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(TSE Code 4185)

May 23, 2008

Dear Shareholders,

Notice of Convening the 63rd Ordinary General Meeting of Shareholders

We are pleased to announce the convening of the 63rd Ordinary General Meeting of Shareholders of JSR Corporation as detailed below:

You are cordially invited to attend the meeting and we do hope you will be able to attend and participate.

If you are unable to attend the meeting in person, please exercise your voting rights, by returning the ballot form or via electromagnetic transmission (Internet, etc.) in accordance with the guide on the next page, after reviewing the “Reference Materials for the General Meeting of Shareholders” attached hereto and indicating your approval or disapproval for each agenda item.

Sincerely,

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

1. **Date and time** June 13, 2008 (Friday) 10:00 a.m.
2. **Venue** Palace Hotel, Tokyo
2F, “Rose Room”1-1-1, Marunouchi, Chiyoda-ku, Tokyo, Japan

Please note that this time we have altered the venue for the General Meeting of Shareholders from the one we have used for the past several years in order to ensure a wider space for larger shareholders’ participation.

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 63rd Fiscal Term (from April 1, 2007 to March 31, 2008)
2. Financial Statements for the 63rd Fiscal Term (from April 1, 2007 to March 31, 2008)

Matters to be Resolved

- Proposal 1. Appropriation of Surplus
- Proposal 2. Election of 9 Directors
- Proposal 3. Election of 4 Corporate Auditors
- Proposal 4. Payment of Bonus to Directors

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4. Matters related to exercising your voting rights

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

Please hand over the ballot form attached hereto at the reception

(2) By Post:

Please return the ballot form attached hereto after indicating your approval or disapproval so that your ballot reaches us by 5:00 p.m. on Thursday, June 12, 2008 (Japan Time).

(3) Voting via electromagnetic transmission (Internet, etc.) :

Please exercise your voting rights via Internet by accessing our web site for online voting (<http://www.web54.net>) by 5:00 pm on Thursday, June 12, 2008 (Japan Time) after reviewing the “Reminders for Exercising Voting Rights via Internet” on page 48 (of this translation)

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

(4) Exercising your voting rights in duplicate

i) If you exercise your voting rights in duplicate by post and via electromagnetic transmission (Internet, etc.), we will treat the vote made via electromagnetic transmission (Internet, etc.) as the effective one

ii) If you exercise your voting rights via electromagnetic transmission (Internet, etc.) more than once, we will treat the last voting as the effective one.

(5) Voting by Proxy

If you would like to exercise your voting rights by proxy, please assign another shareholder of the Company as your proxy and make such proxy submit to the Company a certificate evidencing the power to vote on your behalf.

(6) Use of Electronic Proxy Voting Platform

If you are a shareholder among institutional investors, you may 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 63rd Ordinary General Meeting of Shareholders)**

**Business Report**

(from April 1, 2007 to March 31, 2008)

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

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

**Business Environment and Business Performance**

During the fiscal year ended March 31, 2008, the Japanese economy continued to indicate moderate growth at the beginning of the year as active exports and solid corporate performance brought expansion in capital expenditure and improvements in employment despite the concern over the adverse factors such as a surge in crude oil prices and the decline in housing investment. The economic outlook, however, rapidly grew dim toward the latter half of the year due to continually soaring crude oil prices even after summer, the turmoil in financial market triggered by the sub-prime loans, slow down in US economy, and progress of devaluation of US dollar against Japanese yen.

As far as our major user industries are concerned, production in automobiles, automotive tires, and papers grew steadily over the previous fiscal year. Semiconductor output was higher than that of the previous fiscal year as demand for personal computers, cellular phones, and digital consumer electronics grew despite the price reduction of memory products. Production of flat panel displays increased compared with that of the previous fiscal year because of completion of the adjustment of the inventory of LCD panels that prevailed up to the beginning of the fiscal year, recovery of production of flat panel displays from the middle of the year, and expansion in global demand for TVs with flat panel displays.

With respect to the raw material prices, there have been steep and continual price increases for the most of major raw materials for petrochemical products reflecting sharp rises in crude oil and naphtha prices caused by global demand growth and huge inflow of speculative funds, which adversely affected the earnings of the businesses.

In petrochemical products businesses, JSR Group, under these circumstances and facing tough business environment of soaring raw material prices, has made concerted efforts to expand sales volume and increase prices to recover product margins with the aim of stabilizing the 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 expanding businesses 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 been committed to vigorously implementing a cost reduction project "E-100" to achieve leaner cost structures of JSR Group in the entire supply chain from raw materials procurement and manufacturing to deliveries of the products and improving the profitability of the businesses of JSR Group.

As a result, JSR Group recorded, on consolidated basis, net sales of 406,967 million yen (an 11.2% increase over the previous fiscal year), an operating income of 60,010 million yen (an 8.6% increase), an ordinary profit of 56,063 million yen (a 2.5% increase) and a net profit of 36,994 million yen (a 9.9% increase), achieving increases both in sales and profits.

**Segment Information**

(Elastomer Businesses)

Domestic sales volume of general-purpose synthetic rubber such as styrene butadiene rubber (SBR) and

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polybutadiene rubber (BR) declined compared with those of the previous fiscal year due to restrictions on availability of raw materials caused by the fire accident at Mitsubishi Chemical Corporation despite the steady production increase of automotive tires. Net sales increased, however, from the previous fiscal year as a result of our efforts to increase product prices reflecting to the rise in raw material prices. Domestic sales volume of functional specialty rubber remained flat compared with that of the previous fiscal year. Although sales volume of nitrile rubber (NBR) and butyl rubber (IIR) increased in line with the increase in automobile production, the sales volume of ethylene propylene rubber (EPDM) declined due to the downsizing the businesses for plastics modification. Net sales revenue increased, however, from the previous fiscal year as a result of our efforts to increase product prices. Exports sales volume and revenue of general-purpose synthetic rubbers showed considerable increases over the previous fiscal year attributable to the growth in demand for solution polymerized SBR (S-SBR) for fuel-efficient and high-performance tires as well as the strong demand for other types of general-purpose synthetic rubber. Export sales of functional specialty rubber also increased from a year earlier reflecting steady growth in NBR and IIR in Southeast Asia and China.

Domestic sales of thermoplastic elastomers (TPE), including polybutadiene TPE and styrene butadiene TPE, were higher than those of the previous fiscal year, reflecting our efforts to expand sales volume and increase products prices in addition to the recovery in demand. Export sales of polybutadiene TPE increased from the previous fiscal year, due to the recovery in demand in Europe and Central and South America.

As for production capacity, in order to cope with the steadily growing demand for S-SBR for fuel-efficient and high-performance tires, we acquired from DOW Europe the rights to off-take 30,000 tons of S-SBR accounting for 50% of its annual production capacity of its new production line scheduled for completion in the latter half of fiscal 2008. We are determined to enhance the foundation of supplying high-quality products and further expand our businesses on global basis by utilizing production facilities both in Japan and Europe. Meanwhile, in the EPDM business, we increased our production capacity at the Kashima Plant to 36,000 tons per annum to consolidate our EPDM production capacities in Japan and expanded that of Kumho Polychem Co., Ltd., a joint venture in Korea, to 78,000 tons per annum in August 2007. We, as JSR Group, will thereby establish our position as a leading EPDM supplier in Asia for rubber applications.

In terms of the earnings of the businesses, profits declined from the previous fiscal year mainly due to the significant impact of surge in raw material prices although we vigorously endeavored to increase sales of high value-added products, strove to improve cost competitiveness by actively implementing the E-100 project, and made serious efforts to adjust product prices to cope with the steep increase in raw material prices.

As a result of the above, consolidated net sales for Elastomer Businesses grew by 10.9% to 128,952 million yen, while operating income decreased by 9.7% to 11,168 million yen.

#### (Emulsion Businesses)

Domestic sales volume of paper coating latices, the core products in this segment, remained the same level as that of the previous fiscal year as the reduction in unit consumption of latices for manufacturing coated papers made at customers' end to reduce their cost offset the higher production of coated papers itself. Sales revenue was higher compared with the previous fiscal year, however, as a result of our efforts to increase product prices to cope with the increase in raw material prices. Sales volume and sales revenue of acrylic emulsions, however, decreased mainly due to the decline in sales for adhesives used for construction materials.

In terms of the earnings of the businesses, profits declined from the previous fiscal year mainly due to the significant impact of surge in raw material prices although we strove to improve cost competitiveness by actively implementing the E-100 project and made serious efforts to adjust product prices to cope with the steep increase in raw material prices.,

As a result of the above, consolidated net sales for Emulsion Businesses grew by 10.8% to 26,993 million

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yen, while operating income decreased by 13.2% to 1,542 million yen.

#### (Plastics Businesses)

Domestic sales volume declined from the previous fiscal year due to the sluggish demand for construction materials caused by decline in housing starts and due to our withdrawal from unprofitable business segments although sales of ultra-heat resistant ABS for automotive parts and weather-resistant AES were favorable. Sales revenue was higher, however, than that of the previous fiscal year because of our efforts to expand sales in the specialty and high value-added product segments and to increase product prices in line with the rise in raw material prices.

