MATERIALS INNOVATION

JSR REPORT 2022

For the year ended March 31, 2022

Editorial Policy

Our corporate mission, **“Materials Innovation,” states that “We create value through materials to enrich society, people, and the environment.”** Based on this mission, we seek to provide the materials that are indispensable to society and thereby contribute to society and earn its trust.

This report was created to help all stakeholders, including shareholders and investors, to better understand JSR Group’s business model and corporate value. It contains financial information such as 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.

About the Cover

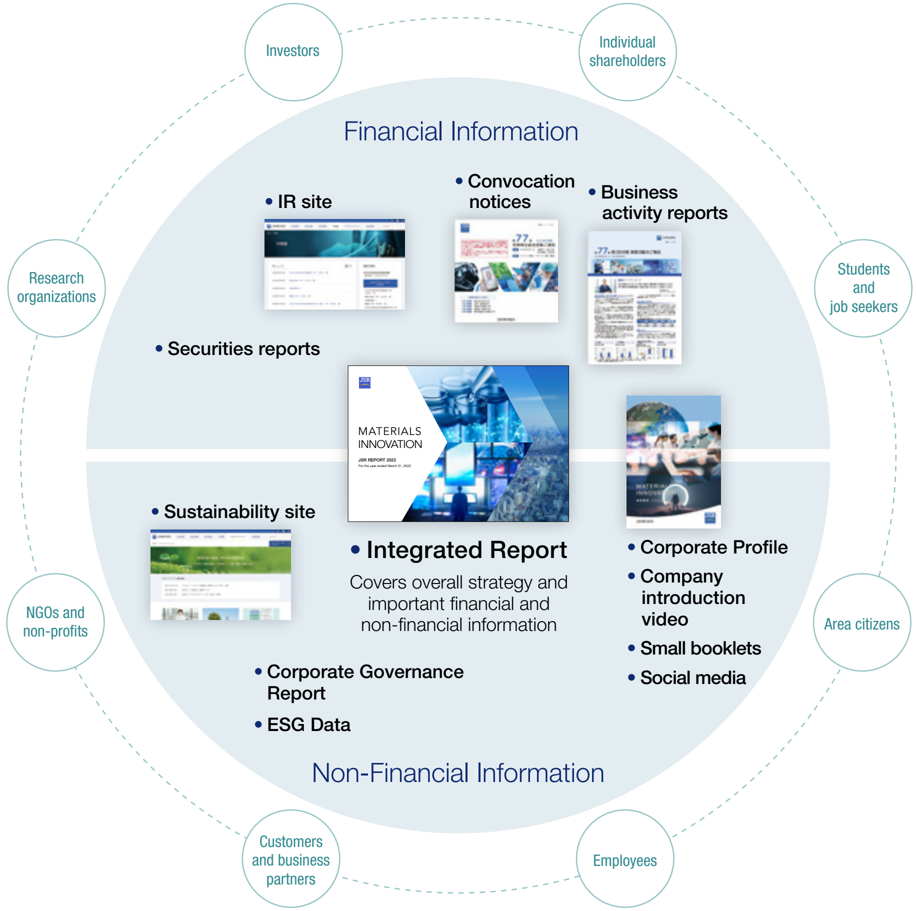
JSR Group’s desire to act dynamically in response to the profound changes happening in our world is represented by the shape of an arrow moving forward.
With our corporate mission of “Materials Innovation,” we will continue to create value as a technology company to contribute to the sustainable society.

Forward-looking Statements

Forward-looking statements regarding the Company’s future plans, strategies, projected performance and outlook are based on information available at the time of writing. Readers are cautioned that economic trends in JSR’s target markets and other risks, and factors beyond the Company’s control could cause actual results to differ materially from those projected by management. In this report, Fiscal Year (FY) means the year ending March 31.
For example, FY2021 means April 1, 2021 – March 31, 2022. FY2022 forecasts are as of April 2022.

Please refer to the JSR website for the latest forecasts.
https://www.jsr.co.jp/jsr_e/ir/library/presentation.html

Information Disclosure System and Target Readers



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CORPORATE MISSION

Materials Innovation

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

MANAGEMENT POLICIES

Our efforts to realize the corporate mission of JSR Group are guided by a management policy consisting of two core components.
The first is a set of universal and unchanging "fundamental pillars of management" through which we work to achieve continuing growth.
The second is our "responsibilities to stakeholders," which are an expression of our responsibilities as a good corporate citizen.

Fundamental Pillars of Management

Continuous creation of businesses

As society evolves, so does the demand for specialized materials and advanced products. JSR continuously evolves to anticipate and respond to changing marketing needs and, in doing so, achieve dynamic growth.

Enhancement of corporate culture

As society evolves, so will our organization. JSR will build on its existing positive corporate culture to create an organization and management style with the vitality to keep evolving.

Increase in corporate value

JSR will position itself to increase our overall corporate value by creating businesses through materials with focuses on customer satisfaction and the fulfillment of employees.

Responsibility to Our Stakeholders

Responsibility to our customers / business partners

When interacting with our business partners and customers, the JSR Group will:

- Constantly evolve to meet the demand for new materials
- Always strive to increase customer satisfaction
- Act in good faith and maintain fair and equitable business relations
- Continue to be socially and environmentally conscious throughout the supply chain

Responsibility to our employees

All employees should expect:

- To be evaluated and rewarded based on fair standards
- Continuous opportunities to grow by challenging themselves
- Acceptance of the diversity of fellow colleagues and to be provided a place where all employees can work together as a team

Responsibility to society

All members of the JSR Group will honor our responsibility to both the local and global communities through:

- Responsible and respectful business practices (Responsible Care) that consider the environment and safety
- Support of environmental conservation by providing eco-friendly products
- Reduction of our environmental impact throughout the entire product lifecycle
- Active contribution to conserving biodiversity throughout its business activities and the entire product lifecycle

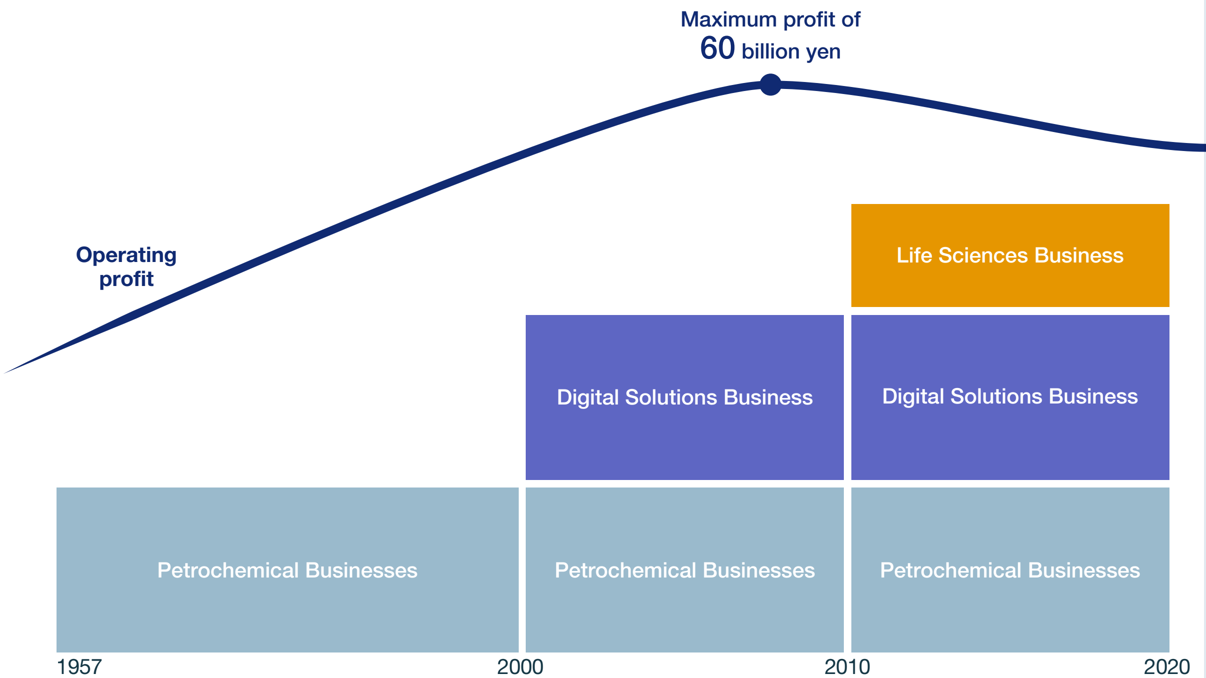
Responsibility to shareholders

Group will maintain its responsibility to shareholders by:

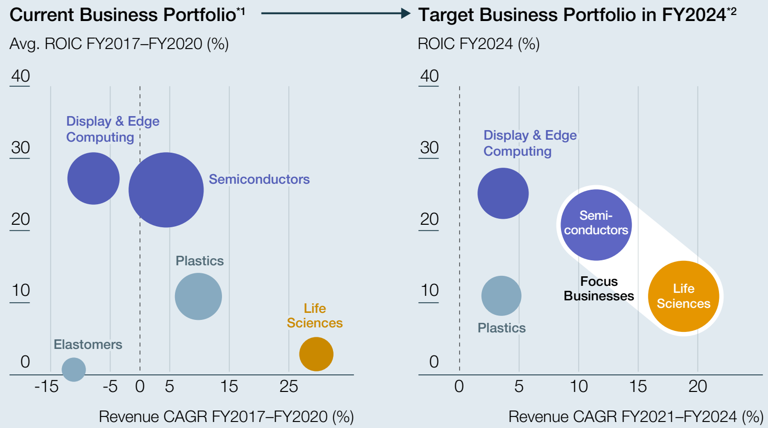
- Aiming to increase corporate value by creating business opportunities through materials
- Constantly enhancing management efficiencies
- Inspiring trust by being highly transparent and conducting sound corporate management practices

How We Have Practiced Our Corporate Mission Historically

JSR Group has continually updated our business portfolio since our founding because we see changing times as opportunities.



