

Corporate Governance Report

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JSR Corporation.

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The corporate governance of JSR Corporation (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

It is the JSR Group's goal to make steady progress in realizing its corporate mission (Materials Innovation: We create value through materials to enrich society, people and the environment). This shall be done through efficient and transparent business management, by sustaining sound and healthy business practices. The Group will also continuously strive to create new corporate value with the hope of becoming an attractive corporation that can earn the trust of and satisfy the interests of all our stakeholders.

As a company with audit & supervisory board members, JSR principally monitors and oversees the execution of duties by directors and the management through its Board of Directors and audit & supervisory board members. The Company continuously has strengthened the function of management supervision, improved efficiency in decision making and business duties execution, and enhanced the transparency and soundness of its business management to raise corporate value over the medium to long-term. To that end, it has implemented measures, such as introduction of an officer system, appointment of outside directors and audit & supervisory board members who are independent from the Company and have extensive business experience and expertise, establishment of the Remuneration Advisory Committee and the Nomination Advisory Committee each of which majority members are independent outside directors and the chair of which is a lead independent outside director respectively, and the introduction of three types of performance-based remuneration for directors other than outside directors covering short, medium and long term.

JSR has three (3) audit & supervisory board members, of which two (2) are independent outside audit & supervisory board members with extensive experience and expertise (currently one is a lawyer and the other is a certified public accountant qualified as a certified public tax accountant as well) and thereby has strengthened their functions in monitoring and overseeing management. Additionally, the Company has strived to ensure and improve the effectiveness of internal control by systematically conducting internal audits through an organization (“Corporate Audit Department”) specialized in internal audit which is independent from business divisions and reporting directly to the CEO (Chief Executive Officer) and the president, by strengthening collaboration between the Corporate Audit Department and audit & supervisory board members and by instituting a reporting system whereby important issues are reported by directors and employees to the audit & supervisory board members when deemed necessary.

JSR will continue focusing on the enhancement of corporate governance as an important management challenge.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

JSR has complied with all of the Principles of the Corporate Governance Code

[Principle 1-4] Cross-shareholdings

- (1) Policies for holding listed shares as cross-shareholdings
- 1) JSR holds listed shares as cross-shareholdings* only after comprehensively reviewing the rationality of holding such shares in the light of business management strategies and economics of such shareholdings while it has been reducing cross-shareholdings when holding such shares has become irrational.
 - 2) The Board of Directors periodically reviews the status and the policies for holding individual cross-shareholdings by taking such factors into consideration as the purpose of holding, potential risk and expected return, and cost of capital required for holding such individual shares.

Number of issues of cross holding shares of listed companies held by the Company and number of issues of which shares increased or decreased during the fiscal year are as follows;

	FY ending in Mar 2019	FY ending in Mar 2020
Total number of issues	26	19
Number of issues of which shares increased during the fiscal year	1	1
Number of issues of which shares decreased during the year	6	10

- (2) Policies for exercising voting rights
- When exercising voting rights of cross-shareholdings, JSR comprehensively determines to vote for or against their proposals after reviewing whether or not their corporate governance system and proposals will contribute to the improvement of their corporate value over the medium and long-term.

*Cross-shareholding: There are cases where listed companies hold the shares of other listed companies for reasons other than pure investment purposes, for example, to strengthen business relationships. Cross-shareholdings here include not only mutual shareholdings but also unilateral ones.

[Principle 1-7] Transactions with related parties

- (1) In accordance with the Companies Act and JSR’s “Regulations of the Board of Directors”, JSR has obtained the Board of Directors’ prior approval for competitive and conflict-of-interest transactions and reported important facts regarding such transactions to the Board of Directors after completion.
- (2) In accordance with applicable laws and regulations, JSR has disclosed the outline of transactions with related parties in notes to consolidated financial statements of the Securities Report and notes to non-consolidated financial statements of the ordinary general meeting of shareholders.
- (3) JSR has been determining the terms and conditions for the transactions with major shareholders by negotiating prices considering market conditions in the same way as it deals with third parties.

[Principle 2-6] Corporate Pension Funds as Asset Owners

- (1) With regard to management of JSR Pension Fund (the “Fund”), the Fund appoints general manager of Finance Department of JSR as its managing officer responsible for management of the Fund as well as receives appropriate advices from an outside advisor highly specialized in this field. Asset Management Committee of the Fund, consisting of members of Finance Department including officer in charge and members of the Fund including its chief director, each of whom having sufficient knowledge and expertise

in pension fund management, periodically monitors and discloses the status of fund management to the beneficiaries of the Fund and the minutes of the committee meeting.

- (2) There is no concern over the conflicts of the interest between the Company and the beneficiaries of the Fund because;
 - 1) the board of the representatives of the Fund, a half of which consists of leading members of the labor union representing the beneficiaries, makes material decisions on asset management, based on the deliberations of Asset Management Committee, and
 - 2) the leading members of the labor union periodically participate in the audit of fund management acting as auditing officers.

[Principle 3-1 (i)] Disclosure of corporate mission and business plan

- (1) JSR sets its corporate mission as follows:

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

- (2) JSR has, for the purpose of achieving its corporate mission, established group-wide management policies consisting of two basic components; “Fundamental Pillars of Management” representing general policies for ensuring sustainable growth and “Responsibility to Our Stakeholders” representing JSR’s commitment as a good corporate citizen.

For details of the corporate mission and management policies, “the JSR Group’s Essential Elements”, please visit the following site:

https://www.jsr.co.jp/jsr_e/company/mission.html

- (3) With the conclusion of the JSR20i9 mid-term business plan at the end of FY ending in March 2020 (“FY Mar 2020), the JSR Group established a new mid-term business plan that begins from FY ending in March 2021. The new mid-term plan positions the semiconductor materials field and the life sciences domain as growth engines and places organizational sustainability (sustainability as well as environment, social, and governance (ESG)) and resilience as the cornerstones of the Group’s future growth. Regrettably, due to the global spread of COVID-19 infections at the present time, the JSR Group has decided to announce revenue and operating profit targets after the world has overcome the COVID-19 and oil crises.
- (4) The Group’s management priority in FY ending in March 2021 will be responding to the current crises in a timely and appropriate manner.

For details of JSR20i9, please visit the following sites:

Original plan : https://ssl4.eir-parts.net/doc/4185/ir_material_for_fiscal_ym5/72920/00.pdf

Year 2 Review : https://ssl4.eir-parts.net/doc/4185/ir_material_for_fiscal_ym5/72736/00.pdf

[Principle 3-1 (ii)] JSR’s basic approach towards and policy on corporate governance

- (1) Basic policy

- 1) It is the JSR Group’s goal to make steady progress in realizing its corporate mission (Materials Innovation: We create value through materials to enrich society, people and the environment). This shall be done through efficient and transparent business management, by sustaining sound and healthy business practices. The Group will also continuously strive to create new corporate values with the hope of becoming an attractive corporation that can earn the trust of and satisfy the interests of all our stakeholders.
- 2) The Company therefore has been and will continue focusing on the enhancement of corporate governance as an important management challenge.

(2) Corporate governance structure

- 1) As a company with audit & supervisory board members, JSR principally monitors and oversees the execution of duties by directors and the management through its Board of Directors and audit & supervisory board members.
- 2) JSR has continuously strengthened the function of management supervision, improved efficiency in decision making and execution of business duties, and enhanced the transparency and soundness of business management through the introduction of an officer system and the appointment of outside directors and audit & supervisory board members, who are independent from the Company and have extensive business experience and a high level of expertise.
- 3) The Board of Directors established JSR's corporate mission and makes important decisions including those of the Company's business strategies.
- 4) The Board of Directors developed an environment where management can take appropriate risks and demonstrate entrepreneurship through the introduction of a performance-based director remuneration framework.
- 5) The Board of Directors supervises directors and management through the assessment of business performance and appointment of directors.
- 6) The current Board of Directors, of which chairperson is a non-executive director, consists of nine (9) directors, three (3) of whom are independent outside directors with vast experience and extensive expertise in management of corporations and businesses. In the future, the Company will elect 1/3 (one third) or more independent outside directors with similar expertise in order to increase corporate value and oversee business management.
- 7) The current Audit & Supervisory Board consists of three (3) audit & supervisory board members, two (2) of whom are independent outside audit & supervisory board members with extensive and sophisticated expertise (one is a lawyer and the other is a certified public accountant qualified as a certified public tax accountant as well). In the future, the Company will elect two independent outside audit & supervisory board members with vast experience and extensive and sophisticated expertise in such fields as law, accounting, and etc., to effectively audit the execution of duties by directors and the management.
- 8) JSR established the Remuneration Advisory Committee of which majority members are independent outside directors and the chair of which is a lead independent outside director in order to ensure the objectivity and transparency of its directors' remuneration framework. The committee deliberates the basic policy of remuneration, the remuneration structure, the mechanism of a performance-based remuneration, the setting of targets, and assessment of performance, and submits its findings to the Board of Directors.
- 9) JSR set basic policies on remuneration of directors as follows: the remuneration framework should increase corporate value over the medium and long-term, attract diverse and superior personnel, be linked to short-term, medium-term and long-term business performance, have management and shareholders share profits, and ensure high transparency. Remuneration for directors consists of a fixed basic remuneration, an annual bonus linked to the attainment level of business performance in each fiscal year, a medium-term business performance-based bonus linked to the attainment level of the medium and long-term business performance, and restricted stock shares as remuneration designed to facilitate earlier sharing of corporate values between directors and the shareholders of the Company. In light of their roles, remuneration for outside directors and audit and supervisory board members consists of basic remuneration only. Remuneration for the Chairperson consists of 3 (three) types of remunerations: a fixed basic remuneration, a medium-term business performance-based bonus, and restricted stock shares as remuneration in a similar manner as described above. Performance based annual bonus is excluded, however, in light of the role of the Chairperson of the board who is responsible for monitoring and supervising the board while striving to improve corporate value from a perspective different from that of executive directors engaged in the business execution.

10) JSR established the Nomination Advisory Committee of which majority members are independent outside directors and the chair of which is a lead independent outside director to ensure the transparency of the policy and procedures of nominating candidates for directors. The committee deliberates criteria for the size, diversity in breadth of knowledge, experience, and capability necessary for the Board of Directors as well as criteria and procedures for nominating and/or identifying candidates for future appointment as CEO and/or the president, directors, officers with directorship status (including senior officers), and audit & supervisory board members, and submits its findings to the Board of Directors. In order to ensure transparency of the deliberation, the committee takes such necessary measures as discussion solely among outside independent directors for the agenda relating to appointment/reappointment or dismissal of CEO and/or the president. The committee, through its active involvement in the selection process, systematically develops and selects candidates for the successor to CEO and/or the president in an objective and transparent manner by providing the pool of candidates with necessary training and coaching.

(3) Relationship with stakeholders

- 1) JSR established “Responsibility to Our Stakeholders” (responsibility to customers, business partners, employees, society, and shareholders) as one of the important pillars of its management policies in order to express its commitment to its stakeholders.
- 2) JSR appropriately responded to issues related to sustainability, such as social and environmental issues and also promoted measures to secure diversity including those for encouraging greater participation of female employees.

For details of JSR’s Sustainability (CSR) report, please visit the following site:

https://www.jsr.co.jp/jsr_e/csr/

- 3) To fulfill its commitment to its stakeholders as stated in its “Responsibility to Our Stakeholders”, the JSR Group established “the JSR Group Principles of Corporate Ethics” as a code of conduct for its directors and employees and endeavored to ensure the code is thoroughly communicated to, and understood and observed by all directors and employees.

For details of the JSR Group Principles of Corporate Ethics, please visit the following site:

http://www.jsr.co.jp/jsr_e/csr/2018/management/compliance.shtml

PDF file : https://www.jsr.co.jp/jsr_e/csr/ethics.shtml

(4) Securing the rights and equal and equitable treatment of shareholders

- 1) JSR has continued to develop an environment where shareholders can appropriately exercise their voting rights at the ordinary general meeting of shareholders.
- 2) JSR will continue to implement the following measures: holding an ordinary general meeting of shareholders earlier than other companies (in the middle of June each year); dispatching the notice of convocation of an ordinary general meeting of shareholders three (3) weeks prior to the date of the meeting and disclosing the contents of the convocation via internet prior to the date of dispatching such materials; introducing an electronic voting platform via the Internet, etc.; participating in the electronic voting platform for institutional investors; enhancing contents of the convocation notice; and translating the convocation notice into English, etc.

For details of materials prepared for its ordinary general meeting of shareholders, please visit the following site : https://www.jsr.co.jp/jsr_e/ir/library/shareholder.html

- 3) JSR will explain its basic idea on its capital policies to shareholders. Especially in the case of those policies that may undermine the interests of existing shareholders, such as introducing takeover defense measures, MBO, and increase in capital stock, etc., the Company is determined to sufficiently examine their necessity and rationality and to take appropriate procedures to ensure sufficient explanation to shareholders.
- 4) JSR holds listed shares as cross-shareholdings only after comprehensively reviewing the rationality of holding such shares in the lights of business management strategies and economics of such shareholdings while it has been reducing cross-shareholdings when holding such shares has become

irrational. The Board of Directors periodically reviews the status and the policies for holding individual cross-shareholdings by taking such factors into consideration as the purpose of holding, potential risk and expected return, and cost of capital required for holding such individual shares. When exercising voting rights of cross-shareholdings, the Company comprehensively determines to vote for or against their proposals after reviewing whether or not their corporate governance system and proposals will contribute to the improvement of their corporate value over the medium and long-term.