Export sales volume and revenue were higher compared to the previous fiscal year as a result of increase in sales in specialty and high value-added segments as well as for amusement products in addition to our efforts to increase export prices.

In terms of the earnings of the businesses, profits declined from the previous fiscal year mainly due to depressed profit margins in exports caused by sudden evaluation of Japanese yen starting from the beginning of the year 2008 although we strove to improve cost competitiveness by vigorously implementing the E-100 project and endeavored to increase product prices in relation to the surge in raw material prices.

As a result of the above, consolidated net sales for Plastics Businesses grew by 6.5% to 68,844 million yen while operating income decreased by 22.1% to 3,012 million yen.

#### (Diversified Products Businesses)

Looking at materials for semiconductors, photoresists, the core products of this segment, performed well as domestic shipments and exports to countries in Asia steadily grew due to increase in production of memory products. The sales volume of ArF (argon fluoride) photoresists in particular showed remarkable growth thanks to the increase in usage in the most advanced fields associated with advancements in technologies for semiconductors with finer patterns. Moreover, sales of lithography-related products grew substantially from the previous fiscal year as a result of the expansion in demand for multi-layered materials necessary for finer patterns and ArF immersion lithography in addition to our efforts to increase sales in this segment. Our subsidiaries in the U.S. and Europe also posted higher sales compared with the previous fiscal year reflecting steady demand for semiconductors in these regions. Sales of new materials for semiconductors increased remarkably from the previous fiscal year thanks to the strong demand for packaging materials although demand for CMP (Chemical Mechanical Planarization) remained at the same level as that of the previous year. In order to further strengthen our R&D activities for development of manufacturing technologies for next-generation semiconductors, we installed the most advanced evaluation equipment for immersion lithography at the Yokkaichi Research Center in January 2008. Further, in order to cope with the growing demand and more stringent quality requirements for semiconductors with finer patterns, we decided to construct a new production facility for the manufacturing of the most advanced lithography materials at our Yokkaichi Plant, which is scheduled for completion in April 2009. Through such efforts, we will endeavor to further enhance our competitiveness in the area of the most advanced materials.

Regarding flat panel display materials, sales volume and revenue of liquid crystal display ("LCD") materials increased from the previous fiscal year as a result of the recovery in shipment mainly for export from the middle of the year following the completion of the adjustments of inventories of LCD panels that prevailed up to the beginning of the year and reflecting the growth of global market for PC's and TV's with LCD panels. As for production capacities for LCD materials, after the expansion at our plant in Korea, we completed our second-phase expansion of our plant in Taiwan and commenced commercial production in November 2007 with wider ranges of products. Both sales volume and revenue of plasma display were considerably lower than those of the previous year as the business was seriously and adversely affected by the adjustment of production made at our major domestic and overseas customers.

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Among opto-functional materials, sales of optical fiber coating materials, the core products of this segment, were lower than those of the previous fiscal year, due to lower investment for domestic optical fiber cables. Sales of anti-reflection coating materials and protective coating materials increased compared with the previous fiscal year, as a result of recovery in demand for materials for higher end of the market requiring TVs with higher resolution flat panel displays. Sales of the heat-resistant, transparent resin ARTON™ grew substantially compared with the previous fiscal year, which, however, did not reach our initial projections.

In terms of the earnings of the businesses, profits increased from the previous fiscal year as a result of our efforts to expand sales of our differentiated products and to improve cost competitiveness by actively implementing the E-100 project although there have been growing pressures for price reduction caused by the decrease in prices of the products at our user industries.

As a result of the above, consolidated net sales for Diversified Products Businesses grew by 13.4 % to 182,176 million yen, while operating income grew by 19.0 % to 44,287 million yen.

## **(2) Capital Expenditure**

Major capital expenditures by the JSR Group during the fiscal year included building and equipment for precision processing research laboratory, an evaluation facility for immersion lithography, and the second-phase expansion at the LCD material plant in JSR Micro Taiwan. Total capital expenditures were approximately 29,000 million yen.

## **(3) Fund Raising**

No funds were raised through the issuing of new shares or corporate bonds during the fiscal year. At the end of the fiscal year, the total debt of JSR Group was 18,300 million yen.

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

Starting in fiscal 2004, JSR Group pursued a three-year mid-term business plan, “JSRevolution II,” as the “step” stage of preparing for the big “jump” of a “hop, step and jump” process, with the goal of becoming “the kind of company we like to be in the year 2010”. Having made efforts under this plan to expand the diversified products businesses and to maintain and increase earnings in petrochemical products businesses, we succeeded in achieving all target figures initially set for net sales, operating income, and ROE. Starting from fiscal 2007 onward, we have launched the new mid-term business plan for further growth called “JUMP 2010” as the “jump” stage through which we achieve our goals we have envisioned for 2010 by materializing actual and detailed objectives and action plans.

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 by completing a ‘jump’ by the year 2010 through creation of the group of growth businesses of next generation and increase in earnings from both diversified and petrochemical products businesses.” The mid-term plan will be executed in a 4-year period consisting of two 2-year sub-periods during which we continue our efforts to materialize our objectives. We will further strive toward achieving our goals by the year 2015 of being an advanced chemical company which has established the sound foundation of the next generation businesses for future growth on top of those for diversified products and petrochemical products businesses and which contributes to create and is recognized as contributing in creation of a wealthier human society.

In petrochemical products businesses such as elastomers, emulsions and plastics businesses, we are committed to maintaining and increasing earnings through expanding sales of higher value-added products and through continual improvement in cost competitiveness and productivity by exploiting our innovative

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technologies.

In diversified products businesses, such as electronics materials, we are determined to maintain and improve profitability of the businesses through expansion of the businesses by way of increasing sales of existing materials and developing new materials in the peripheral segments on one hand and through proceeding with activities for improving cost competitiveness on the other hand.

Among future growth businesses, we are making every effort to quickly establish the foundation of business of high-precision processing materials and to launch several businesses in the areas of environment, energy and medical care. We will endeavor to increase proportion of the sales of new materials to 10% of the total sales of the Company by the year 2010 through new materials development in the diversified products businesses and creation of several groups of future growth businesses.

We will vigorously promote a new cost reduction project “E-100”, in order to continually improve and strengthen our competitiveness, through which we, as JSR Group, will improve earnings and achieve leaner cost structures.

Furthermore, in order to materialize our objectives and strengthen sound foundation for management of the Company, we have been seriously engaged in necessary actions such as investment in education and training of personnel who are capable of leading and supporting the growth of the businesses and as those that will bring improvement in organizational skills.

The Company established its “Basic Policy on the Internal Control System” in accordance with the Companies Act, and has been making efforts to strengthen and improve its internal control. We steadily make necessary efforts to ensure the effectiveness and further improvement of the internal control system through regular internal audit by the Audit Office to monitor appropriateness of the execution of business operations of each division of JSR Group and its conformity to the laws and ordinances as well as through self monitoring activities of similar nature made by each division of JSR Group.

We completed tasks for formulating an internal control system to secure appropriateness of financial reporting as set out under the Financial Instruments and Exchange Law at the end of the fiscal year. Starting in April 2008, we will strengthen our efforts toward implementing the system.

Moreover, we have been striving to enhance 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 have been and will be 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             |             | 60th Term<br>(FY 2004) | 61st Term<br>(FY 2005) | 62nd Term<br>(FY 2006) | 63rd Term<br>(FY 2007) |
|----------------------|-------------|------------------------|------------------------|------------------------|------------------------|
| Sales                | (¥ million) | 305,368                | 338,159                | 365,831                | 406,967                |
| Net profit           | (¥ million) | 27,563                 | 30,554                 | 33,654                 | 36,994                 |
| Net profit per share | (¥)         | 107.54                 | 119.63                 | 133.10                 | 147.26                 |
| Total Assets         | (¥ million) | 325,031                | 381,096                | 408,949                | 416,950                |

(Notes)

1. Both sales and net profit for the 60th Term increased with higher sales in each business.
2. Both sales and net profit for the 61st Term increased with higher sales in each business.
3. Both sales and net profit for the 62nd Term increased with higher sales in both Elastomers and Diversified businesses.
4. Results for the 63rd 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, 2008)

### 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               |
| ELASTOMIX (FOSHAN) CO., LTD.              | US\$3,500,000   | - (100)            | 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  | - (49)             | 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 Micro Taiwan Co., Ltd. | NT\$200 million      | 100                | Production and sale of flat panel display 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 49% 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. and 100% of ELASTOMIX (FOSHAN) CO., LTD. respectively.

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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                       |
| TIANJIN KUO CHENG RUBBER INDUSTRY CO., LTD. | US\$2,200,000      | 27(23)             | Production and sale of carbon master batches and rubber compounds   |

(Notes)

- Figures in brackets under the shareholding ratio column represent shareholding ratio owned by our subsidiaries.
- ELASTOMIX Co., Ltd. (98.5% of which shares are owned by the Company) owns 23% of the shares of TIANJIN KUO CHENG RUBBER INDUSTRY CO., LTD.

