

Please note that this is the English translation of the original "Notice" which is written in Japanese; therefore, in the event of any conflict between the Japanese original and this English translation, the Japanese original shall be controlling in all respects.

(TSE Code 4185)
May 25, 2011

Dear Shareholders,

Notice of Convening the 66th Ordinary General Meeting of Shareholders
of
JSR Corporation

We are pleased to announce the convening of the 66th Ordinary General Meeting of Shareholders of JSR Corporation as detailed below:

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

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

Sincerely,

Mitsunobu Koshiha
President & Representative Director
JSR Corporation
1-9-2, Higashi-Shinbashi
Minato-ku, Tokyo

1. **Date and time** June 17, 2011 (Friday) 10:00 a.m.
2. **Venue** Conrad Tokyo
Annex 2F, "Kazanami"
1-9-1, Higashi-Shinbashi, Minato-ku, Tokyo, Japan

3. Agenda

Matters to be Reported

1. Business Report, Consolidated Financial Statements for the 66th Fiscal Term (from April 1, 2010 to March 31, 2011) and Audit Report thereon by the Accounting Auditors and the Board of Corporate Auditors
2. Non Consolidated Financial Statements for the 66th Fiscal Term (from April 1, 2010 to March 31, 2011)

Matters to be Resolved

- Proposal 1. Appropriation of Surplus
- Proposal 2. Partial Amendments to the Articles of Incorporation
- Proposal 3. Election of Six (6) Directors
- Proposal 4. Election of One (1) Substitute Corporate Auditor
- Proposal 5. Payment of Bonus to Directors

4. Matters related to exercising your voting rights

- (1) Participating in the General Meeting of Shareholders in person:
Please hand over the ballot form attached hereto at the reception
- (2) By Post:
Please return the ballot form attached hereto after indicating your approval or disapproval so that your ballot reaches us by 5:00 p.m. on Thursday, June 16, 2011 (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 16, 2011 (Japan Time) after reviewing the “Reminders for Exercising Voting Rights via Internet” on page (of this translation).
Please note, however, the above web site for online voting is only available in the Japanese language.
- (4) Exercising your voting rights in duplicate
 - i) If you exercise your voting rights in duplicate by post and via electromagnetic transmission (Internet, etc.), we will treat the voting made via electromagnetic transmission (Internet, etc.) as the effective one
 - ii) If you exercise your voting rights via electromagnetic transmission (Internet, etc.) more than once, we will treat the last voting as the effective one.
- (5) Voting by Proxy
If you would like to exercise your voting rights by proxy, please assign another shareholder of the Company as your proxy and make such proxy submit to the Company a certificate evidencing the power to vote on your behalf.
- (6) Use of Electronic Proxy Voting Platform
If you are a shareholder among institutional investors, you may be able to exercise your voting rights through the Electronic Proxy Voting Platform operated by ICJ Inc. as a way to exercise your voting rights.

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Notice

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

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

**(Appendix to the Notice of the 66th Ordinary General Meeting of Shareholders)**

**Business Report**

(from April 1, 2010 to March 31, 2011)

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

**1. Current status of the JSR Group**

**(1) Business developments and results**

**Business environment and the JSR Group's business performance**

In the current fiscal year, the global economy was on a recovery track driven by emerging countries' high economic growth. The pace of recovery slowed down in the second half of the current fiscal year due to a credit crunch in Europe, economic downturn in the United States, and growing political unrest in the Middle East, among other factors.

Meanwhile, the Japanese economy was on a recovery path due to (i) expansion of exports against the backdrop of growing demand from emerging countries, and (ii) economic stimulus measures taken by the Japanese government. From the summer of 2010, however, uncertainty in the economic outlook grew toward the end of the current fiscal year due primarily to the waning impact of the economic stimulus measures, global economic downturn, increasingly sluggish exports attributable to a sharp appreciation of the yen, and growing confusion arising from unprecedented damage caused by the Great Eastern Japan Earthquake on March 11, 2011.

In major user industries of the JSR Group, production of automobiles and automotive tires remained strong in the midst of the global demand recovery. Overall, semiconductor production also remained strong in the current fiscal year due to growing global demand for smartphones and tablet PCs, among other products, despite sluggish PC demand and production adjustments in some product categories.

In the FPD (flat panel display) industry, production of LCD TV sets was favorable due to economic stimulus measures in and outside Japan. From August, however, declining demand led to continued production adjustments at major panel manufacturers, resulting in a significant reduction in the capacity utilization ratio.

On the raw materials front, naphtha prices were on a rising trend, temporarily stabilizing into the summer, and started to surge again in the second half of the current fiscal year. In the petrochemical products industries, prices of major raw materials rose across the board, which served as one of the factors that depressed earnings.

Under these circumstances, we were committed to expanding sales (primarily of highly functional products) in our petrochemical products business, and made efforts to revise our product prices to meet the rising prices of major raw materials. In our fine chemicals and other products business (mainly information and electronic materials), we were committed to expanding sales of our cutting-edge materials. Meanwhile, cost reduction efforts were made by promoting the group-wide E-100 Project.

It should be noted that the Great Eastern Japan Earthquake had an insignificant impact on the current fiscal year business performance.

As a result, the JSR Group recorded significant year-on-year growth in both sales and profits in the current fiscal year: Japanese yen 340.665 billion in sales (+9.8%), Japanese yen 39.094 billion in operating profits (+93.2%), Japanese yen 42.604 billion in current income (+90.4%), and Japanese yen 27.57 billion in net profit (+102.1%).

## **Overview by business segment**

### **Elastomers Business**

#### **(a) Sales of synthetic rubber**

In our synthetic rubber business in Japan, sales of our general-purpose synthetic rubber, including styrene-butadiene and polybutadiene rubber, recorded a year-on-year growth in both quantity and value due to (i) strong production of automotive tires, and (ii) our price revisions to cope with the rising prices of major raw materials. Sales of our special-purpose rubber, including nitrile rubber, also recorded a year-on-year growth in both quantity and value due to (i) growth in auto production, and (ii) our price revisions to cope with the rising prices of major raw materials.

In export, sales quantity of both general-purpose synthetic rubber and special-purpose rubber recorded a year-on-year decrease, but sales value recorded a year-on-year growth due to our price revisions to cope with the rising prices of major raw materials, among others.

On the production front, a decision was made to increase the annual production capacity of S-SBR (solution styrene-butadiene rubber) at the Yokkaichi Plant by 25,000 tons up to 60,000 tons, in an effort to meet rapidly growing demand for fuel-efficient tires primarily in Japan and Europe. The new facility is scheduled to be completed in November 2011. Meanwhile, an agreement was reached to establish a joint venture in Thailand to build a new S-SBR production plant scheduled to start operations in June 2013 with annual production capacity of 50,000–100,000 tons. In combination with the annual production capacity rights for 30,000 tons from Styron Europe (formerly Dow Europe), the JSR Group will continue to reinforce the supply framework in Japan, Europe, and Asia, to proactively promote expansion of the S-SBR business.

Meanwhile, another decision was made to increase the production capacity of ethylene-propylene rubber at Kumho Polychem Co., Ltd., a joint venture in South Korea, by adding a new production plant with an annual production capacity of 60,000 tons to be completed in June 2013, which makes overall production capacity there to reach 150,000 tons per annum. When combined with JSR Kashima Plant's annual production capacity of 36,000 tons, we will meet growing global demand as a manufacturer with world-class production capacity.

#### **(b) Sales of TPEs (thermoplastic elastomers)**

In Japan, sales of our TPEs (e.g., butadiene- and styrene-butadiene-based thermoplastic elastomers) were favorable for applications including plastics modification for food containers. In exports, demand for butadiene-based thermoplastic elastomers that are used in footwear showed recovery primarily in Europe and Central/South America. Price revisions were also made to cope with the rising prices of major raw materials. As a result, sales in Japan and exports recorded a year-on-year growth in both quantity and value.

#### **(c) Sales of emulsions**

Despite sluggish growth in coated paper production, we made efforts to expand sales of latex for paper coating (our mainstay products in the emulsion business). Price revisions were also made to cope with the rising prices of major raw materials. As a result, sales recorded a year-on-year growth in both quantity and value. Sales of our latex for general industrial applications (external wall paints and adhesives used in automobile-related applications) also remained strong. As a result, sales recorded a year-on-year growth in both quantity and value.

#### **(d) Measures for improving earnings**

In order to improve earnings from the business, we have continuously made vigorous cost reduction efforts by promoting the E-100 Project.

As a result, our elastomer business in the current fiscal year recorded a year-on-year growth in both sales and operating profits: Japanese yen 160.854 billion (+18.2%) and Japanese yen 14.738 billion (+3,860.1%), respectively.

## **Plastics**

### **(a) Sales of plastics**

In major user industries of the JSR Group in Japan, production of automobiles remained strong; demand in the construction materials sector, which was on a recovery track, remained brisk. Price revisions were also made to cope with the rising prices of major raw materials. As a result, sales recorded a year-on-year growth in both quantity and value. In export, demand for automobile and office equipment applications, among others, showed recovery. Price revisions were also made to cope with the rising prices of major raw materials. As a result, sales recorded a year-on-year growth in both quantity and value.

### **(b) Measures to secure earnings**

In order to improve earnings from the business, vigorous cost reduction efforts have been continuously made by promoting the E-100 Project although profitability decreased due to the impact of the sharp appreciation of the yen.

As a result, our plastics business in the current fiscal year recorded a 9.4% year-on-year growth in sales (Japanese yen 52.296 billion), while operating profits stood at Japanese yen 2.562 billion (– Japanese yen 0 million year-on-year).

## **Fine Chemicals and Other Products**

### **(a) Sales of semiconductor materials**

From early autumn, production adjustments were made on some semiconductor because PC demand remained below expectations. However, sales of photoresists (our mainstay products in this business segment), primarily ArF (argon fluoride) photoresists for immersion processes and multi-layer materials, expanded due to growing demand for smartphones and tablet PCs across the world. Local subsidiaries in Europe and the United States also enjoyed strong semiconductor demand. The sales recorded a year-on-year growth. Meanwhile, demand for packaging materials and CMP (chemical-mechanical planarization) materials also remained strong. Thus, the overall sales of our semiconductor materials recorded a year-on-year growth.

### **(b) Sales of FPD materials**

Demand for LCD materials (our mainstay products in this business segment) remained strong in the first half of the current fiscal year due to (i) expansion of the LCD TV market attributable to economic stimulus measures in and outside Japan, and (ii) PC demand growth, though it was below expectations. From summer, however, sluggish demand resulted in a significant decrease in the capacity utilization ratio at LCD panel manufacturers. Our sales were also impacted by the continued appreciation of the yen. Nevertheless, growing demand for new alignment films, which are used in LED TV sets to ensure high-quality images, recorded a year-on-year sales growth in the current fiscal year. Meanwhile, sales of our anti-reflection coating materials and surface protective coating materials decreased because our customers shifted to production of commodities. Thus, the overall sales of our FPD materials remained on par year-on-year.

On the research front, a decision was made to build new laboratory buildings equipped with clean rooms to enhance RandD functions of LCD materials in South Korea and Taiwan. Construction of the new laboratory buildings are scheduled to be completed at JSR Micro Korea Co., Ltd. (South Korea) and JSR Micro Taiwan Co., Ltd. in June and December 2011, respectively. By further upgrading the tripolar collaboration framework

(Japan, South Korea, and Taiwan) in production, sales, and research, we will meet growing demand for LCD materials in the future.

### **(c) Sales in strategic businesses and others**

“Strategic businesses” defined by the JSR Group encompass precision materials and processing, environment and energy, and biomedical materials, namely, promising business segments that are expected to grow significantly in the future. Efforts have been made to reinforce the promotional framework and expedite the launch of such businesses. “Others” include optical fiber coating materials.

In the precision materials and processing business, ARTON<sup>®</sup> heat resistant transparent resin have been increasingly employed in the retardation film sector due to the rapidly growing smartphone and tablet markets. The sales recorded a year-on-year growth. Meanwhile, we developed and commenced sales of new high-performance transparent electroconductive (ITO: indium tin oxide) films that are used in the touch panels of these mobile terminals.

In the environment and energy business, we launched on the market BIOLLOY<sup>™</sup> bioplastics whose performance has been enhanced with our proprietary technologies.

In the biomedical materials business, shipment of magnetic particles for in vitro diagnosis materials recorded an increase. Thus, substantial results have been made in the strategic businesses. Sales of optical fiber coating materials recorded a year-on-year decrease due to intensifying competition in the optical fiber markets outside Japan.

### **(d) Measures for improving earnings**

In order to improve earnings from the business, vigorous cost reduction efforts have been continuously made by promoting the E-100 Project although profitability decreased due to the impact of the sharp appreciation of the yen.

As a result, our fine chemicals and other products business in the current fiscal year recorded a year-on-year growth in both sales and operating profits: Japanese yen 127.514 billion (+1.0%) and Japanese yen 21.792 billion (+9.7%), respectively.

## **(2) Capital Expenditure**

The capital investment in the current fiscal year was Japanese yen 11.8 billion.

## **(3) Financing**

In the current fiscal year, the JSR Group did not procure funds via capital increase or issuance of corporate bonds.

As of the end of the current fiscal year, the JSR Group’s loans payable are Japanese yen 15.6 billion in total.

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

### **Review of the current fiscal year**

In fiscal 2007, we embarked on JUMP2010, a four-year mid-term management plan that sets out the vision to be achieved by 2010. In 2008, we faced the global economic crisis, and revised the numerical targets and action plan for the last two years of JUMP2010. The current fiscal year marked the last fiscal year of JUMP2010,

which we considered an important milestone laying the foundation for the next mid-term management plan.

In our petrochemical products business, we promoted sales expansion focusing primarily on highly functional products; price revisions were also made on our products to cope with the rising prices of main raw materials. In the fine chemicals and other products business (primarily information and electronic materials), we were committed to expanding sales of cutting-edge materials. As measures to improve earnings, efforts have been made to reduce fixed cost in addition to the E-100 Project which has been promoted primarily to reduce variable costs as well as efforts to control fixed costs.

As a result, we successfully achieved the revised numerical targets for the current fiscal year, the final year of the mid-term management plan (shown in “target/result”): Japanese yen 340 billion/Japanese yen 340.6 billion in consolidated sales, Japanese yen 38 billion/Japanese yen 39 billion in operating profits, 11.2%/11.5% in operating profitability ratio, and 9.7%/10.8% in ROE (return on equity).