(5) Capital policy

- 1) While prioritizing growth investment to continuously create corporate value, JSR has been aiming at providing appropriate returns to shareholders, including combination of dividends and treasury stock acquisitions, by taking into account its business performance and medium and long-term capital requirements.
- 2) JSR has been managing its businesses bearing the cost of capital in mind by using the cost of capital as reference for decisions for investment and evaluation of the businesses and by introducing ROI target as a reference to determine mid-term performance-linked bonuses to the directors other than outside directors and to the officers of the Company. The Company has been and will be continuously endeavoring to improve capital efficiency indices, such as ROE and ROIC.

(6) Dialogue with shareholders

- 1) JSR has been promoting constructive dialogue with shareholders in the following manner.
 - a JSR appoints an officer in charge of IR. CEO, the president or the officer in charge of IR explains business performance, financial positions, and the details and progress of the mid-term business plan at the quarterly analyst meeting and mid-term business plan explanatory annual meeting for institutional investors.
 - b Every year, CEO, the president or the officer in charge of IR holds interviews with institutional investors in Japan and overseas to explain the above matters.
 - c Opinions and questions that JSR receives from investors through the above-mentioned dialogues are periodically fed back to management.
- 2) In dialogues with shareholders, JSR has strived to appropriately treat insider information.

(7) Information disclosure policy

- 1) JSR established its information disclosure policy and prepared organizations and systems for information disclosure. The Company has strived to ensure prompt, accurate, active and fair disclosure of information by establishing a company-wide cooperative framework to improve the quality of information disclosure.
- 2) With the aim of actively providing company information to shareholders and investors, JSR has been posting such information on its website as corporation information including business performance, financial position, and details of main businesses, CSR information including efforts to conserve the environment and responsible care (RC), and research and development (R&D) activities.

[Principle 3-1 (iii)] Policy and procedures to decide remuneration for management and directors

JSR established the Remuneration Advisory Committee of which majority members are independent outside directors and the chair of which is a lead independent outside director to ensure the objectivity and transparency of its directors' remuneration framework. The Remuneration Advisory Committee deliberates the basic policy of remuneration, the remuneration structure, the mechanism of a performance-based remuneration, the targets, and assessment of performance, and submits its findings to the Board of Directors.

For details, please refer to II. 1. [Director Remuneration] Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods on page 20 of this Corporate Governance Report in English.

[Principle 3-1 (iv)] Policy and procedures to nominate candidates for director and audit & supervisory board member

(1) Nomination Advisory Committee

- 1) JSR established the Nomination Advisory Committee of which majority members are independent outside directors and the chair of which is an independent outside director to ensure the transparency of the policy and procedures of nominating candidates for directors, audit & supervisory board member and officers with directorship status (including senior officers). At the committee, any of the members is not eligible for voting in the agenda in which such member has special interest.
- 2) The committee deliberates the standard for the diversity in breadth of knowledge, experience, and capability necessary for the Board of Directors, criteria and procedures for the nomination, and candidates for future appointment as CEO, the president, directors, officers with directorship status (including senior officers), and audit & supervisory board members, and submits its findings to the Board of Directors.
- 3) The committee systematically develops and selects candidates for the successor to CEO and/or the president in an objective and transparent manner by providing the pool of candidates with necessary training and coaching to enhance skills and leadership and by actively participating in selection process through interviews etc.
- 4) CEO and/or the president submit to the committee an annual report on management activities including a broad range of strategic ones. Based on the report, the committee assesses the business result and performance of CEO and/or the president and advises the Board of Directors whether or not improvement in management quality is necessary.
- 5) The committee will deliberate and report to the Board of Directors in a timely fashion when the committee judges there arises a reason that necessitates dismissal of directors including CEO. In order to ensure transparency of the deliberation, the committee takes necessary measures as deliberation solely among outside independent directors for the agenda relating to appointment/reappointment or dismissal of CEO.
- 6) Upon receipt of the aforementioned annual management activities report and based on the business result and performance evaluation of CEO and/or the president as well as business circumstances and economic outlook, etc., the committee annually deliberates and judges appropriateness of the appointment, dismissal of CEO and/or the president and terms of office.

(2) Criteria for nominating candidates for directors

- 1) When nominating candidates for directors, JSR makes it a rule to ensure an appropriate balance among diversity in breadth of knowledge, experience, and capability essential to the Board of Directors and the size thereof in order to make important management decisions and oversee the execution of duties in appropriate and timely fashion.
- 2) JSR nominates persons who are mentally and physically sound and have an exceptional personality and popularity, and high principles and ethical view.
- 3) Candidates for inside directors: JSR nominates persons who have extensive knowledge, experience, and high capability with a superior track record in such fields as business management (including global one), R&D, manufacturing, manufacturing technology, human resources, and finance and accounting, etc.
- 4) Candidates for outside directors: JSR nominates persons who have independence, vast experience and extensive expertise of management of the major companies in various fields and of business management both in Japan and overseas as well as the capability to actively express opinions and raise issues on growth strategy and enhancement of governance from a broad perspective.

(3) Criteria for nominating candidates for audit & supervisory board member

- 1) From the perspective of ensuring the transparency and soundness of business management through auditing the process of directors' decision making and execution of duties in accordance with laws and regulations, such as the Companies Act, the articles of incorporation and internal rules, JSR nominates persons with vast experience and extensive and sophisticated expertise necessary for audit (including one person with sufficient knowledge of finance and accounting) among those who are mentally and

physically sound and have an exceptional personality and popularity, and high principles and ethical view.

- 2) Regarding candidates for outside audit & supervisory board members, in particular, JSR nominates persons who have independence and extensive experience and knowledge of laws and accounting.

[Principle 3-1 (v)] Reasons for nominating individual candidates for director and audit & supervisory board member

For details of the reasons for nominating individual candidates for outside directors and audit & supervisory board members, please refer to the materials for the ordinary general meeting of shareholders and II. 1. [Directors] and [Audit & Supervisory Board Member] of this Corporate Governance Report.

JSR has been disclosing the reasons for nominating candidates for inside directors and audit & supervisory board members in the reference materials attached to the notice of convocation of ordinary general meeting of shareholders.

[Supplementary Principle 4-1-1] Scope of the authorization for management

- (1) The Board of Directors shall make decisions on issues, in addition to those treated as a prerogative of the Board of Directors by laws and regulations and the articles of incorporation, of the following important ones prescribed in “JSR’s Regulations of the Board of Directors”.

- 1) Issues related to an ordinary general meeting of shareholders
- 2) Issues related to directors and officers
- 3) Issues related to financial results
- 4) Issues related to stocks and corporate bonds
- 5) Issues related to fundamental management initiatives, management policies, and business plans
- 6) Issues related to important operations (according to the amount criteria, etc.)

- (2) For the issues other than the above, the Company delegates decision making authorities to persons listed below in accordance with its “Regulations on Decision Making Authority” depending upon nature and importance thereof;

- 1) Decision by CEO or the president after deliberation at the Executive Committee.
- 2) Decision by CEO or the president
- 3) Decision by an officer in charge
- 4) Decision by a head in charge of business department

[Principle 4-9] Criteria for judging the independence of independent outside directors

JSR has set its original criteria for judging the independence of independent outside directors and audit & supervisory board members. For details, please refer to II. 1. [Independent Directors/Audit & Supervisory Board Member] (Matters relating to Independent Directors/Audit & Supervisory Board Member) of this Corporate Governance Report.

[Supplementary Principle 4-11-1] Concept of capability and diversity of the Board of Directors as a whole

With the aim of overseeing important management decision making and the execution of duties in appropriate and timely fashion in order to increase corporate value over medium and long-term, JSR considers it important that the Board of Directors as a whole effectively utilize both i) the extensive knowledge, experience and high capability in such fields as business management (including those of global businesses), R&D, manufacturing, manufacturing technology, human resources, and finance and accounting, etc. held by inside directors and ii) vast experience and extensive expertise of management of the companies in various fields and business and management both in Japan and overseas, and capability to actively express opinions and raise issues on growth strategy and enhancement of governance from a broad perspective held by independent outside directors and that the Board of Directors thus ensures such diversity in knowledge, experiences and skills as the Board of Directors deems fit and necessary.

In order to cope with the drastic changes in business circumstances such as globalization, advance in Information Technologies and digitalization, the Company appointed, upon resolutions of AGM and BOD, the first non-Japanese CEO stationed in the US and responsible for global business management of the Company and the COO and President stationed in Japan and supporting the CEO. The Company has further enhanced the diversity of the board as the AGM held on June 17, 2020 approved the election of an inside female director.

JSR will continue to ensure the sufficient diversity in knowledge, experience, and capability that are essential for the Board of Directors and maintain its optimum size but not exceeding 12 people in accordance with the deliberation to be made by the Nomination Advisory Committee and with its business strategies in the future.

[Supplementary Principle 4-11-2] Positions concurrently held by directors and audit & supervisory board members

- (1) Outside directors and audit & supervisory board members had a high attendance rate (nearly 100%) at Board of Directors and Audit & Supervisory Board meetings and spared sufficient time to perform their roles and duties since they understood the schedule of the Board of Directors and the Audit & Supervisory Board meetings before assuming their office and received notice of the meeting well in advance after assuming their office.
- (2) Regarding the positions concurrently held by the directors and audit & supervisory board members, please refer to II. 1 [Directors] Outside Directors' Relationship with the Company (2) as well as the business report attached to the notice of convocation of ordinary general meeting of shareholders.

[Supplementary Principle 4-11-3] Analysis and evaluation on the effectiveness of the Board of Directors

The Board of Directors of the Company has been conducting an evaluation of its effectiveness in order to maximize corporate value of the Company by enhancing its effectiveness. The following is the summary of the results of the board effectiveness evaluation in FY Mar 2020.

1. Overview of Evaluation Results

1) Evaluation process

The Board of Directors evaluated its effectiveness through a self-assessment while utilizing aggregated data and evaluation support provided by a third party that has expertise in the relevant field.

In November 2019, a questionnaire was distributed to all eight directors (including three independent outside directors) and three audit & supervisory board members of our company (including two independent outside audit & supervisory board members). After collecting questionnaire responses, the board members discussed the results of the questionnaire as well as the opinions expressed through the questionnaire and evaluated the effectiveness of the Board of Directors.

2) Conclusion

The Board of Directors have drawn the conclusion that “The Board of the Directors of the Company is functioning effectively.”

3) Reasons for concluding that the Board of Directors is functioning effectively

- The Board of Directors consists of inside and outside directors as well as audit & supervisory board members from diverse perspectives (e.g. different nationalities and gender) with an appropriate allocation. The Board of Directors serves as a meeting body that oversees management and encourages top management to make bold decisions by utilizing each member's experiences, skills, and specialization.
- Sufficient information is provided to each member, and the Board of Directors has lively and effective discussions in the free and open-minded atmosphere.
- The Nomination Advisory Committee and the Remuneration Advisory Committee are enhancing their supervisory functions by working effectively and providing adequate advice to the Board of Directors while ensuring their own independence and objectivity towards the Board of Directors. As a result, the Board of Directors has secured its composition in an adequate fashion and appointed the right person to the right position. The Nomination Advisory Committee also played a vital role in the transition to a new top management team which was established in June 2019. The Remuneration Advisory Committee makes

executive remuneration system work, which secures and rewards diverse and competent human resources regardless of nationality to further promote global management. The Remuneration Advisory Committee has also realized transparent information disclosure.

- Every quarter, the Board of Directors receives a report on the company's measures towards investors and shareholders and have a discussion. By doing so, the Board of Directors reflects the viewpoint expected from the shareholders in operations and execution of duties of the Company and also strives to maximize its corporate value.
- In response to a dramatic change in the business environment, the Board of Directors endeavors to enhance corporate governance and maximize corporate value by making the above points work.

4) Special note on the results of the evaluation

- For almost all the evaluation items, the board members gave feedback (freewriting) and suggestions and also pointed out problems that they had found. Especially for this year's questionnaire, the board members pointed out the following items.

(Good points and the points in which the board members were able to observe improvement)

1. Board members can express their opinions freely and have a constructive discussion. During a preliminary briefing, the BOD Office spends sufficient time to answer questions from board members regarding board meeting agenda items. This makes it possible for the board members to have substantial and effective discussions.
2. Important investment and acquisition deals which have been resolved by the Board of Directors before are being followed up more properly this fiscal year.
3. The collaboration between the Board of Directors and the Nomination / Remuneration Advisory Committees has been reinforced further. The Nomination / Remuneration Advisory Committees share things discussed at their committee meetings with the Board of Directors. This leads to the enhancement of our corporate governance.
4. In April every year, the top management of the company reports the management activities implemented in the last fiscal year as well as its performance evaluation to the Nomination Advisory Committee. The Board of Directors highly evaluates this activity as it serves to check the responsibilities of the top management every year.

(Things that require improvement)

1. As ESG investment and activities for the SDGs are becoming increasingly important, the Board of Directors recognize it necessary to increase opportunity to discuss the sustainability & resilient management while taking into account these activities. The Board need to further monitor activities which allow the Company to proceed with business strategies that focus on "sustainability & resilience" and to enhance corporate value.
2. Regarding the composition of the Board of Directors, an outside director who has a thorough knowledge of the IT and digital technologies resigned from his position in the middle of the fiscal year. Therefore, the Company need to find a specialist in this field to fill the position. Besides that, it is also desirable that the Company find people from diverse backgrounds for its Board of Directors. The Board of Directors hopes that the Company will develop and secure human resources who will become female directors.

2. Future Activities

The Board of Directors have confirmed that it will address the following points in response to the comments and suggestions given by the board members and audit & supervisory board members.

- The Board of Directors will appropriately monitor the execution status of a new mid-term plan which starts in FY Mar 2021. From the "sustainability & resilience" standpoints, the Board of Director will also promote integration between sustainability and business strategies, enhance the Company's operations through resilient activities (establish a multi-layered and robust system, reinvest in the plants and ERP, etc.), in parallel

with the growth of major businesses, it will strengthen the Company's ability to respond to various crises, and maximize its corporate value.