## (7) Major Business Activities (as of March 31, 2008)

Manufacturing and sales of the following products

| Business Segments      |                                | Products / Materials                                                                                                                 |
|------------------------|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|
| 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, 2008)**

1) Company

|                          |                                 |                                               |                  |
|--------------------------|---------------------------------|-----------------------------------------------|------------------|
| Head Office              | 5-6-10, Tsukiji, Chuo-ku, Tokyo |                                               |                  |
| Business & Sales Offices | 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   |
|                          |                                 | Fine Electronic Research Laboratories         | Yokkaichi, Mie   |
|                          |                                 | Display Research Laboratories                 | Yokkaichi, Mie   |
|                          |                                 | Semiconductor Materials Research Laboratories | Yokkaichi, Mie   |
|                          |                                 | Performance Materials Research Laboratories   | Yokkaichi, Mie   |
|                          |                                 | Precision Processing Research Laboratories    | Yokkaichi, Mie   |
|                          | Tsukuba Research Laboratories   |                                               | Tsukuba, Ibaraki |
| Overseas                 | Switzerland Branch              |                                               | Switzerland      |
|                          | Shanghai Office                 |                                               | China            |
|                          | Taiwan Office                   |                                               | Taiwan           |

Notes :

1. Businesses of Europe Office were transferred to Switzerland Branch effective from July 1, 2007.
2. Businesses of Osaka Branch were transferred to Nagoya Branch effective from January 1, 2008.
3. Performance Materials Research Laboratories and Precision Processing Research Laboratories were established at Yokkaichi Research Center on June 15, 2007. Organization and function of Precision Processing Research Laboratories was transferred to Precision Processing Center (Yokkaichi, Mie) effective from April 1, 2008.

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2) Important subsidiaries and affiliated companies

| Business Segments    | Company                                      | Location 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                |
|                      | ELASTOMIX (FOSHAN) CO., LTD.                 | China                   |
|                      | TIANJIN KUO CHENG RUBBER INDUSTRY CO., LTD.* | China                   |
| 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             |
|                      | JSR Micro Taiwan Co., Ltd.                   | Taiwan                  |
|                      | 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

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**(9) Employees (as of March 31, 2008)**

| No. of employees | Increase/decrease from previous term |
|------------------|--------------------------------------|
| 5,122            | +429                                 |

**(10) Major Lenders (as of March 31, 2008)**

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

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## 2 Shares of the Company (as of March 31, 2008)

|                                                    |             |
|----------------------------------------------------|-------------|
| (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                         | 20,292      |
| (5) Major Shareholders                             |             |

| Name of shareholder                                                                                        | Investments in the Company |                    |
|------------------------------------------------------------------------------------------------------------|----------------------------|--------------------|
|                                                                                                            | No. of shares held         | Shareholding Ratio |
|                                                                                                            | '000 shares                | %                  |
| Bridgestone Corporation                                                                                    | 40,866                     | 16.33              |
| The Master Trust Bank of Japan, Ltd. (trust account)                                                       | 16,188                     | 6.46               |
| Japan Trustee Services Bank, Ltd. (trust account)                                                          | 14,162                     | 5.66               |
| Mizuho Corporate Bank, Ltd.                                                                                | 10,249                     | 4.09               |
| The Master Trust Bank of Japan, Ltd. (trust account for Retirement Allowance of Mitsubishi Chemical Corp.) | 9,888                      | 3.95               |
| JPMorgan Chase Bank 380055                                                                                 | 7,794                      | 3.11               |
| Nippon Life Insurance Company                                                                              | 5,998                      | 2.39               |
| State Street Bank and Trust Company 505103                                                                 | 5,716                      | 2.28               |
| The Chase Manhattan Bank 385036                                                                            | 4,690                      | 1.87               |
| State Street Bank and Trust Company                                                                        | 4,256                      | 1.70               |

(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 250,218,473 shares (the number equals to that Total number of issued shares minus that of treasury shares (5,666,693 shares) and rounded down to two decimal places.
3. The Company that owns treasury shares of 5,666,693 is excluded from in the above table of the major shareholders.

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### 3. Matters Related to stock acquisition rights of the Company (as of March 31, 2008)

#### (1) Stock acquisition rights held by the Directors and Corporate Auditors of the Company at the end of this fiscal year

| Description              | Name of stock acquisition rights (issuing date)                                    | The number of stock acquisition rights | Class and number of shares to be issued for 1 unit of the rights | Amount to be paid for exercising 1 unit of the rights | Period for exercising stock acquisition rights | Number of holders |
|--------------------------|------------------------------------------------------------------------------------|----------------------------------------|------------------------------------------------------------------|-------------------------------------------------------|------------------------------------------------|-------------------|
| Directors of the Company | JSR Corporation Stock acquisition rights for 2005 (June 17, 2005)                  | 344 units                              | Ordinary shares 34,400 shares                                    | 1 yen                                                 | From June 18, 2005 to June 17, 2025            | 9                 |
|                          | JSR Corporation Stock acquisition rights for 2006 (for Directors) (August 1, 2006) | 199 units                              | Ordinary shares 19,900 shares                                    | 1 yen                                                 | From August 2, 2006 to June 16, 2026           | 7                 |
|                          | JSR Corporation Stock acquisition rights for 2006 (for Officers) (August 1, 2006)  | 23 units                               | Ordinary shares 2,300 shares                                     | 1 yen                                                 | From August 2, 2006 to June 16, 2026           | 2                 |
|                          | JSR Corporation Stock acquisition rights for 2007 (July 10, 2007)                  | 309 units                              | Ordinary shares 30,900 shares                                    | 1 yen                                                 | From July 11, 2007 to July 10, 2027            | 9                 |
| Corporate Auditor        | JSR Corporation Stock acquisition rights for 2005 (June 17, 2005)                  | 24 units                               | Ordinary shares 2,400 shares                                     | 1 yen                                                 | From June 18, 2005 to June 17, 2025            | 1                 |
|                          | JSR Corporation Stock acquisition rights for 2006 (for Directors) (August 1, 2006) | 15 units                               | Ordinary shares 1,500 shares                                     | 1 yen                                                 | From August 2, 2006 to June 16, 2026           | 1                 |

(Note) The Company has not issued stock acquisition rights to its Corporate Auditors as compensation for exercising duties as Corporate Auditors.

The stock acquisition rights held by a Corporate Auditor indicated in the table above was issued to the Corporate Auditor when he held office as a Director of the Company.

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

| Qualified individuals   | Name of stock acquisition rights (issuing date)                   | The number of stock acquisition rights | Class and number of shares to be issued for 1 unit of the rights | Amount to be paid for exercising 1 unit of the rights | Period for exercising stock acquisition rights | Number of employees issued |
|-------------------------|-------------------------------------------------------------------|----------------------------------------|------------------------------------------------------------------|-------------------------------------------------------|------------------------------------------------|----------------------------|
| Officers of the Company | JSR Corporation Stock acquisition rights for 2007 (July 10, 2007) | 176 units                              | Ordinary shares 17,600 shares                                    | 1 yen                                                 | From July 11, 2007 to July 10, 2027            | 12                         |

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

##### (1) Directors and Corporate Auditors of the Company (as of March 31, 2008)

| Position                                   | Name                | Responsibilities and representation for other companies                                                                                                                      |
|--------------------------------------------|---------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| President and Representative Director      | Yoshinori Yoshida   | (Representation of other companies)<br>President, Japan Butyl Co., Ltd.                                                                                                      |
| Vice President and Representative Director | Tadahiko Ito        | Petrochemicals Sector including Plastics, (present)<br>(Representation of other companies)<br>President, KRATON JSR ELASTOMERS K.K.                                          |
| Senior Managing Director                   | Tsugio Haruki       | Accounting and Finance, Corporate Communications, CSR, Logistics (present)                                                                                                   |
| Managing Director                          | Seiichi Hasegawa    | Strategic Planning, Group Companies Coordination, Information Technology, Purchasing (present)<br>(Representation of other companies)<br>President, Tobu Butadiene Co., Ltd. |
| Managing Director                          | Mitsunobu Koshihara | Fine Chemicals Sector, Safety Environmental Affairs (present)                                                                                                                |
| Managing Director                          | Masaki Hirose       | Human Resources, Legal and General Affairs (present)                                                                                                                         |
| Managing Director                          | Hozumi Sato         | Research & Development, Businesses Development (present)                                                                                                                     |
| Director                                   | Yasuki Sajima       | Fine Chemicals Sector(as assistant Director) (present)                                                                                                                       |
| Director                                   | Koichi Kawasaki     | Manufacturing & Technologies, Product Safety & Quality Assurance, Petrochemicals Sector (as assistant Director) (present)                                                    |
| Full-time Corporate Auditor                | Fumio Ozaki         |                                                                                                                                                                              |
| Full-time Corporate Auditor                | Nobuo Bessho        |                                                                                                                                                                              |
| Full-time Corporate Auditor                | Kunihiro Fukasawa   |                                                                                                                                                                              |
| Corporate Auditor                          | Akira Nozawa        | Officer, Bridgestone Corporation.                                                                                                                                            |
| Corporate Auditor                          | Kenji Ito           |                                                                                                                                                                              |