JSR20i3 (pronounced “JSR twenty-thirteen”), a new mid-term management plan starting from the current fiscal year, has been launched to achieve further growth on an ongoing basis and fulfill the vision by 2020. JSR20i3 represents not only the final year of the plan (FY2013) but also “materials innovation,” our corporate mission, indicating by replacing the ‘1’ with an ‘i.’

### **Strategies for future**

Stated below are the basic principles of JSR20i3, the new mid-term management plan.

#### **(a) Basic policy**

JSR20i3 is a three-year mid-term management plan that sets out the vision to be achieved by 2020, based on business environment analyses up to 2030.

“Uncertainty” and “diversity” were identified as key words characterizing the 2010’s. A three-year plan was developed to enable quick action in a business environment that is expected undergo significant changes.

The plan, which serves as “activation towards growth,” sets the start-up of the strategic businesses as the top-priority challenge. We will make efforts to boost three business segments — the petrochemical products business, the fine chemicals business (including semiconductor materials and FPD materials), and the strategic businesses — to achieve the vision by 2020.

Today, the JSR Group is underpinned by two major businesses: the petrochemical products and the fine chemicals businesses. These key businesses will continue to serve as the engine for pursuing further expansion. Meanwhile, we will step up our efforts to develop the strategic businesses (encompassing precision materials and processing, environment and energy, and biomedical materials) to a scale equivalent to that of each key business.

#### **(b) JSR20i3 growth scenario**

In the key businesses, we will strive to set the global standard, establish a No. 1 or No. 2 presence in the global market in competitive product categories, and achieve growth outpacing that of industries in which our customers operate.

Meanwhile, we will expedite the launch of strategic businesses into which heavy investments have been made since FY2009 to develop such businesses into the third key business. Proactive measures will be taken to achieve these goals by investing and allocating resources.

## **Challenges in our petrochemical products business**

In major user industries of our petrochemical products business, automakers and automotive tire manufacturers are expected to face a gradual decrease in demand in Japan. Meanwhile, the need for high value-added products that help reduce environmental impact (e.g., fuel-efficient tires) are expected to grow in the global market, while demand for general-purpose products is expected to show continued expansion in China and other emerging countries.

With this business environment in mind, we will be committed to ensuring global business management, upgrading the operational framework, expanding the business to establish a No. 1 or No. 2 presence in the global market in competitive product categories, promoting capacity enhancement, and achieving growth outpacing that of industries in which customers operate. As part of measures to fulfill these goals, portfolio management has been introduced to ensure business management suited for respective product categories and to achieve the operating profitability ratio of 10%.

Specifically, our products are classified into three categories (A, B, and C). Included in Category A are S-SBR and butyl rubber; demand for these products is expected to grow larger and faster while we have technical capabilities to ensure our competitive edge in these products. We will work proactively on capacity enhancement and sales expansion, thereby expanding the business to establish a No. 1 or No. 2 presence in the global market. Notably, a decision was made to enhance the production capacity of S-SBR for fuel-efficient tires in Japan and Thailand. With production facilities in place in Europe, we will continue to upgrade our global supply framework to secure the top share in the global market.

Category B includes olefin- and butadiene-based thermoplastic elastomers and hydrogenated polymers that are derived from our proprietary technologies. We will work to expand their sales volume by developing new applications and markets, and enhance production capacity to meet demand.

Category C includes E-SBR (emulsion styrene-butadiene rubber), nitrile rubber, ethylene-propylene rubber, emulsions, and ABS resins. We will effectively utilize existing resources and maximize earnings by increasing productivity and developing unique applications.

To keep pace with the expanding market of emerging countries (China in particular), the marketing framework of JSR (Shanghai) Co., Ltd. will be upgraded to further promote sales expansion.

To strengthen earning structure, we will stay committed to the E-100plus Project, an advanced and upgraded version of the E-100 Project that focused on reducing costs. The E-100plus Project is intended to facilitate reduction in variable and fixed costs, as in the E-100 Project, while introducing innovative approaches in cost reduction, enhancing productivity, and increasing the efficiency of the supply chain with new technologies and techniques. The activities will involve not only all the group companies but also suppliers to strengthen overall earning structure.

Meanwhile, we will step up efforts to procure butadiene that is expected to be in short supply in the global market, as part of activities to review the earning structure and achieve a highly profitable business structure.

## **Challenges in our fine chemicals and other products business**

In major user industries of our fine chemicals and other products business, semiconductor and FPD industries are expected to record high growth in the global market. In particular, demand for LCD TV sets, PCs, smartphones, tablet PCs, among others, is projected to increase in emerging countries.

In these industries, the need for materials with new added value will grow in line with the development and evolution of new technologies, while prices will be continuously reduced as digital technologies evolve into

commodities (in general-purpose applications). Thus, bipolar nature of the market will be increasingly visible.

With this business environment in mind, in the semiconductor materials business, we will take the initiative in harnessing diverse emerging technologies and values for achieving further miniaturization to develop next-generation lithography materials, and thereby achieve business expansion. In the FPD materials business, application devices are expected to be increasingly diversified. We will take proactive measures to launch new products and achieve business expansion.

### **Challenges in our semiconductor materials business**

In the lithography materials business, we will be committed to expanding sales in immersion lithography applications, increasing our global market share in ArF photoresists to 40%, and expanding our sales of multi-layer materials. A mass-production framework will be launched to manufacture cutting-edge materials that are used in next-generation lithography processes, including the EUV (extreme ultraviolet) lithography process.

In the process materials business, we will enhance the cost and quality competitiveness of CMP materials. In the cutting-edge packaging materials business, efforts will be made to expand the market share of thick film photoresists and photosensitive insulation materials, and set the global standard of materials for hybrid devices. Through these efforts, we will ensure competitive advantages in the market.

To cope with the trend of products turning into commodities, we will further pursue differentiation of the products by enhancing cost competitiveness and improving production technologies.

### **Challenges in our FPD materials business**

We will enhance our global operations primarily in Japan, South Korea, Taiwan, and China, and expand the market share of our mainstay products including alignment films and colored photoresists. Also, efforts will be made to expand the scope of business in growth sectors such as 3D TV sets and highly functional mobile devices, to achieve growth outpacing that of the market.

In the Chinese market where LCD panel production continues to expand, a locally oriented marketing framework has been established by JSR (Shanghai) Co., Ltd. We will enhance our capabilities for supplying high quality products via collaboration framework between facilities in Japan, South Korea, and Taiwan. Meanwhile, a review will be launched to build a production facility in China.

To meet the trend of lower prices, we will further promote the E-100plus Project, optimize global production facilities, and procure raw materials from different parts of the world, among others, to streamline business costs and enhance competitiveness.

### **Challenges in our strategic businesses and others**

“Strategic businesses” defined by the JSR Group encompass precision materials and processing, environment and energy, and biomedical materials, namely, promising business segments that are expected to grow significantly in future. Efforts have been made to reinforce the promotional framework. We will give priority to strategic businesses in resource allocation to develop them into the third key business following the petrochemical products and fine chemicals businesses. The launch of strategic businesses will be accelerated to achieve growth outpacing that recorded in the semiconductor materials and FPD materials businesses.

In the precision materials and processing business, we will offer competitive products in the market by taking advantage of our materials development capabilities, microfabrication technologies, and added functionalities. The ITO film segment will be the first step to expanding our business. We will expand sales of retardation films

for mobile terminals and mobile phone camera lens by taking advantage of ARTON<sup>®</sup> heat resistant transparent resin. Meanwhile, LUCERA<sup>™</sup>, newly developed super-heat-resistant transparent films, will be promoted in sectors where high functionality is required.

In the environment and energy business, the JSR Group will expand sales of lithium-ion battery binders and lithium ion capacitors. In the lithium ion capacitors business developed by JM Energy Corporation (a consolidated subsidiary), ultra-low-resistance flat prismatic type lithium ion capacitor cells have been added on the product lineup, with lithium ion capacitors increasingly employed in instantaneous voltage drop/power interruption backup units, among others. Marketing has been launched for mobile applications such as automobiles, trams etc. Further applications will be developed to achieve global business expansion.

Meanwhile, we have been developing markets of proprietary heat storage and latent heat materials, as well as differentiated bioplastics, BIOLLOY<sup>™</sup>. Efforts will be made to ensure a successful business startup.

In the biomedical materials business, by utilizing our cutting edge technologies for particles and microfabrication as differentiation factors, we will continue our efforts to develop materials with competitive advantages, including molecular diagnosis materials, column particles, and latex diagnostic reagents, to ensure a successful business establishment.

## **Other challenges for the JSR Group**

### **(a) Human Resource Development**

Development of human resources is one of the most critical challenges for ensuring sustainable corporate development over the long term. With this in mind, we will continue our efforts to accelerate measures necessary to develop human resources and enhance the organizational competence based on a human resources development policy that gives priority to helping employees achieve self-sustaining development. Notably, a concept of “cultivation” has been added to existing corporate guidelines so that the corporate culture in which all employees learn from and teach each other will be further penetrated and, thus, development of human resources and improvement in personal and organizational competence will be made.

Meanwhile, the declining birthrate and aging population are expected to bring about changes in the quantity and quality of the workforce, and promote diversification of values. To meet such social changes, efforts will be made on a group basis to enhance diversity and work-life management (balance) so that we can harness the power of employees with diverse values and increase organizational flexibility. Global operational capabilities will also be upgraded.

### **(b) Corporate governance**

JSR Corporation is run under a “company with corporate auditors” governance framework. The corporate management is monitored by the board of directors and corporate auditors. We have made efforts to enhance monitoring of the board of directors by electing highly independent attorneys and certified public accountants as outside corporate auditors.

In an effort to further upgrade the monitoring functions, a decision was made to elect outside directors at this general meeting of shareholders. Highly independent outside directors who work with neutrality and possess rich business experience will help enhance functions to monitor the appropriateness of the management decisions and to ensure integrity in management and business execution, among other aspects. We will stay committed to enhancing and upgrading corporate governance to achieve fair, transparent, and quick management and business execution.

**(c) CSR**

To fulfill our corporate social responsibility (CSR), we have promoted CSR activities under the guidance of the CSR Committee in four activity areas: corporate ethics, responsible care, risk management, and social contributions. In particular, environment and safety are considered as priority challenges that serve the bedrock of management as a member of the chemical industry. Activities will be promoted effectively on a group basis to raise the level of commitment.

In April 2009, the JSR Group showed its support to and signed the Global Compact, which comprises action principles advocated by the United Nations. As a company developing business globally, we will take more precautions in the areas of human rights, labor, the environment, and anti-corruption as stipulated in the Global Compact, and ensure responsible practices in the global community.

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

| Category             |             | 63rd Term<br>(FY 2007) | 64th Term<br>(FY 2008) | 65th Term<br>(FY 2009) | 66th Term<br>(FY 2010) |
|----------------------|-------------|------------------------|------------------------|------------------------|------------------------|
| Sales                | (¥ million) | 406,967                | 352,502                | 310,183                | 340,665                |
| Net profit           | (¥ million) | 36,994                 | 13,981                 | 13,644                 | 27,570                 |
| Net profit per share | (¥)         | 147.26                 | 56.36                  | 55.87                  | 113.07                 |
| Total Assets         | (¥ million) | 416,950                | 339,497                | 373,565                | 390590                 |

(Notes)

1. Both sales and net profit for the 63rd Term increased with higher sales in each business.
2. Both sales and net profit for the 64th Term decreased with lower sales in every business.
3. Both sales and net profit for the 65th Term decreased with lower sales in every business.
4. Results for the 66th Term are as shown in the “Progress and Results of Businesses” in (1) above.

**(6) Principal Subsidiaries and Affiliates (as of March 31, 2011)**

**1) Principal Subsidiaries**

| Company Name                              | Capital         | Shareholding ratio | Main business                                                                   |
|-------------------------------------------|-----------------|--------------------|---------------------------------------------------------------------------------|
| ELASTOMIX Co., Ltd.                       | ¥415 million    | 98.5 %             | Production and sale of carbon master batches and rubber compounds               |
| ELASTOMIX (THAILAND) CO., LTD.            | Baht 75,000,000 | 75 (50)            | Production and sale of carbon master batches and rubber compounds               |
| ELASTOMIX (FOSHAN) CO., LTD.              | US\$3,500,000   | 100 (100)          | 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                           |
| Emulsion Technology Co., Ltd.             | ¥168 million    | 100                | Production and sale of latex compounds                                          |
| Techno Polymer Co., Ltd.                  | ¥3,000 million  | 100                | Production, processing and sale of plastics                                     |
| JAPAN COLORING CO., LTD.                  | ¥280 million    | 100 (25)           | Production and sale of plastics color compounds                                 |
| TECHNO POLYMER HONG KONG CO., LTD.        | HK\$2,500,000   | 100 (100)          | Procurement and sale of plastics                                                |
| Techno Polymer (Thailand) Co., Ltd.       | Baht 8,010,000  | 49 (49)            | Procurement and sale of plastics                                                |
| Techno Polymer (Shanghai) Co., Ltd.       | US\$ 200,000    | 100 (100)          | Procurement and sale of plastics                                                |
| Techno Polymer Guangzhou Co., Ltd.        | US\$ 300,000    | 100 (100)          | Procurement and sale of plastics                                                |
| TECHNO POLYMER AMERICA, INC.              | US\$ 300,000    | 100 (100)          | Procurement and sale of plastics                                                |
| Shanghai Rainbow Color Plastics Co., Ltd. | ¥700 million    | 60 (60)            | Production and sale of plastics color compounds                                 |
| JSR Micro Kyushu Co., Ltd.                | ¥300 million    | 100                | Production and sale of semiconductor materials and 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             |

| 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   | 100 (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                                                                     |
| JM Energy Corporation           | ¥300 million         | 100                | Development, manufacture and retail of lithium ion capacitors and modules.                                              |
| 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 (Shanghai) Co., Ltd         | US\$200,000          | 100                | Marketing of synthetic rubber, semiconductor materials and flat panel display materials                                 |
| JSR Trading Co. Ltd.            | ¥480 million         | 100                | Procurement, sale and Import and export of chemicals, etc. casualties insurance agency and life insurance solicitation. |
| JSR Trading (Shanghai) Co. Ltd. | US\$200,000          | 100 (100)          | Procurement, sale, import and export of chemicals, etc.                                                                 |
| JSR Business Services Co., Ltd. | ¥10 million          | 100                | Undertaking of entrusted clerical office works and design, development, maintenance and operation of computer systems.  |

(Notes)

1. Figures in the above “Shareholding ratio” column represent shareholding ratio owned by the Company and its subsidiary (ies) as a whole while those in the brackets in the right hand side indicate the ratio owned by subsidiary(ies) of the Company.
2. Techno Polymer Guangzhou Co., Ltd. and JSR (Shanghai) Co., Ltd. are added to the list above from this fiscal year.