- The Board of Directors confirmed important business challenges, which the board needs to monitor continuously, when evaluating the effectiveness of the Board of Directors. The business challenges listed below will be brought up at BOD meetings, and the board members will have intensive discussions on these challenges and also monitor their execution status.

(Important business challenges)

- 1) Carry out business based on the "sustainability & resilience."
- 2) Streamline the company's overall business portfolio and optimize its overall resource allocation.
- 3) Create business models and business strategies in the life sciences business so that it will become JSR's third business pillar.
- 4) In the elastomer business whose profitability has declined, determine business strategies and the way the business should be.
- 5) Expand the portfolio of our digital solution business which is the primary source of our company's revenue at the moment.
- 6) Implement crisis management and response (including Business Continuity Plan (BCP) due to the novel coronavirus).

[Supplementary Principle 4-14-2] Policy for training directors and audit & supervisory board members

- (1) JSR provides newly elected officers—future candidates for directors—with opportunities to participate in outside seminars for newly elected directors.
- (2) JSR provides newly elected outside directors and audit & supervisory board members with opportunities to participate in the introduction education and factory and research institute tours to deepen their understanding of the Company and its businesses.
- (3) When a Board of Directors meeting is held, JSR regularly picks up key issues closely related to its businesses as "A Specific Theme for Review and Discussion" and thereby provides an opportunity to exchange opinions on such themes. This opportunity helps directors and audit & supervisory board members not only deepen their understanding of the Company's business challenges but also promote communication between board members.
- (4) JSR holds regular seminars by outside lecturers prior to the ordinary general meeting of shareholders to review the status of corporate governance in general and legal reforms.

[Principle 5-1] Policy on constructive dialogue with shareholders

JSR has implemented the following measures to promote constructive dialogue with shareholders and investors.

- (1) An officer, who is responsible for Accounting and Finance Department and Corporate Communications Department, takes charge of IR activities and the Accounting and Finance Department and the Corporate Communications Department jointly assist dialogue with investors.
- (2) JSR holds an analyst meeting every quarter and a mid-term business plan explanatory meeting every fiscal year. In such meetings, CEO, the president or an officer in charge of IR explains business performance, financial position, details and progress of the mid-term business plan to analysts.
- (3) Every year, CEO, the president or an officer in charge of IR holds interviews with major institutional investors in Japan and overseas to explain the details and progress of the mid-term business plan.
- (4) JSR has been endeavoring to provide investors with the Company information on its website such as, financial statement, that on mid-term business plans and progress thereof and on details of business performance of main businesses, as well as that on CSR activities including efforts to conserve the environment and responsible care, and that on R&D activities.
- (5) Opinions and questions that JSR receives from investors through the above-mentioned dialogues are fed back to management as IR activities reports.
- (6) In dialogues with shareholders, JSR has appropriately treated insider information (setting a silent period from the start of a new fiscal year to the day of announcing business results, establishing regulations for preventing insider trading, and conducting employee education seminars).

2. Capital Structure

Foreign Shareholding Ratio	More than 30%
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[Status of Major Shareholders] Updated

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (trust account)	18,920,900	8.81
STATE STREET BANK AND TRUST COMPANY 505010	15,679,800	7.30
Japan Trustee Services Bank, Ltd. (trust account)	13,441,700	6.26
Japan Trustee Services Bank, Ltd. (trust account 9)	7,521,500	3.50
Bridgestone Corporation	6,441,160	3.00
Japan Trustee Services Bank, Ltd. (trust account 5)	3,723,600	1.73
Nippon Life Insurance Company	3,716,586	1.73
Meiji Yasuda Life Insurance Company	3,631,110	1.69
Japan Trustee Services Bank, Ltd. (trust account 7)	3,418,700	1.59
BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1	3,355,000	1.56

Controlling Shareholder (except for Parent Company)	none
Parent Company	none

Supplementary Explanation

Shareholding percentage is calculated by using 214,713,837 shares as a denominator which arrives from total issued shares (226,126,145) less treasury shares (11,412,308).

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange (“TSE”) First Section
Fiscal Year-End	March
Type of Business	Chemicals
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion /
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 50 to less than 100

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

n.a.

5. Other Special Circumstances which may have Material Impact on Corporate Governance

Updated

- (1) Significance of having listed subsidiaries based on JSR's group management attitude and policy
 MEDICAL & BIOLOGICAL LABORATORIES CO., LTD. (MBL), which became a consolidated subsidiary of the Company in October 2015, is listed on the JASDAQ market of the Tokyo Stock Exchange. By respecting and encouraging independence of MBL, the Company intends to further enhance the strength of MBL to effectively markets its product through the processes of developing and clearing regulations on medical products as a R&D oriented Life Sciences company.
 The Company endeavors to further enhance business portfolio in its Life Science Businesses by expanding diagnostics business through realizing synergies between high-performance materials from JSR and expertise of MBL and thereby further enhance corporate values of the Groupe as a whole.
- (2) Measures to ensure the effectiveness of governance systems of listed subsidiaries
 The Company strives to secure the effectiveness of governance system of listed subsidiaries and protect the rights of minority shareholders by the following measures:
- ✓ MBL regularly monitors business execution of directors by appointing 1 independent outside director out of 7 directors and 2 independent outside statutory auditors out of 3 statutory auditors in total although MBL is a JASDAQ listed company.
 - ✓ In order to ensure independence of MBL, the Company set up a rule to leave major decision making to the management of MBL without asking prior approval by the Company. (Please refer to " IV. Matters Related to the Internal Control System 1. Basic Views on Internal Control System and the Progress of System Development (8) Policies for establishing an internal control system for a Listed Subsidiary Group of the Company" hereof)
 - ✓ Business transaction between the group companies of both MBL and JSR are made in accordance with the market prices so that the rights and profit of all of the shareholders are protected. (Other subsidiaries of the Company sell products to MBL)
 - ✓ MBL has set up an independent advisory committee of which majority consists of an independent outside director and independent outside statutory auditors of MBL and of which function is to, as an advisory committee to BOD of MBL ensure and enhance effectiveness of corporate governance of MBL through ensuring independent decision making of MBL and monitoring conflicts of interest arising from transaction between the subsidiaries of JSR and MBL.

II Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	12
Term of Office Stipulated in Articles of Incorporation	1
Chairperson of the Board	Non-executive inside director other than those concurrently serving as CEO or the president and COO

Number of Directors <u>Updated</u>	9
Number of Outside Directors	3
Number of Independent Directors	3

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Yuzuru Matsuda	From another company									△			
Shiro Sugata	From another company									△			
Tadayuki Seki	From another company									△			

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a Executive of the Company or its subsidiaries

b Non-executive director or executive of a parent company of the Company

c Executive of a fellow subsidiary company of the Company

d A party whose major client or supplier is the Company or an executive thereof

e Major client or supplier of the listed company or an executive thereof

f Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/audit & supervisory board member

g Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i Executive of a company, between which and the Company outside directors/audit & supervisory board member are mutually appointed (the director himself/herself only)

j Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k Others

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Yuzuru Matsuda	Independent Director	<p>(1) Mr. Matsuda meets the independence standards set forth by Tokyo Stock Exchange and the “Criteria for judging independence of outside directors and audit & supervisory board members”, as set forth in “Matters relating to Independent Directors/Audit & Supervisory Board Member” in this report. Accordingly, JSR has determined there is no risk of conflict of interest with general shareholders and has designated him as an independent director.</p> <p>(2) There are some ongoing transactions involving the sales of testing reagents and other products between the group companies of Kyowa Hakko Kirin, Co., Ltd. (currently known as Kyowa Kirin Co., Ltd. and where Mr. Matsuda served as President and Chief Operating Officer) and those of JSR Corporation. The value of such transactions amounts to less than 0.1% of JSR’s consolidated net sales for the business year ending in March 2020.</p>	<p>Mr. Matsuda served as the President and Chief Operating Officer of KYOWA HAKKO KOGYO CO., LTD and Kyowa Hakko Kirin, Co., Ltd (currently known as Kyowa Kirin Co., Ltd.) as well as an Advisor to Kyowa Hakko Kirin.</p> <p>He has vast experience in corporate management for global companies especially in the field of medical products and biochemical. He also possesses the independent perspective as outside personnel.</p> <p>He has utilized his experiences and independent viewpoints to help the Company in making crucial decisions, to supervise the performance of duty at the BOD level, and to strengthen the Company’s fair corporate governance through enhancement of fair and reasonable business judgment and transparent and sound management, thereby continually contributing further to the enhancement of JSR Group’s corporate value.</p> <p>He is therefore appointed again as an outside director.</p>
Shiro Sugata	Independent Director	<p>(1) Mr. Sugata meets the independence standards set forth by Tokyo Stock Exchange and the “Criteria for judging independence of outside directors and audit & supervisory board members”, as set forth in “Matters relating to Independent Directors/Audit & Supervisory Board Member” in this report. Accordingly, JSR has determined there is no risk of conflict of interest with general shareholders and has designated him as an independent director.</p>	<p>Mr. Sugata served as the Representative Director and President of USHIO INC., where he currently serves as Advisor. He also served as Vice Chairman, Executive Director at the Japan Association of Corporate Executives.</p> <p>He has vast experience in the corporate management of global companies especially in the field of optical application products and industrial machineries and also has experience obtained through activities in the business community, and possesses the perspectives as an independent outside personnel.</p>

		<p>(2) There are some ongoing transactions involving the sales of heat resistant transparent resins and purchase of exposure devices between the group companies of USHIO INC. (where Mr. Sugata served as Representative Director and President and is currently serving as Corporate Advisor) and those of JSR Corporation. The values of such transaction in the current business year ending in March 2020 amounted to less than 0.1% of JSR Group's consolidated revenue and less than 0.1% of those of USHIO INC. for the previous business year ending in March 2019.</p>	<p>He has utilized his experiences and independent viewpoints to help the Company in making crucial decisions, to supervise the performance of duty at the BOD level, and to strengthen the Company's fair corporate governance through enhancement of fair and reasonable business judgment and transparent and sound management, thereby continually contributing further to the enhancement of JSR Group's corporate value.</p> <p>He is therefore appointed again as an outside director.</p>
Tadayuki Seki	Independent Director	<p>(1) Mr. Seki meets the independence standards set forth by Tokyo Stock Exchange and the "Criteria for judging independence of outside directors and audit & supervisory board members", as set forth in "Matters relating to Independent Directors/Audit & Supervisory Board Member" in this report. Accordingly, JSR has determined there is no risk of conflict of interest with general shareholders and has designated him as an Independent director.</p> <p>(2) There have been some ongoing transactions involving the sales and purchase of plastics between the group companies of ITOCHU Corporation (where Mr. Seki served as Representative Director and Executive Vice President) and those of JSR Corporation. The values of such transaction in the business year ending in March 2020 amounted to less than 0.5% of JSR Group's consolidated net sales and less than 0.1% of those of ITOCHU Corporation, respectively, for the</p>	<p>Mr. Seki served as the Representative Director and Executive Vice President and thereafter as an Advisory Member at ITOCHU Corporation. He has vast experience in the corporate management of a general trading company which operates a global trading business and possesses the perspectives of independent outside personnel.</p> <p>He has utilized his experiences and independent viewpoints to help the Company in making crucial decisions, to supervise the performance of duty at the BOD level, and to strengthen the Company's fair corporate governance through enhancement of fair and reasonable business judgment and transparent and sound management, thereby continually contributing further to the enhancement of JSR Group's corporate value.</p> <p>He is therefore appointed again as an outside director.</p>

		previous business year ending in March 2019.	
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Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson Updated

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination Advisory Committee	Remuneration Advisory Committee
All Committee Members	5	5
Full-time Members	5	5
Inside Directors	2	2
Outside Directors	3	3
Outside Experts	0	0
Other	0	0
Chairperson	Outside director	Outside director

Supplementary Explanation Updated

- (1) Nomination Advisory Committee
- 1) JSR established the Nomination Advisory Committee of which majority members are outside directors and the chair of which is a lead independent outside director in order to ensure the transparency of the policy and procedures of nominating candidates for directors and audit & supervisory board members. At the committee, any of the members is not eligible for voting in the agenda in which such member has special interest.
 - 2) The committee deliberates criteria for ensuring the diversity in breadth of knowledge, experience, and capability as well as the size necessary for the Board of Directors, criteria and procedures for the nomination, and candidates for future CEO, the president, directors, officers with directorship status (including senior officers), and audit & supervisory board members, and submits its findings to the Board of Directors.
 - 3) The committee systematically develops and selects candidates for the successor to CEO and/or the president in an objective and transparent manner by providing the pool of candidates with necessary training and coaching to enhance skills and leadership and by active involvement in selection process through interviews etc.
 - 4) CEO and/or the president submit to the committee an annual report on management activities including a broad range of strategic ones. Based on the report, the committee assesses the business result and performance of CEO and/or the president and advises the Board of Directors whether or not improvement in management quality is necessary.
 - 5) The Nomination Advisory Committee will deliberate and report to the Board of Directors in a timely fashion when the committee judges there arises a reason that necessitates dismissal of CEO and/or other directors. In order to ensure transparency of the deliberation, the committee takes necessary measures

as deliberation solely among outside independent directors for the agenda relating to appointment/reappointment or dismissal of CEO.