Digital Solutions Business & Life Sciences Business become core businesses



JSR INITIAL PHASE 1957-1973
- Launching synthetic rubber production in Japan
- Yokkaichi Plant operations begin
- Japan Synthetic Rubber Co., Ltd. is founded

EXPLORATORY DIVERSIFICATION PHASE 1974-1990
- Making factories more eco-friendly
- Enter photoresist market
- Chiba and Kashima Plant operations begin

ADVANCED DIVERSIFICATION PHASE 1991-2001
- Building global production system
- Enter display materials market

BUSINESS STRUCTURAL REFORM PHASE 2002-2010
- Expanding business built around semiconductor and display materials

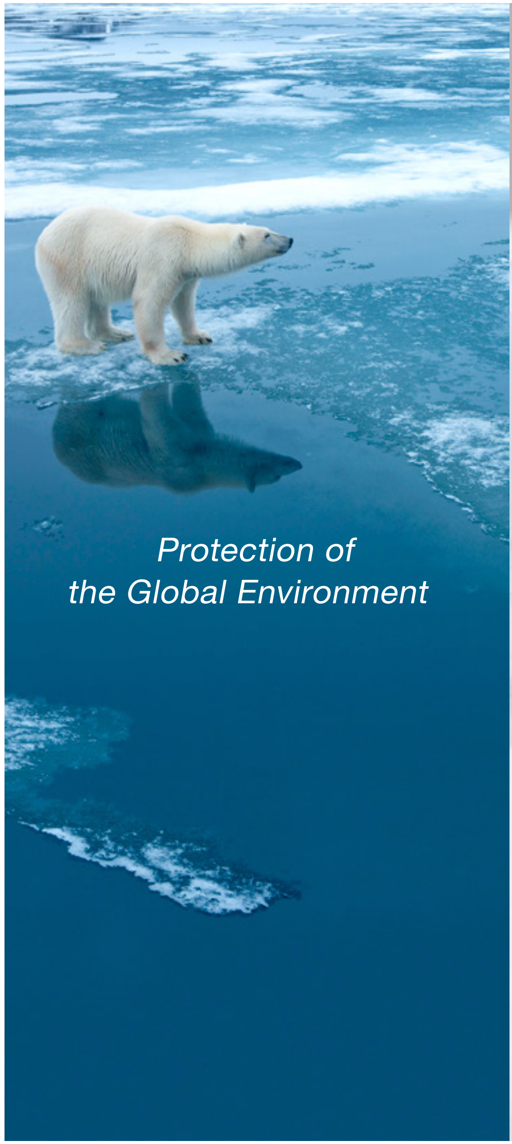
STRENGTHENING NEXT-GENERATION BUSINESSES 2011-2019
- Strategically investing in and developing life sciences and environment/energy
- KBI Biopharma, Inc. (U.S.) and MEDICAL & BIOLOGICAL LABORATORIES CO., LTD. become consolidated subsidiaries
- Selexis SA and Crown Bioscience International become consolidated subsidiaries

BUILDING A RESILIENT ORGANIZATION ADAPTABLE TO CHANGE 2020 -
- Promoting sustainability management
- Materiality identified
- Practice 5 foundations for promoting sustainability management

*1 Acquisition is included in revenue CAGR of Plastics and Life Sciences
Circle size: Avg. Core Operating Profit in FY2017–FY2020
*2 Circle size: Core Operating Profit in FY2024

The Search for Solutions to Society's Problems

Taking a long-term view of society's problems, JSR Group sees the following four macrotrends as having a big impact on society.



Medium- to Long-term Value Creation

We seize upon social issues and use JSR's technological strengths to strive to contribute to society and increase our corporate value.

Corporate Mission **Realization of Materials Innovation**

The JSR Approach – Macro Trends (Social Issues)

- Protection of the Global Environment
- Increased Geopolitical Risk
- Changes in Living Environment and Technology
- Digitalization

Data Analytics
- Material Informatics
- Bioinformatics

M&A
Open Innovation
Biochemistry

Precision Manufacturing Technology

Materials Science

Strategies for Value Creation
Sustainable Value Creation through our Business Activities

Business Activities OUTPUT

DIGITAL SOLUTIONS BUSINESS
Providing cutting-edge semiconductor and display materials
Revenue 165.0 billion yen*

LIFE SCIENCES BUSINESS
Providing advanced research products and services for the discovery and development of therapeutics
Revenue 72.5 billion yen*

PLASTICS BUSINESS
Providing high-performance resin products, especially for automobile parts
Revenue 90.6 billion yen*

Framework for Constructing a Resilient Organization **5 Foundations**

1 Sustainability
2 Globalization
3 Operational Excellence
4 Digitalization
5 Innovative Culture

*As of March 31, 2022

Resilient management foundation / ESG

OUTCOME

Contributions to customer companies
- Technological innovation
- Product safety
- Improved manufacturing process efficiency
- Collaboration with customer companies

Contributions to society, resolution of issues
- Contributing to quality of life and well-being
- Contributing to a society of health and longevity
- Contributing to Global Environmental Conservation

Emergence of new macro trends

Aiming to solve social issues

The Value JSR Provides

By creating businesses that take advantage of our strong leading-edge technology,
we will solve problems for our customers and society and make the world a more prosperous place.

Please refer also to the JSR sustainability site.
https://www.jsr.co.jp/jsr_e/sustainability/ataglance/index.shtml

Quality of Life and Well-Being

JSR Group's outstanding technological capabilities are always advancing. Our aim is to leverage them to contribute to smart societies built on IoT, AI, and 5G and to realize societies where every person in the world can live more prosperously.

For example:

Meeting Customer Needs in Our Semiconductor Materials Business for the Development of Smart Societies

Semiconductors are essential to smartphones and the many other devices that information technology has made possible, and critical to data centers that process massive amounts of data so quickly. Moreover, when semiconductor circuit wiring can be made smaller, devices gain better functionality and operate with greater energy efficiency.

Currently, extreme ultraviolet (EUV) technology is used to pattern the finest lines on semiconductor chips. JSR is developing and manufacturing EUV photoresists, which are resins that support EUV technology for enhancement of smart societies.

A Society of Health and Longevity

JSR offers materials and services powered by the latest technologies. These bring greater efficiency and speed to biopharmaceutical development processes. We are also helping to enhance health and longevity in society by offering products and services to enable personalized medicine.

For example:

Life Sciences Business Speeding up Drug Discovery and Helping to Develop Effective Drugs

JSR Group's drug discovery and development support services offer integrated support for the entire biopharmaceutical development process, from drug discovery to manufacturing. Services include contract development and manufacturing organization of biologics (CDMO) and contract research organization of pharmaceutical products (CRO). By supporting the efficiency of biopharmaceutical development, we contribute to a society of health and longevity by realizing the early practical application of cutting-edge medical care.

Global Environmental Conservation

JSR Group is working to protect the global environment not only at the manufacturing stage but from many different angles. This includes creating new business opportunities that could help reduce the environmental impact of products themselves.

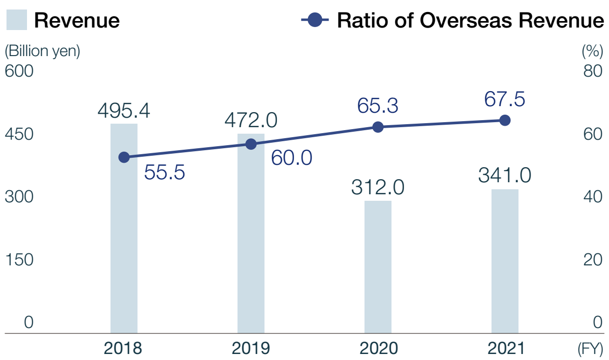
For example:

Aiming to Reduce Environmental Impact by Offering Eco-Friendly Products to Customer Companies

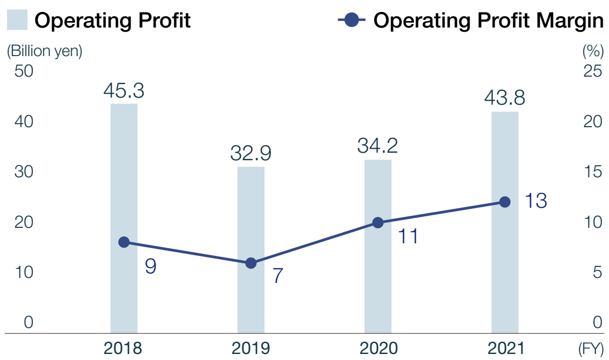
In the field of display materials, "low-temperature materials" help limit energy consumption during manufacturing processes, while "recycled alignment films" further help lower environmental impact. In automobile plastics materials, we are promoting a range of eco-friendly products including VIVILLOY™, a paintless material that makes recycling easier. Products like these are helping to protect the global environment.