(Notes)

1. Kunihiro Fukasawa, Akira Nozawa 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 or resigned from their office during the current term (titles as of the time of retirement or resignation):

|                              |                   |                             |
|------------------------------|-------------------|-----------------------------|
| Senior Managing Director:    | Takashi Yamaguchi | (retired on June 15, 2007)  |
| Director:                    | Nobuo Bessho      | (retired on June 15, 2007)  |
| Full Time Corporate Auditor: | Masahiro Sugie    | (resigned on June 15, 2007) |
| Corporate Auditor:           | Masayuki Okabe    | (resigned on June 15, 2007) |

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4. Reference: Officers of the Company (as of March 31, 2008)

| Position       | Name                | Responsibilities and Title                                                               |
|----------------|---------------------|------------------------------------------------------------------------------------------|
| Senior Officer | Yasuki Sajima *     | General Manager, Display Materials Div.                                                  |
| Senior Officer | Koichi Kawasaki*    | General Manager, Manufacturing & Technology Dept.                                        |
| Senior Officer | Tomokazu Ito        | President, Techno Polymer Co., Ltd,                                                      |
| Senior Officer | Akira Tsuji         | President, JSR Micro Taiwan Co., Ltd                                                     |
| Senior Officer | Goro Miyabe         | General Manager of Business Planning Center, Opto-Electronic Materials                   |
| Senior Officer | Eitaro Nakamura     | President, ELASTOMIX Co., Ltd.                                                           |
| Senior Officer | Hisao Hasegawa      | Plant Manager, Yokkaichi Plant                                                           |
| Senior Officer | Toshiyuki Fujimoto  | General Manager, Purchasing Dept.                                                        |
| Senior Officer | Atsushi Kumano      | General Manger, R&D Dept, Tsukuba Research Laboratory, and Intellectual Properties Dept. |
| Officer        | Shin-ichiro Iwanaga | General Manager, Yokkaichi Research Center                                               |
| Officer        | Yoshiyuki Ohashi    | General Manager, Process Technology Center and Functional Film Dept.                     |
| Officer        | Takashi Wakabayashi | General Manger, Accounting and Finance Dept.                                             |
| Officer        | Tatsushi Kawai      | General Manager, Elastomers Businesses, and Elastomer Dept                               |
| Officer        | Takashi Ukachi      | General Manager, Optical Materials Businesses                                            |

\* 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 | 9        | 311              | 5                 | 88               |
| (for Outside Directors and Outside Corporate Auditors)                          | (-)      | (-)              | (3)               | (26)             |
| Bonus for this fiscal year                                                      | 9        | 103              | -                 | -                |
| (for Outside Directors and Outside Corporate Auditors)                          | (-)      | (-)              | (-)               | (-)              |
| Stock Option as Remuneration to Directors                                       | (9)      | 75               | -                 | -                |
| (for Outside Directors and Outside Corporate Auditors)                          | (-)      | (-)              | (-)               | (-)              |
| Total                                                                           | 9        | 489              | 5                 | 88               |
| (for Outside Directors and Outside Corporate Auditors)                          | (-)      | (-)              | (3)               | (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 Ordinary General Meeting of Shareholders.
4. The amount for Stock Option as Remuneration to Directors is the amount of the fair value of the stock acquisition rights issued to the Directors of the Company as remuneration and posted as expenses for the current fiscal term.
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                                                                                                                                                                                                   |
| Akira Nozawa      | Corporate Auditor           | Mr. Nozawa concurrently serves as an 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 during 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 17 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 finance and accounting knowledge which he cultivated when working in a bank.                                                                |
| Akira Nozawa      | Corporate Auditor           | Mr. Nozawa participated in 13 of the 14 meetings of the Board of Directors and in 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 range of finance and accounting knowledge which he cultivated when working at a business corporation. |
| Kenji Ito         | Corporate Auditor           | Mr. Ito participated in all 18 meetings of the Board of Directors and in all 17 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 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 ; ¥36 million

2) Total amount of remuneration to be paid by the Company and its subsidiaries; ¥53 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 Companies Act 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 Companies Act and upon the consent of all the Corporate Auditors. In the event of such dismissal, the Corporate Auditor appointed by the Board of Corporate Auditors shall report such dismissal and the reasons for it at the first general meeting of shareholders held after the dismissal.

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

The Board of Directors of the Company made a resolution with regard to the structures to ensure propriety of business conduct of the company as detailed below;

(1) **Basic policies for management**

The Company holds and relies on the following corporate 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.

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- 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 consisting of the companies whose parent company under the Companies Act 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.
- 5) The Company’s basic principle against the anti-social forces is to cut off all relationships with such forces including but not limited to any business transactions. The management and the entire organization of the Company shall resolutely and firmly reject any claims or requirements made by anti-social forces in collaboration with external entities such as the police forces.

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

- 1) The Board of Directors holds regular meetings on monthly basis 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 to the Board of Directors for resolution.  
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, “JUMP 2010”, of which implementation plans were broken down into corporate annual targets and budget consisting of detailed objectives and action plans of the each of the business divisions of the Company.

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- 3) The Company has been vigorously promoting the cost reduction project “E-100” to achieve cost achieve leaner cost structures and enhance competitiveness in the entire supply chain from materials procurement and manufacturing 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 the functions of managerial decision-making and monitoring 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 the meetings of the Board of Directors, 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 business executions 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, in accordance with the relevant laws and “Rules for Documents and Information Management”, been properly maintaining the relevant documents and/or those in electromagnetic forms in relation to the execution of the Directors such as minutes of meetings of the shareholders, the Board of Directors, Management Committees, and authorization documents so as to make such documents easily accessible by the Directors and Corporate Auditors of the Company.

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

- 1) The Company has established a “Guideline for Group Companies Management” to 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 are responsible for administration and management of 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.

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#### **(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.
- 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.

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## Consolidated Balance Sheet

(In millions of yen, as of March 31, 2008)

| Items                                 | Amount         | Items                                        | Amount         |
|---------------------------------------|----------------|----------------------------------------------|----------------|
| <b>Assets</b>                         |                | <b>Liabilities</b>                           |                |
| <b>Current Assets</b>                 | <b>258,649</b> | <b>Current Liabilities</b>                   | <b>137,716</b> |
| Cash & deposits                       | 16,537         | Notes & accounts payable                     | 83,445         |
| Notes & accounts receivable           | 87,068         | Short-term loan                              | 16,808         |
| Marketable securities                 | 46,835         | Income taxes payable                         | 8,366          |
| Inventory                             | 72,317         | Others                                       | 29,096         |
| Deferred tax assets                   | 4,973          | <b>Fixed Liabilities</b>                     | <b>21,572</b>  |
| Accrued revenue                       | 25,061         | Long-term loan                               | 1,525          |
| Others                                | 5,969          | Allowance for employees' retirement benefits | 14,679         |
| Allowance for doubtful accounts       | (114)          | Allowance for environmental costs            | 3,294          |
|                                       |                | Others                                       | 2,073          |
|                                       |                | <b>Total Liabilities</b>                     | <b>159,288</b> |
| <b>Fixed Assets</b>                   | <b>158,300</b> | <b>Net Assets</b>                            |                |
| <b>Tangible fixed assets</b>          | <b>105,531</b> | <b>Shareholders' equity</b>                  | <b>247,379</b> |
| Buildings & structures                | 31,406         | Common shares                                | 23,320         |
| Machinery, equip. & vehicles          | 41,295         | Capital surplus                              | 25,179         |
| Land                                  | 16,778         | Retained earnings                            | 212,503        |
| Construction in progress              | 8,141          | Treasury shares                              | (13,623)       |
| Others                                | 7,909          |                                              |                |
| <b>Intangible fixed assets</b>        | <b>6,466</b>   | <b>Valuation and translation adjustments</b> | <b>5,159</b>   |
|                                       |                | Net unrealized holding gain on securities    | 4,806          |
| <b>Investments &amp; other assets</b> | <b>46,302</b>  | Foreign currency translation adjustments     | 352            |
| Investment securities                 | 35,656         | <b>Stock acquisition rights</b>              | <b>193</b>     |
| Others                                | 10,887         | <b>Minority interest</b>                     | <b>4,929</b>   |
| Allowance for doubtful accounts       | (241)          | <b>Total Net Assets</b>                      | <b>257,662</b> |
| <b>Total Assets</b>                   | <b>416,950</b> | <b>Total Liabilities/Net Assets</b>          | <b>416,950</b> |

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

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**Consolidated Statement of Income**  
(from April 1, 2007 to March 31, 2008)