- 6) Upon receipt of the aforementioned annual management activities report and based on the business result and performance evaluation of CEO and/or the president as well as business circumstances and economic outlook, etc., the committee annually deliberates and judges appropriateness of the appointment, dismissal of CEO and/or the president.
- 7) The following are the outlines of the activities of the committee in FY Mar 2020
 - a Composition of the Committee
In total 5 members consisting of 3 independent outside directors and 2 inside directors. A lead independent director is the chairman of the committee.
 - b Numbers of the meeting, attendance etc.
The committee held in total 3 meetings in FY Mar 2020 (in April and July 2019 and in January 2020), and all of the members including the chairman attended all of the meetings

(2) Remuneration Advisory Committee

- 1) JSR has established the Remuneration Advisory Committee of which majority members are outside directors and the chair of which is a lead independent outside director in order to ensure the objectivity and transparency of its directors' remuneration framework.
- 2) The committee deliberates the basic policy of remuneration, the remuneration structure, the mechanism of performance-based remuneration, the setting of targets, and the assessment of performance, and submits its findings to the Board of Directors.
- 3) The following are the outlines of the activities of the Committee in FY Mar 2020
 - a Composition of the committee
In total 5 members consisting of 3 independent outside directors and 2 inside directors with attendance of a third-party consultant, specialist in this field, as advisor. A lead independent director is the chairman of the committee.
 - b Numbers of the meeting, attendance etc.
In total 5 meetings were held in FY Mar 2020 (in April (twice), June and November, 2019 and in February, 2020), and all of the members including the chairman attended all of the meetings.

[Audit & Supervisory Board Member]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Member Stipulated in Articles of Incorporation	5
Number of Audit & Supervisory Board Member	3

Cooperation among audit & supervisory board member, independent auditors and Internal Audit Departments

Audit & supervisory board members receive audit plans and reports on the implementation of audits from the independent auditors, exchange opinions on accounting matters as necessary, and discuss them, and then judge the appropriateness of the audit results obtained by the independent auditors. In addition, audit & supervisory board members confirm the balance of inventory and securities in cooperation with independent auditors. Furthermore, audit & supervisory board members regularly receive internal audit plans and reports of internal audit results from the Corporate Audit Department, which is independent from other business divisions and reports directly to CEO and the president, strengthen cooperation with the Corporate Audit Department by exchanging opinions, and establish a framework that facilitates directors and employees reporting to audit & supervisory board members in a timely and appropriate manner. Consequently, audit & supervisory board

members audit the execution of duties by directors and enforcement of internal control with a high degree of effectiveness.

Appointment of Outside Audit & Supervisory Board Member	Appointed
Number of Outside Audit & Supervisory Board Member	2
Number of Independent Audit & Supervisory Board Member	2

Outside Audit & Supervisory Board Member's Relationship with the Company (1)

Name	Attribute	Relationship with the Company*													
		a	b	c	d	e	f	g	h	i	j	k	l	m	
Hisako Kato	CPA & Tax Accountant														○
Sumio Moriwaki	Lawyer														○

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a Executive of the Company or its subsidiary

b Non-executive director or accounting advisor of the Company or its subsidiaries

c Non-executive director or executive of a parent company of the Company

d Audit & supervisory board member of a parent company of the Company

e Executive of a fellow subsidiary company of the Company

f A party whose major client or supplier is the Company or an executive thereof

g Major client or supplier of the Company or an executive thereof

h Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an audit & supervisory board member

i Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

j Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the audit & supervisory board member himself/herself only)

k Executive of a company, between which and the Company outside directors/ audit & supervisory board member are mutually appointed (the audit & supervisory board member himself/herself only)

l Executive of a company or organization that receives a donation from the Company (the audit & supervisory board member himself/herself only)

m Others

Outside Audit & Supervisory Board Member's Relationship with the Company (2)

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons of Appointment
Hisako Kato	Independent Audit &	(1) Ms. Kato meets the independence standards set forth by Tokyo Stock	Ms. Kato has range of professional knowledge and vast experience on financing and accounting matters as a

	Supervisory Board Member	<p>Exchange and the “Criteria for judging independence of outside directors and audit & supervisory board members”, as set forth in “Matters relating to Independent Directors/Audit & Supervisory Board Member” in this report. Accordingly, JSR has determined there is no risk of conflict of interest with general shareholders and has designated her as an independent director.</p> <p>(2) No conflict of interest exists between the Company and either Hisako Kato Accounting Office where Ms. Hisako Kato has important concurrent positions.</p>	<p>Certified Public Accountant both in Japan and US and a Certified Tax Accountant by providing necessary and appropriate advices. She has been utilizing her vast experience, knowledge, and sophisticated expertise as well as her viewpoint as an independent outsider to audit the Directors’ decision-making and execution of duties as well as to enhance fair and reasonable judgment for, and accountable and sound management of, the businesses of the Company.</p> <p>Therefore, she was appointed again to serve as an outside audit & supervisory board member during the term of her office.</p>
Sumio Moriwaki	Independent Audit & Supervisory Board Member	<p>(1) Mr. Moriwaki meets the independence standards set forth by Tokyo Stock Exchange and the “Criteria for judging independence of outside directors and audit & supervisory board members”, as set forth in “Matters relating to Independent Directors/Audit & Supervisory Board Member” in this report. Accordingly, JSR has determined there is no risk of conflict of interest with general shareholders and has designated him as an Independent Director.</p> <p>(2) No conflict of interest exists between the Company and either ISHII LAW OFFICE or Topy Industries Limited, where Mr. Moriwaki has important concurrent positions.</p>	<p>Mr. Moriwaki has a vast legal expertise and experience as a lawyer. He has utilized his vast experience, knowledge, and sophisticated expertise, as well as his viewpoint as an independent outsider, to audit the directors’ decision-making and execution of duties, as well as to enhance fair and reasonable judgment for, and accountable and sound management of, the businesses of the Company.</p> <p>Therefore, he was appointed again to serve as an outside audit & supervisory board member during the term of her office.</p>

[Independent Directors/Audit & Supervisory Board Member]

Number of Independent Directors/Audit & Supervisory Board Members	3 independent directors and 2 independent audit& supervisory board members in total 5 <u>Updated</u>
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Matters relating to Independent Directors/Audit & Supervisory Board Member
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1. JSR appoints all of the qualified outside directors and audit & supervisory board members as independent directors and audit & supervisory board members.
2. Criteria for judging independence of outside directors and audit & supervisory board members
JSR has set criteria for judging the independence of outside directors and audit & supervisory board members (hereinafter collectively or independently referred to as “outside officers” or “outside officer”). If an outside officer (including a candidate) falls under any of the following categories, the Company judges such person does not have sufficient independence.
 - (1) Executive (*1) of JSR or its consolidated subsidiary (JSR Group) or ex-executive
 - (2) Major shareholder of JSR (any shareholder who directly or indirectly holds 10% or more of the voting rights)
 - (3) Executive of a company, etc. that falls under any of the following
 - 1) Major shareholder of JSR
 - 2) Major business partner of the JSR Group (*2)
 - 3) Major creditor of the JSR Group (*3)
 - 4) Company, etc. in which the JSR Group holds 10% or more of the voting rights
 - (4) Certified Public Accountant who belongs to an accounting firm that serves as the JSR Group Independent Auditor
 - (5) Expert, such as a consultant, accountant, lawyer, judicial scrivener, or patent agent, etc., who receives a large amount (*4) of monetary consideration or other property benefits from the JSR Group
 - (6) Person who receives a large amount of donations from the JSR Group (*5)
 - (7) Executive of a company, between which and JSR outside directors/audit & supervisory board members are mutually appointed (*6)
 - (8) Person with a close relative (*7) who falls under any of the above paragraphs from (1) to (7) (limited to an important person (*8) excluding paragraphs (4) and (5))
 - (9) Person who fell under any of the above paragraphs from (2) to (8) in the past five years
 - (10) Person who is deemed to have special reasons that would cause a conflict of interest with JSR, notwithstanding the provisions of the preceding paragraphs.
 - (*1) Executive refers to a director (excluding either an outside director or non-executive director), an officer, an executive officer and an employee.
 - (*2) Major business partner refers to a company whose annual transactions with the JSR Group exceed 2% of the consolidated sales of JSR or such company.
 - (*3) Major creditor refers to a financial institution or other major creditor which is relied upon by the JSR Group to such an extent that it is indispensable and irreplaceable to financing of the JSR Group.
 - (*4) A large amount refers to: 10 million yen or more per year in case such expert is an individual; and 2% or more of annual total revenue of such organization in case such expert is an organization such as an enterprise or association. However, when a consideration for services directly offered by such expert exceeds 10 million yen, even if the amount does not exceed 2% of consolidated total assets of JSR or such financial institution, such amount is considered to be a large amount.
 - (*5) Person who receives a large amount of donations refers to a person who receives donations of 10 million yen or more per year from the JSR Group.
 - (*6) Mutually appointed relationship refers to a relationship in which an executive of the JSR Group serves as an outside officer of a company and an executive of such company serves as outside officer of JSR.
 - (*7) Close relative refers to a spouse and a relative within the second degree of consanguinity.
 - (*8) Important person refers to an executive including a director, officer, executive officer and a person in the position of general manager or higher or an executive who has authority equivalent to those persons.
3. Agreement for limiting liabilities

In accordance with the provisions of Paragraph 1 Article 427 of the Companies Act, the Company has entered into an agreement with its outside directors and all of audit & supervisory board members to limit liability under the provisions of Paragraph 1 Article 423 of the Companies Act. Regardless of the amount of liability, the maximum amount liable under the agreement in question shall be limited to that set by applicable laws and regulations; provided that such outside director and audit & supervisory board member (whether outside or not) must have acted in good faith and without gross negligence in performing his/her duties.

[Incentives]

Incentive Policies for Directors	Performance-based Remunerations and others
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Supplementary Explanation

With the aim of increasing corporate value over the short, medium, and long-term, remuneration for directors of the Company consists of a) basic remuneration as a fixed remuneration, b) annual bonuses linked to the annual business performance of the Company, c) mid-term performance-linked bonuses that are linked to the level of achievement of medium to long term business results and d) restricted stock shares as remuneration for directors designed to facilitate earlier sharing of values between directors and the shareholders.

Recipients of Stock Options

Supplementary Explanation

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	Details are individually disclosed in the annual securities report for a director whose remuneration etc. in aggregate exceeds JPY 100 million.
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Supplementary Explanation Updated

1. Amount of Remuneration for Directors and Audit & Supervisory Board Members (for FY Mar 2020)

Classification	Director		Audit & Supervisory Board Member	
	Number	Amount	Number	Amount
	(people)	(JPY million /year)	(people)	(JPY million /year)
Basic Remuneration (for outside directors or outside audit & supervisory board members)	9 (4)	311 (47)	3 (2)	50 (22)
Annual Bonuses to Directors for this fiscal term (ditto)	5 (-)	64 (-)	- (-)	- (-)
Mid-term Performance-linked Bonuses (ditto)	4 (-)	48 (-)	- (-)	- (-)
Restricted Stock Shares as Remuneration to Directors (ditto)	5 (-)	100 (-)	- (-)	- (-)

Total (ditto)	9 (4)	523 (47)	3 (2)	50 (22)
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(Notes)

- The numbers of the Directors and Audit & Supervisory Board Members and the amount of remunerations thereto in the table above include one (1) Director who retired during the current fiscal year.
- The above figures do not include the salaries for the employee portion of the Directors who concurrently serve as employees.
- The above figures are rounded to JPY1 million.
- The figure for “Mid-term Performance-linked Bonuses” in the above table was paid on June 19, 2020 as those for 3-year evaluation period from fiscal year ending in Mar 2018 (“FY Mar 2018”) to fiscal year Mar 2020. The Company paid for JPY 25 million on June 15, 2018 for the corresponding 3-year period starting from fiscal year ending in March 2016 (“FY Mar 2016”) and for JPY 39 million on June 14, 2019 for the corresponding 3-year period starting from fiscal year end in March 2017 (“FY Mar 2017”) respectively.
- Part of Annual Bonuses for this fiscal term and Mid-term Performance-linked Bonuses paid in US dollar are calculated in Japanese yen (JPY) by using exchange rate at 108.74 yen/\$ as an average for FY Mar 2020 (average of closing rate at Tokyo Foreign Exchange Market)

2. Consolidated Remuneration Amount for individual director

The Company discloses in its Securities Report details of the remunerations individually paid to its directors or audit & supervisory board members if the total amount was JPY 100 million.

The following table shows individual remuneration disclosed in its Security Report for FY Mar 2020

Name	Total amount of consolidated remuneration, etc. (JPY million)	Position	Company	Amount by type of consolidated remuneration (JPY million)			
				Basic Remuneration	Annual Bonuses	Mid-term Performance-linked Bonuses	Restricted Stock Shares as Remuneration
Mr. Eric Johnson	201	Rep. Director CEO	JSR Corporation	43	19	8	25
		CEO	JSR North America Holdings, Inc.	55	19	8	25
Mr. Nobuo Kawahashi	103	Rep Director President	JSR Corporation	71	9	6	17
Mr. Mitsunobu Koshiba	129	Rep. Director Chairperson	JSR Corporation	80	9	20	20

1.The amount of remuneration for Mr. Eric Johnson, director is based on the cost-sharing agreement between JSR Corporation and JSR North America Holdings, Inc.

2.Basic Remuneration for Mr. Eric Johnson, Director includes the amount equivalent to fringe benefits and partial reimbursement of income tax relating thereto.

3. The remuneration paid in US dollar are calculated in Japanese yen (JPY) by using exchange rate at 108.74 yen/\$ as an average for FY Mar 2020 (average of closing rate at Tokyo Foreign Exchange Market)

3. Annual Bonuses

Performance evaluation reference consists of consolidated annual revenue and operating income on 50/50 basis and respective targets, results and payout ratio thereof are described in the tables below:

Consolidated Revenue and Consolidated Operating Income in the tables below are expressed in JPY billion.