Financial Information

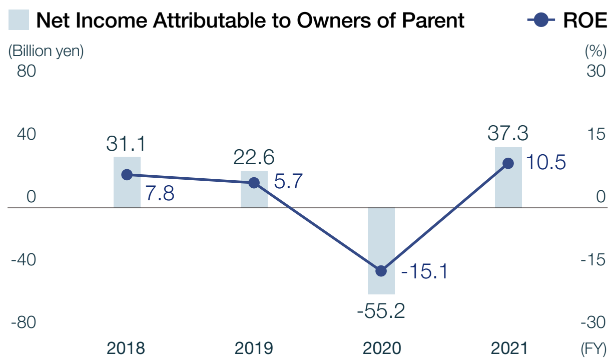
* The Elastomers Business has been categorized as a discontinued business from FY2021. Certain data for FY2020 is presented after reclassification.



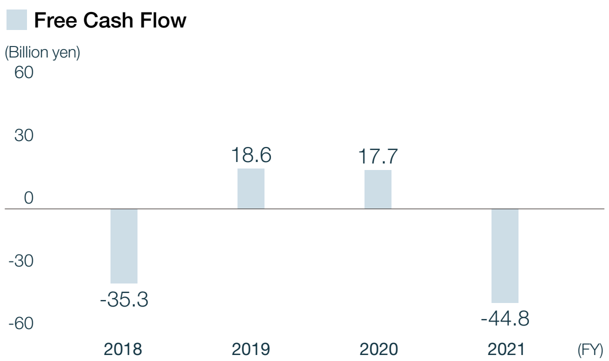
Following the transfer of the Elastomers Business, revenue rose in the Semiconductor Materials Business and Life Sciences Business. The main markets of these two core businesses are located outside of Japan and, consequently, the ratio of overseas revenue continues to increase every year.



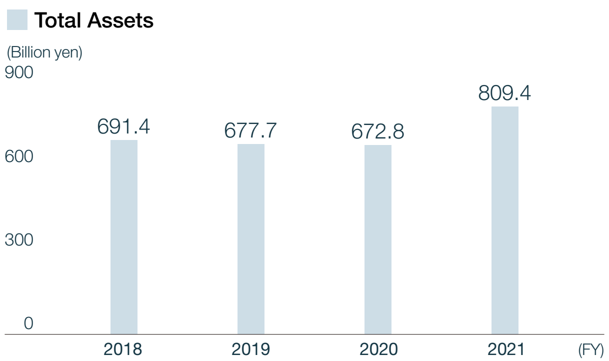
We are making positive progress toward the profit target of 60 billion yen laid out in the management policies for FY2024. We will prioritize the deployment of capital in high value added products in an effort to boost profit margins.



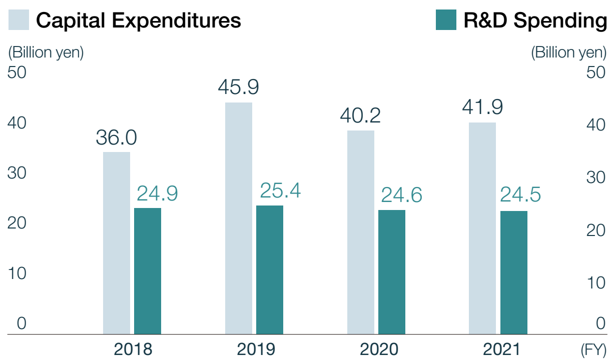
We achieved the ROE target of 10% or higher laid out in the management policies for FY2024 ahead of schedule in FY2021. We will prioritize the deployment of capital in high value added products in an effort to further increase profits and boost ROE under our capital policy featuring share buybacks.



We are achieving sustainable profit growth while seeking to increase corporate value by steadily implementing investments in growth fields. We will fulfill shareholder expectations by maintaining a total return ratio of around 50% including dividends and share buybacks.

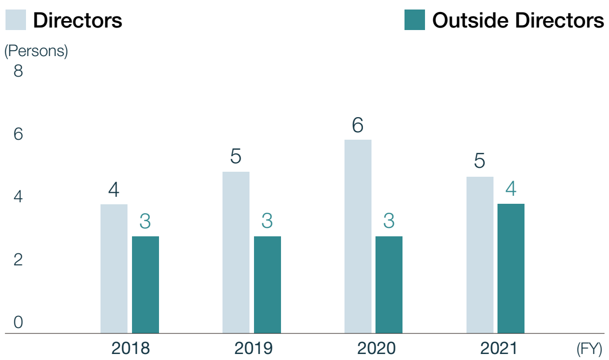


Assets are trending upward on M&A to expand our business operations. To maintain financial soundness, we have established medium-term resource allocation plans and manage asset efficiency and investment efficiency using ROIC and ROE on a company-wide and business segment basis. We are also working on debt capacity monitoring to maintain financial soundness and diversification of capital procurement methods.

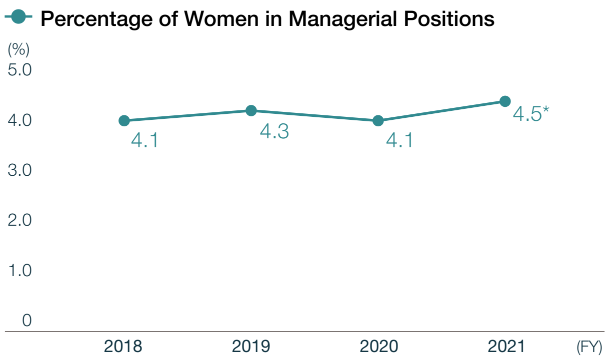


We anticipate operating cash flow of around 250 billion yen during the management policies period. Around 140 billion yen of this amount will be committed to CAPEX in the form of investments in the Semiconductor Materials Business and Life Sciences Business. Other uses will involve growth investments, including M&A, while increasing agility and flexibility.

Non-Financial Information



In FY2019, JSR Corporation appointed a foreign national to CEO for the first time, while a female internal director was elected for the first time in June 2020, in order to address the rapid changes in business environment characterized by globalization, IT adoption, and digitalization. In FY2021, a foreign national was elected as outside director, further increasing the diversity of the Board of Directors.



JSR Corporation is evolving itself in response to the changing needs of employees in terms of respect for diversity, equity and inclusion. We are moving ahead with measures targeting the KPI of having women occupy 10% of managerial positions by FY2030.

* As of April 1, 2022

Number of Employees (Consolidated)

9,696 persons

Employment Rate of Persons with Disabilities

2.59%

As of April 1, 2022

Number of Patents Held

5,084

Global Network

Japan 19 locations

Overseas 28 locations

As of April 1, 2022

Number of Workplace Accidents

JSR Corporation	1 (2)
Manufacturing Partners of JSR Corporation	0 (1)
Group Companies in Japan	4 (3)
Manufacturing Partners of Group Companies in Japan	1 (3)

* Number of no lost time work accidents in parenthesis

Greenhouse Gas Emissions
(Including Elastomers Business)

1,013 thousand t-CO_2

Energy Usage
(Including Elastomers Business)

0.35 KL/ton

Note: Numerical data as of March 31, 2022 unless otherwise noted

CEO Message

Leveraging our innovative culture to deliver valuable technologies to business and society

Eric Johnson
Representative Director, CEO

Corporate Value in the Face of Disruptive Pressures

One of our missions in 2021 was to create opportunities within the new global structure that has emerged due to accelerating disruptive pressures in the wake of COVID-19. Disruption does not have to be framed as only negative. It forces us to take an in-depth look at ourselves, reassess the way we did things on a broader scale, and make considered decisions about the way forward.

I am confident that we can leverage our technological capability, our hunger to improve, and our geographical diversity to continue full-fledged implementation of our strategies. We have a lot of work to do, but I'm excited about where we are headed.

In the year under review, we increased JSR's value as a leading technology company, leveraged relationships, and remained focused on sustainable management initiatives, while solidifying our financial foundation.

Leading Technology Company

At its core, JSR is a technology company. We cite 'Materials Innovation' as our corporate mission and of course we are experts on materials science. We consider materials as the vehicle through which we deliver technology. Moreover, we are committed to staying on the leading edge of technological innovation to ensure that we provide the highest value for our customers. We also understand that technology in and of itself is not valuable. To truly drive a value proposition, one must deliver that technology with the highest quality and with very close customer engagement. That is JSR's sweet spot.

Technologies and sciences have the answers to the most demanding technical challenges that our customers and society face. JSR is a critical player in expanding on the possibilities of semiconductors, as well as supporting the development of more personalized therapies for life-threatening illnesses such as cancer.

At JSR, we partner with some of the world's top research teams. Together with these partners, we leverage artificial intelligence and quantum computing to explore, not only opportunities for invention, but also to accelerate current businesses. We nurture a corporate culture where employees are empowered to follow inspiration in the pursuit of new possibilities.

We have a variety of relationships and programs. There are leading-edge academic programs with Keio University, the University of Tokyo, IBM, and other universities and consortia globally. Among the key themes being explored are materials informatics and materials development. We are also expanding research and development programs for biological sciences. A constant thread through all of this, is data. We have also invested heavily in material informatics, bioinformatics, and quantum technology. We are committed to being on the leading edge, and to understanding what is happening, both technically and economically.

Management Policy 2024

We have transitioned from a three-year to a five-year strategic plan. While the plan technically covers a five-year period through the fiscal year ending March 2025, the impact of the pandemic has effectively given us four years in which to execute it. One important element of this policy is that we cannot have stagnant financial targets for each of our business units three years from now. Each year, we will review the metrics we have established—which include return on equity, profitability and the newly added sustainability—and adjust as required.