## 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      | 50 (23)            | Production and sale of carbon master batches and rubber compounds                                                                                            |
| Tri Chemical Laboratories Inc.              | ¥741 million       | 20                 | Research, development, production and sale of high purity chemical products used in materials for semi-conductors, optical fibers, and solar batteries, etc. |

(Notes) Figures in the above “Shareholding ratio” column represent shareholding ratio owned by the Company and its subsidiary as a whole while those in the brackets in the right hand side indicate the ratio owned by the subsidiary of the Company.

## (7) Major Business Activities (as of March 31, 2011)

Manufacturing and sales of the following products

| Business Segments               |                              |                                                                                 | Products / Materials                                                                                                               |
|---------------------------------|------------------------------|---------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| Petrochemical Products Business | Elastomers                   | Synthetic Rubber                                                                | General purpose synthetic rubber, specialty rubber, thermoplastic elastomers (TPEs), carbon master batches, rubber compounds, etc. |
|                                 |                              | TPEs                                                                            | Thermoplastic Elastomers and processed products, etc                                                                               |
|                                 |                              | Emulsions                                                                       | Paper coating latex, general purpose industrial latex, acrylic emulsion, latex compounds, etc                                      |
|                                 |                              | Others                                                                          | Chemical products and other chemicals,                                                                                             |
|                                 | Plastic                      | ABS resin, AES resin, AS resin, ASA resin, and colored plastics compounds, etc. |                                                                                                                                    |
| Diversified Products Business   | Semiconductor materials      |                                                                                 | Photoresists, CMP materials, packaging materials, multi-layered materials, etc.                                                    |
|                                 | Flat panel display materials |                                                                                 | Color liquid crystal display ( LCD) materials, anti-reflection film, etc.                                                          |
|                                 | Optical materials            |                                                                                 | Optical fiber coating materials, functional coating materials, heat-resistant transparent resin and functional film, etc.          |

|  |                                |                                                                                                                                   |
|--|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|
|  | Performance chemical materials | Highly functional coating materials, high performance dispersants, functional particles for industrial use, bio-medical materials |
|  | Others                         | IC testing fixtures, packing materials, etc.                                                                                      |

**(8) Sales Offices, Plants, and other facilities (as of March 31, 2011)**

1) The Company

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

## 2) Principal Subsidiaries and Affiliates

| Business Segments                          | Company                                      | Location of Head Office |
|--------------------------------------------|----------------------------------------------|-------------------------|
| Elastomer Business                         | ELASTOMIX Co., Ltd.                          | Yokkaichi, Mie          |
|                                            | ELASTOMIX (THAILAND) CO., LTD.               | Thailand                |
|                                            | ELASTOMIX (FOSHAN) CO., LTD.                 | China                   |
|                                            | Japan Butyl Co., Ltd.*                       | Kawasaki, Kanagawa      |
|                                            | Kumho Polychem Co., Ltd.*                    | South Korea             |
|                                            | KRATON JSR ELASTOMERS K.K.*                  | Minato-ku, Tokyo        |
|                                            | TIANJIN KUO CHENG RUBBER INDUSTRY CO., LTD.* | China                   |
|                                            | JSR AMERICA, INC.                            | United States           |
|                                            | Emulsion Technology Co., Ltd.                | Yokkaichi, Mie          |
| Plastic Business                           | Techno Polymer Co., Ltd.                     | Chuo-ku, Tokyo          |
|                                            | JAPAN COLORING CO., LTD.                     | Yokkaichi, Mie          |
|                                            | TECHNO POLYMER HONG KONG CO., LTD.           | Hong Kong               |
|                                            | Techno Polymer (Thailand) Co., Ltd.          | Thailand                |
|                                            | Techno Polymer (Shanghai) Co., Ltd.          | China                   |
|                                            | Techno Polymer Guangzhou Co., Ltd.           | China                   |
|                                            | TECHNO POLYMER AMERICA, INC.                 | United States           |
|                                            | Shanghai Rainbow Color Plastics Co., Ltd.    | China                   |
| Fine Chemicals and Other Products Business | JSR Micro Kyushu Co., Ltd.                   | Saga, Saga              |
|                                            | JSR MICROTECH INC.                           | Hidaka, Saitama         |
|                                            | D-MEC LTD.                                   | Minato-ku, Tokyo        |
|                                            | JSR Optech Tsukuba Co., Ltd.                 | Tsuchiura, Ibaraki      |
|                                            | JSR Micro N.V.                               | Belgium                 |
|                                            | JSR Micro, Inc.                              | United States           |
|                                            | JSR Micro Korea Co., Ltd.                    | South Korea             |
|                                            | JSR Micro Taiwan Co., Ltd.                   | Taiwan                  |
|                                            | JM Energy Corporation                        | Hokuto, Yamanashi       |
|                                            | JAPAN FINE COATINGS Co., Ltd.*               | Tsuchiura, Ibaraki      |
|                                            | Tri Chemical Laboratories Inc. *             | Uenohara, Yamanashi     |
|                                            | JSR LOGISTICS CO., LTD.                      | Yokkaichi, Mie          |
|                                            | JSR ENGINEERING CO., LTD.                    | Yokkaichi, Mie          |
|                                            | Nichigo Kogyo Co., Ltd.                      | Kamisu, Ibaraki         |
|                                            | JSR (Shanghai) Co., Ltd                      | China                   |
|                                            | JSR Trading Co. Ltd.                         | Minato-ku, Tokyo        |
| JSR Trading (Shanghai) Co., Ltd            | China                                        |                         |
| JSR Business Services Co., Ltd.            | Minato-ku, Tokyo                             |                         |

(Note) \* Denotes principal affiliates

## (9) Employees (as of March 31, 2011)

| Number. of employees | Increase/decrease from previous term |
|----------------------|--------------------------------------|
| 5,259                | decrease by 47                       |

**(10) Major Lenders (as of March 31, 2011)**

| Lenders                                | Outstanding amount of loans |
|----------------------------------------|-----------------------------|
|                                        | ¥ million                   |
| Mizuho Corporate Bank, Ltd.            | 4,055                       |
| Sumitomo Mitsui Banking Corporation    | 3,845                       |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 3,843                       |

**2 Shares of the Company (as of March 31, 2011)**

|                                                    |                    |
|----------------------------------------------------|--------------------|
| (1) Total number of shares authorized to be issued | 696,061,000 shares |
| (2) Total number of issued shares                  | 255,885,166        |
| (3) One unit of shares                             | 100                |
| (4) Number of shareholders                         | 22,431             |
| (5) Major Shareholders                             |                    |

| Name of shareholder                                                                                        | Investments in the Company |                    |
|------------------------------------------------------------------------------------------------------------|----------------------------|--------------------|
|                                                                                                            | Number of shares held      | Shareholding Ratio |
|                                                                                                            | '000 shares                | %                  |
| Bridgestone Corporation                                                                                    | 40,866                     | 16.94              |
| Japan Trustee Services Bank, Ltd. (trust account)                                                          | 16,869                     | 6.99               |
| The Master Trust Bank of Japan, Ltd. (trust account)                                                       | 11,495                     | 4.76               |
| The Master Trust Bank of Japan, Ltd. (trust account for Retirement Allowance of Mitsubishi Chemical Corp.) | 9,888                      | 4.09               |
| Nippon Life Insurance Company                                                                              | 5,998                      | 2.48               |
| THE CHASE MANHATTAN BANK 385036                                                                            | 5,298                      | 2.19               |
| Mizuho Corporate Bank, Ltd.                                                                                | 5,125                      | 2.12               |
| Japan Trustee Services Bank, Ltd. (trust account 9)                                                        | 4,757                      | 1.97               |
| SSBT OD05 OMNIBUS ACCOUNT- TREATY CLIENTS                                                                  | 3,935                      | 1.63               |
| Meiji Yasuda Life Insurance Company                                                                        | 3,631                      | 1.50               |

(Notes)

- The numbers in the columns under "Number of shares held" are rounded down to thousands of shares.
- The Company that owns treasury shares of 14,644,993 is excluded from the above table of the major shareholders.
- The shareholding ratio is calculated by using 241,240,173 shares (calculated by deducting number of treasury shares (14,644,993 shares) from Total number of issued shares (255,885,166 shares) ) and rounded down to two decimal places.

### 3. Matters Related to stock acquisition rights of the Company (as of March 31, 2011)

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

| Description        | Name of stock acquisition rights (issuing date)                                    | The number of stock acquisition rights | Class and number of shares to be issued upon exercising the rights | Amount to be paid per share for exercising the rights | Period for exercising stock acquisition rights | Number of holders |
|--------------------|------------------------------------------------------------------------------------|----------------------------------------|--------------------------------------------------------------------|-------------------------------------------------------|------------------------------------------------|-------------------|
| Directors          | JSR Corporation Stock acquisition rights for 2005 (June 17, 2005)                  | 277 units                              | Ordinary shares 27,700 shares                                      | 1 yen                                                 | From June 18, 2005 to June 17, 2025            | 8                 |
|                    | JSR Corporation Stock acquisition rights for 2006 (for Directors) (August 1, 2006) | 157 units                              | Ordinary shares 15,700 shares                                      | 1 yen                                                 | From August 2, 2006 to June 16, 2026           | 6                 |
|                    | JSR Corporation Stock acquisition rights for 2006 (for Officers) (August 1, 2006)  | 38 units                               | Ordinary shares 3,800 shares                                       | 1 yen                                                 | From August 2, 2006 to June 16, 2026           | 3                 |
|                    | JSR Corporation Stock acquisition rights for 2007 (July 10, 2007)                  | 276 units                              | Ordinary shares 27,600 shares                                      | 1 yen                                                 | From July 11, 2007 to July 10, 2027            | 9                 |
|                    | JSR Corporation Stock acquisition rights for 2008 (July 15, 2008)                  | 419 units                              | Ordinary shares 41,900 shares                                      | 1 yen                                                 | From July 16, 2008 to July 15, 2028            | 9                 |
|                    | JSR Corporation Stock acquisition rights for 2009 (July 14, 2009)                  | 585 units                              | Ordinary shares 58,500 shares                                      | 1 yen                                                 | From July 15, 2009 to July 14, 2029            | 9                 |
|                    | JSR Corporation Stock acquisition rights for 2010 (July 13, 2010)                  | 614 units                              | Ordinary shares 61,400 shares                                      | 1 yen                                                 | From July 14, 2010 to July 13, 2030            | 9                 |
| Corporate Auditors | 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 were issued to the Corporate Auditor when he held office as a Director of the Company.

#### (2) Stock acquisition rights issued to employees during the current fiscal term

| Qualified individuals   | Name of stock acquisition rights (issuing date)                   | The number of stock acquisition rights | Class and number of shares to be issued upon exercising the rights | Amount to be paid per share for exercising the rights | Period for exercising stock acquisition rights | Number of employees issued |
|-------------------------|-------------------------------------------------------------------|----------------------------------------|--------------------------------------------------------------------|-------------------------------------------------------|------------------------------------------------|----------------------------|
| Officers of the Company | JSR Corporation Stock acquisition rights for 2010 (July 13, 2010) | 228 units                              | Ordinary shares 22,800 shares                                      | 1 yen                                                 | From July 14, 2010 to July 13, 2030            | 10                         |

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

##### (1) Directors and Corporate Auditors of the Company (as of March 31, 2011)

| Position                              | Name              | Responsibilities and Important concurrent positions held, etc.                                                                                                        |
|---------------------------------------|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Chairman and Representative Director  | Yoshinori Yoshida | (Important concurrent positions held) President, Japan Butyl Co., Ltd.                                                                                                |
| President and Representative Director | Mitsunobu Koshiba |                                                                                                                                                                       |
| Senior Managing Director              | Tsugio Haruki     | CSR, Accounting, Finance, Corporate Communications                                                                                                                    |
| Senior Managing Director              | Seiichi Hasegawa  | Procurement, Logistics, and Information Technology<br>(Important concurrent positions held)<br>President, Tobu Butadiene Co., Ltd.                                    |
| Managing Director                     | Masaki Hirose     | Corporate Planning, Group Companies Coordination, Human Resources, and General Affairs & Legal                                                                        |
| Managing Director                     | Hozumi Sato       | Research & Development and Strategic Businesses                                                                                                                       |
| Managing Director                     | Yasuki Sajima     | Fine Chemicals Sector                                                                                                                                                 |
| Director                              | Koichi Kawasaki   | Petrochemical Products Sector (including Plastics), Safety Environment Affairs<br>(Important concurrent positions held)<br>Vice President, KRATON JSR ELASTOMERS K.K. |
| Director                              | Hisao Hasegawa    | Manufacturing and Technology, Product Safety and Quality Assurance                                                                                                    |
| Full-time Corporate Auditor           | Yoshio Tamaki     |                                                                                                                                                                       |
| Full-time Corporate Auditor           | Nobuo Bessho      |                                                                                                                                                                       |
| Corporate Auditor                     | Kenji Ito         | Certified Public Accountant                                                                                                                                           |
| Corporate Auditor                     | Hiroichi Uekusa   | Lawyer                                                                                                                                                                |
| Corporate Auditor                     | Nobuko Kato       | Fellow, Assistant to Vice President & Officer, Central Research, Bridgestone Corporation                                                                              |

(Notes)

1. Messrs. Kenji Ito, Hiroichi Uekusas, and Nobuko Kato, Corporate Auditors, are Outside Corporate Auditors. As to the details of important concurrent positions of the Outside Corporate Auditors, please refer to the section under “(3) Matters related to Outside Directors and Outside Corporate Auditors” in page 22 hereof.
2. Mr. Kenji Ito, a Corporate Auditor, is a certified public accountant, having sufficient knowledge of financing and accounting.
3. Messrs Kenji Ito and Hiroichi Uekusa were registered at Tokyo Stock Exchange and Osaka Stock Exchange as “Independent Corporate Auditors” in accordance with their respective definitions.