(in millions of yen)

| Items                                                        | Amount         |
|--------------------------------------------------------------|----------------|
| <b>Net Sales</b>                                             | <b>406,967</b> |
| <b>Cost of sales</b>                                         | <b>284,430</b> |
| <b>Gross profit on sales</b>                                 | <b>122,536</b> |
| <b>Selling, general and administrative expenses</b>          | <b>62,526</b>  |
| <b>Operating income</b>                                      | <b>60,010</b>  |
| <b>Non-operating income</b>                                  | <b>4,233</b>   |
| Interest received & dividends received                       | 1,309          |
| Investment income according to equity method                 | 1,248          |
| Others                                                       | 1,675          |
| <b>Non-operating expenses</b>                                | <b>8,180</b>   |
| Interest expenses                                            | 255            |
| Others                                                       | 7,925          |
| <b>Ordinary profit</b>                                       | <b>56,063</b>  |
| <b>Extraordinary profit</b>                                  | <b>377</b>     |
| Gains on sales of investment securities                      | 377            |
| <b>Extraordinary losses</b>                                  | <b>1,573</b>   |
| Loss on disposal of fixed assets                             | 1,573          |
| <b>Pre-tax net profit</b>                                    | <b>54,866</b>  |
| <b>Income tax, residential tax and enterprise tax</b>        | <b>18,112</b>  |
| <b>Adjustments of income tax</b>                             | <b>(776)</b>   |
| <b>Minority interest income of consolidated subsidiaries</b> | <b>536</b>     |
| <b>Net profit</b>                                            | <b>36,994</b>  |

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

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**Consolidated Statement of Changes in Net Assets**  
(from April 1, 2007 to March 31, 2008)

(in millions of yen)

|                                                 | Shareholders' equity |                 |                   |                 |                            |
|-------------------------------------------------|----------------------|-----------------|-------------------|-----------------|----------------------------|
|                                                 | Common shares        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance as of March 31, 2007                    | 23,320               | 25,179          | 183,374           | (8,299)         | 223,573                    |
| Changes during the fiscal year                  |                      |                 |                   |                 |                            |
| Dividends from surplus                          |                      |                 | (7,043)           |                 | (7,043)                    |
| Net profit                                      |                      |                 | 36,994            |                 | 36,994                     |
| Acquisition of Treasury Shares                  |                      |                 |                   | (5,328)         | (5,328)                    |
| Disposal of Treasury Shares                     |                      |                 | (5)               | 5               | 0                          |
| Increase in consolidated subsidiaries           |                      |                 | (1,048)           |                 | (1,048)                    |
| Increase in affiliates subject to equity method |                      |                 | 232               |                 | 232                        |
| Net changes other than shareholders' equity     |                      |                 |                   |                 |                            |
| Total changes during the fiscal year            | —                    | —               | 29,129            | (5,323)         | 23,805                     |
| Balance as of March 31, 2008                    | 23,320               | 25,179          | 212,503           | (13,623)        | 247,379                    |

|                                                 | Valuation and translation adjustments     |                                         | Stock acquisition rights | Minority interest | Total net assets |
|-------------------------------------------------|-------------------------------------------|-----------------------------------------|--------------------------|-------------------|------------------|
|                                                 | Net unrealized holding gain on securities | Foreign currency translation adjustment |                          |                   |                  |
| Balance as of March 31, 2007                    | 10,087                                    | 1,525                                   | 70                       | 4,729             | 239,986          |
| Changes during the fiscal year                  |                                           |                                         |                          |                   |                  |
| Dividends from surplus                          |                                           |                                         |                          |                   | (7,043)          |
| Net profit                                      |                                           |                                         |                          |                   | 36,994           |
| Acquisition of treasury shares                  |                                           |                                         |                          |                   | (5,328)          |
| Disposal of treasury shares                     |                                           |                                         |                          |                   | 0                |
| Increase in consolidated subsidiaries           |                                           |                                         |                          |                   | (1,048)          |
| Increase in affiliates subject to equity method |                                           |                                         |                          |                   | 232              |
| Net changes other than shareholders' equity     | (5,280)                                   | (1,173)                                 | 123                      | 200               | (6,129)          |
| Total changes during the fiscal year            | (5,280)                                   | (1,173)                                 | 123                      | 200               | 17,676           |
| Balance as of March 31, 2008                    | 4,806                                     | 352                                     | 193                      | 4,929             | 257,662          |

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## 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: 28 companies

Names of consolidated subsidiaries:

ELASTOMIX Co., Ltd., Kyushu Gomu Kako Co., Ltd.  
JSR AMERICA, INC.,  
ELASTOMIX (THAILAND) CO., LTD., ELASTOMIX (FOSHAN) 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 Micro Taiwan Co., Ltd.,  
JSR LOGISTICS CO., LTD, JSR ENGINEERING CO., LTD, Nichigo Kogyo Co., Ltd.,  
JSR Trading Co., Ltd., JSR Service Co., Ltd., and  
JNT SYSTEM Co., Ltd.

We have included, effective from this consolidated fiscal year, ELASTOMIX (FOSHAN) CO., LTD. and JSR Micro Taiwan Co., Ltd. within the scope of consolidated subsidiaries from the point of significance in accounting.

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

Name of major non-consolidated subsidiaries:

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

Reasons for exclusion from the scope of consolidation:

Non-consolidated subsidiaries are excluded from the scope of application of consolidated accounting as their net assets, sales, net 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: 5 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., and TIANJIN KUO CHENG RUBBER INDUSTRY CO., LTD.

We have included, effective from this consolidated fiscal year, TIANJIN KUO CHENG RUBBER INDUSTRY CO., LTD. within the scope of the major companies to which equity method is applied from the point of significance in accounting

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

Names of major companies:

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

Reason for non-application of the equity method:

Non-consolidated subsidiaries (Techno Polymer Shanghai Technical Development Co., Ltd. etc.) and affiliated companies (Tobu Butadiene Co., Ltd., etc.) are excluded from the scope of application of the equity method as they are small in scale from the perspectives of consolidated net 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., ELASTOMIX (FOSHAN) 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., and JSR Micro N.V.

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.

We have changed, effective from this consolidated fiscal term, the accounting closing date of JSR Micro, Inc., from the 31st day of December to the 31st day of March.

## 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.

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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

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

Method of depreciation applicable to fixed assets

In accordance with the amendment to the corporate tax law, the Company and its domestic consolidated subsidiaries, effective from the current term, have applied the depreciation method stipulated in the revised corporate tax law to property, plant and equipment acquired on or after April 1, 2007. As a result, ordinary profit and pre-tax net profit each declined 850 million yen.

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(Additional Information)

In accordance with the amendment to the corporate tax law, the Company and its domestic consolidated subsidiaries, effective from the current term, have depreciated the difference between the amount equivalent to 5% of the acquisition price and the memorandum price of the assets acquired prior to March 31, 2007 equally over a five-year period from the consolidated fiscal year following the consolidated fiscal year in which the assets depreciated based on the method stipulated in the pre-amendment corporate tax law reached 5% of the acquisition price. As a result, ordinary profit and pre-tax net profit each declined 1,428 million yen compared with the results derived under the prior method.

### 3. Notes on consolidated balance sheet

(1) Assets pledged and claims related to them

|                             |                                              |                 |
|-----------------------------|----------------------------------------------|-----------------|
| Assets pledged              | Tangible fixed assets                        | ¥12,201 million |
| Claims related to the above | Long-term loan (debt from bank transactions) | ¥1 million      |

(2) Accumulated depreciation on tangible fixed assets: ¥269,721 million

(3) Export exchange notes discounted: ¥273 million

(4) Guarantee obligations

|                    |                     |
|--------------------|---------------------|
| Employees          | ¥113 million        |
| Others (1 company) | ¥49 million         |
| <u>Total</u>       | <u>¥162 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 dividends from surplus

1) Amount of dividends paid

| Resolution                                                | Class of share | Total amount of dividends (million yen) | Dividends per share (yen) | Record date        | Effective date of dividends |
|-----------------------------------------------------------|----------------|-----------------------------------------|---------------------------|--------------------|-----------------------------|
| Ordinary General Meeting of Shareholders on June 15, 2007 | Ordinary share | 3,026                                   | 12                        | March 31, 2007     | June 18, 2007               |
| Board of Directors Meeting on October 24, 2007            | Ordinary share | 4,017                                   | 16                        | September 30, 2007 | November 27, 2007           |
| <u>Total</u>                                              |                | <u>7,043</u>                            |                           |                    |                             |

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

The Company shall place the following item concerning term-end dividends as disposition of retained earnings on the agenda of the Ordinary General Meeting of Shareholders scheduled for convening on June 13, 2008.

|                                          |                   |
|------------------------------------------|-------------------|
| Item related to ordinary share dividends |                   |
| Dividends in total                       | ¥4,003 million    |
| Source of dividends                      | Retained earnings |
| Amount per share                         | ¥16               |
| Record date                              | March 31, 2008    |
| Effective date of dividends              | June 16, 2008     |

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- (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  
12,000 ordinary shares

#### **5. Notes on per-share information**

|                      |           |
|----------------------|-----------|
| Net assets per share | ¥1,009.27 |
| Net profit per share | ¥147.26   |

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**Balance Sheet**  
(as of March 31, 2008)