For JSR Group to deliver value sustainably, we need to have a finger on the pulse of social change and see challenges in the environment as potential opportunities. This demands that our organization be resilient. We have identified Five Foundations as a set of actions that are key for a successful transformation into a leaner organization and more flexible mindset as required for the sustainable growth outlined in the management policy.

The Five Foundations—Innovative Culture, Digitalization, Globalization, Operational Excellence, and Sustainability—are an invaluable guide as we work to fortify the resilience of our management base and drive corporate value upward. We are extending the breadth of our resources internationally. We have antennae in many different regions and are receiving both formal and informal feedback on a regular basis. When we look at how we have handled digital transformation, I'm relatively pleased with our efforts. Digital transformation is truly a journey without a destination. We need to continue to work to master the realm of data analysis capabilities and secure buy-in from our people at all levels.

We understand that to be a truly sustainable organization we have to accelerate investments in our infrastructure. In particular, we are focusing on employee engagement, climate impact, and geopolitical impact.

Performance Overview

In the fiscal year ended March 31, 2022, we succeeded in significantly improving performance in sales and all profit categories amid strong semiconductor, flat panel display, and biopharmaceutical markets. Overall, the group recorded year-on-year increases in revenue, core operating profit, and operating profit. We posted gains in revenue in all business segments, and double-digit increases in core operating profit in our Digital Solutions and Plastics. The Life Sciences segment saw core operating profit decline against the previous year, but this was attributable to factors such as investments in facilities by KBI.

Our return on equity already exceeds 10%. Moreover, we achieved near-double-digit revenue growth and a double-digit increase in core operating profit. We also improved our core operating profit margin to 12.7%, a significant step toward our Management Policy 2024 goal of 20%. As stipulated in the policy, the majority of our resources will be concentrated on Digital Solutions—primarily in Semiconductor Materials and Life Sciences.

Our Digital Solutions and Life Sciences

We are very bullish in both our Digital Solutions and Life Sciences. These two businesses will be the principal drivers of growth, and both are technology hungry. They put a high premium on technical content as well as quality and de-risking. These are areas that are very much in our core capabilities. We also see long-term consistencies in the fundamentals that are driving these businesses. Artificial intelligence, 5G, autonomous vehicles, and IoT are all long-term trends that demand ever more computing power and capability. We believe they will continue to accelerate and provide a healthy value proposition for JSR.

Looking at our Digital Solutions initiatives, the 2021 acquisition of Inpria Corporation—experts in metal oxide photoresist design, development, and manufacturing for EUV lithography—along with the construction of a new lithography material plant at our Yokkaichi complex in Japan, will enhance our Semiconductor Materials. Demand for memory and logic semiconductors continues to be robust, and we have added metal oxide resists to our product arsenal.

Within our Digital Solutions, I would like to point out that Display Materials has successfully restructured over the past couple of years and is well positioned to continue its technical roadmap. We have optimized both our product portfolio and our geographical allocation of resources. We are now aiming to expand sales of products in China, including alignment and insulating films for wide-screen TV LCD panels.

The Life Sciences is an especially innovation-hungry, quality-sensitive industry, that places a premium on technical content. Overall, we believe that, because of macro-economic trends and our technical content, we are well positioned for long-term growth.

Today, our focus is on biologics contract research, development and manufacturing services, led by JSR Group companies Crown Bioscience, KBI Biopharma, and Selexis. Crown Bioscience is working to expand its service lineup, while KBI Biopharma and Selexis are out to secure new CDMO contracts and broaden their pipelines. Crown Bioscience has gained valuable 3D cell imaging technology through its acquisition of OcellO B.V., bolstering its in vitro service portfolio. We are optimistic about the future of this business.

We see no downward trend for the fundamentals and expect medium- to long-term opportunities for growth in both of these businesses. We achieved considerable growth in fiscal 2021 for both and are projecting the same this year.

Plastics

In Plastics, we have great support from our partners. Most importantly, the business is performing strongly. It is well positioned and boasts leading-edge products that are crucial elements of its strategic growth. Furthermore, recovery is expected to continue in automobile manufacturing, the key market for this business.

Elastomers

Having completed the transfer of shares to ENEOS Corporation, we have essentially finished our administrative and financial divestiture of Elastomers. The transition was smooth despite a number of complex issues. We remain convinced that this transfer was best, not only for JSR stakeholders, but for the future of the Elastomers.

ESG Initiatives in Support of Sustainability

We are proactive in devising and implementing Environmental, Social and Governance (ESG) strategies and measures and have two main focuses at JSR. Our first is to have dynamic reviews and changes to our materiality to meet constantly evolving business and societal needs. Our second is on bolstering group management on a global scale by enhancing employee engagement through initiatives such as Diversity, Equity & Inclusion.

Furthermore, and as outlined in the JSR Sustainability Challenge, we need to identify the positive and negative impacts our operations have on society at large. We must also provide our people with clear metrics and strategies to guide them as they work to mitigate our impact on the global environment.

Over the past year we have made good progress in defining metrics and programs to drive continuous improvement in our ESG focus areas. We are well aware that we need to imbed sustainability in both our business strategies and our corporate management. Accordingly, we have established systems and specific key performance indicators (KPIs) based on our materiality studies.

In developing KPIs—which encompass environment, employee engagement, health and safety, and supply chain issues—the Board of Directors recommended that we consider environmental impact when contemplating investments. The Sustainability Promotion Department has been given the authority to oversee the business units to ensure that their decisions are not only in line with profit and loss, but also consider carbon tax policies and Task Force on Climate-Related Financial Disclosures recommendations.

While we will continue to leverage our own material science-related technological capabilities, we are determined to deepen our relationships with our global customer base. All these efforts are inextricably linked to sustainability, which requires a holistic view toward ensuring JSR's future, while also addressing vital environmental issues such as climate change and greenhouse gas emissions (GHG).

Sustainability for us means not simply tackling environmental issues, but also enhancing employee engagement. JSR is committed to concrete action in this area.

In fact, in 2021, we conducted our first global employee survey, which provided us with invaluable insight. Each region was provided qualitative and quantitative data that they were then able to use as the basis for action plans specific to the needs of their region. We believe that optimizing employee engagement and satisfaction is fundamental to cultivating a truly excellent culture.

Bridging gender, cultural, and identity-related divides, by truly understanding what is happening and what drives it, is vital in creating a globally united JSR that affords all employees the chance to realize their true potential. This is also key in making JSR an attractive option for potential recruits. At its essence, this is every bit as much a business strategy as it is an ESG-related undertaking.

To Our Stakeholders

JSR is a technology company with deep materials science competency. Our materials and services are how we convey the fruits of our technological efforts to society. We can form and cultivate relationships with our customers that allow us to capitalize on capabilities, such as simulation, to best leverage these technologies in material development. We must remain agile and curious, while developing the resilience and unity as a company that will help to protect us as we take the calculated risks necessary to move JSR forward.

We will continue to foster an open, innovative culture where employees are encouraged to investigate new possibilities without fear of failure, as we believe it is in our failures that some of our most valuable lessons lie. We are poised not only to overcome the plethora of disruptive pressures we face, but also to deliver technological solutions of the highest possible quality to address the most pressing needs of business and society. Our efforts toward achieving this will show our valued stakeholders that their faith in JSR as a technology leader and excellent corporate citizen has been well placed.

Eric Johnson
Representative Director, CEO

Medium-term Management Policy

JSR Group is building a resilient organization and transforming its corporate culture under a medium-term management policy.

Vision		
• Creating value for all stakeholders, aiming for sustainable growth • Building a resilient organization that can embrace any changes in the operating environment	**Business Portfolio**	Digital Solutions Business (especially **Semiconductor Materials**) and **Life Sciences Business** are core businesses
	Business Target	**ROE More than 10%** / **Core Operating Profit Exceed Prior Peak** (recorded in FY2007) 60 billion yen or more (Digital Solutions and Life Sciences)
	Structure	**Resilient Infrastructure** Innovation/Digitalization/ESG commitment/Employee engagement

Under its medium-term management policy for the period leading up to FY2024, JSR Group's highest priority is to "shift toward a business structure and management framework characterized by resilience and sustainability over the medium to long term." Another goal is to use our technology to solve society's problems. To this end, we are positioning the Digital Solutions Business (particularly its Semiconductor Materials Business, which is geared toward innovation) and Life Sciences Business as core businesses for achieving sustained growth. Our specific targets for FY2024 are to achieve operating profit of 60 billion yen, which would exceed the prior peak, along with ROE of at least 10% while maximizing ROIC.

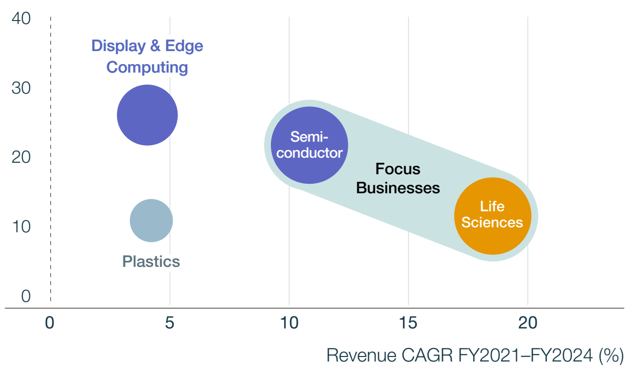
Previously, JSR Group wrote a detailed management policy every three years, but the new Medium-Term Management Policy covers five years. The purpose is to enable us to respond with flexibility to drastic changes in the business environment and set a more long-term strategic direction.