**(Reference) : Officers of the Company (as of March 31, 2011)**

| Position       | Name                | Responsibilities and Title                                                                                  |
|----------------|---------------------|-------------------------------------------------------------------------------------------------------------|
| Senior Officer | Koichi Kawasaki*    | General Manager, Petrochemical Products Division                                                            |
| Senior Officer | Hisao Hasegawa*     | General Manager, Manufacturing and Technology Department                                                    |
| Senior Officer | Atsushi Kumano      | General Manager, Research and Development Department                                                        |
| Senior Officer | Shin-ichiro Iwanaga | General Manager, Tsukuba Research Laboratories                                                              |
| Senior Officer | Yasuhisa Nagahiro   | Yokkaichi Plant Manager                                                                                     |
| Officer        | Takashi Wakabayashi | General Manager, Business Planning Department. Fine Chemicals                                               |
| Officer        | Nobuo Kawahashi     | President, JSR Micro Korea Co., Ltd                                                                         |
| Officer        | Takatoshi Nagatomo  | Deputy General Manager, Petrochemical Products Division                                                     |
| Officer        | Ken Sugimoto        | General Manager, Electronics Materials Division and General Manager, Electronics Materials Department No.1. |
| Officer        | Takeshi Watanabe    | General Manager, Yokkaichi Research Center                                                                  |
| Officer        | Hayato Hirano       | General Manager, Finance Department                                                                         |
| Officer        | Katsusya Inoue      | General Manager, Corporate Planning Department                                                              |

(Note)

1. \* Denotes officers that concurrently serve as Directors

**(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        | 339              | 5                 | 86               |
| (for Outside Directors and Outside Corporate Auditors)                          | (-)      | (-)              | (3)               | (16)             |
| Bonus for this fiscal term                                                      | 9        | 90               | -                 | -                |
| (for Outside Directors and Outside Corporate Auditors)                          | (-)      | (-)              | (-)               | (-)              |
| Stock Option as Remuneration to Directors                                       | 9        | 86               | -                 | -                |
| (for Outside Directors and Outside Corporate Auditors)                          | (-)      | (-)              | (-)               | (-)              |
| Total                                                                           | 9        | 515              | 5                 | 86               |
| (for Outside Directors and Outside Corporate Auditors)                          | (-)      | (-)              | (3)               | (16)             |

(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 5 of the agenda at this Ordinary General Meeting of Shareholders.
4. The Board of Directors may, upon its resolution, grant Stock Option as Remuneration to Directors as long as the maximum annual amount does not exceed ¥100 million in accordance with the resolution of the 62nd Ordinary General Meeting of Shareholders held on June 15, 2007.  
The amounts in the “Stock Option as Remuneration to Directors” column in the above table are those of the fair value of the stock acquisition rights issued to the Directors of the Company as remuneration and recorded as expenses for the current fiscal term.
5. The above figures do not include the salaries for the employee portion of the Directors who concurrently serve as employees.
6. The above figures are rounded down to ¥1 million.

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

#### 1) Important concurrent positions Outside Corporate Auditors hold

| Name            | Position          | Important concurrent positions held                                                                                     |
|-----------------|-------------------|-------------------------------------------------------------------------------------------------------------------------|
| Kenji Ito       | Corporate Auditor | None                                                                                                                    |
| Hiroichi Uekusa | Corporate Auditor | Partner, Minato-Kyouwa Law Office,<br>Professor, University of Tsukuba Law School                                       |
| Nobuko Kato     | Corporate Auditor | Executive Senior Fellow (treated as Senior Officer)<br>Central Research and Development Center, Bridgestone Corporation |

- (Note) 1. No conflict of interest exists between the Company and neither Minato-Kyouwa Law Office nor University of Tsukuba Law School.
2. Bridgestone Corporation is a corporation which falls under the category of “specially related companies (major customers)” under the Corporation Law.

#### 2) Major activities during the current fiscal term

| Name            | Position          | Major activities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-----------------|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Kenji Ito       | Corporate Auditor | Mr. Ito participated in all 17 meetings of the Board of Directors and in all 16 meetings of the Board of Corporate Auditors held during the current fiscal term. Mr. Ito has been effectively performing the audit of the Company and has been contributing in securing the fair and reasonable judgment for, and accountable and sound management of, the businesses of the Company, as a Certified Public Accountant ,by utilizing range of his professional knowledge and vast experience on financing and accounting matters and by providing appropriate advices from the neutral and independent view point and at the Board of the Directors meetings etc. from time to time, |
| Hiroichi Uekusa | Corporate Auditor | Mr. Uekusa participated in all 17 meetings of the Board of Directors and in all 16 meetings of the Board of Corporate Auditors held during the current fiscal term.<br>Mr. Uekusa has been effectively performing the audit of the Company and has been contributing in securing the fair and reasonable judgment for, and accountable and sound management of, the businesses of the Company, as a Lawyer, by utilizing range of his professional knowledge and vast experience on legal matters and by providing appropriate advices from the neutral and independent view point at the Board of the Directors meetings etc. from time to time.,                                   |
| Nobuko Kato     | Corporate Auditor | Ms. Kato participated in all 17 meetings of the Board of Directors and in all 16 meetings of the Board of Corporate Auditors held during the current fiscal term.<br>Ms. Kato has been effectively performing the audit of the Company and has been contributing in securing the fair and reasonable judgment for, and accountable and sound management of, the businesses of the Company by utilizing range of her knowledge and vast experience on Research and Development on Elastomers and Managing Businesses and by providing appropriate advices at the Board of the Directors meetings etc. from time to time.                                                              |

## 5. Accounting Auditor

**(1) Name** KPMG AZSA LLC

(Note) KPMG AZSA & Co, which has been Accounting Auditor of the Company, changed its status and renamed as KPMG AZSA LLC effective from 1st July 2010.

**(2) Amount of remuneration for Accounting Auditor for the current fiscal term**

- 1) Amount of remuneration as an Accounting Auditor of the Company  
Amount of remuneration for services under Paragraph 1, Article 2 of the Certified Public Accountant Law ; ¥57 million
- 2) Total amount of remuneration to be paid by the Company and its subsidiaries; ¥65 million

(Note)

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 Corporation Law and audits under the Securities and Exchange Law. Since it is virtually impossible to make a distinction between the two, the figure for remunerations paid in 1) above includes that under the Securities and Exchange Law.

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

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

## 6. Structures to Ensure Propriety of Business Conduct

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

The statements below reflects partial modification of Corporate philosophy and names of medium-term business plan and activities therein, both of which have been effective from 1st April 2011 onward.

**(1) Basic policies for management**

The Company holds and relies on the following Corporate Mission and Management Policies for managing and conducting its businesses.

Corporate Mission :

Materials Innovation :

We create value through materials to enrich society, people, and the environment.

Management Policies:

- Persistently challenge “revolution”, constantly “evolve” globally and strive to be a technology oriented company.
- Pursue efficient, transparent, and sound management practices, and strive to be a company trusted by stakeholders.
- Practice Responsible Care for the world’s future.

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

- 1) Under the rules of the Board of Directors and other relevant rules, the Board of Directors monitors the execution of duties of Directors, as well as makes decisions on important management matters of the Company and on fundamental management matters of JSR group companies consisting of those whose parent company under the Corporation Law is the Company ( inclusive of the Company as “JSR Group”).
- 2) The Company has established CSR Conference chaired by the Director in charge and consisting of four committees such as Corporate Ethics Committee, Responsible Care Promotion Committee, Risk Management Committee, and Social Contribution Committee, which directs and supervises the activities to ensure and promote CSR of JSR Group including compliance with laws, ordinances and other rules.
- 3) The Company established “JSR Group Principles of Corporate Ethics” as a code of conduct for the Directors and employees of JSR Group, which JSR Group endeavors to make thoroughly understood and penetrated among their respective Directors and employees by continual education and promotion under the supervision of the Corporate Ethics Committee.
- 4) The Company has, in accordance with the Financial Instruments and Exchange Law, established and been managing and maintaining the internal control system to ensure adequacy of its financial report.
- 5) The Company has established Audit Office, independent from the business execution divisions, in order to monitor and internally audit the effectiveness of the internal control system.
- 6) The Company has established a consulting and reporting system so that the Directors, employees and so on can report to the Corporate Ethics Committee or through designated external hotlines including outside attorneys (which may be done anonymously) when they become aware of internal actions that violate or are likely to violate the compliance rules. The Company ensures that the informant suffers no disadvantage as a result of such reporting.
- 7) The Company’s basic principle against the anti-social forces is to cut off all relationships including but not limited to any business transactions with such forces. The management and the entire organization of the Company shall resolutely and firmly reject any claims or requirements made by anti-social forces in collaboration with external entities such as the police forces.

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

- 1) The Board of Directors holds regular meetings on monthly basis in principle and ad hoc basis if required in order to consider and resolve important matters relating to the execution of businesses and to monitor and supervise the execution of duties of Directors.
- 2) Management Committee consisting of the Directors holds meetings on weekly basis in principle in order to consider, direct and/or receive reports well in advance on the matters relating to fundamental management policies, managerial guidelines, management plans and/or major business issues arising from business divisions with the view to ensuring timely decisions and further improvement in managerial efficiency of the businesses. After review and consideration by the Management Committee, major issues will be brought up to the Board of Directors for resolution while the rest will be determined by the President. In addition, Management Task Committee consisting of the Directors holds meetings on weekly basis in principle in order to, through discussion and by sharing information and views in advance, review and determine the direction of the key issues relating to management principles and fundamental management policies, policies behind the individual business decisions, or the changes in business strategies, which will be further reviewed and discussed at the Board of Directors Meetings or Management Committee Meetings.
- 3) The Company has established, in relation to business management, its medium-term business plan “JSR 20i3” considering possible changes in business environment in the future, of which implementation plans were broken down into corporate annual targets and budget. Each of the business divisions will set up and implement its action plans to achieve the objectives.

- 4) The Company has launched the cost reform project “E-100plus” to challenge Group-wide innovative and aggressive cost reform beyond the conventional ways of divisional cost reduction activities.
- 5) 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.
- 6) 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. Further, all members of the Directors, Senior Officers, Officers and Full Time Corporate Auditors hold Directors and Officers Meeting on monthly basis in principle with the aim of receiving reports on the status of the business execution at business divisions, enhancing awareness on the major issues, and sharing information through communication.

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

- 1) The Company has continually monitored the risks associated with the execution and progress of the businesses by way of consideration and receipt of reports thereon at the meetings of the Board of Directors, Management Committee, and/or Directors and Officers Meeting as mentioned above and other important meetings as well as controlling budget.
- 2) As for the major risks other than those described in the preceding paragraph 1), Risk Management Committee chaired by the Director responsible for CSR determines appropriate countermeasures in relation to the degree of visible or potential risks, as well as enhances preparation and implementation of the risk management plans made by the relevant Committees (Corporate Ethics Committee, Responsible Care Promotion Committee) or by individual business divisions, or proceeds company-wide risk management activities.
- 3) In the event of serious crisis, the “Emergency Headquarters” (“Anti-Disaster Headquarters” in the case of accidents or disaster) directed by the President will be set up in order to proceed necessary crisis management in accordance with the “Risk Control Manual.”

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

The Company has, in accordance with the relevant laws and “Rules for Documents and Information Management”, been properly maintaining the relevant documents and/or those in electromagnetic forms in relation to the execution of duties of Directors 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 proceed management of JSR Group excluding the Company (“Group Companies”). Each of important management decisions on Group Companies needs relevant approval by the Board of Directors of the Company and/or the Management Committee in accordance with the rules of the Company.
- 2) Group Companies Coordination Department and relevant business divisions of the Company are responsible for administration and management of respective Group Companies, while other corporate functional departments in charge of, such as Safety Environmental Affairs, Accounting, Finance, and General Affairs and Legal, provide support and services to Group Companies.
- 3) The Company has established “JSR Group Corporate Ethics Guideline” to ensure and promote the compliance with the laws and other rules by JSR Group as a whole.
- 4) The Audit Office regularly conducts internal auditing at Group Companies to monitor the effectiveness of the internal control systems.

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

- 1) Matters related to employees assisting Corporate Auditors and ensuring his/her independence  
The Company has appointed a personnel whose responsibilities are to assist Corporate Auditors. Any personnel decisions on such assistant are subject to prior consultation and approval by the Board of Corporate Auditors. In addition, Corporate Auditors evaluate performance of such assistant.
- 2) Structures for Corporate Auditors to receive reports from Directors and employees of the Company and other reports
  - i. The Company ensures that Corporate Auditors can review major decisions on the execution of duties of Directors by ensuring their participation to the meetings of the Board of Directors and 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 maintain cooperation and communication from time to time with relevant parties such as the Audit Office, the Accounting Auditors, corporate auditors of Group Companies, and Group Companies Coordination Department.

Please note that this is an English translation of the original "Consolidated Financial Statements" which are written in Japanese; therefore, in the event of any conflict between the Japanese original and this English translation, the Japanese original shall be controlling in all respects.