(in millions of yen)

| Items                                    | Amount         | Items                                                | Amount          |
|------------------------------------------|----------------|------------------------------------------------------|-----------------|
| <b>Assets</b>                            |                | <b>Liabilities</b>                                   |                 |
| <b>Current Assets</b>                    | <b>210,205</b> | <b>Current Liabilities</b>                           | <b>115,656</b>  |
| Cash & deposits                          | 2,193          | Accounts payable                                     | 67,743          |
| Notes receivable                         | 3,291          | Short-term loan                                      | 14,843          |
| Accounts receivable                      | 68,144         | Accrued amounts payable                              | 7,216           |
| Marketable securities                    | 46,484         | Accrued expenses                                     | 10,737          |
| Finished products                        | 28,552         | Income taxes payable                                 | 6,436           |
| Semi-finished products                   | 5,413          | Other current liabilities                            | 8,679           |
| Raw materials                            | 9,422          |                                                      |                 |
| Work in process                          | 2,097          |                                                      |                 |
| Supplies                                 | 4,961          | <b>Fixed Liabilities</b>                             | <b>17,715</b>   |
| Accrued revenue                          | 32,362         | Long-term loan                                       | 1,500           |
| Deferred tax assets                      | 2,681          | Allowance for employees' retirement benefits         | 12,168          |
| Other current assets                     | 4,617          | Allowance for environmental costs                    | 3,033           |
| Allowance for doubtful accounts          | (19)           | Other long-term liabilities                          | 1,014           |
|                                          |                | <b>Total Liabilities</b>                             | <b>133,371</b>  |
| <b>Fixed Assets</b>                      | <b>143,495</b> | <b>Net Assets</b>                                    |                 |
| <b>Tangible fixed assets</b>             | <b>77,256</b>  | <b>Shareholders' equity</b>                          | <b>215,386</b>  |
| Buildings                                | 17,645         | <b>Common shares</b>                                 | <b>23,320</b>   |
| Structures                               | 4,365          | <b>Capital surplus</b>                               | <b>25,179</b>   |
| Machinery & equip.                       | 28,725         | Capital reserve                                      | 25,179          |
| Vehicles                                 | 82             | <b>Retained earnings</b>                             | <b>180,509</b>  |
| Tools, furniture & fixtures              | 6,639          | Profit reserve                                       | 3,710           |
| Land                                     | 14,343         | Other retained earnings                              | 176,799         |
| Construction in progress                 | 5,454          | Reserve for special depreciation.                    | 467             |
| <b>Intangible fixed assets</b>           | <b>5,740</b>   | Reserve for advanced depreciation.                   | 3,727           |
|                                          |                | Reserve for special account for special depreciation | 143             |
| <b>Investments &amp; other assets</b>    | <b>60,498</b>  | Separate reserve                                     | 42,431          |
| Investment securities                    | 26,135         | Retained earnings carried forward                    | 130,029         |
| Securities of subsidiaries & affiliates. | 14,400         | <b>Treasury shares</b>                               | <b>(13,623)</b> |
| Equity in affiliates                     | 64             |                                                      |                 |
| Long-term loans                          | 15,759         | <b>Valuation and translation adjustments</b>         | <b>4,748</b>    |
| Deferred tax assets                      | 540            | Net valuation gains on securities                    | 4,748           |
| Others.                                  | 3,764          |                                                      |                 |
| Allowance for doubtful accounts          | (166)          | <b>Stock acquisition rights</b>                      | <b>193</b>      |
|                                          |                | <b>Total Net Assets</b>                              | <b>220,329</b>  |
| <b>Total Assets</b>                      | <b>353,700</b> | <b>Total Liabilities &amp; Net Assets</b>            | <b>353,700</b>  |

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

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**Statement of Income**  
(from April 1, 2007 to March 31, 2008)

| Items                                                 | (in millions of yen)<br>Amount |
|-------------------------------------------------------|--------------------------------|
| <b>Net Sales</b>                                      | <b>278,057</b>                 |
| <b>Cost of sales</b>                                  | <b>190,702</b>                 |
| <b>Gross profit on sales</b>                          | <b>87,355</b>                  |
| <b>Selling, general and administrative expenses</b>   | <b>41,462</b>                  |
| <b>Operating income</b>                               | <b>45,892</b>                  |
| <b>Non-operating income</b>                           | <b>5,977</b>                   |
| Interest received                                     | 344                            |
| Dividends received                                    | 3,640                          |
| Others                                                | 1,993                          |
| <b>Non-operating expenses</b>                         | <b>7,013</b>                   |
| Interest expenses                                     | 245                            |
| Others                                                | 6,767                          |
| <b>Ordinary profit</b>                                | <b>44,856</b>                  |
| <b>Extraordinary profit</b>                           | <b>681</b>                     |
| Gain on selling investment securities                 | 377                            |
| Gain on transfer of business                          | 304                            |
| <b>Extraordinary losses</b>                           | <b>1,033</b>                   |
| Loss on disposal of fixed assets                      | 1,033                          |
| <b>Net profit before taxes</b>                        | <b>44,504</b>                  |
| <b>Income tax, residential tax and enterprise tax</b> | <b>14,773</b>                  |
| <b>Adjustments of income tax</b>                      | <b>129</b>                     |
| <b>Net profit</b>                                     | <b>29,601</b>                  |

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

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**Statement of Changes in Net Assets**  
(from April 1, 2007 to March 31, 2008)

(in millions of yen)

|                                                                                     | Shareholders' equity |                 |                   |                                  |                                   |                                                       |                  |                                   |         |
|-------------------------------------------------------------------------------------|----------------------|-----------------|-------------------|----------------------------------|-----------------------------------|-------------------------------------------------------|------------------|-----------------------------------|---------|
|                                                                                     | Common shares        | Capital surplus | Retained earnings |                                  |                                   |                                                       |                  |                                   | Total   |
|                                                                                     |                      | Capital reserve | Profit reserve    | Other retained earnings          |                                   |                                                       |                  | Retained earnings carried forward |         |
|                                                                                     |                      |                 |                   | Reserve for special depreciation | Reserve for advanced depreciation | Reserve for special account for advanced depreciation | Separate reserve |                                   |         |
| Balance as of March 31, 2007                                                        | 23,320               | 25,179          | 3,710             | 827                              | 3,800                             | —                                                     | 42,431           | 107,187                           | 157,957 |
| Changes during fiscal year                                                          |                      |                 |                   |                                  |                                   |                                                       |                  |                                   |         |
| Dividends from surplus                                                              |                      |                 |                   |                                  |                                   |                                                       |                  | (7,043)                           | (7,043) |
| Net Profit                                                                          |                      |                 |                   |                                  |                                   |                                                       |                  | 29,601                            | 29,601  |
| Reversal of reserve for special depreciation                                        |                      |                 |                   | (437)                            |                                   |                                                       |                  | 437                               | —       |
| Provision of reserve for special depreciation                                       |                      |                 |                   | 78                               |                                   |                                                       |                  | (78)                              | —       |
| Reversal of reserve for advanced depreciation of fixed assets                       |                      |                 |                   |                                  | (224)                             |                                                       |                  | 224                               | —       |
| Provision of reserve for advanced depreciation of fixed assets                      |                      |                 |                   |                                  | 150                               |                                                       |                  | (150)                             | —       |
| Provisions of reserve for special account for advanced depreciation of fixed assets |                      |                 |                   |                                  |                                   | 143                                                   |                  | (143)                             | —       |
| Acquisition of treasury shares                                                      |                      |                 |                   |                                  |                                   |                                                       |                  |                                   | —       |
| Disposal of treasury shares                                                         |                      |                 |                   |                                  |                                   |                                                       |                  | (5)                               | (5)     |
| Net changes other than shareholders' equity                                         |                      |                 |                   |                                  |                                   |                                                       |                  |                                   | —       |
| Total changes during fiscal year                                                    | —                    | —               | —                 | (359)                            | (73)                              | 143                                                   | —                | 22,842                            | 22,552  |
| Balance as of March 31, 2008                                                        | 23,320               | 25,179          | 3,710             | 467                              | 3,727                             | 143                                                   | 42,431           | 130,029                           | 180,509 |

|                                                                                    | Shareholders' equity |                            | Valuation and translation adjustments | Stock acquisition rights | Total net assets |
|------------------------------------------------------------------------------------|----------------------|----------------------------|---------------------------------------|--------------------------|------------------|
|                                                                                    | Treasury shares      | Total shareholders' equity | Net valuation gains on securities     |                          |                  |
| Balance as of March 31, 2007                                                       | (8,299)              | 198,157                    | 9,962                                 | 70                       | 208,189          |
| Changes during fiscal year                                                         |                      |                            |                                       |                          |                  |
| Dividends from surplus                                                             |                      | (7,043)                    |                                       |                          | (7,043)          |
| Net profit                                                                         |                      | 29,601                     |                                       |                          | 29,601           |
| 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                     |                      | —                          |                                       |                          | —                |
| Provision of reserve for special account for advanced depreciation of fixed assets |                      | —                          |                                       |                          | —                |
| Acquisition of treasury shares                                                     | (5,328)              | (5,328)                    |                                       |                          | (5,328)          |
| Disposal of treasury shares                                                        | 5                    | 0                          |                                       |                          | 0                |
| Net changes other than shareholders' equity                                        |                      | —                          | (5,213)                               | 123                      | (5,089)          |
| Total changes during fiscal year                                                   | (5,323)              | 17,229                     | (5,213)                               | 123                      | 12,139           |
| Balance as of March 31, 2008                                                       | (13,623)             | 215,386                    | 4,748                                 | 193                      | 220,329          |

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

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## 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.