Business Portfolio

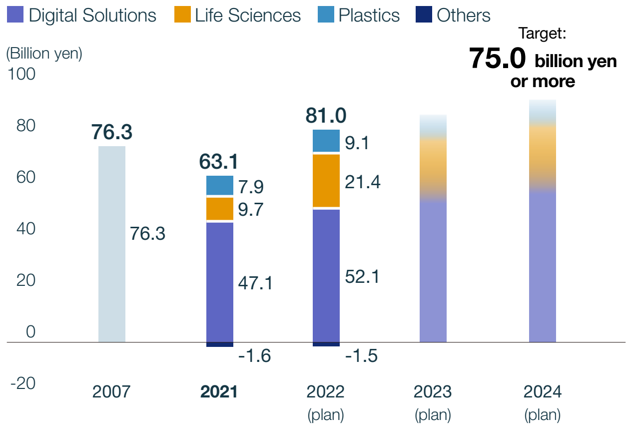
Pursuing efficiency with strategically focused realignment

During the period leading up to FY2024, we will analyze the capital cost of each business, using ROIC as the basis, and focusing resources on those businesses with the best future prospects. As for those focus businesses where stable medium- to long-term growth is expected and in which JSR Group can manifest its strengths, the plan is to try to realize strong top-line growth and maintain high profitability in the Digital Solutions Business and achieve 20% growth, including the top line, in the Life

Target Business Portfolio in FY2024



EBITDA



Sciences Business. We also aim to achieve an EBITDA of 75 billion yen in FY2024.

Business Target

Aiming to raise corporate value by boosting profitability

During the period covered by the Medium-Term Management Policy, we will be focusing resources on the Semiconductor Materials Business of the Digital Solutions Business as well as on the Life Sciences Business as we seek to create distinctive value. In the Digital Solutions Business, we will leverage our comprehensive technical strengths, including JSR Group's powerful development expertise, to provide advanced materials and a wide range of other products. In the Life Sciences Business, we will support development of complex biopharmaceuticals by applying the powerful technical strengths we have cultivated through our history.

With this approach, we aim to increase revenue from these two focus businesses, from 200 billion yen in FY2020 to 300 billion yen by FY2024, with a CAGR of 10%. We also aim to grow the core operating profit to a new peak of at least 60 billion yen, expanding the core operating profit margin from about 15% in FY2020 to 20% or more in FY2024. We will also work to boost capital productivity, with a target ROE of at least 10%, by managing our business portfolio with ROIC as a criterion.

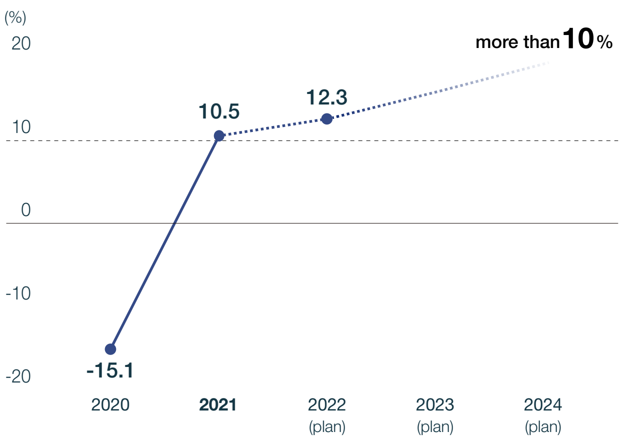
Structure

Building a resilient management foundation that responds to changing times

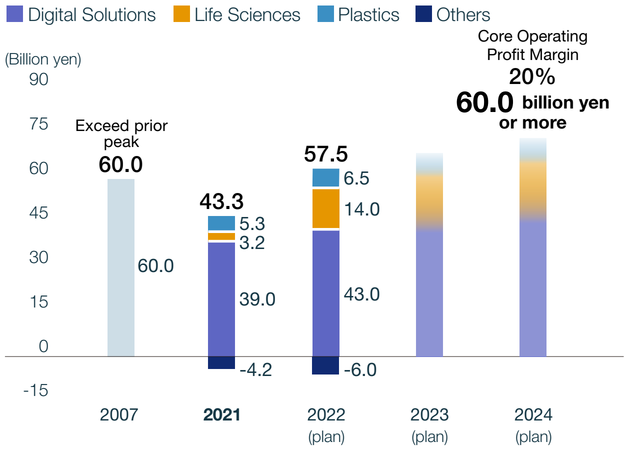
We are living in a time of uncertainty as society grows more diverse and complex. To turn changes in the environment into opportunities and grow from them, JSR Group must strengthen the corporate culture it has fostered and transform so it can respond to change. The Group has defined Five Foundations to underlie our corporate culture as we work to realize sustained growth. The Five Foundations are Sustainability, which helps to increase value for all stakeholders; Innovative Culture that promotes the innovation that will ensure we remain a leading-edge technology company; Globalization to enhance our awareness and capability to respond to global change and expand our infrastructure; Digitalization to promote operating efficiency by harnessing trends in digital transformation (DX); and Operational Excellence that ensures that each department's activities are directly tied to targets of the Medium-Term Management Policy.

Going forward, by undertaking these initiatives, we aim to build a resilient management foundation and continually increase corporate value.

ROE



Core Operating Profit



5 Foundations

Focus Business 1 Digital Solutions Business

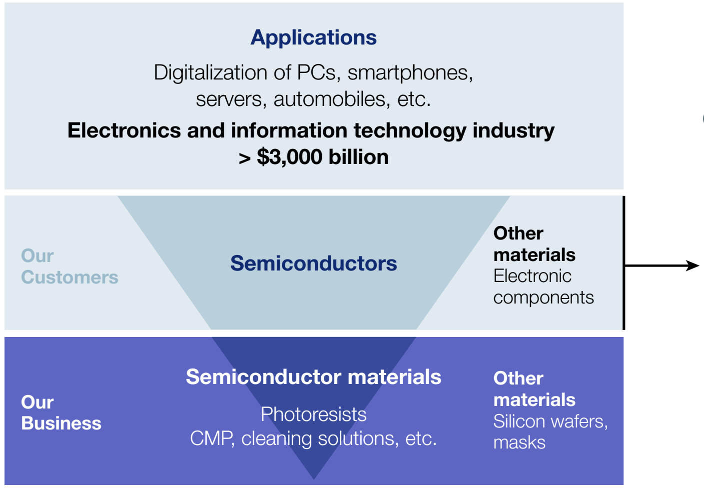
Aiming to Achieve Net Sales and Profits beyond the Market's Rate of Growth and Further Expand Market Share, Primarily with Leading-Edge Photoresists

In the Semiconductor Materials Business, which is the core of the Digital Solutions Business, our aim is to grow sales faster than market growth. In addition to maintaining our high share of the markets for ArF photoresists and multilayer materials, we are working toward a full-scale launch of EUV photoresists. We are also working to grow sales of cleaning solutions, CMP materials, and packaging materials. Through these efforts, we are targeting revenue growth above the medium-term input growth rate for silicon wafers, which is the core client industry for the Semiconductor Materials Business. In FY2020 and into FY2021, this area saw sales growth of 16%, which is greater than we projected. Semiconductor demand will continue to rise due to increasing digitalization in areas related to PCs, smartphones, servers, automobiles, and more. In keeping with that, we expect our sales to grow at a faster rate than market growth and forecasts based on the business environment.

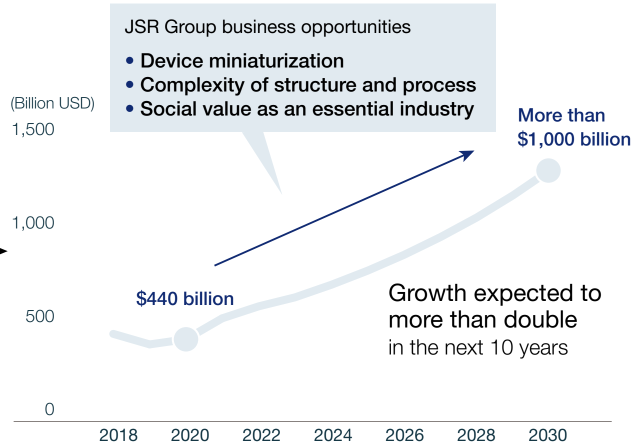
Going forward, moreover, we will continue to focus our efforts on leading-edge photoresists like ArF and EUV, which are expected to grow further given the market environment. Already, JSR boasts the global top share for ArF photoresists, with our products accounting for about a third of all semiconductors produced in the world. Instead of being satisfied with that record, our policy is to keep building up this share. In EUV photoresists, our aim is to be in the top tier by contributing more to the frontier 3 nm generation of semiconductors and to memory, primarily for the Taiwanese and Korean markets. We also expect wide growth in CMP materials, cleaning solutions, and packaging materials that support more complex processes.