## Consolidated Balance Sheet

(in millions of yen, as of March 31, 2011)

| Items                                    | Current Fiscal Year | Previous Fiscal Year (Reference) | Items                                         | Current Fiscal Year | Previous Fiscal Year (Reference) |
|------------------------------------------|---------------------|----------------------------------|-----------------------------------------------|---------------------|----------------------------------|
|                                          | Amount              | Amount                           |                                               | Amount              | Amount                           |
| <b>Assets</b>                            |                     |                                  | <b>Liabilities</b>                            |                     |                                  |
| <b>Current Assets</b>                    | <b>258,715</b>      | <b>229,570</b>                   | <b>Current Liabilities</b>                    | <b>106,830</b>      | <b>100,750</b>                   |
| Cash & deposits                          | 44,237              | 36,676                           | Notes & accounts payable                      | 65,380              | 59,653                           |
| Notes & accounts receivable (net amount) | 73,323              | 73,132                           | Short-term loans payable                      | 14,611              | 14,161                           |
| Short term investment securities         | 55,996              | 34,000                           | Income taxes payable                          | 8,780               | 5,836                            |
| Inventories                              | 57,853              | 58,130                           | Others                                        | 18,058              | 21,099                           |
| Deferred tax assets                      | 4,523               | 4,290                            | <b>Fixed Liabilities</b>                      | <b>19,644</b>       | <b>22,113</b>                    |
| Others                                   | 22,780              | 23,340                           | Allowance for employees' retirement benefits  | 14,175              | 15,903                           |
|                                          |                     |                                  | Allowance for environmental expenses          | 2,960               | 3,183                            |
|                                          |                     |                                  | Others                                        | 2,507               | 3,026                            |
| <b>Fixed Assets</b>                      | <b>131,875</b>      | <b>143,995</b>                   | <b>Total Liabilities</b>                      | <b>126,474</b>      | <b>122,864</b>                   |
| <b>Tangible fixed assets</b>             | <b>79,848</b>       | <b>88,321</b>                    | <b>Net Assets</b>                             |                     |                                  |
| Buildings & structures                   | 28,857              | 30,653                           | <b>Shareholders' equity</b>                   | <b>265,592</b>      | <b>250,170</b>                   |
| Machinery, equipment & vehicles          | 24,831              | 29,201                           | Common stock                                  | 23,320              | 23,320                           |
| Land                                     | 19,149              | 19,435                           | Capital surplus                               | 25,179              | 25,179                           |
| Construction in progress                 | 3,099               | 3,854                            | Retained earnings                             | 244,413             | 223,890                          |
| Others                                   | 3,910               | 5,176                            | Treasury shares                               | (27,320)            | (22,219)                         |
| <b>Intangible fixed assets</b>           | <b>5,293</b>        | <b>5,883</b>                     | <b>Accumulated Other Comprehensive Income</b> | <b>(2,913)</b>      | <b>(730)</b>                     |
|                                          |                     |                                  | Net unrealized holding gain on securities     | 3,606               | 3,610                            |
| <b>Investments &amp; other assets</b>    | <b>46,734</b>       | <b>49,790</b>                    | Foreign currency translation adjustments      | (6,519)             | (4,340)                          |
| Investment securities                    | 29,065              | 28,734                           | <b>Stock acquisition rights</b>               | <b>545</b>          | <b>426</b>                       |
| Deferred tax assets                      | 5,146               | 6,299                            | <b>Minority interest</b>                      | <b>892</b>          | <b>833</b>                       |
| Others                                   | 12,521              | 14,756                           |                                               |                     |                                  |
|                                          |                     |                                  | <b>Total Net Assets</b>                       | <b>264,116</b>      | <b>250,700</b>                   |
| <b>Total Assets</b>                      | <b>390,590</b>      | <b>373,565</b>                   | <b>Total Liabilities/Net Assets</b>           | <b>390,590</b>      | <b>373,565</b>                   |

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

**Consolidated Statement of Income**  
(from April 1, 2010 to March 31, 2011)

(in millions of yen)

| Items                                                        | <b>Current<br/>Fiscal Year</b> | Previous<br>Fiscal Year<br>(Reference) |
|--------------------------------------------------------------|--------------------------------|----------------------------------------|
|                                                              | Amount                         | Amount                                 |
| <b>Net Sales</b>                                             | <b>340,665</b>                 | <b>310,183</b>                         |
| <b>Cost of sales</b>                                         | <b>249,281</b>                 | <b>235,478</b>                         |
| <b>Gross profit on sales</b>                                 | <b>91,384</b>                  | <b>74,704</b>                          |
| <b>Selling, general and administrative expenses</b>          | <b>52,290</b>                  | <b>54,574</b>                          |
| <b>Operating income</b>                                      | <b>39,094</b>                  | <b>20,230</b>                          |
| <b>Non-operating income</b>                                  | <b>5,162</b>                   | <b>5,467</b>                           |
| Interest received                                            | 276                            | 276                                    |
| Dividends received                                           | 349                            | 291                                    |
| Investment income according to equity method                 | 3,205                          | 1,764                                  |
| Foreign exchange gain                                        | —                              | 962                                    |
| Subsidy income                                               | —                              | 828                                    |
| Others                                                       | 1,330                          | 1,344                                  |
| <b>Non-operating expenses</b>                                | <b>1,652</b>                   | <b>3,320</b>                           |
| Interest expenses                                            | 145                            | 172                                    |
| Depreciation                                                 | 307                            | 749                                    |
| Others                                                       | 1,199                          | 2,398                                  |
| <b>Ordinary income</b>                                       | <b>42,604</b>                  | <b>22,377</b>                          |
| <b>Extraordinary losses</b>                                  | <b>1,930</b>                   | <b>2,919</b>                           |
| Loss on devaluation of investment securities                 | 1,063                          | —                                      |
| Loss on earthquake disaster                                  | 444                            | —                                      |
| Restructuring Loss                                           | 422                            | 1,191                                  |
| Loss on disposals of inventories                             | —                              | 1,728                                  |
| <b>Pre-tax net income</b>                                    | <b>40,674</b>                  | <b>19,457</b>                          |
| <b>Income tax, residential tax and enterprise tax</b>        | <b>12,144</b>                  | <b>6,642</b>                           |
| <b>Adjustments of income tax</b>                             | <b>(851)</b>                   | <b>(881)</b>                           |
| <b>Income before minority interests</b>                      | <b>27,678</b>                  | <b>—</b>                               |
| <b>Minority interest income of consolidated subsidiaries</b> | <b>107</b>                     | <b>52</b>                              |
| <b>Net income</b>                                            | <b>27,570</b>                  | <b>13,644</b>                          |

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

## Consolidated Statement of Changes in Net Assets

(from April 1, 2010 to March 31, 2011)

(in millions of yen)

|                                                   | Shareholders' equity |                 |                   |                 |                            |
|---------------------------------------------------|----------------------|-----------------|-------------------|-----------------|----------------------------|
|                                                   | Common stock         | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance as of March 31, 2010                      | 23,320               | 25,179          | 223,890           | (22,219)        | 250,170                    |
| Changes during the consolidated fiscal year       |                      |                 |                   |                 |                            |
| Dividends from surplus                            |                      |                 | (7,082)           |                 | (7,082)                    |
| Net income                                        |                      |                 | 27,570            |                 | 27,570                     |
| Acquisition of Treasury Shares                    |                      |                 |                   | (5,113)         | (5,113)                    |
| Disposal of Treasury Shares                       |                      |                 | (12)              | 12              | 0                          |
| Variation of the scope of consolidation           |                      |                 | 47                |                 | 47                         |
| Net changes other than shareholders' equity       |                      |                 |                   |                 | —                          |
| Total changes during the consolidated fiscal year | —                    | —               | 20,522            | (5,100)         | 15,421                     |
| Balance as of March 31, 2011                      | 23,320               | 25,179          | 244,413           | (27,320)        | 265,592                    |

|                                                   | Accumulated Other Comprehensive Income    |                                         | Stock acquisition rights | Minority interest | Total net assets |
|---------------------------------------------------|-------------------------------------------|-----------------------------------------|--------------------------|-------------------|------------------|
|                                                   | Net unrealized holding gain on securities | Foreign currency translation adjustment |                          |                   |                  |
| Balance as of March 31, 2010                      | 3,610                                     | (4,340)                                 | 426                      | 833               | 250,700          |
| Changes during the consolidated fiscal year       |                                           |                                         |                          |                   |                  |
| Dividends from surplus                            |                                           |                                         |                          |                   | (7,082)          |
| Net income                                        |                                           |                                         |                          |                   | 27,570           |
| Acquisition of treasury shares                    |                                           |                                         |                          |                   | (5,113)          |
| Disposal of Treasury Shares                       |                                           |                                         |                          |                   | 0                |
| Variation of the scope of consolidation           |                                           |                                         |                          |                   | 47               |
| Net changes other than shareholders' equity       | (4)                                       | (2,178)                                 | 118                      | 58                | (2,006)          |
| Total changes during the consolidated fiscal year | (4)                                       | (2,178)                                 | 118                      | 58                | 13,415           |
| Balance as of March 31, 2011                      | 3,606                                     | (6,519)                                 | 545                      | 892               | 264,116          |

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

## Notes on Consolidated Financial Statements

### 1. Notes on significant matters serving as the basis for the production of consolidated financial statements

#### (1) Matters related to the scope of consolidated accounting

##### 1) Number of consolidated subsidiaries and names of major consolidated subsidiaries

Number of consolidated subsidiaries: 28 companies

Names of consolidated subsidiaries:

ELASTOMIX Co., Ltd., JSR AMERICA, INC.,  
ELASTOMIX (THAILAND) CO., LTD., ELASTOMIX (FOSHAN) CO., LTD.,  
Emulsion Technology Co., Ltd.,  
Techno Polymer Co., Ltd., JAPAN COLORING CO., LTD.,  
TECHNO POLYMER HONG KONG CO., LTD., Techno Polymer (Thailand) Co., Ltd.,  
Techno Polymer (Shanghai) Co., Ltd., TECHNO POLYMER AMERICA, INC.,  
Techno Polymer Guangzhou Co., Ltd., Shanghai Rainbow Color Plastics Co., Ltd.,  
JSR Micro Kyushu Co., Ltd., 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 Business Service Co., Ltd., JM Energy Corporation and  
JSR Trading (Shanghai) Co., Ltd.

Effective from the current consolidated fiscal year, Techno Polymer Guangzhou Co., Ltd. has been included within the scope of the consolidated subsidiaries from the point of significance in accounting.

Effective from the current consolidated fiscal year, Kyushu Gomu Kako Co., Ltd. has been excluded from the scope of the consolidated subsidiaries as the company was no longer subsidiary of the Company due to completion of liquidation.

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

Name of major non-consolidated subsidiaries:

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

Reasons for exclusion from the scope of consolidation:

Non-consolidated subsidiaries are excluded from the scope of application of consolidated accounting as their net assets, sales, net income or loss (the amount corresponding to equity), retained earnings (the amount corresponding to equity), etc. are all small in scale, and, even when combined, they do not have significant effect on consolidated financial statements.

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

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

Number of affiliates to which the equity method is applied : 6 companies

Names of major companies to which the equity method is applied:

Japan Butyl Co., Ltd., Kumho Polychem Co., Ltd., KRATON JSR ELASTOMERS K.K.,  
JAPAN FINE COATINGS Co., Ltd., TIANJIN KUO CHENG RUBBER INDUSTRY CO., LTD.,  
and Tri Chemical Laboratories, Inc.

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

Names of major companies:

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

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

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

3) Matters to be specially mentioned concerning the procedure for application of the equity method

Of the companies to which the equity method is applied, we used the financial statements covering the business year of the company if accounting closing date of the company differs from the consolidated account closing date.

(3) Matters related to the business year of consolidated subsidiaries, etc.

Of consolidated subsidiaries, the end of the business year of the following 10 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., Techno Polymer Guangzhou Co., Ltd., Shanghai Rainbow Color Plastics Co., Ltd., and JSR Trading (Shanghai) Co., Ltd.

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

## 2. Matters related to accounting standards

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

1) Securities

Other securities:

|                                      |     |                                                                                                                                                                                                                                                                     |
|--------------------------------------|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Securities carrying market value     | ... | Valued by market method based on fair market value prevailing on the account closing date. Any valuation difference is recorded directly in shareholders' equity, and the cost of sale of relevant securities was calculated on the basis of moving average method. |
| Securities not carrying market value | ... | Valued by cost method based on moving average method or by depreciation cost method.                                                                                                                                                                                |

2) Derivatives

Valued by market method

3) Inventories

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

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

1) Tangible fixed assets (excluding lease assets)

The declining-balance method (straight-line method in part) is applied for depreciation.

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

As for the useful life and the residual value, the same standards are applied as those stipulated in the corporate tax law.

2) Intangible fixed assets (excluding lease assets)

The straight-line method is applied.

As for the useful life, the same standards are applied as those stipulated in the corporate tax law.

However, Goodwill is depreciated in the straight line-method (5 years) while the costs of software for the Company's own use are amortized over the estimated useful life (5 years) using the straight-line method.

3) Lease assets

Lease assets concerning finance lease transactions other than those in which leasehold ownership is deemed to have moved to the lessee

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

However, similar methods to those used for ordinary lease transactions are applied to finance lease transactions other than those in which leasehold ownership is deemed to have moved to the lessee that commenced on or before March 31, 2008.

(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' bonuses

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

3) 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 consolidated fiscal year is reported on the basis of anticipated amounts of retirement benefits obligations and annuity assets as of the close of the current consolidated fiscal year.

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.

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 expenses

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

5) Provision for loss on earthquake disaster

We have recorded our estimate of the expenditures for restoring facilities damaged by the Great East Japan Earthquake and other expenses.

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

1) Hedge accounting

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

- 2) Accounting treatment method applicable to consumption tax, etc.  
The accounting treatment of the consumption tax and the local consumption tax is based on the tax exclusion method.

### 3. Notes on consolidated balance sheet

- (1) Assets pledged and claims related thereto
- |                             |                                                              |                |
|-----------------------------|--------------------------------------------------------------|----------------|
| Assets pledged              | Tangible fixed assets                                        | ¥ 8,475million |
| Claims related to the above | Long-term loans payable (liabilities from bank transactions) | ¥1 million     |
- (2) Allowance for doubtful accounts directly deducted from assets
- |                               |                                            |             |
|-------------------------------|--------------------------------------------|-------------|
| Current Assets;               | Notes and accounts receivable (net amount) | ¥751million |
| Investments and other assets; | Others                                     | ¥83million  |
- (3) Accumulated depreciation on tangible fixed assets (including accumulated impairment loss):  
¥311,248million
- (4) Export exchange notes discounted: ¥386 million
- (5) Guarantee obligations  
Employees ¥31 million

### 4. Notes on consolidated statement of income

- (1) Loss on earthquake disaster includes the following items in relation to the Great East Japan Earthquake :
- |                                                                                              |             |
|----------------------------------------------------------------------------------------------|-------------|
| Expenditures for restoring the damaged facilities<br>(mainly loading berth at Kashima Plant) | ¥400million |
| Loss on inventories                                                                          | ¥39million  |
| Others                                                                                       | ¥4million   |
- (2) Restructuring Loss:  
Impairment and other losses resulting from closure of Yokkaichi East Plant of Techno Polymer Co., Ltd. : ¥422million

#### Impairment loss included in the above Restructuring Loss

| Description                           | Place          | Type                              | Amount<br>(in millions of yen) |
|---------------------------------------|----------------|-----------------------------------|--------------------------------|
| Manufacturing facilities for plastics | Yokkaichi, Mie | Buildings and structures          | 92                             |
|                                       |                | Machinery ,equipment and vehicles | 71                             |
|                                       |                | Others                            | 1                              |

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

- (1) Class and number of issued shares at the end of the current consolidated fiscal year:  
255,885,166 ordinary shares

(2) Matters related to dividends from surplus

1) Amount of dividends paid

| Resolution                                                | Class of shares | Total amount of dividends (million yen) | Dividends per share (yen) | Record date        | Effective date of dividends |
|-----------------------------------------------------------|-----------------|-----------------------------------------|---------------------------|--------------------|-----------------------------|
| Ordinary General Meeting of Shareholders on June 18, 2010 | Ordinary shares | 3,175                                   | 13                        | March 31, 2010     | June 21, 2010               |
| Board of Directors Meeting on October 25, 2010            | Ordinary shares | 3,907                                   | 16                        | September 30, 2010 | November 25, 2010           |
| Total                                                     |                 | 7,082                                   | 29                        |                    |                             |

Dividends of which record dates belong to the current consolidated fiscal year and of which effective date of dividends falls after the end of the current consolidated fiscal year

The Company shall place the following item concerning term-end dividends as appropriation of surplus on the agenda of the Ordinary General Meeting of Shareholders scheduled for convening on June 17, 2011.