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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

Method of depreciation applicable to fixed assets

In accordance with the amendment to the corporate tax law, the Company has applied, effective from the current term, the depreciation method stipulated in the revised corporate tax law to property, plant and equipment acquired on or after April 1, 2007. As a result, ordinary profit and pre-tax net profit each declined 733 million yen.

(Additional Information)

In accordance with the amendment to the corporate tax law, the Company has depreciated, effective from the current term, the difference between the amount equivalent to 5% of the acquisition price and the memorandum price of the assets acquired prior to March 31, 2007 equally over a five-year period from the fiscal year following the fiscal year in which the assets depreciated based on the method stipulated in the pre-amendment corporate tax law reached 5% of the acquisition price. As a result, ordinary profit and pre-tax net profit each declined 1,272 million yen compared with the results derived under the prior method.

## 2. Notes on balance sheet

(1) Assets pledged and claims related to them

|                             |                                              |                 |
|-----------------------------|----------------------------------------------|-----------------|
| Assets pledged              | Tangible fixed assets                        | ¥12,201 million |
| Claims related to the above | Long-term loan (loan from bank transactions) | ¥1 million      |

(2) Accumulated depreciation on tangible fixed assets : ¥217,773 million

(3) Claims to/from subsidiaries and affiliated companies

|                                            |                 |
|--------------------------------------------|-----------------|
| Short-term monetary claims to affiliates   | ¥40,868 million |
| Long-term monetary claims to affiliates    | ¥15,745 million |
| Short-term monetary claims from affiliates | ¥35,400 million |

(4) Export exchange notes discounted: ¥273 million

(5) Guarantee obligations

|                    |                     |
|--------------------|---------------------|
| Employees          | ¥113 million        |
| Others (1 company) | ¥0 million          |
| <u>Total</u>       | <u>¥114 million</u> |

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### 3. Notes on statement of income

|                                                         |                 |
|---------------------------------------------------------|-----------------|
| Transactions with subsidiaries and affiliated companies |                 |
| Sales                                                   | ¥81,891 million |
| Amount for goods purchased                              | ¥43,478 million |
| Other trade transactions                                | ¥17,626 million |
| Interest received                                       | ¥601 million    |
| Dividends received                                      | ¥3,118 million  |
| Interest expenses                                       | ¥46 million     |
| Gain on transfer of business                            | ¥304 million    |

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

Class and number of treasury shares at the end of the term: 5,666,693 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.

### 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)   | 19,560                           | Accrued revenue              | 5,850                          |
| Subsidiary | JSR Micro Korea Co., Ltd.  | 100                              | 1                              | Sales of our products and supply of raw materials        | Sale of products (Note 2)                   | 15,180                           | Accounts receivable          | 4,532                          |
| Subsidiary | JSR Micro Taiwan Co., Ltd. | 100                              | 1                              | Sales of our products and supply of raw materials        | Sale of products (Note 2)                   | 22,154                           | Accounts receivable          | 6,489                          |
|            |                            |                                  |                                |                                                          | Provision of loans (Note 3)                 | 1,805                            | Long-term loan               | 5,738                          |
|            |                            |                                  |                                |                                                          | Transfer of business (Note 4)               | 304                              | Gain on transfer of business | —                              |
| Subsidiary | JSR ENGINEERING CO., LTD   | 100                              | 1                              | Engineering services of production facilities etc        | Purchase of equipment & facilities (Note 5) | 14,551                           | Accrued amount payable       | 3,816                          |
| Affiliate  | KRATON JSR ELASTOMERS K.K. | 50                               | 3                              | Toll manufacturing of elastomer products                 | Purchase of products (Note 6)               | 12,116                           | Accounts payable             | 5,434                          |
| Affiliate  | Tobu Butadiene Co., Ltd.   | 50                               | 1                              | Supply of raw material gas and purchase of butadiene gas | Supply of raw material gas (Note 1)         | 11,641                           | Accrued revenue              | 5,327.                         |
|            |                            |                                  |                                |                                                          | Purchase of butadiene gas (Note 6)          | 13,631                           | Accounts payable             | 6,506                          |

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

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(Notes)

1. Terms and conditions for the supply of raw material gas are determined through negotiation based upon the desirable prices offered by the Company considering market prices.
2. Terms and conditions for the sale of the products are determined through negotiation considering full costs and market prices.
3. Interest rates on loans are determined through negotiation considering prevailing interest rates in financial market.
4. The transfer of the business was made in accordance with the policy of the Company to assign the business of selling flat panel display materials in Taiwan, of which terms and conditions were determined through negotiation based upon the value of the business calculating its future profit.
5. Terms and conditions for the purchase of equipment and facilities are determined through negotiation considering the full cost and market prices
6. Terms and conditions for the purchase of elastomer products and/or the purchase of butadiene gas are determined through negotiation based upon desirable prices offered by the Company considering full cost and market prices.
7. 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 16.3            | 1                              | Sales of our products | Sales of elastomer products | 38,878                           | Accounts receivable | 12,854                         |

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

(Notes)

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

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

|                      |         |
|----------------------|---------|
| Net assets per share | ¥879.77 |
| Net profit per share | ¥117.83 |

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Copy of Audit Report on Consolidated Financial Statements from Accounting Auditors'

### Accounting Auditors' Report

May 7, 2008

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 | Shin-nosuke Yamada (seal) |
| Designated and Operating Partner | Certified Public Accountant | Masayuki Kasai(seal)      |

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the Consolidated Financial Statements of JSR Corporation, covering the fiscal year commencing on April 1, 2007 and ending on March 31, 2008, 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 inclusive of Appendix thereto and Reference Materials which are 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.

Copy of Audit Report from Accounting Auditors

### Accounting Auditors' Report

May 7, 2008

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 | Shin-nosuke Yamada (seal) |
| Designated and Operating Partner | Certified Public Accountant | Masayuki Kasai(seal)      |

Pursuant to Article 436, Paragraph 2, Article 1 of the Companies Act, we have audited the Financial Statements of JSR Corporation, covering its 63rd Business Term commencing on April 1, 2007 and ending on March 31, 2008, 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.

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## Copy of Audit Report of the Board of Corporate Auditors

### Audit Report

The Board of Corporate Auditors, with regard to the execution of duties of the Directors during the 63rd business term commencing on April 1, 2007 and ending on March 31, 2008, has discussed and prepared its audit report as described below based upon audit reports prepared by each of the Corporate Auditors;

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

The Board of Corporate Auditors established an audit policy, assigned responsibilities to each Corporate Auditor in carrying out audits, and received reports from each Corporate Auditor on the implementation and the results thereof. In addition, the Board of Corporate Auditors received reports and, when necessary, requested explanation from Directors, other executives and Accounting Auditors concerning the execution of their duties.

Each Corporate Auditor, in accordance with the audit standards for Corporate Auditors and the relevant audit policies established by and the responsibilities assigned by the Board of Corporate Auditors, communicated with Directors, internal Audit Office, employees and other parties in order to collect information and develop an optimum audit environment. At the same time, each Corporate Auditor attended the Board of Directors meetings and other important meetings, received reports from Directors employees and other parties on execution of their duties, requested reports and explanations from them when necessary, reviewed important documents including those subject to executive approval, and examined the status of business operations as well as the assets at the head office and other major business offices. In addition, each Corporate Auditor reviewed the contents of the resolution of the Board of Directors on establishment of structures to ensure compliance of Directors' execution of duties with laws and ordinances and Articles of Incorporation and as well as to secure propriety of the conducting businesses of the company, as set forth under the Article 100, Paragraph 1 and 3 of the Enforcement Regulations of the Companies Act, and monitored the implementation status of such structures established based upon such resolutions. With regard to subsidiaries of the Company, each Corporate Auditor strove to communicate well and exchange information with directors and corporate auditors of the subsidiaries, received reports from subsidiaries on their businesses whenever necessary. Through these methods, each Corporate Auditor examined the business report of the Company and the supplementary statements for the fiscal year under review.

In addition, each Corporate Auditor has monitored and verified Accounting Auditors' independence and propriety in implementing their auditing, received reports on their execution of duties and requested explanation from them when necessary. Each Corporate Auditor received a notice from the Accounting Auditors that the "the system for ensuring Accounting Auditors' appropriate execution of duties" (in each terms, the Article 159 of the Corporation Accounting Regulations) has been developed in accordance with the "the Standards on Quality Control Concerning Audit" (established by the Business Accounting Council on October 28, 2005). Through these methods, each Corporate Auditors 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.