	Revenue **Faster than market growth**	Core Operating Profit Margin **Maintain Strong Margin (≥ 23%)**
Market	Scale	• Total photoresist market: $2 billion (Semiconductors: $550 billion)
	Trends	• Steady growth • Technological innovation advances
Social Value		• Realize a smart society (AI, IoT) • Achieve miniaturization and high performance requiring less power
Strength		• High market share in advanced materials (e,g., ArF 30%, alignment film 50%)
Strategy		• Concentration of resources on **Semiconductor Materials Business** • **Scale and fields expansion** including M&A

JSR Group's Position



Semiconductor Market



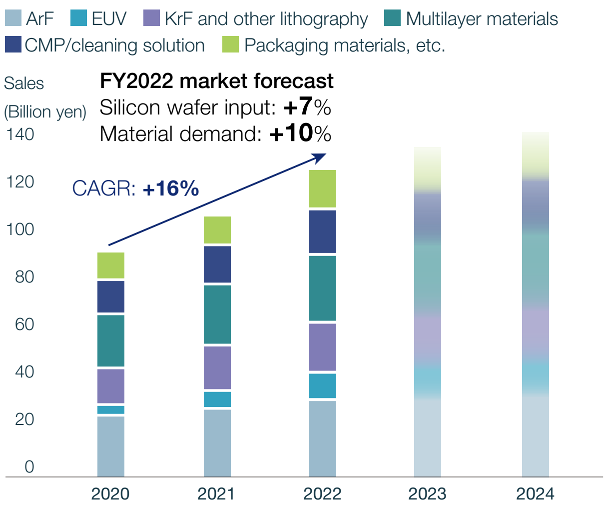
* –2020 SEMI, 2021– IBS

Our Business

Acquired Next-Generation EUV Technology, Leading the Global Market with a Broad Product Portfolio

JSR Group has a global supply system built around R&D, manufacturing, and sales bases in Yokkaichi, the United States, and Belgium. We are working to optimize production processes and innovate technology while endeavoring to provide a steady supply of the products each customer needs. Moreover, in October 2021, we completed acquisition of Inpria, the world leader in design, development, and manufacture of metal oxide photoresists. The product is attracting attention as an EUV lithography technology for the further miniaturization of semiconductors. Our plan going forward is to create synergy with Inpria to bring mass production technology and quality control to the next level.

Semiconductor Materials Business Plan



Semiconductor Materials Global Strategy

Focus Business 2 Life Sciences Business

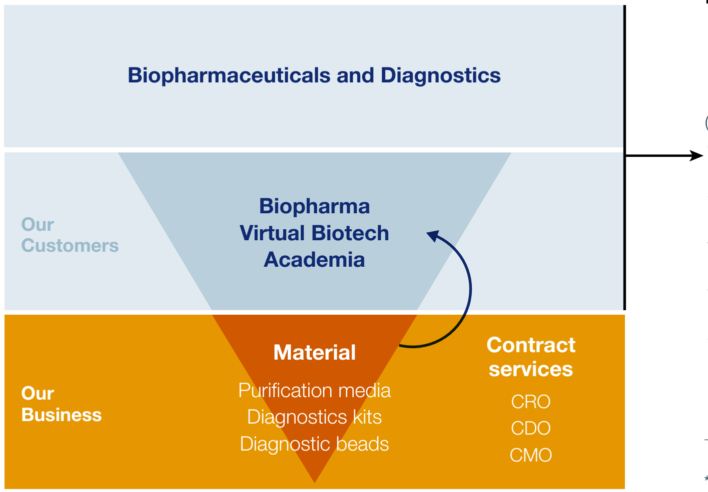
Aiming to Meet the Needs of the Biopharmaceutical Industry and Achieve Growth beyond Targets

The Life Sciences Business of JSR Group began when polymer technology developed in our petrochemical business, which began with material science, was utilized to make materials used in the manufacture of pharmaceuticals. Since then, we have acquired companies like KBI Biopharma, Inc., which offers biopharmaceutical contract development and manufacturing services, and Selexis SA, which offers cell-line contract development services, and the Life Sciences Business has steadily expanded. The Life Sciences Business is furthermore meeting industry needs with CRO and CDMO services and unique materials to overcome the challenges of the biopharmaceutical industry today, namely long development times and high development costs.

Revenue	Core Operating Profit Margin
CAGR+20%	**20%**

Market	Scale	• CDMO market total: $6 billion (Biopharmaceuticals market: $400 billion)
	Trends	• High growth • Precision medicine expansion
Social Value		• Enhance efficiency of pharmaceutical development • Realize personalized medicine tailored to patients
Strength		• Capability to support development of very complex biopharmaceuticals
Strategy		• Business expansion through customer pipeline expansion • Creation of unique added value

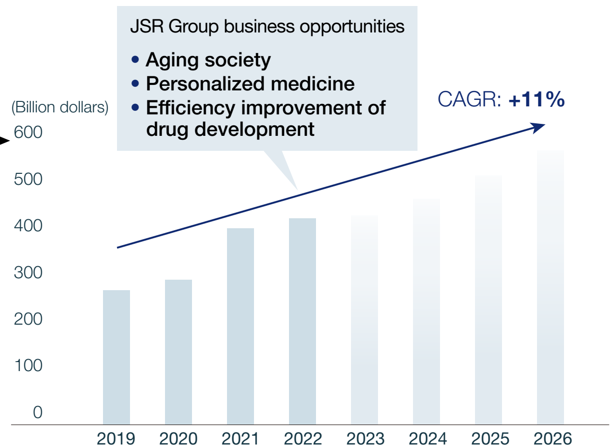
JSR Group's Position



Presently, the CDMO business accounts for about half of the revenue of the Life Sciences Business. The other half comes from the CRO business, from MBL, a company that became a wholly owned subsidiary in 2021, and from materials developed in-house (diagnostic and research reagents and bioprocess materials). The core operating profit margin was 4.4% in FY2021, but we are committed to increasing that margin by leveraging upfront investments to expand revenue.

Moreover, the segment is still in its infancy, and has ample room to boost profitability by expanding scale and further integrating into the Group. As we aim to further boost core operating profit margin, our targets to achieve by FY2024 are revenue of more than 100 billion yen and core operating profit margin of 20%. We will also reinforce technological development capabilities and other synergies across the Group.

Biopharmaceuticals Market



* JSR estimate

Our Business

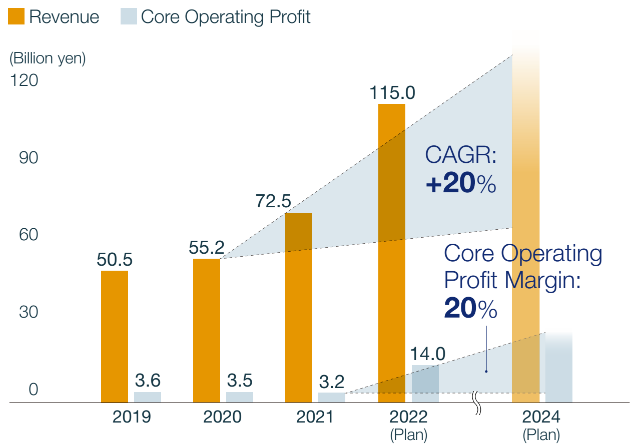
Strengthening Group Synergy and Aiming for Further Business Growth

The Life Sciences Business of JSR Group supports the development of biopharmaceuticals and sells diagnostic reagents and bioprocess materials. To strengthen joint projects in Europe between KBI Biopharma and Selexis, which are engaged in the CDMO business, we newly expanded the Group's cutting-edge biopharmaceuticals production facility in Geneva, Switzerland. Moreover, in North Carolina, U.S., KBI Biopharma recently built an advanced commercial biopharmaceutical production facility to conduct joint projects with customers. These moves have roughly tripled our production capacity for animal cells. The two facilities are expected to contribute to revenue once they are operating at full capacity.

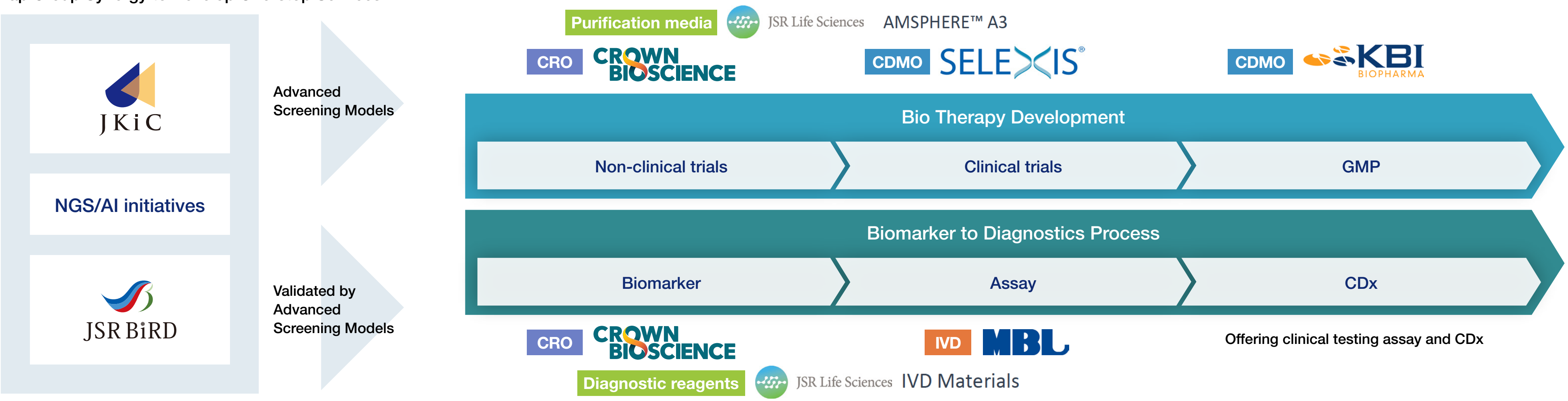
We also aim to speed up growth in Japan. To this end, in April 2022, Crown Bioscience International and Medical & Biological Laboratories (MBL) established a joint venture offering advanced preclinical services.