	Performance Evaluation Reference			Range of Payout Ratio corresponding to the result of the Performance Evaluation Reference			
	Target	Result	Payout Ratio	Payout Ratio	0%	100% (Target)	200%
Consolidated Revenue	508.0	472.0	26.2%	Consolidated Revenue	471.9 or less	508.0	544.1 or more
Consolidated Operating income	44.5	32.9	46.7%	Consolidated Operating income	29,1 or less	44.5	59.9 or more

Respective payout ratio is calculated proportionately in accordance with the table above.

(Notes on the Payout Ratio in the table above)

As the consolidated revenue and operating income was affected by reduction in raw materials for petrochemical businesses and the extraordinary losses etc., the Company set the payout ratio relating thereto at 26.2% and 46.7% respectively by re-calculating consolidated revenue and operating income after excluding such temporary factors in accordance with the suggestion by the Remuneration Advisory Committee.

As a result, the payout ratio for Annual Bonuses was about 37% by averaging those from consolidated annual revenue and operating profit respectively (reflecting evaluation result of performance of the Group as a whole).

4. Mid-term Performance-linked bonuses

The Company paid to its Directors Mid-term Performance-linked bonuses for 3-year period starting from FY Mar 2016.

Performance evaluation reference is the most recent 3years' average of ROE and the target, actual results and payout ratio thereof are shown in the table below;

Changes in Consolidated annual ROE ratio

FY Mar 2016	FY Mar 2017	FY Mar 2018	FY Mar 2019	FY Mar 2020
6.6%	8.4%	8.8%	7.8%	5.7%

3-Year Average of Consolidated annual ROE

Fiscal Years From - to	Target	Actual	Payout Ratio
FY Mar 2016 - FY Mar 2018	10%	8.0%	50%
FY Mar 2017- FY Mar 2019	10%	8.3%	53.8%
FY Mar 2018- FY Mar 2020	10%	7.4%	50%

	Range of Payout Ratio corresponding to the actual ROE of the most recent 3years' average				
Actual ROE average	less than 6%	6% or more	8%	10%	12% or more
Payout Ratio	0%	50%	50%	100% (target)	150%

Payout Ratio is 50% when actual ROE average is between 6% and 8% and is calculated proportionately in accordance with the above table when actual ROE average is between 8% and 12%.

Policy on Determining Remuneration Amounts and Calculation Methods

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

Updated

(1) Principles on remuneration for directors and audit & supervisory board members

- 1) In order to maintain the competitive advantages of JSR Group as a global company, the Company has established principles on remuneration for directors and audit & supervisory board members which enables the Company to develop and recruit internationally competitive and diverse human resources capable of managing the businesses, and to provide short, mid, and long term incentives for its directors that are aligned with the benefit of its shareholders, and to encourage and motivate its management, while maintaining the transparency and accountability, to achieve accomplishment of the management strategies and business strategies of the Company. Remuneration framework should:
 - a attract, secure, and reward diverse and excellent personnel regardless of nationality for the purpose of further enhancing and improving its competitive advantages and global management;
 - b encourage the management to demonstrate healthy entrepreneurial spirits by motivating them to achieve the objectives of business strategies aiming at continuous growth; and
 - c promote medium to long term improvement in corporate value by sharing the benefit between management and shareholders via the reinforcement of stock ownership during his/her term of office as directors.

(2) Remuneration Governance

- 1) Procedures for determining remuneration, etc.

In relation to remuneration for the directors, the Board of Directors (referred to as “BOD” in this section) deliberates and determines the policies of remuneration for directors, remuneration framework, and amount of remuneration for individual directors.

In order to ensure independence and objectivity during deliberation and decision-making processes at the BOD mentioned above and to enhance monitoring function and accountability of the BOD, the Company established the Remuneration Advisory Committee as an advisory body for the BOD.

- 2) Items for deliberation and reports by the Remuneration Advisory Committee

The Remuneration Advisory Committee, upon an inquiry from the BOD, deliberates the remuneration of the eligible persons and related items as listed below and reports the result to the BOD, or provides the Audit & Supervisory Board with advices.

Eligible persons for remuneration:

Inside directors (including representative directors and executive directors), outside directors, audit & supervisory board members, officers, executive advisors, senior advisors, and other important employees

Items for deliberation

Establishment of the remuneration policies, designing the remuneration framework, setting performance targets, reviewing rationale of incentive remunerations, appropriateness of the level and composition of the remunerations, and determination of the amount of remuneration of each position based on the remuneration framework and others

- 3) Composition of the Remuneration Advisory Committee and attributes of Chairperson

The Remuneration Advisory Committee consists of at least 3 committee members, and more than half of the members shall be independent outside directors, of which chairperson shall be elected from Independent outside directors by resolution of the BOD in order to ensure independence, objectivity, and accountability as well as effectiveness of the Remuneration Advisory Committee.

In addition, a third party consultant, specialist in this field, and staff members for the committee also attend the Remuneration Advisory Committee meetings as observers.

(3) Remuneration framework of the Company

- 1) Remuneration Structure

Remuneration for directors of the Company consists of basic remuneration, annual bonuses linked to the annual business performance of the Company, and mid-term performance-based bonuses that are linked to the level of achievement of medium to long term business results and restricted stock shares as remuneration designed to facilitate earlier sharing of corporate values between directors and the

shareholders of the Company. However, remuneration for outside directors and audit & supervisory board members, in light of their roles, consists only of basic remuneration. Remuneration for the Chairperson consists of 3 (three) types of remunerations: a fixed basic remuneration, a medium-term business performance-based bonus, and restricted stock shares as remuneration in a similar manner as described above. Performance based annual bonus is excluded, however, in light of the role of the Chairperson of the board who is responsible for monitoring and supervising the board while striving to improve corporate value from a perspective different from that of executive directors engaged in the business execution.

2) Appropriateness of the remuneration level of the Company

When considering the above mentioned remuneration structure and composition thereof, the Remuneration Advisory Committee verifies the appropriateness of the level of remuneration through annual benchmarking study by using the remuneration database possessed by a third party consultant specialized in remuneration for executives and by comparing with the companies whose size, type, and line of business are similar to those of the Company.

In addition, when determining the composition of performance-linked remunerations and other remuneration for the director who is responsible for overseeing and managing the Company's international businesses, the Remuneration Advisory Committee verifies the appropriateness of remuneration level for such director through another annual benchmarking study using a method similar to the one described above and using the survey data on remuneration prevailing in the region where such director are responsible for as well as considering each director's job responsibilities and the magnitude of impact on management of the JSR Group.

3) Remuneration composition for directors (excluding outside directors)

The Company has a policy to increase the portion of performance-linked remuneration for directors who assume heavier responsibilities for corporate management. Based on this policy, the Company determines the level of remuneration for directors depending on their responsibilities and title considering the latent risks involved in achieving performance targets while increasing the portion of performance-linked remuneration for senior directors.

The Company determines the remuneration composition for CEO, who concurrently oversees the businesses in North America by using a survey results by an outside specialist institution on level, composition and mixture for directors' remuneration prevailing in the region where the director in question is responsible for.

The table below shows each remuneration composition when basic remuneration is set at 100 and the standard amount of the performance-linked remuneration is set when a target has been achieved 100%.

		Basic remuneration	Performance-linked remuneration			Basic remuneration vs. performance-linked remuneration
			Annual bonus	Mid-term performance-linked bonus	Remuneration for granting Restricted Stock Shares	
Directors (excluding Outside Directors)	CEO	100	100	About 133	About 67	100 : 300
	President	100	30	50	25	100 : 105
	Chairperson	100	0	50	25	100 : 75
	Concurrently serve as Executive Managing Officer / Managing Officer / Senior Officer	100	25	30	15	100 : 70

* Each of Executive Managing Officers, Managing Officers and Senior Officers who hold concurrent positions as directors receives an allowance separately from the remunerations described in the table above.

(4) Outline of each remuneration and its determination method

1) Basic remuneration

- a It is resolved at the 74th ordinary general meeting of shareholders held on June 18, 2019 that the maximum amount of basic remuneration for directors is JPY 60 million per month (inclusive of JPY 10 million per month for outside directors).
- b It is resolved at the 60th ordinary general meeting of shareholders held on June 17, 2005 that the maximum amount of basic remuneration for audit & supervisory board members is JPY 10 million per month.
- c The amount of remuneration for audit & supervisory board members is determined through consultation with audit & supervisory board members.

2) Annual bonuses

- a It is resolved at the 74th ordinary general meeting of shareholders held on June 18, 2019 that the Company may pay, in accordance with the resolution of the BOD based on review and deliberation of the Remuneration Advisory Committee, annual bonuses to its directors excluding outside directors subject to the maximum annual amount for JPY432 million and to variable payout ratio from 0% to 200% at maximum reflecting the degree of the achievement of the annual targets set forth at the beginning of each fiscal year.
- b The ratio of standard amount of annual bonuses against the basic remunerations for a) the director serving as CEO concurrently in charge of businesses in North America, b) directors serving as the president, and c) directors concurrently serving as Executive Managing Officer and Managing Officer are 100%, 30% and 25% respectively.
- c The Company has determined that it is difficult at this time to set the performance target of annual bonus and the range of the payment ratio in accordance with the target for fiscal year ending in March 2021 (“FY Mar 2021”), in view of the rare uncertainties in the market environment caused by the spread of the novel coronavirus infection and the increasing geopolitical uncertainty in the crude oil market. The Company will disclose the information as soon as it fixes the targets.

3) Mid-term Performance-linked Bonuses

- a It is resolved at the 74th ordinary general meeting of shareholders held on June 18, 2019 that the Company may pay, in accordance with the resolution of the BOD based on review and deliberation of the Remuneration Advisory Committee, Mid-term Performance-linked Bonuses to its directors excluding outside directors subject to the maximum annual amount for JPY540 million and to the variable payout ratio from 0% to 150% corresponding to the degree of achievement of three year average ROE target for the following 3 fiscal years set at the beginning of three-year period every fiscal year
- b The ratio of standard amount of Mid-term Performance-linked Bonuses against respective basic remunerations for a) the director serving as CEO concurrently in charge of businesses in North America, b) directors serving as the Chairperson or the president, and c) directors concurrently serving as Executive Managing Officer and Managing Officer are 133%, 50% and 30% respectively. The payout ratio varies in the range of 0%-150% of the standard amount for a single fiscal year
- c The Company uses, as the performance evaluation index for Mid-term Performance-linked Bonuses, a three-year average of consolidated ROE (Return on Equity), which is the key indices the Company values for assessing management efficiency.
The Company set, as performance target, an average of consolidated ROE for the 3 years of evaluation period at 10% upon resolution of the BOD based on recommendation from the

Remuneration Advisory Committee as the Company set “a minimum ROE of 10%” as its mid-term and long-term target as before.

- d Every time a three-year evaluation period ends, actual ROEs for the past three years are calculated. The Remuneration Advisory Committee calculates and evaluates a payout ratio and the amount of payment of Mid-term Performance-linked Bonuses according to the level of achievement of the target as described in the table below. Then, the BOD determines the payout ratio and the amount of payment. The three years evaluation period shall be the relevant fiscal year, next fiscal year and the fiscal year after that.

Consolidated three-year average ROEs and the range of the payout ratio of Mid-term Performance-linked Bonuses

	The range of the payout ratio according to average ROD of the three-year evaluation period				
Actual 3-year average ROE	less than 6%	6% or more	8%	10%	12% or more
Payout ratio	0%	50%	50%	100% (target)	150%

Use 50% payout ratio when actual ROE is between 6 and 8% and calculate proportionately by using the number in the above to obtain a corresponding payout ratio if actual ROE is between 8 and 12%. If ROE is 12% or more, payout ratio will remain at 150%.

- e Mid-term Performance-linked Bonuses will be paid to the directors who served only part of each evaluation period with the amount corresponding to the term of office.

4) Remuneration for issuing Restricted Stock Shares

- a It is resolved at the 74th ordinary general meeting of shareholders held on June 18, 2019 that the Company may pay, in accordance with the resolution of the BOD based on review and deliberation of the Remuneration Advisory Committee, remuneration for issuing Restricted Stock Shares to its directors excluding outside ones subject to the maximum annual amount for JPY200 million, to the maximum annual number of 200,000 ordinary shares of the Company and to a restriction period for 3 years in principle.
- b The ratio of standard amount of remuneration for issuing CEO concurrently in charge of businesses in North America, b) directors serving as the Chairperson or the president, and c) directors concurrently serving as Executive Managing Officer and Managing Officer are 67%, 25%, and 15% respectively.
- c The remuneration for issuing Restricted Stock Shares has been designed to facilitate earlier sharing of values between directors and the shareholders. In order to promote retention of restricted stocks while they serve as directors, and also to raise their awareness towards enhancement of corporate value in the medium to long term, the three-year restriction on stock transfer has been set.
- d The amount to be paid in per restricted stock share will be a reasonable amount equal to the closing price of the Company’s common shares on the Tokyo Stock Exchange for the last business day preceding the day of the resolution by the BOD or other appropriate price which would not be specially favorable to eligible directors

5) Disclosure of directors’ remuneration

The outlines and policies to determine each type of remuneration are as described above. The Company discloses the total amount of each type of remuneration, the payout ratio of performance-linked remuneration, the targets and outcomes of each performance evaluation indices in the following section of this report on page 20 in [Director Remuneration] Disclosure of Individual Directors’ Remuneration in “II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management”

[Supporting System for Outside Directors and/or Audit & Supervisory Board Member]

The company secretary explains items on the agenda to outside directors before a regular or extraordinary Board of Directors meeting as well as to outside audit & supervisory board members. Prior to the Remuneration Advisory Committee meeting, the Secretariat of the Committee explains the content of proposals to outside directors who are members of the Committee.