Item related to ordinary share dividends

|                             |                   |
|-----------------------------|-------------------|
| Dividends in total          | ¥ 3,859million    |
| Source of dividends         | Retained earnings |
| Amount per share            | ¥16               |
| Record date                 | March 31, 2011    |
| Effective date of dividends | June 20, 2011     |

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

23,800 ordinary shares

## 6. Notes on financial instruments

(1) Matters relating to status of financial instruments.

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

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

*Short term investment securities* contain negotiable certificates of deposit or money trust, of which credit risks are low. Shares account for the majority of the *investment securities*.

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

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

There are no differences between the book value on the consolidated balance sheet and the market value of the above financial instruments as of March 31, 2011 (consolidated account closing date).

## 7. Notes on per-share information

|                      |           |
|----------------------|-----------|
| Net assets per share | ¥1,088.87 |
| Net income per share | ¥113.07   |

Please note that this is an English translation of the original "Non-Consolidated Financial Statements" which are written in Japanese; therefore, in the event of any conflict between the Japanese original and this English translation, the Japanese original shall be controlling in all respects.

**Balance Sheet**  
(as of March 31, 2011)

(in millions of yen)

| Items                                                     | Current Fiscal Year | Previous Fiscal Year (Reference) | Items                                                 | Current Fiscal Year | Previous Fiscal Year (Reference) |
|-----------------------------------------------------------|---------------------|----------------------------------|-------------------------------------------------------|---------------------|----------------------------------|
|                                                           | Amount              | Amount                           |                                                       | Amount              | Amount                           |
| <b>Assets</b>                                             |                     |                                  | <b>Liabilities</b>                                    |                     |                                  |
| <b>Current Assets</b>                                     | <b>212,981</b>      | <b>184,043</b>                   | <b>Current Liabilities</b>                            | <b>95,899</b>       | <b>87,025</b>                    |
| Cash & deposits                                           | 33,948              | 23,361                           | Accounts payable                                      | 53,950              | 48,048                           |
| Notes receivable                                          | 961                 | 1,345                            | Short-term loans payable                              | 14,163              | 13,663                           |
| Accounts receivable (net amount)                          | 56,844              | 59,323                           | Accrued amounts payable                               | 2,819               | 1,742                            |
| Short term investment securities                          | 55,996              | 34,000                           | Income taxes payable                                  | 7,131               | 4,271                            |
| Inventories                                               | 35,764              | 37,977                           | Accrued expenses                                      | 9,519               | 8,296                            |
| Deferred tax assets                                       | 2,070               | 1,707                            | Deposit from subsidiaries & affiliates                | 7,390               | 9,818                            |
| Accrued revenue                                           | 23,009              | 21,925                           | Other current liabilities                             | 924                 | 1,186                            |
| Short-term loans to subsidiaries & affiliates             | 3,804               | 3,605                            |                                                       |                     |                                  |
| Other current assets                                      | 581                 | 798                              | <b>Fixed Liabilities</b>                              | <b>16,672</b>       | <b>19,052</b>                    |
|                                                           |                     |                                  | Long-term loans payable                               | 1,000               | 1,500                            |
| <b>Fixed Assets</b>                                       | <b>124,945</b>      | <b>136,324</b>                   | Allowance for employees' retirement benefits          | 11,928              | 13,536                           |
| <b>Tangible fixed assets</b>                              | <b>59,255</b>       | <b>65,254</b>                    | Allowance for environmental expenses                  | 2,725               | 2,944                            |
| Buildings                                                 | 17,086              | 18,270                           | Other long-term liabilities                           | 1,017               | 1,071                            |
| Structures                                                | 4,213               | 4,163                            |                                                       |                     |                                  |
| Machinery & equipment                                     | 17,078              | 20,729                           | <b>Total Liabilities</b>                              | <b>112,571</b>      | <b>106,077</b>                   |
| Vehicles                                                  | 39                  | 49                               | <b>Net Assets</b>                                     |                     |                                  |
| Tools, furniture & fixtures                               | 2,998               | 4,268                            | <b>Shareholders' equity</b>                           | <b>221,252</b>      | <b>210,316</b>                   |
| Land                                                      | 17,485              | 17,201                           | <b>Common stock</b>                                   | <b>23,320</b>       | <b>23,320</b>                    |
| Construction in progress                                  | 353                 | 570                              | <b>Capital surplus</b>                                | <b>25,179</b>       | <b>25,179</b>                    |
|                                                           |                     |                                  | Capital reserve                                       | 25,179              | 25,179                           |
| <b>Intangible fixed assets</b>                            | <b>3,326</b>        | <b>4,138</b>                     | <b>Retained earnings</b>                              | <b>200,073</b>      | <b>184,036</b>                   |
| Software                                                  | 2,080               | 2,609                            | Profit reserve                                        | 3,710               | 3,710                            |
| Others                                                    | 1,245               | 1,528                            | Other retained earnings                               |                     |                                  |
|                                                           |                     |                                  | Reserve for special depreciation                      | 41                  | 62                               |
| <b>Investments &amp; other assets</b>                     | <b>62,363</b>       | <b>66,932</b>                    | Reserve for advanced depreciation.                    | 3,632               | 3,747                            |
| Investment securities                                     | 19,522              | 20,644                           | Reserve for special account for advanced depreciation | —                   | 186                              |
| Shares of subsidiaries & affiliates                       | 19,019              | 19,057                           | Separate reserve                                      | 42,431              | 42,431                           |
| Equity in affiliates                                      | 83                  | 64                               | Retained earnings carried forward                     | 150,257             | 133,898                          |
| Long-term loans to subsidiaries & affiliates (net amount) | 12,099              | 13,326                           | <b>Treasury shares</b>                                | <b>(27,320)</b>     | <b>(22,219)</b>                  |
| Long-term prepaid expenses                                | 7,102               | 8,283                            |                                                       |                     |                                  |
| Deferred tax assets                                       | 3,338               | 4,007                            | <b>Valuation and translation adjustments</b>          | <b>3,557</b>        | <b>3,546</b>                     |
| Others                                                    | 1,198               | 1,547                            | Net valuation gains on securities                     | 3,557               | 3,546                            |
|                                                           |                     |                                  |                                                       |                     |                                  |
|                                                           |                     |                                  | <b>Stock acquisition rights</b>                       | <b>545</b>          | <b>426</b>                       |
|                                                           |                     |                                  | <b>Total Net Assets</b>                               | <b>225,355</b>      | <b>214,290</b>                   |
| <b>Total Assets</b>                                       | <b>337,927</b>      | <b>320,367</b>                   | <b>Total Liabilities &amp; Net Assets</b>             | <b>337,927</b>      | <b>320,367</b>                   |

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

**Statement of Income**  
(from April 1, 2010 to March 31, 2011)

(in millions of yen)

| Items                                                 | Current Fiscal<br>Year | Previous Fiscal<br>Year<br>(Reference) |
|-------------------------------------------------------|------------------------|----------------------------------------|
|                                                       | Amount                 | Amount                                 |
| <b>Net Sales</b>                                      | <b>233,393</b>         | <b>212,465</b>                         |
| <b>Cost of sales</b>                                  | <b>169,807</b>         | <b>160,884</b>                         |
| <b>Gross profit on sales</b>                          | <b>63,586</b>          | <b>51,581</b>                          |
| <b>Selling, general and administrative expenses</b>   | <b>34,154</b>          | <b>37,303</b>                          |
| <b>Operating income</b>                               | <b>29,432</b>          | <b>14,277</b>                          |
| <b>Non-operating income</b>                           | <b>8,245</b>           | <b>5,379</b>                           |
| Interest received                                     | 359                    | 385                                    |
| Dividends received                                    | 6,556                  | 2,751                                  |
| Rent income                                           | —                      | 652                                    |
| Others                                                | 1,328                  | 1,591                                  |
| <b>Non-operating expenses</b>                         | <b>1,679</b>           | <b>2,932</b>                           |
| Interest expenses                                     | 147                    | 190                                    |
| Depreciation                                          | 307                    | 716                                    |
| Loss on foreign exchange                              | 183                    | —                                      |
| Others                                                | 1,041                  | 2,025                                  |
| <b>Ordinary income</b>                                | <b>35,998</b>          | <b>16,725</b>                          |
| <b>Extraordinary losses</b>                           | <b>2,907</b>           | <b>4,282</b>                           |
| Provision of allowance for doubtful accounts          | 1,400                  | 1,700                                  |
| Loss on devaluation of investment securities          | 1,063                  | —                                      |
| Loss on earthquake disaster                           | 444                    | —                                      |
| Loss on disposals of inventories                      | —                      | 1,728                                  |
| Provision of allowance for investment loss            | —                      | 600                                    |
| Others                                                | —                      | 254                                    |
| <b>Net income before taxes</b>                        | <b>33,090</b>          | <b>12,442</b>                          |
| <b>Income tax, residential tax and enterprise tax</b> | <b>9,660</b>           | <b>4,736</b>                           |
| <b>Adjustments of income tax</b>                      | <b>298</b>             | <b>(1,014)</b>                         |
| <b>Net income</b>                                     | <b>23,132</b>          | <b>8,721</b>                           |

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

**Statement of Changes in Net Assets**  
(from April 1, 2010 to March 31, 2011)

(in millions of yen)

|                                                                                   | Shareholders' equity |                 |                   |                                  |                                   |                                                       |                  |         |                                   |       |
|-----------------------------------------------------------------------------------|----------------------|-----------------|-------------------|----------------------------------|-----------------------------------|-------------------------------------------------------|------------------|---------|-----------------------------------|-------|
|                                                                                   | Common stock         | Capital surplus | Retained earnings |                                  |                                   |                                                       |                  |         |                                   | Total |
|                                                                                   |                      | Capital reserve | Profit reserve    | Other retained earnings          |                                   |                                                       |                  |         | Retained earnings carried forward |       |
|                                                                                   |                      |                 |                   | Reserve for special depreciation | Reserve for advanced depreciation | Reserve for special account for advanced depreciation | Separate reserve |         |                                   |       |
| Balance as of March 31, 2010                                                      | 23,320               | 25,179          | 3,710             | 62                               | 3,747                             | 186                                                   | 42,431           | 133,898 | 184,036                           |       |
| Changes during fiscal year                                                        |                      |                 |                   |                                  |                                   |                                                       |                  |         |                                   |       |
| Dividends from surplus                                                            |                      |                 |                   |                                  |                                   |                                                       |                  | (7,082) | (7,082)                           |       |
| Net income                                                                        |                      |                 |                   |                                  |                                   |                                                       |                  | 23,132  | 23,132                            |       |
| Reversal of reserve for special depreciation                                      |                      |                 |                   | (21)                             |                                   |                                                       |                  | 21      | —                                 |       |
| Reversal of reserve for advanced depreciation of fixed assets                     |                      |                 |                   |                                  | (274)                             |                                                       |                  | 274     | —                                 |       |
| Provision of reserve for advanced depreciation of fixed assets                    |                      |                 |                   |                                  | 159                               |                                                       |                  | (159)   | —                                 |       |
| Reversal of reserve for special account for advanced depreciation of fixed assets |                      |                 |                   |                                  |                                   | (186)                                                 |                  | 186     | —                                 |       |
| Acquisition of treasury shares                                                    |                      |                 |                   |                                  |                                   |                                                       |                  |         | —                                 |       |
| Disposal of treasury shares                                                       |                      |                 |                   |                                  |                                   |                                                       |                  | (12)    | (12)                              |       |
| Net changes other than shareholders' equity                                       |                      |                 |                   |                                  |                                   |                                                       |                  |         | —                                 |       |
| Total changes during fiscal year                                                  | —                    | —               | —                 | (21)                             | (114)                             | (186)                                                 | —                | 16,359  | 16,036                            |       |
| Balance as of March 31, 2011                                                      | 23,320               | 25,179          | 3,710             | 41                               | 3,632                             | —                                                     | 42,431           | 150,257 | 200,073                           |       |

|                                                                                   | 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, 2010                                                      | (22,219)             | 210,316                    | 3,546                                 | 426                      | 214,290          |
| Changes during fiscal year                                                        |                      |                            |                                       |                          |                  |
| Dividends from surplus                                                            |                      | (7,082)                    |                                       |                          | (7,082)          |
| Net income                                                                        |                      | 23,132                     |                                       |                          | 23,132           |
| Reversal of reserve for special depreciation                                      |                      | —                          |                                       |                          | —                |
| Reversal of reserve for advanced depreciation of fixed assets                     |                      | —                          |                                       |                          | —                |
| Provision of reserve for advanced depreciation of fixed assets                    |                      | —                          |                                       |                          | —                |
| Reversal of reserve for special account for advanced depreciation of fixed assets |                      | —                          |                                       |                          | —                |
| Acquisition of treasury shares                                                    | (5,113)              | (5,113)                    |                                       |                          | (5,113)          |
| Disposal of treasury shares                                                       | 12                   | 0                          |                                       |                          | 0                |
| Net changes other than shareholders' equity                                       |                      | —                          | 11                                    | 118                      | 129              |
| Total changes during fiscal year                                                  | (5,100)              | 10,936                     | 11                                    | 118                      | 11,065           |
| Balance as of March 31, 2011                                                      | (27,320)             | 221,252                    | 3,557                                 | 545                      | 225,355          |

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

## Notes on Non-Consolidated 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 accounting closing date. Any valuation difference is recorded directly in net assets, and the cost of sale of relevant securities was computed on the basis of moving average method. |
| Securities not carrying market value | ..... | Valued by cost method based on moving average method or by depreciation cost method.                                                                                                                                                                       |

##### 2) Derivatives

Valued by market method

##### 3) Inventories

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

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

##### 1) Tangible fixed assets

The declining-balance method is applied for depreciation.

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

As for the useful life and the residual value, the same standards are applied as those stipulated in the corporate tax law.

##### 2) Intangible fixed assets

The straight-line method is applied.

As for the useful life, the same standards are applied as those stipulated in the corporate tax law.