We will continue to use CDMO and CRO to spur business growth while practicing appropriate risk management. At the same time, we will reinforce Group synergy and tap open innovation to advance development of next-generation products as we aim for sales growth of at least 20%, which would outpace the market's own growth rate.

Progress and Outlook for Medium-Term Management Plan



Tap Group Synergy to Develop One-stop Services



CFO Message

We aim to enhance corporate value over the medium to long term by maintaining financial soundness and implementing growth investments focused on core businesses

Building a Stable Financial Foundation and Promoting Growth Investments for Growing the Value Provided by JSR Group

JSR Group's fundamental business strategy involves continuously providing value to customers through innovation, based on its advanced products and services backed by superlative technological development capabilities. This strategy enables us to generate profits and finance investments in the future.

The Finance Department's role is to build a stable financial foundation and support the enhancement of corporate value from a financial standpoint by ensuring the Group grows together with customers and employees through its business activities and lives up to the expectations of stakeholders. Additionally, I believe that financially supporting initiatives that benefit all stakeholders including customers, business partners, society, the environment, and shareholders under the

Basic capital allocation policy

1. Invest in future business growth, including M&A (mainly in SEMI and Life Sciences)
2. Maintaining a strong financial position that can flexibly respond to business investments
3. Shareholder return (50% as a guideline)

Group's accountability to stakeholders defined in management policy will help to resolve ESG issues and grow the value we create.

Revenue and Profit up Significantly in FY2021 Semiconductor Materials and Life Sciences Businesses Set to Drive Future Results

Operating results for FY2021 saw both revenue and profit increase substantially compared to FY2020, and the Semiconductor Materials and Life Sciences businesses are slated to drive results again in FY2022.

I will provide a quick summary of each segment's full-year results for FY2021 below. In Digital Solutions, sales of the Semiconductor Materials Business grew by 16% year on year, underpinning profit growth. In addition to existing products, sales of EUV resists grew, as revenue from these products rose by 90% year on year.

In the area of growth investments, we acquired Inpria of the United States, which is highly competitive in next-generation EUV photoresist technology, which helped to strengthen JSR's strategic foundation. Furthermore, we are in the process of constructing an advanced photolithography line including EUV resists at our Yokkaichi Plant.

Our cleaning solutions facility in the United States launched operations beginning with sales to main customers at the end of FY2020, with the aim to expand our business portfolio in semiconductor materials. Since the facility got off to a slow start compared to the initial forecast, we had to book an impairment loss, but the facility is now working to quickly turn a profit by expanding its market share and increasing its adoption for next-generation products.

The Display Materials Business saw a decline in profits as panel manufacturers conducted production adjustments due to weakening panel market conditions in the second half of FY2021. Meanwhile, we closed our plant in Taiwan as planned on March 31, 2022 and continue to promote a shift of resources toward China in parallel. Through restructuring of our product mix and regional strategy, we expect to increase sales of mainstay products in the Chinese market, paving the way for stable and consistent growth.

We anticipate that in FY2022 the Digital Solutions segment will continue to post high revenue growth amid robust demand for semiconductor materials leading to increased sales of a number of product lines and other innovative products such as EUV. Moreover, we will work toward greater business growth through the integration effects of Inpria and initiatives to increase market share in Asian markets.

Next, in Life Sciences, we achieved revenue growth of 31% year on year. The Contract Research Organization (CRO) Business achieved growth in excess of 40% year on year after expanding its screening service for leading edge cancer drug candidates using PDX models. The Contract Development and Manufacturing Organization (CDMO) Business recorded sales growth of 25% year on year, but profit declined amid an increase in upfront costs for setting up a new plant for large-scale increases in production capacity in Europe and North America. We began commercial production at our North Carolina plant in the United States in June 2022. With mass production kicking off in the second half, we expect that the new plant will contribute to profits of the entire Life Sciences

Revenue and Core Operating Profit by Segment

(Million yen)

Business		FY2020	FY2021
Digital Solutions	Sales Core Operating Profit	151,420 34,568	165,030 39,002
Life Sciences	Sales Core Operating Profit	55,197 3,510	72,452 3,168
Plastics	Sales Core Operating Profit	79,123 4,430	90,606 5,323
Others/Adjustment	Sales Core Operating Profit	26,259 -4,606	12,910 -4,187
Total	Sales Core Operating Profit	312,000 37,902	340,997 43,306

segment for FY2022. Additionally, the Diagnostic Reagent and Bioprocess Materials businesses are growing steadily.

In the Plastics Business, revenue and core operating profit both increased driven by the recovery in the automobile market. Looking ahead, we will grow profit consistently through cost controls and expanding sales of unique products globally.

The transfer of the Elastomers Business to ENEOS Corporation was completed as scheduled on April 1, 2022. This transaction proved to be a complex process as it involved carving out JSR's founding business and a business split onsite at the plant and industrial complex. Nevertheless, we successfully completed the transfer without delay thanks to the cooperation of stakeholders.

This transaction marks the launch toward a new stage of growth for the elastomers business and helps the Group to build a foundation to concentrate future investments on the Digital Solutions and Life Sciences segments.

Managing Indicators and Implementing Initiatives to Maintain Financial Soundness and Improve Capital Efficiency

JSR continues to maintain a sound financial condition including a debt-to-equity ratio of 0.17x as of March 31, 2022; not to mention a strong outlook for EBITDA growth. Aimed at improving capital efficiency, we will establish and execute a medium-term resource allocation policy mindful of capital costs as well as manage investment efficiency, including ROIC and FCF, and cash flow efficiency according to each business segment.

The Group's cash demand can be found in raw materials costs related to manufacturing and sales, overhead, selling, general and administrative expenses, capital expenditures, business investment including M&A and repayment of interest-bearing debt. We are responding to this demand using operating cash flows and borrowings from financial institutions. We compiled a capital plan based on the Group's business plan to manage liquidity risks considering a balance between direct and indirect financing and short- and long-term durations while taking into account business growth and strengthening of the financial structure. We are also paying close attention to the economic situation with rising uncertainty and foreign exchange rates. Additionally, we have introduced a cash management system intended to utilize funds more efficiently and we are promoting centralized financing and management within the Group.

We plan to invest 140 billion yen of the 250 billion yen in operating cash flows expected to be generated during the current management policy period mainly in

Credit Ratings
R&I
Long-term: AA-
Short-term: a-1+

Balance Sheet

(Million yen)

		FY2020	FY2021
Current assets		329,279	245,704
	Cash and cash equivalents	85,377	45,567
	Others	243,902	200,137
Non-current assets		343,494	372,369
Continuing business	Total	672,773	618,073
	Non-current Assets held for sale	—	191,298
Total Assets		672,773	809,371
	Bonds and borrowings	119,278	117,907
	Others liabilities	182,758	161,148
Continuing business	Total	302,036	279,055
	Non-current liabilities held for sale	—	115,576
Total Liabilities		302,036	394,631
	Equity attributable to owners of parent	333,995	376,011
	Non-controlling interests	36,741	38,728
Total Equity		370,736	414,739

the Semiconductor Materials and Life Sciences businesses in the form of capital expenditures. Other uses of these funds include growth investments for M&A, including 46.7 billion yen spent on the Inpria acquisition in the previous year, and for shareholder returns targeting a total return ratio of around 50%.

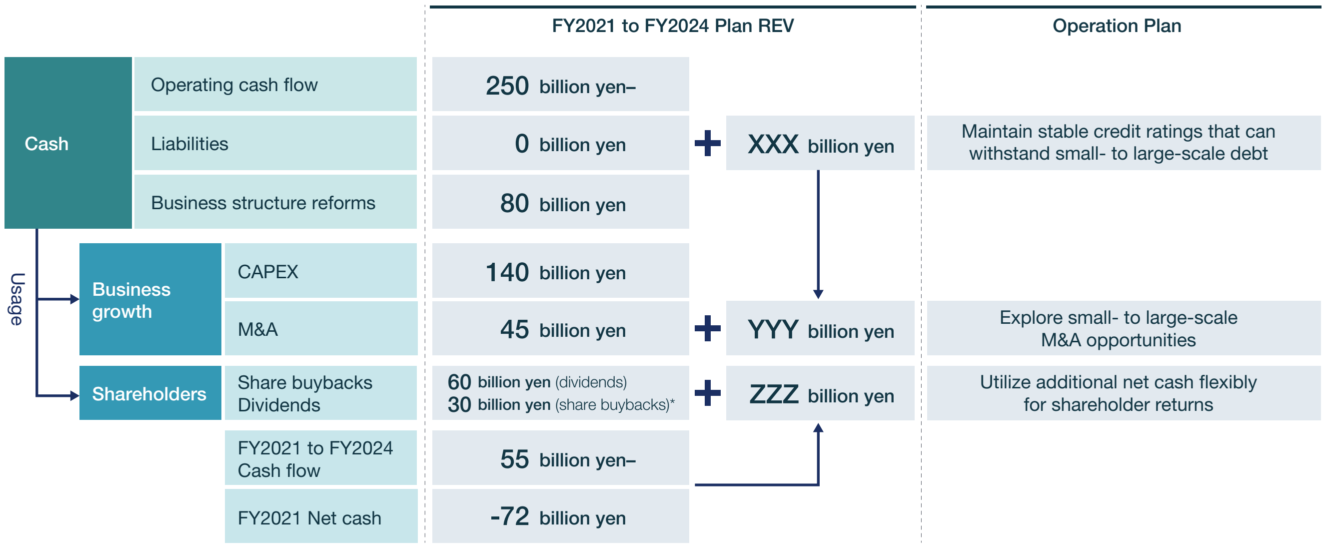
In FY2021, we increased our annual dividend per share by 10 yen to 70 yen based on sustained profit growth. On April 25, 2022, we announced share buybacks up to 30 billion yen and 10 million shares taking into consideration our fundamental financial policy and financial position based on revenue from business structure reforms and growth investments using M&A. We are maintaining a stable financial condition and I do not foresee any problems with the execution of our fundamental financial strategy going forward.