JSR appoints a dedicated member of staff as an assistant to audit & supervisory board members including outside members and has such assistant support audits and collect and transmit information. The company secretary explains to audit and supervisory board members items on the agenda before a regular or extra ordinary Board of Directors meeting. In addition, the standing audit & supervisory board member provides outside audit & supervisory board members with information on the Company as necessary as well as with reports on important matters and on the progress and results of the audits at the Audit and Supervisory Board meetings.

[Status of Persons retired from office of President & Representative Director, etc.]

Names, etc. of Senior Advisors, Advisor, etc. who was the President or Representative Director, etc.

Name	Title/Positions	Job description	Working arrangements / conditions etc.	Date of Retirement from office of President	Term of Office
Mr. Tatsuo Asakura	Special Advisor	To provide advices when asked but not to intervene the management of the Company	Part time with remuneration	June 29, 1993	1 year

Total Number of Senior Advisor, Advisor, etc. who was President & Representative Advisor	One (1) person
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Other matters

Existence of internal regulations relating to Advisors, and involvement of Board of Directors and/or Nomination Advisory Committee in the event of revision of the regulation and/or the appointment of such advisors; Yes Aggregate annual amount for remuneration for such advisors, etc. ; JPY 1 million
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2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) Updated

As a company with audit & supervisory board members, JSR principally monitors and oversees the execution of duties through its Board of Directors and audit & supervisory board members.

The Company continuously has strengthened the function of management supervision, improved efficiency in decision making and execution of business duties, and enhanced the transparency and soundness of its business management through the introduction of an officer system and the appointment of outside directors and audit & supervisory board members, who are independent from the Company and have extensive business experience and a high level of expertise.

JSR has registered at Tokyo Stock Exchange three (3) independent directors out of eight (8) in total and two (2) independent audit & supervisory board members out of three (3) in total, who have been greatly contributing to enhance rationality, legitimacy and transparency of management decisions by offering advice and opinions from a neutral standpoint independent from the Company utilizing extensive business experience and high level of expertise.

In addition, the Company has been endeavoring to enhance the transparency of business management by actively disclosing information and aggressively conducting IR activities for investors in a timely and appropriate manner.

Furthermore, JSR has provided shareholders with opportunities to express their trust and evaluations to the Board of Directors by way of electing directors at its annual general meeting of shareholders. At the same time, the Company has endeavored to make its annual general meeting of shareholders easy to attend and participate by holding the meeting and dispatching convocation notice thereof earlier than other companies, and participating in the electronic voting platform.

(1) Board of Directors

The Board of directors consists of nine (9) directors three (3) of whom are independent outside directors with independence and extensive experience of business and management) and holds meetings once monthly, in principle. The Board discusses and makes decisions on important business matters, including the direction of the Company's business strategy, and also supervises directors' and officers' execution of their business duties.

The Board of Directors is chaired by the chairman in principle. For the purpose of securing corporate governance by distinguishing the rolls of the Representative Director and CEO, the Representative Director and president and COO of the Company, from those of chairman of the Board of Directors responsible for monitoring and overseeing the execution of the Company's operations. In addition, all three (3) audit & supervisory board members including two (2) independent outside audit & supervisory board members regularly attend the Board of Directors meetings to state their opinions. In total 17 meetings were held in fiscal year 2019 ending in March 2020, of which attendance ratio was 100% (all of the members of directors and audit and supervisory board members attended all of the meetings, except for the absence of an outside director at a meeting of the Board of Directors).

JSR has established the Remuneration Advisory Committee and Nomination Advisory Committee as an advisory organization to Board of Directors. For the details of the committees, please refer to II. 1. [Directors] [Voluntary Establishment of Committee] Supplementary Explanation of this Corporate Governance Report.

(2) Executive Committee

The Executive Committee holds extensive discussions on items relating to fundamental management initiatives, management policies and management plans, along with important matters concerning the execution of business activities at each department. The committee thus gives direction in relation to these issues or receives reporting. As required, certain items submitted to this committee are passed on to the Board of Directors for further discussion.

This committee is made up of CEO, the president, officers with directorship status, and officers appointed by the president, and responds to important business execution with the aim of expediting decision making and improving the efficiency of such operations. As a rule, this committee meets once a week, and is chaired by CEO or the president. The standing audit & supervisory board member also attends these committee meetings.

(3) Business Issues Committee

The Business Issues Committee engages in broad-ranging debate about items related to fundamental management strategies and policies, basic policies behind specific projects, and changes to business strategies. It also shares information to ensure a common understanding of such matters and discusses the company's direction. Its findings are reflected in deliberations of the Board of Directors and the Executive Committee. The Business Issues Committee, which meets twice a month in principle, consists of CEO, the president and officers with directorship status, and is chaired by CEO or the president.

(4) Officers Committee

This committee consists of CEO, the president and all officers and aims to ensure members' thorough understanding of business conditions and important business matters. As a rule, this committee, which meets once a month, is chaired by CEO or the president and the standing audit & supervisory board member is also present.

(5) Audit & Supervisory Board and audit & supervisory board members

The Audit & Supervisory Board, consisting of three (3) audit & supervisory board members and holding meetings once monthly in principle as stipulated in the Regulations of the Audit & Supervisory Board, receives reports on important matters, holds discussions, and makes decisions. The two (2) outside audit & supervisory board members are independent ones, a lawyer and a certified public accountant qualified as a certified public tax accountant, and conduct audits from a standpoint independent from the Company and by using their professional expertise.

In accordance with standards for audits by audit & supervisory board members, the audit & supervisory board members attend meetings of the Board of Directors, and other important meetings including Executive Committee meetings to monitor how important decisions are reached and business activities are executed. The audit & supervisory board members also receive reports from the independent auditors, directors, and employees. Through these activities, audit & supervisory board members holds deliberations in order to form auditing opinions.

(6) Outline of Audit by audit & supervisory board members, Internal Audit, and Independent Auditors

1) Audit by audit & supervisory board members

The details of audit by audit & supervisory board members are stated as in the above (5) Audit & Supervisory Board and audit & supervisory board members.

2) Internal Audit

JSR has established the Corporate Audit Department to improve the effectiveness of the JSR Group's internal control system. In accordance with the internal audit plan, the Corporate Audit Department regularly conducts internal audits such as compliance audits and business operation audits at its divisions and departments as well as its Group companies both in Japan and overseas and reports the audit results to CEO, the president, related departments, and audit & supervisory board members.

3) Independent Auditors

a JSR's independent auditor is KPMG AZSA LLC.

b Three (3) certified public accountants, Tomoyuki Inoue, Koichi Kobori, and Yukihiro Kase, conducted the accounting audit. The professional staff included seven (7) certified public accountants, etc.

c The audit & supervisory board members work closely with the independent auditors. The audit & supervisory board members interview the independent auditors about the audit plan and receive reports on the audit results. Furthermore, the audit & supervisory board members and independent auditors exchange information and opinions as necessary in the course of each fiscal year.

d In FY Mar 2020, JSR paid remuneration to KPMG AZSA LLC, its independent auditors, as follows:

- Amount of remuneration for services stipulated in Article 2 Paragraph 1 of the Certified Public Accountants Act: JPY 81 million
- Total remuneration to be paid by JSR and its subsidiaries: JPY 116 million

(7) Sustainability Promotion Committee

In order to establish good relationships with various stakeholders and to become a company that is trustworthy and indispensable, the JSR Group has established the "Sustainability Promotion Committee" with the purpose of shifting its focus from CSR (Corporate Social Responsibility) activities to "Sustainability activities" that contribute to all stakeholders by creating value through corporate activities, and with the aim of promoting such activities. The Company sets up the following four committees under the Under the Sustainability Promotion Committee: the Corporate Ethics Committee, the Environment, Safety and Quality Committee, the Risk Management Committee, and the Sustainability Planning Committee. The Sustainability Promotion Committee integrates and guides the activities of the above four committees and meets four times each year along with special meetings as necessary to further strengthen the management of Company.

The Sustainability Promotion Committee, is chaired by the President of the Company and consists of officers responsible for manufacturing, manufacturing technology, environment & safety, R&D, human resources development, accounting & financing, corporate planning, corporate communication, legal, general affairs, procurement, logistics, quality assurance, elastomers businesses, plastics businesses, digital solution businesses, and life sciences businesses, as well as the representatives of the four committees above, is

operated in a manner that covers every functional departments and every business divisions of the JSR Group.

(7)-1 Corporate Ethics Committee

JSR and the JSR Group have provided the JSR Group Principles of Corporate Ethics as a code of conduct to accomplish responsibilities to stakeholders, one of the management policies to promote the realization of the corporate mission. The Group has established the Corporate Ethics Committee, in which the officer in charge of General Affairs serves as the chairperson, to conduct and advance our corporate ethics efforts.

The Corporate Ethics Committee has been endeavoring to ensure all parties understand its action guidelines to be obeyed in daily corporate activities in the JSR Group. It has also confirmed regularly that all officers and employees comply with the guidelines and continuously improved them. In addition, the Group has introduced hotlines as part of its whistleblower system: an internal hotline for employees (calls are transferred to the Corporate Ethics Committee), two external hotlines for employees (calls are transferred to either lawyers or a third party who are specialized in such services and can respond in English, Chinese, Korean, and Thai) and an external hotline for business partners.

(7)-2 Environment, Safety and Quality Committee

Based upon the belief of the JSR Group that the Company is responsible for making sustainable development possible, the Group has been pursuing activities relating to environment, safety, and quality with responsible care activities at its core. Recognizing that environment, safety, and quality as essential issues that forms the basis of business management, the Group has established the Environment, Safety and Quality Committee, in which the officer in charge of Safety and Environment Affairs, and Quality Assurance serves as the chairperson, to effectively promote the group-wide activities for environment, safety, and quality.

The Committee has approved plans regarding responsible care activities in the field of Environment, Safety and Quality, assessed and verified the results of the activities, strived to eradicate accidents and disasters, reduce loads on the environment, and maintain and improve the level of chemical goods management and product safety.

The JSR Group has been endeavoring to earn the trust of its customers and give a sense of ease to local people by disclosing the details of its activities and results in its Sustainability (CSR) report of the Company. The Group has also made efforts to enhance the reliability and transparency of the Sustainability (CSR) report through a third party verification. important .

(7)-3 Risk Management Committee

The JSR Group regards preventing a serious crisis from occurring and minimizing influence on its business activities if a serious crisis occurs as an important issue for business management. Therefore, the Group has stipulated the Risk Management Rules and established the Risk Management Committee, in which the officer in charge of Corporate Planning serves as the chairperson. The Risk Management Committee has continuously improved the Group's policy and plans to deal with a crisis or a potential crisis.

(7)-4 Sustainability Planning Committee

The JSR Group has established the Sustainability Planning Committee, in which the officer in charge of Sustainability Promotion serves as the chairperson. The Committee discusses and promotes sustainable corporate activities, such as organizing CSV (Creating Shared Value) activities in cooperation with business divisions, TCFD (Task Force on Climate-related Financial Disclosures) activities, and actions for climate warming. Based on the JSR Group's "Basic Approach towards Social Contribution", the Committee has examined new activities and advanced social contribution activities.

(8) Corporate lawyer

The JSR Group may seek necessary legal advices during the course of management of the company or proceeding with day to day businesses from relevant law offices.

The following are the activities made in FY Mar 2020 for enhancement of corporate governance of the JSR Group.

- (1) The JSR Group has been issuing “The JSR Group Sustainability (CSR) Report” annually both in Japanese and in English and thereby promoting unified Sustainability activities among both domestic and overseas group companies. The Group has obtained third party opinion on important issues to ensure accountabilities and reliabilities of the contents in the JSR Group CSR Report.

For details of JSR’s Sustainability report, please visit the following site:

https://www.jsr.co.jp/jsr_e/csr/

- (2) In order to further enhance activities relating to corporate ethics, JSR has established “the JSR Group Principles of Corporate Ethics” as its code of conduct to be globally relied upon. The Company has distributed the brochures thereof written in Japanese, traditional and simplified Chinese, Korean and Thai to its employees of the JSR Group on global basis. As for education on the JSR Group Principles of Corporate Ethics, the Company provided educational sessions for newly appointed managers, new recruits, or on similar occasions as well as e-learning for all employees of JSR Group companies in Japan. In addition, the global JSR Group companies has been carrying out an annual survey to monitor its employees’ awareness and behaviors relating to corporate ethics on global basis, and the results and findings of which are examined and used for improvement in corporate culture and corporate ethics.

- (3) As a part of program ensuring business continuity upon disasters, the Company conducted crisis management drills, on December 2019, for members in charge of disaster management at JSR's Yokkaichi, Chiba, and Kashima plants, as well as at the Tsukuba Research Laboratories, for the purpose of strengthening the ability of each sites to respond to disaster.

The Company is committed to enhance risk management system that prevents accidents and crisis and ensures continuity of business upon occurrence of crisis.

In addition, the Company set up the COVID-19 Response Task Force led by the President in January 2020, in light of the spread of COVID-19 infections. The Task Force initially gathered information about the situation in China, decided on measures for local subsidiaries, and implemented support activities. When it became clear that infections were spreading to Japan and around the world, the Task Force was transferred in February to the Business Continuity Plan (BCP) Task Force Meeting. The JSR Group, as a member of the materials industry that supports essential industries worldwide, enacted a standard of conduct to maintain operations at the Group’s main production, research, and development sites in Japan, Asia, Europe, and America and completed in mid-February various measures, such as the supply and mandatory use of personal protective equipment, curtailment of outside visitors, sharing of information with employees worldwide, and the establishment of remote work systems at each site. Details of the BCP Task Force Meeting decisions plan to be shared with outside directors and auditors. While respecting the cultural differences and unique circumstances of business sites around the world, the JSR Group is committed to risk management and business continuity through prompt centralized management of information at the BCP Task Force Meeting leading to appropriate actions. In addition, information related to stakeholders is posted on our company website as "JSR's Responses to COVID-19" and we will continue to disclose information.