However, Goodwill is depreciated in the straight line-method (5 years) while 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' bonuses

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

##### 3) 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 fiscal year is reported on the basis of anticipated amounts of retirement benefits obligations and annuity assets as of the close of the current fiscal year.

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

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 expenses

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

5) Allowance for investment loss

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

6) Provision for loss on earthquake disaster

We have recorded our estimate of the expenditures for restoring facilities damaged by the Great East Japan Earthquake and other expenses.

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

1) 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.

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

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

**2. Notes on balance sheet**

(1) Assets pledged and claims related thereto

|                                  |                                                                     |                |
|----------------------------------|---------------------------------------------------------------------|----------------|
| Assets pledged                   | Tangible fixed assets                                               | ¥8,475 million |
| Liabilities related to the above | Long-term loan payable (liabilities arising from bank transactions) | ¥ 1million     |

(2) Allowances directly deducted from assets

1) Allowance for doubtful accounts

|                                                             |               |
|-------------------------------------------------------------|---------------|
| Current Assets; Accounts receivable (net amount)            | ¥2million     |
| Investments and other assets;                               |               |
| Long-term loans to subsidiaries and affiliates (net amount) | ¥3,100million |
| Others                                                      | ¥59million    |

2) Allowance for investment loss

|                                                                       |             |
|-----------------------------------------------------------------------|-------------|
| Investments and other assets; Securities of subsidiaries & affiliates | ¥600million |
|-----------------------------------------------------------------------|-------------|

(3) Accumulated depreciation on tangible fixed assets (including accumulated impairment loss):  
¥256,912million

|                                                          |                 |
|----------------------------------------------------------|-----------------|
| (4) Claims to/from subsidiaries and affiliated companies |                 |
| Short-term monetary claims to affiliates                 | ¥ 37,347million |
| Long-term monetary claims to affiliates                  | ¥ 15,199million |
| Short-term monetary obligation from affiliates           | ¥ 27,638million |

|                           |             |
|---------------------------|-------------|
| (5) Guarantee obligations |             |
| Employees                 | ¥ 31million |

### 3. Notes on statement of income

|                                                         |                 |
|---------------------------------------------------------|-----------------|
| Transactions with subsidiaries and affiliated companies |                 |
| Sales                                                   | ¥ 83,046million |
| Amount for goods purchased                              | ¥ 36,788million |
| Other trade transactions                                | ¥ 12,807million |
| Interest received                                       | ¥ 317million    |
| Dividends received                                      | ¥6,228million   |
| Interest expenses                                       | ¥ 24million     |

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

Class and number of treasury shares at the end of the current fiscal year:  
14,644,993 ordinary shares

### 5. Note on tax effect accounting

Allowance for employees' retirement benefits were a major cause of deferred tax assets.  
Reserve for advanced depreciation of fixed assets etc. were major causes 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                      | Balance at the end of the current fiscal year (million yen) |
|------------|---------------------------|----------------------------------|--------------------------------|--------------------------------------------------------------|---------------------------------------------------|----------------------------------|---------------------------|-------------------------------------------------------------|
|            |                           |                                  | Directors serving concurrently | Business relationship                                        |                                                   |                                  |                           |                                                             |
| Subsidiary | ELASTOMIX Co., Ltd        | 98.5                             | None                           | Deposit from subsidiary                                      | Deposit from subsidiaries and affiliates (Note 1) | 451                              | Deposit from subsidiaries | 4,054                                                       |
| Subsidiary | Techno Polymer Co., Ltd.  | 100                              | None                           | Supply of raw materials                                      | Supply of raw material gas (Note 2)               | 15,298                           | Accrued revenue           | 3,863                                                       |
| Subsidiary | JSR Micro Korea Co., Ltd. | 100                              | None                           | Sales of products of the Company and supply of raw materials | Sale of products (Note 3)                         | 15,912                           | Accounts receivable       | 3,933                                                       |

| Attribute  | Name of the company        | Voting rights ownership rate (%) | Contents of relationship       |                                                              | Contents of transactions               | Transaction amount (million yen) | Item                                         | Balance at the end of the current fiscal year (million yen) |
|------------|----------------------------|----------------------------------|--------------------------------|--------------------------------------------------------------|----------------------------------------|----------------------------------|----------------------------------------------|-------------------------------------------------------------|
|            |                            |                                  | Directors serving concurrently | Business relationship                                        |                                        |                                  |                                              |                                                             |
| Subsidiary | JSR Micro Taiwan Co., Ltd. | 100                              | None                           | Sales of products of the Company and supply of raw materials | Sale of products (Note 3)              | 14,250                           | Accounts receivable                          | 6,379                                                       |
|            |                            |                                  |                                |                                                              | Provision of loans (recovery) (Note 4) | (684)                            | Long-term loans to subsidiaries & affiliates | 2,909                                                       |
| Subsidiary | JSR Trading Co., Ltd.      | 100                              | None                           | Sales of products of the Company                             | Sale of products (Note 3)              | 30,527                           | Accounts receivable                          | 5,248                                                       |
| Subsidiary | JM Energy Corporation      | 100                              | None                           | Provision of loans                                           | Provision of loans (Note 4)            | 700                              | Long-term loans to subsidiaries & affiliates | 4,830                                                       |
| Affiliate  | Tobu Butadiene Co., Ltd.   | 50                               | 1                              | Supply of raw material gas and purchase of butadiene gas     | Supply of raw material gas (Note 2)    | 9,574                            | Accrued revenue                              | 4,399                                                       |
|            |                            |                                  |                                |                                                              | Purchase of butadiene gas (Note 5)     | 12,070                           | Accounts payable                             | 5,092                                                       |
| Affiliate  | KRATON JSR ELASTOMERS K.K. | 50                               | 1                              | Toll manufacturing of elastomer products                     | Purchase of products (Note 6)          | 11,322                           | Accounts payable                             | 4,131                                                       |

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

(Notes)

1. Interest rates on deposit are determined through negotiation considering prevailing interest rates in financial market.
2. Terms and conditions for the supply of raw material gas are determined through negotiation based upon the desirable prices offered by the Company considering market prices.
3. Terms and conditions for the sale of the products are determined through negotiation considering full cost of the products and market prices.
4. Interest rates on loans are determined through negotiation considering prevailing interest rates in financial market.
5. Terms and conditions for the purchase of butadiene gas are determined through negotiation based upon desirable prices offered by the Company considering full cost and market prices.
6. Terms and conditions for the purchase of elastomer products are determined through negotiation based upon desirable prices offered by the Company considering full cost and market prices.
7. Transaction amounts do not include consumption tax, etc. The amounts stated as the balance at the end of the current fiscal year include consumption tax, etc.

(2) Major shareholders

| Attribute         | Name of the company | Voting rights ownership rate (%) | Contents of relationship                                 |                                  | Contents of transactions    | Transaction amount (million yen) | Item                | Balance at the end of the current fiscal year (million yen) |
|-------------------|---------------------|----------------------------------|----------------------------------------------------------|----------------------------------|-----------------------------|----------------------------------|---------------------|-------------------------------------------------------------|
|                   |                     |                                  | Directors and/or Corporate Auditors serving concurrently | Business relationship            |                             |                                  |                     |                                                             |
| Major shareholder | Bridgestone Corp.   | Direct ownership 16.9            | 1                                                        | Sales of products of the Company | Sales of elastomer products | 34,261                           | Accounts receivable | 11,792                                                      |

Terms and conditions of transactions and the policies 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 | ¥931.90 |
| Net income per share | ¥94.87  |

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

## Audit Report from Accounting Auditors (on Consolidated Financial Statements)

May 6, 2011

To: Board of Directors  
JSR Corporation

KPMG AZSA LLC

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

Pursuant to Article 444, Paragraph 4 of the Corporation Law, we have audited the Consolidated Financial Statements of JSR Corporation, covering the consolidated fiscal year commencing on April 1, 2010 and ending on March 31, 2011, namely the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, and notes on consolidated financial statements. The responsibility for preparing these Consolidated Financial Statements rests with the management of JSR Corporation, while our responsibility as Accounting Auditors lies in expressing our opinions, as independent auditors, 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 consolidated 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 an English translation of the original Audit Report which are written in Japanese; therefore, in the event of any conflict between the Japanese originals and this English translation, the Japanese originals shall be controlling in all respects.

## **Audit Report from Accounting Auditors (on Non-Consolidated Financial Statements)**

May 6, 2011

To: Board of Directors  
JSR Corporation

KPMG AZSA LLC

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

Pursuant to Article 436, Paragraph 2, Article 1 of the Corporation Law, we have audited the Financial Statements of JSR Corporation, covering its 66th Fiscal Term commencing on April 1, 2010 and ending on March 31, 2011, namely the balance sheet, statement of income, statement of changes in net assets, notes on non-consolidated financial statements, 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 Auditors lies in expressing our opinions, as independent auditors, 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 consolidated 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 an English translation of the original Audit Report which are written in Japanese; therefore, in the event of any conflict between the Japanese originals and this English translation, the Japanese originals shall be controlling in all respects.

## **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 66th fiscal term commencing on April 1, 2010 and ending on March 31, 2011, has discussed and prepared its audit report as described below based upon audit reports prepared by each of the Corporate Auditors;

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

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

Each Corporate Auditor has, in accordance with the audit standards for Corporate Auditors set forth by the Board of Corporate Auditors and with the relevant audit policies and the assignment of responsibilities, facilitated communication with Directors, internal Audit Office, employees and other parties and endeavored to collect information and develop an optimum audit environment. At the same time, each Corporate Auditor has attended the Board of Directors meetings and other important meetings, received reports, requesting explanations when necessary, from Directors, employees and other parties on execution of their duties, reviewed important documents evidencing the authenticities of corporate decisions made, and examined the status of business operations as well as the assets at the head office and other major business offices. In addition, each Corporate Auditor has regularly received reports, requested explanations when necessary from Directors, employees and other parties and verified (i) the contents of the resolution of the Board of Directors on establishment of structures and systems to ensure compliance of Directors' execution of duties with laws and ordinances and Articles of Incorporation as well as to secure propriety of the conducting businesses of the Company as set forth under the Article 100, Paragraph 1 and 3 of the Enforcement Regulations of the Corporation Law, and (ii) status of operational execution and maintenance of such structures and systems (internal control system) established based upon such resolutions, which are stated in the Business Report of the Company.

Concerning the internal control over financial reporting, each Corporate Auditor has received reports from Directors etc. and KPMG AZSA LLC. on the evaluation results and the audit status of these internal controls, and requested explanation from such parties when necessary.

With regard to subsidiaries of the Company, each Corporate Auditor has strove to facilitate communication and information exchange with directors and corporate auditors of the subsidiaries, received reports, requesting explanations when necessary, from the subsidiaries on their businesses. Through these methods, each Corporate Auditor examined the business report of the Company and the supplementary statements thereto for the fiscal term under review.

In addition, each Corporate Auditor has monitored and verified Accounting Auditors' independence and propriety in implementing their audits and also received reports, requesting explanations when necessary, on their execution of duties. Each Corporate Auditor received a notice from the Accounting Auditors that ensures that "the system for ensuring Accounting Auditors' appropriate execution of duties" (terms respectively set forth under each of the paragraphs of the Article 131 of the Corporation Accounting Regulations) has been maintained in accordance with the "the Standards on Quality Control Concerning Audit" (established by the Business Accounting Council on October 28, 2005). Through these methods, each Corporate Auditor reviewed the non-consolidated financial statements (the balance sheet, the statement of income, the statement of changes in net assets, and notes on non-consolidated financial statements) and

the supplementary statements thereto as well as the consolidated financial statements (the consolidated balance sheets, the consolidated statements of income, the consolidated statements of changes in net assets, and notes on consolidated financial statements), for the fiscal term under review.

2. Audit results

- (1) Results of audit on business report and other documents
  - a. We acknowledge that the business report and its supplementary statements fairly represent the status of the Company in accordance with the laws and ordinances, and the Articles of Incorporation.
  - 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.
  - c. We acknowledge that the contents of the resolutions of the Board of Directors regarding the structures and systems for internal control are fair and proper. We also have found nothing to be specifically addressed concerning the execution of duties of Directors in relation to the structures and systems for internal control. In addition, we have received reports from Directors, etc. and KPMG AZSA LLC stating that internal control over financial reporting was effective at the time of preparing the Audit Report for the current fiscal term.
  
- (2) Results of audit on non-consolidated financial statements and the supplementary statements  
We acknowledge that the methods and the conclusions of the audit by KPMG AZSA LLC to be fair and proper.
  
- (3) Consolidated Financial Statements  
We acknowledge that the methods and the conclusions of the audit by KPMG AZSA LLC to be fair and proper.

