right will be calculated based upon various conditions such as the share price of the Company at the allotment date.

(3) The amount of money to be paid for exercising stock acquisition rights

The amount of money to be paid for exercising stock acquisition rights shall be an amount obtained by multiplying one yen per share by the number of shares to be granted by exercising stock acquisition rights.

(4) Exercise period of stock acquisition rights

The period determined by the resolution of the Board of Directors and not exceeding twenty (20) years from the day following the allotment date (“exercise period”).

(5) The restriction on acquisition of stock acquisition rights by assignment

The acquisition of stock acquisition rights by assignment shall be subject to the approval by resolution of the Board of Directors.

(6) Other conditions for the exercise of stock acquisition rights

1) The holders of stock acquisition rights may only exercise them on and after the day (“commencement date of the exercise period”) following the date when they serve as neither Directors nor Officers of the Company.

2) Notwithstanding the preceding paragraph 1), the holders of stock acquisition rights may only exercise them during the period set out respectively in i) or ii) below.

i) From 19 years and two days after the allotment date to the expiry date of the exercise period, if the holders of stock acquisition rights have not exercised their rights by the day 19 years after the day following the allotment date.

ii) If the general meeting of shareholders of the Company approves a proposal concerning a merger agreement, in which the Company is the non-surviving company, or a share exchange agreement, in which the Company becomes a fully-owned subsidiary, or a proposal concerning a share transfer, in such an event within 15 days of the day of such approval.

3) Each stock acquisition right shall not be partially exercised.

4) Other conditions of exercising stock acquisition rights shall be resolved at the meeting of the Board of Directors of the Company in which the terms and conditions for issuing stock acquisition rights are determined.

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 notice and this English translation, the Japanese original notice shall be controlling in all respects.

**Reference:**

The Company intends to issue stock acquisition rights of a similar nature to its Officers not serving concurrently as Directors by a resolution of the Board of Directors in addition to those for its Directors as proposed in this proposal.

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## **Reminders for Exercising Voting Rights via Internet**

Dear shareholders,

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

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

### ■ Treatment of votes made via Internet

1. If you exercise your voting rights via Internet more than once, we will treat the last voting as effective one.
2. If you exercise your voting rights in duplicate by post and via Internet, we will treat the vote made via Internet as effective one.
3. When you exercise your voting rights via Internet, please complete your voting by 5:00 pm on Thursday, June 14, 2007 (Japan Time) for our convenience for counting votes.

### ■ 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 on line voting will be locked if you enter wrong Password a certain times, in such an event, please follow the instructions to be provided on the screen.

### ■ System Requirements for Online Voting

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