#### 2. Audit results

##### (1) Results of audit on business report and other documents

- a. We have found that the business report and its supplementary statements fairly represents the status of the Company in accordance with the laws and ordinances, and the Articles of Incorporation.
- b. With regard to the execution of duties of the Directors, we have found neither misconduct nor material matters in violating laws and ordinances or the Articles of Incorporation

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- c. We have found that the contents of the resolutions of the Board of Directors regarding the structures for internal control are fair and proper. We also have found nothing to be specifically addressed concerning the execution of duties of Directors in relation to the structures for internal control.
  
- (2) Results of audit on non-consolidated financial statements and the supplementary statements  
We find the methods and the conclusions of the audit by KPMG AZSA & Co. to be fair and proper.
  
- (3) Consolidated Financial Statements  
We find the methods and the conclusions of the audit by KPMG AZSA & Co. to be fair and proper.

May 9, 2008

Board of Corporate Auditors, JSR Corporation

|                                               |                   |        |
|-----------------------------------------------|-------------------|--------|
| Full-time Corporate Auditor                   | Fumio Ozaki       | (seal) |
| Full-time Corporate Auditor                   | Nobuo Bessho      | (seal) |
| Full-time Corporate Auditor (outside auditor) | Kunihiro Fukasawa | (seal) |
| Corporate Auditor (outside auditor)           | Akira Nozawa      | (seal) |
| Corporate Auditor (outside auditor)           | Kenji Ito         | (seal) |

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## Reference

### (1) Consolidated Cash Flow Statement (from April 1, 2007 to March 31, 2008)

(in millions of 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 |
|-------------------------------------|--------------------------------------|-------------------------------------|-----------------------------------------------------------------|
| 53,890                              | (32,239)                             | (13,400)                            | 61,724                                                          |

### (2) Segment Information (from April 1, 2007 to March 31, 2008)

(in millions of yen)

|                  | Elastomers Business | Emulsion Business | Plastics Business | Diversified Business |
|------------------|---------------------|-------------------|-------------------|----------------------|
| Sales            | 128,952             | 26,993            | 68,844            | 182,176              |
| Operating Profit | 11,168              | 1,542             | 3,012             | 44,287               |

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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 dividends after thorough consideration of the points mentioned above.

- (1) Matters related to an allotment of dividends properties to shareholders and the amount  
 The Company would like to provide ¥16 per ordinary share of the Company, with the total amount of ¥4,003,495,568.  
 As a result, the dividends including the interim dividends will be ¥32 per share, with the total amount of ¥8,020,806,896.
- (2) Effective Date of dividends from surplus  
 June 16, 2008

#### 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 shareholder, 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. | 32,656                      |

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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 Petrochemicals Sector including<br>Plastics<br>(Representation of other companies)<br>President, KRATON JSR ELASTOMERS K.K.                                 | 28,650                      |
| 3   | Tsugio Haruki<br>(July 27, 1946)        | Apr. 1969 Joined JSR<br>Jun. 1998 Director<br>Jun. 2002 Managing Director<br>Jun. 2007 Senior Managing Director (current position)<br>Currently responsible for Accounting and Finance, Corporate<br>Communications, CSR, Logistics                                                                                                                     | 23,185                      |
| 4   | Mistunobu Koshiba<br>(November 9, 1955) | Oct. 1981 Joined JSR<br>Jun. 2004 Director<br>Jun. 2005 Senior Officer, General Manager, Electronic<br>Materials<br>Jun. 2006 Managing Director (current position)<br>Currently responsible for Fine Chemicals Sector, Safety<br>Environmental Affairs                                                                                                  | 8,100                       |
| 5   | 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 Strategic Planning, Group Companies<br>Coordination, Information Technology, Purchasing<br>(Representation of other companies)<br>President, Tobu Butadiene Co., Ltd.                                                         | 22,200                      |
| 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, Senior Officer, General Manager, Human<br>Resources<br>Jul. 2007 Managing Director(current position)<br>Currently responsible for Human Resources, General Affairs,<br>Legal                                            | 10,622                      |
| 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<br>Center<br>Jun. 2006 Director, Senior Officer, General Manager,<br>Yokkaichi R&D Center<br>Jun. 2007 Managing Director (current position)<br>Currently responsible for Research & Development, Businesses<br>Development, Precision Processing | 6,000                       |
| 8   | Yasuki Sajima<br>(August 26, 1950)      | Apr. 1974 Joined JSR<br>Jun. 2005 Senior Officer, General Manager, Display Materials<br>Div.<br>Jun. 2007 Director, Senior Officer, General Manager, Display<br>Materials Div. (current position)<br>Currently responsible for Fine Chemicals Sector (as assistant<br>Director)                                                                         | 3,650                       |

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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 |
|-----|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| 9   | Koichi Kawasaki<br>(April 20, 1957) | Apr. 1983 Joined JSR<br>Jun. 2005 Officer, General Manager, Manufacturing & Technology Dept.<br>Jun. 2007 Director, Senior Officer, General Manager, Manufacturing & Technology Dept. (current position)<br>Currently responsible for Manufacturing & Technologies, Product Safety & Quality Assurance, Petrochemicals Sector (as assistant Director) | 3,600                       |

(Notes)

1. No conflict of interest exists between the Director candidates and the Company.

### Proposal 3. Election of 2 Corporate Auditors

Since the tenures of Messrs. Fumio Ozaki, Nobuo Bessho, Kunihiro Fukasawa and Akira Nozawa for Corporate Auditors will expire at the close of this general meeting of shareholders, it is proposed that four (4) Corporate Auditors be elected..

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   | Fumio Ozaki<br>(October 15, 1946)    | Apr. 1970 Joined JSR<br>Jun. 1992 General Manager, Business Planning Dept, 2nd SR Div.<br>Jun. 2002 General Manager, Business Planning Dept, Petrochemicals Businesses<br>Jun. 2005 Full Time Corporate Auditor (current position)                                                                                                                                                                   | 12,050                      |
| 2   | Nobuo Bessho<br>(September 7, 1949)  | Apr. 1978 Joined JSR<br>Jun. 2002 Director<br>Jun. 2007 Full Time Corporate Auditor (current position)                                                                                                                                                                                                                                                                                               | 8,300                       |
| 3   | Kunihiro Fukasawa<br>(July 21, 1946) | Apr. 1970 Joined The Industrial Bank of Japan, Ltd.<br>May. 1995 General Manager, Sendai Branch, The Industrial Bank of Japan, Ltd.<br>Jun. 2000 Full Time Corporate Auditor, The Industrial Bank of Japan, Ltd.<br>Mar. 2004 Managing Director, Jowa Holdings Co., Ltd.<br>Apr. 2004 Corporate Auditor, IJB Systems Ltd.<br>Jun. 2004 Full Time Corporate Auditor of the Company (current position) | 3,700                       |
| 4   | Akira Nozawa<br>(December 1, 1948)   | Sep. 1973 Joined Bridgestone Tire Co., Ltd. (Currently known as Bridgestone Corporation)<br>Dec. 2000 Belongs to the BFS/BFE Business Division of Bridgestone Corporation [Overseas assignment at BRIDGESTONE/FIRESTONE, INC, (Director and CFO of the company)]<br>Mar. 2006 Officer, Bridgestone Corporation [Overseas assignment at BRIDGESTONE AMERICAS HOLDING, INC. (Director and CFO          | 0                           |

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|  |           |                                                                                |  |
|--|-----------|--------------------------------------------------------------------------------|--|
|  |           | of the company)]                                                               |  |
|  | Oct. 2006 | Officer of Bridgestone Corporation, CFO, and responsible for Financing, and IT |  |
|  | Jun. 2007 | Corporate Auditor of the Company (current position)                            |  |

(Notes)

1. No conflict of interest exists between the Corporate Auditor candidates and the Company.
2. Messrs. Fukasawa and Nozawa are candidates for Outside Corporate Auditors.
3. The reasons we chose Mr. Fukasawa as a candidate for Outside Corporate Auditor are that Mr. Fukasawa has appropriately performed the duties of Outside Corporate Auditor by using his range of finance and accounting knowledge he cultivated when working in a bank; and that continual performance of his duties as an Outside Corporate Auditor will further enhance and strengthen the auditing functions of the Company. The period of his office as an Outside Corporate Auditor will be 4 years at the close of this General Meeting of Shareholders
4. Mr. Nozawa is an Officer of Bridgestone Corporation which falls under the category of specially related companies under the Companies Act. The reasons we chose Mr. Nozawa as a candidate for Outside Corporate Auditor are that Mr. Nozawa has appropriately performed the duties of Outside Corporate Auditor by using his range of finance and accounting knowledge he cultivated when working at Bridgestone Corporation; and that continual performance of his duties as an Outside Corporate Auditor will further enhance and strengthen the auditing functions of the Company. The period of his office as an Outside Corporate Auditor will be 1 year at the close of this General Meeting of Shareholders

#### **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 ¥ 103 million.

Please note that this is the English translation of the original Notice inclusive of Appendix thereto and Reference Materials which are 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.

## **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 12, 2008 (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.