- (4) The Company has been promoting since 2009 unique risk management activities under the Risk Management Committee by regularly identifying and evaluating the potential risks and studying counter measures thereto at every business department in both domestic and overseas inclusive of Group companies. As for the risk which potentially represents material adverse effect on business continuity, the Company has

been, under the supervision of Sustainability Promotion Committee and Risk Management Committee, endeavoring to minimize the impact of such risks.

- (5) The Company has been systematically performing environment and safety audit at manufacturing plant and laboratory of the Company as well as domestic and overseas group companies with manufacturing facilities. Starting from the FY Mar 2016, the Company has changed programs for audit such as items, duration, departments for audit based upon the rolls of departments in charge for carrying out auditing and those of departments receiving such audit and improved the effectiveness of audit by holding dialogues with its employees and discussion on major challenges of the each business premises, in order to achieve further understanding on the effectiveness of PDCA on such audits and the details of activities to improve safety awareness made at each of its business premises.
- (6) The Company has made and distributed a brochure “Compliance Handbook” to employees of the JSR Group companies both in Japan and overseas, in order to strengthen its activities to ensure compliance with laws and regulations. The Company has established and has been performing the procedures to regularly check and improve conformity of business activities with the relevant laws and regulation at the global JSR Group regularly on annual basis. In addition, the Company focuses on ensuring conformity of laws and regulations of particularly importance in the execution of operations, for example, by establishing a special measures for special occasion
- (7) In order to prevent insider trading, the Company has established an internal rule, “Rules for preventing the employees of JSR Group from insider trading”, and every year provided different positions of employees with education for preventing insider trading. This internal rule requires employees of JSR Group to submit a prior notice before selling shares of the Company, which is subject to review by the officer in charge of Corporate Communications. In FY Mar 2020, the Company held educational session to new recruits by using lecture materials prepared by TSE and internal rules on regulations against internal trading.

3. Reasons for Adoption of Current Corporate Governance System

JSR is a company with audit & supervisory board members. The Company believes that its corporate governance works effectively due to the following reasons;

The Company pursues its basic policies and enhance the structures for corporate governance as stated in “[Principle 3-1 (ii)] JSR’s basic approach towards and policy on corporate governance” in “Disclosure Based on the Principles of the Corporate Governance Code” mentioned in this report as well as it steadily performs its various commitments to shareholders and other stake holders

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

Updated

	Supplementary Explanations
Early Notification of General Shareholder Meeting	JSR dispatched the convocation notice and meeting materials for ordinary general meeting of shareholders on May 26, 2020, 22 days prior to the date of the meeting. In addition, the Company disclosed via internet the contents of the convocation notice and meeting material 7 days prior to the date of dispatching such materials.
Scheduling AGMs Avoiding the Peak Day	Ordinary general meeting of shareholders for FY Mar 2020 was held on June 17, 2019. In addition, JSR has adopted an online voting system using smartphones to provide individual shareholders with convenience for exercising voting rights since 2020.
Allowing Electronic Exercise of Voting Rights	JSR has allowed its shareholders to exercise voting rights by electronic means since 2004.
Participation in Electronic Voting Platform	JSR has been participating in the Electronic voting Platform for institutional investors since 2006.
Providing Convocation Notice in English	JSR provides the convocation notice of an ordinary general meeting of shareholders both in Japanese and English on its website, the above-mentioned electronic voting platform, and website prepared by TSE.
Other	<p>As for convocation notice and other documents prepared for its ordinary general meeting of shareholders, JSR has endeavored to enhance the contents by providing information on its products and mid-term business plan in addition to those required by law and to make the documents easy to understand by using color graphics and pictures. (available only in Japanese at present)</p> <p>The Company makes efforts to provide presents its business report by audio visual presentation as well as presentation by the president on its mid-term business plan at its ordinary general meeting of shareholders and the introduction of the Company's products by exhibition prior to the meeting as well. At the 75th ordinary general meeting of shareholders held in June 2020, Mr. Eric Johnson, Representative Director and CEO, who was unable to enter Japan due to the measures against COVID-19 infection, sent a video message to shareholders. The Company also live-broadcasted the meeting, of which notice was sent to the registered shareholders of the Company.</p>

2. IR Activities Updated

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	JSR formulated its disclosure policy to further enhance the reliability of its disclosures and discloses the policy in its web site.
Regular Investor Briefings for Individual Investors	JSR explains the outline and latest performance of the Company to individual shareholders by updating the contents of its website and by posting IR movies presented and explained by CEO or the president himself at the web site of the Company and by providing explanatory meetings for individual investors by an officer in charge of IR.
Regular Investor Briefings for Analysts and Institutional Investors	JSR holds analyst meetings for analysts and institutional investors four times a year (the year-end, interim, and first and third quarters).

	JSR holds a meeting to explain its mid-term business plan once a year. In the meeting, CEO, the president explains to a lot of analysts and institutional investors.
Regular Investor Briefings for Overseas Investors	Every year, CEO, the president and/or an officer in charge of IR visits investors in North America, Europe, and Asia to hold explanatory meetings.
Posting of IR Materials on Website	<p>IR materials posted on the Company's website include: business performance, IR information video (in which CEO or the president appears), presentation materials, securities reports, interim reports, the mid-term business plan, integrated reports and Sustainability (CSR) reports.</p> <p>The Company issued integrated report "JSR Report" on September 2019, as a replacement for "Annual Reports", that had been issued until previous year. JSR Report contains financial information including management strategies and non-financial information including matters relating to the environment and society, with reference to the disclosure framework of the International Integrated Reporting Council (IIRC) and the Ministry of Economy, Trade and Industry's Guidance for Collaborative Value Creation.</p> <p>Please refer to the following URL to understand IR of JSR https://www.jsr.co.jp/jsr_e/ir/</p>
Establishment of Department and/or Manager in Charge of IR	Mr. Hideki Miyazaki, director and Managing Officer is the officer in charge for IR and Mr. Hiroaki Mukai, General Manager, Corporate Communication Department, is responsible for communication related to IR with support from Finance Department for regular IR activities.
Other	In FY Mar 2005, JSR formulated its disclosure policy to enhance the reliability of its disclosures.

3. Measures to Ensure Due Respect for Stakeholders Updated

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	As stated in "(3) Relationship with stakeholders" of "[Principle 3-1 (ii)] JSR's basic approach towards and policy on corporate governance" under [Disclosure Based on the Principles of the Corporate Governance Code] of this report.
Implementation of Environmental Activities, Sustainability Activities etc.	Creating value through materials to enrich society, people and the environment is the JSR Group's corporate mission and the significance of its existence. JSR considers it is important to behave faithfully as a good corporate citizen and meet the expectations of our stakeholders in such a process. Since the code of conduct to achieve the above targets is the JSR Group's Sustainability Activity, the Company places it as an important issue of business management. Four committees (Corporate Ethics Committee, Environment, Safety and Quality Committee, Risk Management Committee, and Sustainability Planning Committee) centering on the Sustainability Promotion Committee have responded to new themes associated with the requirements of a society that increasingly becomes sophisticated. Furthermore, as a member of the chemical industry, the Company has promoted Responsible Care—a voluntary initiative to improve safety, health, and environmental performance—and disclosed information by posting the details and results of its activities on JSR Group's Sustainability (CSR) report.
Development of Policies on Information Provision to Stakeholders	JSR stipulated its Disclosure Policy in FY Mar 2005 to enhance the reliability of information disclosure further. The Company has been endeavoring to ensure prompt, accurate, active and fair information disclosure by preparing organizations and systems for information disclosure to establish a company-

	<p>wide cooperative framework with the aim of improving the quality of information disclosure.</p>
<p>Other</p>	<p>JSR believes that understanding and accepting diverse human resources regardless of gender, nationality, business background, and their diverse values will lead to the generation of unique inspiration and innovation. The Company sets promoting value creation through diversity as a managerial target. To achieve the above targets, it established the Diversity Development Office in June 2015.</p> <p>Among diversity development, active support for female employees is one of the key management issues.</p> <p>As one of measures to support female employees, the Company has proceeded with systematic personnel programs to increase female career managers to be, to support non-career female employees to cultivate business skills and to encourage female employees with strong motivation to switch from non-career to career positions.</p> <p>Furthermore, in order to show management's strong determination and ask all employees for their understanding on and cooperation for active support for female employees, the Company sets the percentage of female to the total number of college graduates recruited in the normal recruiting period and the proportion of female employees in managerial positions as its immediate numerical target.</p> <p>The Company, by setting up Global Human Resources Team in FY Mar 2016, has prepared an organization to engage in management of global human resources and has been coping with various issues and requirements arising from the different stages of globalization of the businesses. Through preparation for the program for cultivating next generation personnel for global management and strengthening the collaboration among personnel departments of JSR group companies both in Japan and overseas, the Company has examined the possibilities of promoting local staff to executive position of overseas group companies and has endeavored to intensify the collaboration and communication among personnel departments both in Japan and overseas. In addition, as a part of acceleration of globalization within the Company, the Company has increased the number of non-Japanese employees, has been dispatching Japanese employees to overseas laboratories as trainees and has been accepting long term trainees from overseas group companies.</p> <p>As for employment of handicapped personnel, the ratio of employment as of March 2020 was 2.38% while the laws and regulations require 2.2%. The Company allocates appropriate work places and types of jobs for each of them after consultation of state of handicaps and the areas where they are good at. The limited number of the handicapped persons is working at the departments handling dangerous materials such as manufacturing and R&D at present, however, the Company has been endeavoring to widen the work places while securing the safety.</p>

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development Updated

(1) Basic policies for management

“JSR Group” (which hereinafter means JSR group companies consisting of the Company and those whose parent company under the Corporation Law is the Company) holds and relies on the following Corporate Mission and Management Policies for managing and conducting its businesses.

Corporate Mission :

Materials Innovation :

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

Management Policies:

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

(2) Structures to ensure that execution of duties of directors and employees of JSR Group complies with the laws and ordinances and the Articles of Incorporation

1) Under the rules of the Board of Directors and other relevant rules, the Board of Directors of the Company inclusive of independent outside directors monitors and directs the execution of duties of directors and officers (including, executive managing officers, managing officers and senior officers in this section for Internal Control System) of the Company, as well as makes decisions on important management matters of the Company and on fundamental management matters of JSR Group.

As for the monitoring and directing execution of duties of the directors and employees of the “Group Companies” (which hereinafter means companies that which belong to JSR Group but other than the Company), an officer in charge of Group Companies as specified under “the Code of Group Companies Management” (“responsible business division”, is responsible for such monitoring and direction respectively.

2) The Company has established Sustainability Promotion Committee chaired by the president and consisting of four committees such as Corporate Ethics Committee, Environment, Safety and Quality Committee, Risk Management Committee, and Sustainability Planning Committee, which directs and supervises the activities to ensure and promote Sustainability Activity of JSR Group including compliance with laws, ordinances and other rules.

3) The Company has established “JSR Group Principles of Corporate Ethics” as a code of conduct for the directors and employees of JSR Group, which are rules with penalty clauses to ensure its effectiveness and which JSR Group endeavors to make thoroughly understood and penetrated among their respective directors and employees by continual education and promotion under the supervision of the Corporate Ethics Committee.

4) The Company has, in accordance with the Financial Instruments and Exchange Law, established and been managing and maintaining the internal control system to ensure appropriateness of financial report of JSR Group.

5) The Company has established an organization specialized in internal auditing independent from the business execution divisions (“Internal Auditing Office”) in order to monitor and internally audit the effectiveness of the internal control system of JSR Group.

6) The Company has established consulting and reporting channel so that any directors and employees of JSR Group can report directly to the Corporate Ethics Committee of respective Group Companies to which they belong or of the Company, or through designated external hotlines involving outside attorneys (which may be done anonymously) when they become aware of internal actions that violate

or are likely to violate the compliance rules. Any report made through external hotlines will be automatically and simultaneously transferred to and shared by full time audit and supervisory board member in order to ensure independence of the hotlines from the management. The Company has also established suppliers' hotlines so that the suppliers of JSR Group can report the issues relating to compliance rules to the Company. The Company ensures that, in any case, the person who made such reports suffers no disadvantageous treatment as a result of such reporting.

- 7) The JSR Group's basic principle against the anti-social forces is to cut off all relationships including but not limited to any business transactions with such forces. The management and the entire organization of the Company or, as the case may be, of respective Group Companies shall resolutely and firmly reject any claims or requirements made by anti-social forces in collaboration with external entities such as the police forces.

(3) Structures to ensure efficient execution of duties of directors of JSR Group

1) At the Company

- a The Board of Directors holds regular meetings on monthly basis in principle and ad hoc basis if required in order to deliberate and resolve important matters relating to the execution of businesses and to monitor and direct supervise the execution of duties of directors and officers. Executive Committee consisting of CEO, the president, executive managing officer, managing officers, and senior officers and/or officers designated by the president and a full time audit and supervisory board member holds meetings on weekly basis in principle in order to deliberate, direct and/or receive reports on the matters relating to fundamental management policies, managerial guidelines, management plans and/or major business issues from business divisions.

After review and deliberation by the Executive Committee, major issues will be brought up to the Board of Directors for resolution while the rest will be determined by CEO or the president. In addition, Business Issue Committee consisting of CEO, the president, Executive Managing officers and Managing officers holds meetings on twice a month basis in principle in order to, through discussion and sharing information and views, clarify and determine the direction of the key issues relating to management principles and fundamental management policies, policies behind the individual business decisions, or the changes in business strategies well in advance, which will be further reviewed and discussed at the Board of Directors Meetings or Executive Committee Meetings.