May 6, 2011

|                                               |                                              |        |
|-----------------------------------------------|----------------------------------------------|--------|
|                                               | Board of Corporate Auditors, JSR Corporation |        |
| Full-time Corporate Auditor                   | Yoshio Tamaki                                | (seal) |
| Full-time Corporate Auditor                   | Nobuo Bessho                                 | (seal) |
| Corporate Auditor (outside corporate auditor) | Kenji Ito                                    | (seal) |
| Corporate Auditor (outside corporate auditor) | Hiroichi Uekusa                              | (seal) |
| Corporate Auditor (outside corporate auditor) | Nobuko Kato                                  | (seal) |

## Financial Highlights (Reference)

### 1. Key Consolidated Financial Figures

| Fiscal Term                   |                | The 63rd             | The 64th             | The 65th             | The 66th             | The 67th             |
|-------------------------------|----------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| from/to                       |                | Apr 2007<br>Mar 2008 | Apr 2008<br>Mar 2009 | Apr 2009<br>Mar 2010 | Apr 2010<br>Mar 2011 | Apr 2011<br>Mar 2012 |
| Sales                         | yen<br>million | 406,967              | 352,502              | 310,183              | 340,665              | 370,000              |
| Operating Profit              | yen<br>million | 60,010               | 30,347               | 20,230               | 39,094               | 41,000               |
| Net Profit                    | yen<br>million | 36,994               | 13,981               | 13,644               | 27,570               | 28,000               |
| Total Asset                   | yen<br>million | 416,950              | 339,497              | 373,565              | 390,590              |                      |
| Net Asset                     | yen<br>million | 257,662              | 241,985              | 250,700              | 264,116              |                      |
| Equity Ratio                  |                | 60.6%                | 71.0%                | 66.8%                | 67.3%                |                      |
|                               |                |                      |                      |                      |                      |                      |
| Cash Dividends<br>(per share) | yen/share      | 32                   | 32                   | 26                   | 32<br>(proposed)     | 32<br>(plan)         |
| Cash Dividends<br>(amount)    | yen<br>million | 8,020                | 7,863                | 6,350                | 7,767<br>(proposed)  |                      |
| Dividend Payout<br>Ratio      |                | 21.7%                | 56.2%                | 46.5%                | 28.3%<br>(proposed)  | 27.6%<br>(plan)      |
| Purchase of<br>Treasury Share | yen<br>million | 5,328                | 8,611                | 2                    | 2                    |                      |

### 2. Segment Information

| Fiscal Term<br>from / to                |                | Sales                |                      | Operating Profit     |                      |
|-----------------------------------------|----------------|----------------------|----------------------|----------------------|----------------------|
|                                         |                | The 65th             | The 66th             | The 65th             | The 66th             |
|                                         |                | Apr 2010<br>Mar 2011 | Apr 2011<br>Mar 2012 | Apr 2010<br>Mar 2011 | Apr 2011<br>Mar 2012 |
| Elastomers                              | yen<br>million | 136,085              | 165,185              | 372                  | 14,738               |
| Plastics                                | yen<br>million | 47,812               | 52,296               | (0)                  | 2,562                |
| Fine Chemicals<br>and Other<br>Products | yen<br>million | 126,286              | 127,514              | 19,858               | 21,792               |
| Total                                   | yen<br>million | 310,183              | 340,665              | 20,230               | 39,094               |

### 3. Consolidated Cash Flow

|                                                            |             |          |
|------------------------------------------------------------|-------------|----------|
| Cash and its equivalent at the end of the 65th fiscal term | yen million | 61,404   |
| Cash Flow from operation                                   | yen million | 54,259   |
| Cash Flow from investment                                  | yen million | (35,118) |
| Cash Flow from financing activities                        | yen million | (12,316) |
| Increase from the changes of the scope of consolidation    | yen million | 123      |
| Cash and its equivalent at the end of the 66th fiscal term | yen million | 61,404   |

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

## **Reference Materials for the General Meeting of Shareholders**

### **Agenda and Referential Materials**

#### **Proposal 1. Appropriation of Surplus**

The Company considers it vitally important to improve corporate performance on a long-term basis by strengthening 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 continual and stable dividends 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. With respect to the utilization of the internal reserves, the Company endeavors to reward its shareholders by achieving higher corporate values through investments in research and development and strategic investments for new growth, as well as acquiring its treasury shares on medium and long term basis.

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

(1) Matters related to disbursements of dividends to shareholders and total amount thereof

The Company would like to provide ¥16 per ordinary share of the Company, with the total amount of ¥3,859,842,768.-

As a result, the dividends including the interim dividends will be ¥32 per share, with the total amount of ¥7,767,639,808.-

(2) Effective Date of dividends from surplus  
June 20, 2011

#### **Proposal 2. Partial Amendments to the Articles of Incorporation**

(1) Reasons for the Amendments

- i) The Company, by adopting Officers systems, has been pursuing timely and prompt decision making and business execution functions of the management while strengthening those of monitoring. The Company will further undertake, effective from 17th June 2011 and subject to approval of the Proposal 3 of this general meeting of shareholders, the reform of its Directors and Officers systems in order to enhance monitoring functions of the Board of Directors by unifying and transferring business execution functions from its Directors to Officers and by abolishing special assignments of the Directors, other than Chairman and President, such as Vice President, Senior Managing Directors, and Managing Directors. The Company, therefore, proposes necessary amendments to the 2nd Clause of Article 21 of the current Articles of Incorporation.

- ii) Subject to the approval of Proposal 3 of this general meeting of shareholders, 2 Outside Directors will join the Board of Directors consisting of 6 Directors in total. In order to enable Outside Directors to utilize their capabilities as expected to the fullest extent for the execution of their duties and in order to enable the Company to easily invite skilled and qualified candidates to the position as Outside Directors, the Company proposes to establish a new article as the 22nd Article that allows the Company to enter into an agreement with each of Outside Directors to limit their liabilities to the extent that the relevant laws and regulations permit. The Company has obtained prior consent for the submission of this Proposal to this general meeting of shareholders from each of Corporate Auditors.
- iii) 3 out of in total 4 Corporate Auditors will be Outside Corporate Auditors at the close of this general meeting of shareholders. In order to enable Outside Corporate Auditors to utilize their capabilities as expected to the fullest extent for the execution of their duties and in order to enable the Company to easily invite skilled and qualified candidates to the position as Outside Corporate Auditors, the Company proposes to establish a new article as the 31st Article that allows the Company to enter into an agreement with each of Outside Corporate Auditors to limit their liabilities to the extent that the relevant laws and regulations permit.
- iv) The Company proposes the relevant changes in numbers of Article reflecting the above.

(2) Details of the Amendments

The details of the Amendments are as follows:

(Underlines indicate amended sections)

| Current Articles of Incorporation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Proposed Amendments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>(Representative Directors and other Directors with Special Assignments)</b><br/> <b>Article 21.</b><br/>           The Board of Directors shall appoint by its resolution one (1) or more Representative Director(s). Representative Director(s) shall represent the Company and execute affairs of the Company in accordance with the resolution of the Board of Directors.<br/>           2. The Board of Directors shall appoint by its resolution the President and may appoint one (1) Chairperson of the Board of Directors <u>and one or more Vice President(s), Senior Managing Director(s) and Managing Director(s).</u></p> <p>(Added)</p> <p><b>Articles 22 – 29</b><br/>           (Text Omitted)</p> | <p><b>(Representative Directors and other Directors with Special Assignments)</b><br/> <b>Article 21.</b><br/>           (Text unchanged)</p> <p>2. The Board of Directors shall appoint by its resolution the President and may appoint one (1) Chairperson of the Board of Directors.</p> <p><b><u>(Agreement with Outside Directors for Limiting Liabilities )</u></b><br/> <b><u>Article 22.</u></b><br/> <u>The Company may enter into an agreement with each of the Outside Directors to the effect that any liabilities of such Outside Director under Paragraph 1 of Article 423 of the Corporation Law shall be limited to an amount set by applicable laws and regulations; provided that such Outside Director must have acted in good faith and without gross negligence in performing his/her duties.</u></p> <p><b>Articles 23-30</b><br/>           (Text unchanged)</p> |

| Current Articles of Incorporation         | Proposed Amendments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (Added)                                   | <b><u>(Agreement with Outside Corporate Auditors for Limiting Liabilities )</u></b><br><b><u>Article 31.</u></b><br><u>The Company may enter into an agreement with each of the Outside Corporate Auditors to the effect that any liabilities of such Outside Corporate Auditors under Paragraph 1 of Article 423 of the Corporation Law shall be limited to an amount set by applicable laws and regulations; provided that such Outside Corporate Auditor must have acted in good faith and without gross negligence in performing his/her duties.</u> |
| <b>Articles 30 – 36</b><br>(Text Omitted) | <b>Articles 32 – 38</b><br>(Text Unchanged)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

### Proposal 3. Election of Six (6) Directors

Because the tenures of all nine (9) current Directors will expire at the close of this general meeting of shareholders and the Company undertakes the reform of its Directors and Officers systems upon approval of this proposal as described in (1)- i) of Proposal 2 hereof, it is proposed that six (6) Directors be newly elected.

Details of the candidates for Directors are as follows:

| No. | Name<br>(Date of Birth)                  | Brief personal record, position, responsibilities,<br>and important concurrent positions held                                                                                                                                                                                                       | Number of<br>the shares of<br>the<br>Company<br>owned |
|-----|------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| 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<br>Apr. 2009 Chairman (current position)<br><br>(Other important concurrent positions held )<br>President, Japan Butyl Co., Ltd. | 34,456                                                |
| 2   | Mistunobu Koshiba<br>(November 9, 1955)  | Oct. 1981 Joined JSR<br>Jun. 2004 Director<br>Jun. 2005 Senior Officer, General Manager, Electronic Materials<br>Division<br>Jun. 2006 Managing Director<br>Jun. 2008 Senior Managing Director<br>Apr. 2009 President (current position)                                                            | 21,500                                                |
| 3   | Masaki Hirose<br>(July 25, 1948)         | Apr. 1971 Joined JSR<br>Jun. 2002 Director<br>Jun. 2005 Senior Officer, General Manager, Human Resources<br>Department                                                                                                                                                                              | 16,322                                                |

| No. | Name<br>(Date of Birth)            | Brief personal record, position, responsibilities,<br>and important concurrent positions held                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Number of<br>the shares of<br>the<br>Company<br>owned |
|-----|------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
|     |                                    | Jun. 2006 Director and Senior Officer, General Manager, Human Resources<br>Jun. 2007 Managing Director (current position) currently responsible for Corporate Planning, Group Companies Coordination, Human Resources, General Affairs, and Legal                                                                                                                                                                                                                                                                                                                                        |                                                       |
| 4   | Hozumi Sato<br>(May 17, 1952)      | Apr. 1977 Joined JSR<br>Jun. 2004 Director<br>Jun. 2005 Senior Officer, General Manager, Yokkaichi R&D Center<br>Jun. 2006 Director and Senior Officer, General Manager, Yokkaichi R&D Center<br>Jun. 2007 Managing Director (current position) currently responsible for Research & Development and Strategic Businesses                                                                                                                                                                                                                                                                | 9,800                                                 |
| 5   | Takuya Goto<br>(August 19, 1940)   | Apr.1964 Joined Kao Soap Co., Ltd. (currently known as Kao Corporation)<br>Jun. 1990 Director, Kao Corporation<br>Jul. 1991 Managing Director, Kao Corporation<br>Jun. 1996 Senior Managing Director, Kao Corporation<br>Jun. 1997 Representative Director and President, Kao Corporation<br>Jun.2004 Chairman, Board of Directors, Kao Corporation<br>Jun.2008 Advisor, Kao Corporation<br>Jun.2010 Retired from Advisor, Kao Corporation<br><br>(Other important concurrent positions held )<br>Chairman, Japan Marketing Association<br>Chairman, Asia Marketing Federation           | 0                                                     |
| 6   | Michio Kariya<br>(January 5, 1942) | Apr. 1967 Joined Nippon Kogaku K.K.(currently known as Nikon Corporation)<br>Jun. 1995 Director, Nikon Corporation<br>Jun. 2001 Managing Director, Nikon Corporation<br>Jun. 2003 Senior Managing Director, Nikon Corporation<br>Jun. 2004 Representative Director, Vice President, Nikon Corporation<br>Jun. 2005 Representative Director, President, CEO and COO, Nikon Corporation<br>Jun. 2010 Representative Director, Chairman (current position) Nikon Corporation<br><br>(Other important concurrent positions held )<br>Representative Director and Chairman, Nikon Corporation |                                                       |

(Notes)

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

2. The following are the items relating to the candidates for outside directors;

(1) Messrs. Takuya Goto and Michio Kariya are candidates for outside directors.

(2) Reasons for the nomination of candidates for outside directors;

- i) The Company is of the view that Mr. Takuya Goto will contribute to further enhancement of its corporate governance by providing fair and reasonable judgment for, and accountable and sound management of, the businesses of the Company through utilization of his vast experiences for managing companies cultivated during his long period of acting as the president and a representative director or chairman of Kao Corporation, a leading manufacturer and marketer of consumer products and industrial chemicals.
  - ii) The Company is of the view that Mr. Michio Kariya, will contribute to further enhancement of its corporate governance by providing fair and reasonable judgment for, and accountable and sound management of, the businesses of the Company through utilization of his vast experiences for managing companies cultivated during the period acting as chairman and a representative director of Nikon Corporation, a major global manufacturer of optical instruments.
- (3) Mr. Takuya Goto served as an outside director of Asahi Glass Co., Ltd from March 2005 to March 2009. Asahi Glass Co., Ltd was imposed a fine by European Commission for illegal cartel for automotive glass on November 12, 2008 and accepted the payment therefor on February 6, 2009. Upon receipt of such orders from European Commission, he appropriately made suggestions at the Board of Directors Meeting for enhancement of the governance and countermeasures for prevention of repetition of similar incidents although the cartel in question was formed during the 5 years from 1998 to 2003, the period prior to his assumption of the office as outside director at Asahi Glass Co., Ltd,
  - (4) The period for serving as outside director of JSR;  
Nil as Messrs. Takuya Goto and Michio Kariya are newly nominated as candidates for outside directors.
  - (5) Summaries of agreement to limit outside directors' liability;  
Subject to the approval of Proposal 2 and to the election of Messrs. Takuya Goto and Michio Kariya as Directors at this general meeting of shareholders, the Company intends to enter into an agreement with each of them to limit the liabilities under Paragraph 1 of Article 423 of the Corporation Law to the maximum extent set forth by the relevant laws and regulations.
3. As Messrs. Takuya Goto and Michio Kariya are meeting criteria for independent directors and auditors set by Tokyo Stock Exchange and Osaka Stock Exchange, upon approval of election as outside directors they will become independent directors.

**Proposal 4. Election of One (1) Substitute Corporate Auditor**

As Mr. Yoshio Tamaki, Corporate Auditor, will resign at the close of this general meeting of shareholders, Corporate Auditors of the Company will consist of Mr. Nobuo Bessho, Corporate Auditor, and three Outside Corporate Auditors, Mr. Kenji Ito, Mr. Hiroichi Uekusa and Ms. Nobuko Kato. It is proposed that one (1) Substitute Corporate Auditor to Mr. Nobuo Bessho, Corporate Director to be elected in advance. The Board of Corporate Auditors has consented to the submission of this proposal in advance.

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

| Name<br>(Date of Birth)               | Brief personal record, position,<br>and important concurrent positions held                                                                                                                                                                                 | Number of<br>the shares<br>of the<br>Company<br>owned |
|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| Shoichi Kataoka<br>(February 9, 1951) | Apr. 1974 Joined Sumitomo Corporation<br>Apr. 2001 Joined JSR Corporation<br>Jun. 2004 General Manager, Legal Department<br>Jun. 2009 General Manager, General Affairs & Legal Department<br>Apr. 2011 General Manager, Legal Department (current position) | 1,900                                                 |

(Notes)

No conflict of interest exists between the candidate for Substitute Corporate Auditor and the Company.

**Proposal 5. Payment of Bonus to Directors**

The Company would like to pay, considering the business performance of the Company for the current fiscal term, bonuses to nine (9) Directors incumbent as of the end of the current fiscal term in a total amount for ¥ 90 million.

## 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 16, 2011 (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 online voting will be locked if you enter wrong Password a certain times, in such an event, please follow the instructions to be provided on the screen.

### ■ System Requirements for Online Voting

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