- b The Company has adopted officer system in order to clearly distinguish managerial decision-making and monitoring functions from those of business execution and to enhance respective functions. Officers Committee consisting of CEO, the president and all of the officers holds meetings when appropriate for the purpose of sharing common and thorough understanding on the status and major issues relating to the management and performance of the Company.
- c By establishing the rules for decision making authorities at the Company and Group Companies, the JSR Group has specified the bodies and ways for decision making in accordance with the importance of such decisions in order to ensure the appropriateness and effectiveness of the execution of the businesses.
- d The Company has established "the Code of Group Companies Management" for the management of Group Companies. An officer in charge of a Group Company is responsible for administration and management thereof, while other corporate functional departments such as safety, environmental affairs, accounting, finance, general affairs, legal affairs, and sustainability promotion provide support and services to Group Companies.

2) At Group Companies

- a At the Group Companies in Japan with the board of directors, the board of directors regularly holds meetings, and the executive committee is established in a similar manner to the Company if necessary in order to deliberate and decide the important business matters in accordance with the relevant internal rules and regulations.

- b At the Group Companies in Japan without the board of directors, executive committee of the company consisting of the president, other key management personnel, audit & supervisory board members of the company, and the officer in charge of the relevant Group Company, and/or his/her staff holds meetings on regular basis and deliberates and decides important business matters in accordance with the relevant internal rules and regulations.
 - c At overseas Group Companies, the board of directors holds meetings on regular basis and deliberates and decides important business matters in accordance with the relevant internal rules and regulations
 - d The Company has, considering the location of the market and major business premises, established a holding company in north America (hereinafter referred to as “NAHQ”) responsible for overseeing the global Group Companies involved in life sciences business in order to accelerate decision making processes and enhance internal control of these companies. With regard to the decision making authority over the above Group Companies, the president of the Company transfers his authority, which is to decide upon deliberation at the executive committee, to CEO of the above holding company as long as the decision is made upon deliberation at the executive committee of the above holding company.
- 3) The JSR Group has established its mid-term business plan “JSR 20i9” considering possible changes in business environment in the future, of which implementation plans were broken down into corporate annual targets and budget of JSR Group as a whole. Each of the companies of JSR Group and the business divisions thereof will set up and implement its action plans to achieve the objectives.
- 4) The tenure of office of directors of JSR Group is one year so that JSR Group can quickly cope with the ever-changing business environment.
- (4) Structures for loss and risk management and other rules of JSR Group
- 1) The Company has been continually monitoring the risks associated with the execution and progress of the businesses of JSR Group by way of reporting and discussion at the meetings of the Board of Directors, Executive Committee, Business Issues Committee, Officers Committee, and/or other important meetings as well as controlling budget.
 - 2) As for the major risks other than those described in the preceding paragraph 1) above, Risk Management Committee of the Company chaired by the officer responsible for Corporate Planning, determines appropriate countermeasures in relation to the degree of visible or potential risks, as well as enhances preparation and implementation of the risk management plans of JSR Group made by the relevant Committees (Corporate Ethics Committee, Environment, Safety and Quality Committee) or by individual business divisions, or proceeds company-wide risk management activities.
 - 3) In the event of serious crisis of the JSR Group, the “Emergency Headquarters” (“Anti-Disaster Headquarters” in the case of accidents or disaster) directed by the president of the Company will be set up in order to proceed necessary crisis management in accordance with the “Risk Control Manual.”
- (5) Structures for maintenance and management of information relating to execution of duties of directors of the Company
- The Company has, in accordance with the relevant laws and “Rules for Documents and Information Management”, been properly maintaining the relevant documents and/or those in electromagnetic forms in relation to the execution of duties of directors and officers such as minutes of meetings of the shareholders, the Board of Directors, Executive Committee, Business Issues Committee, Officers Committee, and authorization documents so as to make such documents easily accessible by the directors and audit & supervisory board members of the Company.
- (6) Structures for reporting the execution of duties by directors and employees of the Group Companies

- 1) An officer responsible for the relevant Group Company reports business results and financial statements of the company to Executive Committee and the Board of Directors on regular basis.
- 2) The Audit & Supervisory Board Member of a Group Company on regular basis reports to audit & supervisory board members and Internal Audit Office of the Company the results of the audit made at the Group Company.
- 3) Department in charge of internal audit of NAHQ will perform internal audit of the Group Companies in life sciences businesses and report its findings to the president and manager of Internal Audit Department of the Company.

(7) Matters related to audit by audit & supervisory board members

- 1) Matters related to employees assisting audit & supervisory board members and ensuring his/her independence

The Company has appointed a personnel whose responsibilities are to assist audit & supervisory board members (“the assistant”). Any personnel decisions on the assistant are subject to prior consultation and approval by the Audit & Supervisory Board. In addition, solely audit & supervisory board members are responsible for evaluating the performance of the assistant.

- 2) Matters related to effectiveness of command by audit & supervisory board members to the assistant
- The assistant shall follow instructions and command solely made by audit & supervisory board members.

- 3) Structures for directors and employees of the Company, for directors and employees of the Group Companies or for those who received reports from them to report to audit & supervisory board members of the Company to receive reports from its directors and employees, or from directors and employees of the Group Companies, or from those who received reports from directors and employees of the Group Companies. .

a Audit & supervisory board members ensures that they can review major decisions on the execution of duties of directors through participation to the meetings of the Board of Directors, Executive Committee and Officer Committee and the circulation of authorization documents after approval by the relevant personnel.

b Such corporate administrative department including general affairs, legal and Sustainability Promotion as designated by audit & supervisory board members regularly, or upon request, report to Audit & supervisory Board Members on the progress and operating status of internal control system such as compliance with rules and regulations and risk management.

c Internal Auditing Office regularly, or upon request, reports the results of internal auditing on JSR Group to audit & supervisory board members.

d Directors and employees of the Company promptly and effectively report to audit & supervisory board members such items, but not limited to, as the fact that might cause material damages to the Company and/or materially violate the laws and/or articles of incorporation of the Company, or as specified in advance in accordance with the prior agreement with the audit & supervisory board members.

e Directors and employees of JSR Group promptly report to audit & supervisory board members relating to execution of businesses.

- 4) Structures to ensure that persons who report to audit & supervisory board members do not to suffer disadvantageous treatment as a result of such report

The JSR Group prohibits disadvantageous treatment its directors and employees solely because they had reported to audit & supervisory board members.

- 5) Matters related to policies related to procedures for advance payment or pay back of audit expenses and handling audit expenses and others

The Company bears all the expenses incurred in relation to execution of duties of audit & supervisory board members unless such expenses are deemed unnecessary

- 6) Other structures to ensure effectiveness of auditing by audit & supervisory board members.

The audit & supervisory board members maintain cooperation and communication from time to time with relevant parties such as Internal Auditing Office, the Independent auditors, audit & supervisory board members of Group Companies.

- (8) Policies for establishing an internal control system for a Listed Subsidiary Group of the Company
Policies for establishing an internal control system for the “Listed Subsidiary Group” (which means a corporate group consisting of companies whose parent company under the Companies Act is a listed subsidiary of the Company) are as detailed below:
- 1) In order to respect the independence of the Listed Subsidiary Group, the matters described above under “(3) Structures to ensure the efficient execution of duties of the directors of the JSR Group” are not applied to the Listed Subsidiary Group, and the policies for establishing an internal control system for the Listed Subsidiary Group are respected.
 - 2) However, with the aim of ensuring the propriety of the business conduct of the JSR Group as a whole including the Listed Subsidiary Group, the following measures are taken.
 - a Significant decision-making in the Listed Subsidiary Group is conducted by decision-making bodies such as the Board of Directors or the Management Committee, etc., of a listed subsidiary. It is not required to obtain a prior approval from decision-making bodies such as the Board of Directors or the Management Committee, etc., of the Company.
 - b A listed subsidiary submits the minutes of its Board of Directors and/or the Management Committee along with attachments to the relevant officers in charge of the company and the audit & supervisory board members.
 - c The Relevant officer in charge of such group company review the minutes and report the contents to the Board of Directors and/or the Management Committee of the Company in accordance with designated criteria. Thereby, the Company confirms that the propriety of the business conduct of the Listed Subsidiary Group has been ensured at the Board of Directors and/or the Management Committee of the Company.
 - d In accordance with “the Code of Group Companies Management,” the relevant officer in charge of such Group Company supervise and advise on the management of the respective Listed Subsidiary Group, while other management divisions such as safety, environmental affairs, accounting, finance, general affairs, legal affairs, and Sustainability Promotion, provide support and services to the listed subsidiaries.
 - e The Internal Auditing Office of the Company audits the effectiveness of the internal control systems in order to ensure the appropriateness of the financial report by the Listed Subsidiary Group in accordance with the Financial Instruments and Exchange Act, as well as the effectiveness of the internal control systems, in order to ensure the propriety of the business conduct of the Listed Subsidiary Group.
 - f The audit & supervisory board members of the Company review the minutes prescribed in b) above and receive reports as prescribed in c) above at the Board of Directors and/or the Management Committee, in order to ensure the propriety of the business conduct of the Listed Subsidiary Group.
 - g While respecting the independence of the Listed Subsidiary Group, the Company endeavors to establish a unified and effective internal control system for the JSR Group from now on.

2. Basic Views on Eliminating Anti-Social Forces

- (1) Basic views on eliminating anti-social forces
The JSR Group’s basic principle against the anti-social forces is to cut off all relationships including but not limited to any business transactions with such forces. The management and the entire organization of the Company or, as the case may be, of respective Group Companies shall resolutely and firmly reject any claims or requirements made by anti-social forces in collaboration with external entities such as the police forces. The JSR Group has stated in the “Code of Conduct against Antisocial Forces” under the “JSR Group Principles of Corporate Ethics” that its basic policy, upheld by its top executive and the company as a whole,

is to firmly reject any demand made by anti-social forces. The Group has stipulated its basic policy and specific countermeasures in normal times and an emergency in the Standards for Response against Antisocial Forces.

(2) Establishment of structures for eliminating anti-social forces

1) Establishment of the person and the department in charge against anti-social forces

The JSR Group has made the officer in charge the General Affairs Department and the department itself responsible for coping with anti-social forces through organizational confrontation under his/her supervision. In head office and each office, the general managers in charge of general affairs will cope with the demand made by anti-social forces, if any.

2) Cooperation with external professional organizations

The department in charge against anti-social forces has been endeavoring to establish good relationships with external professional organizations including the police regularly and to strengthen its cooperation with such organizations by frequent consultation.

3) Collection and management of information regarding anti-social forces

The JSR Group's department in charge against anti-social forces regularly collects information regarding anti-social forces through the media and actively participates in information exchange meetings and training seminars sponsored by external professional organizations including the police to gather and unitarily manage information regarding the activities of anti-social forces, the actual situation of illegal demands, and policies to cope with anti-social forces, and prepares materials.

4) Preparation of manuals to cope with anti-social forces

The department in charge against anti-social forces has stipulated internal manuals to respond to anti-social forces.

5) Implementation of training activities

The JSR Group educates its employees, mainly personnel in the department in charge against anti-social forces on how to cope with anti-social forces using educational materials prepared by external professional organizations including the police.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation

JSR has not adopted anti-takeover measures.

The Company considers it is important to increase its corporate value by gaining the trust and appreciation from all stakeholders as an enterprise that has high profitability and can steadily realize safety and its environmental mission.

2. Other Matters Concerning Corporate Governance System Updated

(1) For the diagram showing the structure of corporate governance of the Company including its internal control system, please refer to the Attachment : “Corporate Governance Structural Diagram”

(2) Outline of timely disclosure system

Here is an outline of JSR’s internal system to disclose company information in a timely manner.

1) Basic policy for disclosing information

JSR has stipulated its Disclosure Policy as a rule to disclose important company information to investors in a prompt, accurate, and fair manner. The Company has focused on actively disclosing information on its business conditions in accordance with related laws and regulations, such as the Financial Instruments and Exchange Act, and rules regarding timely disclosure provided by the Tokyo Stock Exchange Inc.

In addition, JSR has strived to disclose information, which does not fall under the TSE’s timely disclosure rules but is deemed to influence investors’ investment decisions, in a timely and appropriate manner. Furthermore, the Company has stipulated Rules for Preventing JSR Group’s Employees from Committing Insider Trading. It has made endeavors to ensure that all directors and employees understand and comply with basic rules regarding the management of insider information which they have come to know through conducting their duties and the purchase and sale of stocks by directors and employees with the aim of preventing insider trading from occurring.

2) Internal structure for timely disclosure

a Decisions made

Important decisions are made at a Regular Board of Directors’ meeting or the Executive Committee and as necessary, an Extraordinary Board of Directors’ meeting is held to make prompt decisions. If important decisions made fall under the TSE’s timely disclosure rules, the Company shall disclose such information in a prompt manner after obtaining approval at the Board of Directors’ meeting.

JSR shall disclose information on account settlement immediately after having an audit by independent auditor on its books and obtaining approval at the Board of Directors’ meeting.

b Facts that have occurred

Regarding important facts that have occurred, JSR has established a structure that enables the Company to gather information and make immediate response and disclose information in an appropriate manner.

c Risk information

Regarding risk information, JSR has established the Sustainability Promotion Committee, which is designed to ensure issues related to environment, safety and quality and corporate ethics are communicated to, understood, and observed by all parties. The Company has established a structure that enables it to respond to an emergency by preparing an information network to

transmit information from JSR and JSR Group companies to the Sustainability Promotion Committee when a crisis occurs.

d Disclosure of information

The Corporate Communications Department, which takes the leadership in disclosing information, has strived to disclose information promptly in cooperation with related departments. In addition, the Department has put disclosed materials on the Company's website so that shareholders and investors can easily access them any time.

For the diagram of the internal structure for disclosing company information in a timely manner, please refer to the attached Material 2: Information Disclosure Structural Diagram.