Seeking to Enhance Corporate Value in a Sustainable Manner by Sharing Strategic Outlooks with the CEO

Dialogue with investors and shareholders is vital to our efforts to enhance corporate value in a sustainable manner. We have proactively conducted investor relations activities. This has included hosting IR meetings with investors in Japan and abroad while utilizing online solutions as well, holding management policy briefing sessions, and last year we held a business briefing on the Life Sciences segment and seminars for individual investors. Looking ahead, we will disclose the situation of the Group's management and business operations in a transparent manner. We will also build relationships of trust with shareholders by further expanding dialogue and providing ample explanations of our strategy and path to growth.

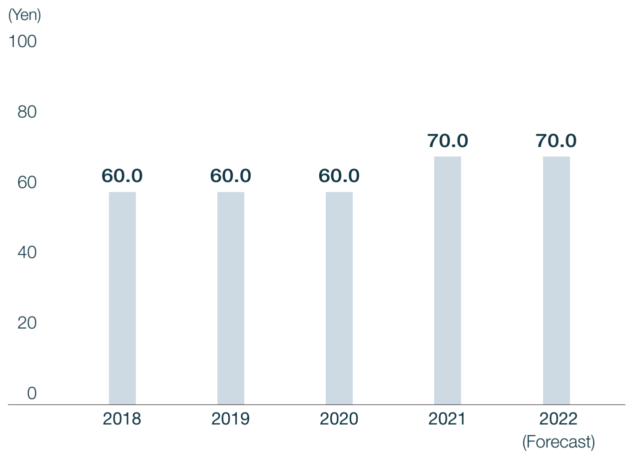
JSR's ROE, an important management indicator, reached 10% in FY2021 and we expect ROE to rise to 12% in FY2022. We will work toward maximizing business returns and increasing capital efficiency aimed at continuous improvement over the long term. At the same time, as CFO, I will share strategic outlooks with the CEO and dedicate my fullest efforts to solidifying the sustainable enhancement of corporate value, without simply pursuing short-term profits, in order to collaborate with all stakeholders to create a resilient and sustainable organization. I ask shareholders, investors and other stakeholders for your continued support as we move forward.

Capital Allocation



* Monetary amounts rounded off

Dividends



Message from Our Chief Sustainability Officer

Every unit of JSR Group is engaged in the pursuit of sustainability as we seek to maximize corporate value

Ichiko Tachibana
Director,
Senior Officer

JSR Group defines sustainability as "contributing to society by creating value with our business activities." While respecting diversity, we are working as one to pursue activities that promote sustainability. A defining feature of JSR Group is that the Chief Sustainability Officer (CSO) also serves as a director. As such, the CSO is directly engaged in the deliberations of the Board of Directors and develops their goals into actions in each unit of the company. This ensures that the Board of Directors is practicing thorough sustainability management, for example by enabling us all to pursue effective initiatives more rapidly. Starting in FY2022, the CSO is also in charge of promoting diversity, an area previously under the management of the officer in charge of human resources development. Respect for diversity is an essential element of promoting sustainability, and so as a director and executive officer, I will use my ability to act and steadily promote both concerns.

At the same time, in executing my duties as CSO, I will pursue greater resilience, a value that JSR Group emphasizes in its management policies leading up to FY2024. Resilience, the strength to respond to changes in the environment, is directly linked with diversity. To be a truly resilient organization, it is not enough to assemble a diverse group of talent. Rather, we need to ensure that an inclusive environment and culture, utilizing the opinions of our diverse personnel, pervades every part of the Group. The key to making this happen is *equity*. Equity means being fair in ensuring that everyone has the opportunity and necessary resources to make the most of their abilities in line with their individual circumstances. At JSR Group, our vision is to respect diversity, equity, and inclusion (DE&I). In other words, our focus is not just on recognizing people's diversity but also being fair in how we give opportunities to people. I am committed to enacting policies to promote equity and thereby helping to build resilience, increase employee engagement, and spark innovation.

In FY2021, JSR Group set KPIs and targets for JSR Group's materiality intended to concretely advance sustainability initiatives. The plan is to manage the KPIs comprehensively in yearly periods by checking and following through on progress toward targets about every six months.

I recognize the importance of staying in close communication and collaboration with JSR's business units and R&D, manufacturing, and back-office sections and Group companies as we pursue sustainability going forward. I will work to prepare the environment to make such efforts possible.

Please refer to the JSR Sustainability Site for more details.
https://www.jsr.co.jp/jsr_e/sustainability/management/issues.shtml

JSR Corporation's Materiality

Business Activity

Promoted for each business
Impacts of outcomes

- Contribution to quality of life and happiness
- Contribution to a healthy and long-living society
- Contribution to preservation of the global environment

Management Foundation

Promotion throughout the Group
Five priority issues

- Environmental conservation and impact reduction
- Employees, DE&I, and work styles
- Health and safety
- Respect for human rights
- Supply chain

Corporate Governance

	Purpose	KPI	Goal (In FY2024)	Location
Digital Solution	• Provision of materials to support digital development in a smart society • Reducing power consumption in a smart society	Sales of sustainability products Sustainability Products Sales Ratio	3 times as many* 2 times as many*	Global
Life Science	• Early development of medical products • Improvement of development success probability and development efficiency	Sales of sustainability products	100 billion yen	Global
Plastic	• Comfortable driving by improving vehicle creak noise • Providing products designed to support plastic recycling	Sales volume of sustainability products Sustainability of Products Sales Ratio	54 thousand t 20%	Global

* Compared to FY2020

Materiality	Purpose	KPI	Goal	Location
Environmental conservation and impact reduction	Reducing GHG emissions	Reduction of GHG emission (vs FY2020)	FY2030: -30% FY2050: -100%	Global
	Waste reduction	Final landfill amount	<0.1%	Global
Employees, DE&I, and work styles	Increase engagement	Increase Employee engagement	Increase	Global
	Promote DE&I	Ratio of women in managerial positions	10% in FY2030	JSR Corp
Health and safety	Create a safe work environment	The number of workplace accidents The number of facility accidents	Zero	Global
	Improve the health of employees	Obtain certification as an "Excellent Health Management Corporation (White 500)" by METI	Obtain "White 500"	JSR Corp
Respect for human rights	Give all employees opportunities to learn about human rights	Participation rate in e-learning on respect for human rights	>80%	Global
Supply chain	Strengthen supply chain management	Collection rate of acknowledgement of receipt received after sharing the JSR Group's CSR/Sustainable Procurement Policy and Human Rights Policy with our suppliers	100%	Global
		Collection rate of RMI templates (survey on the use of Conflict Minerals and Cobalt) from our suppliers	100%	Global

Human Resources Strategy

Striving for sustainable business growth through cultivation of dynamic and diverse human resources

Yasufumi Fujii
Human Resources Development

Aims of JSR Human Capital Management

1. Strengthen linkage between management strategy and human resource strategy

Build a dynamic human resources portfolio and implement continuous human resource development (investment) & acquisition

Secure and foster human assets ready to nimbly adapt to organizational changes resulting from business creation, growth and environmental changes to continuously create corporate value

2. Enhance employee engagement and organizational strength

Maximize experience and experiential value of members within JSR

Maintain high level of engagement through provision of growth opportunities, fair evaluation and feedback, and achieve member-driven, autonomous growth support and enhanced organizational strengths

We are working on identify and organize important matters, and establishing KPI and an action list aimed at achieving the goal of "create a resilient organization that can adapt to any environmental change" as stated in the vision of the Medium-Term Management Policy looking into FY2024, based on the human resources strategy, which aims to improve efficiency of business activities, enhance business competitiveness, contribute to innovation, and maximize value provision to customers and the market by strengthening our vibrant, and diverse human resources and organizational strengths in accordance with the characteristics of each country, region and business.

To achieve sustainable growth amidst rapid changes in society, we must notice and discern the waves of change. As such, we will strengthen coordination among management, business and human resource strategies and backcast from the desired future of JSR's human capital management to develop human resources who can agilely recognize change and respond flexibly.

In our efforts to cultivate diverse human resources, we are training next-generation management human resources as well as human resources in technology. Since 2007, we have been conducting training future leaders with external collaboration in cultivating the next generation of management human resources. The training involves action-learning based on actual case studies and exercises to envision an ideal image for one's division by stepping into the shoes of a supervisor to foster necessary business skills and broad perspectives as the next round of leaders. As for the training of human resources in technology, we have been implementing a training program by an American company that supports DX promotion since 2017 and fostering data scientists with an emphasis on research.

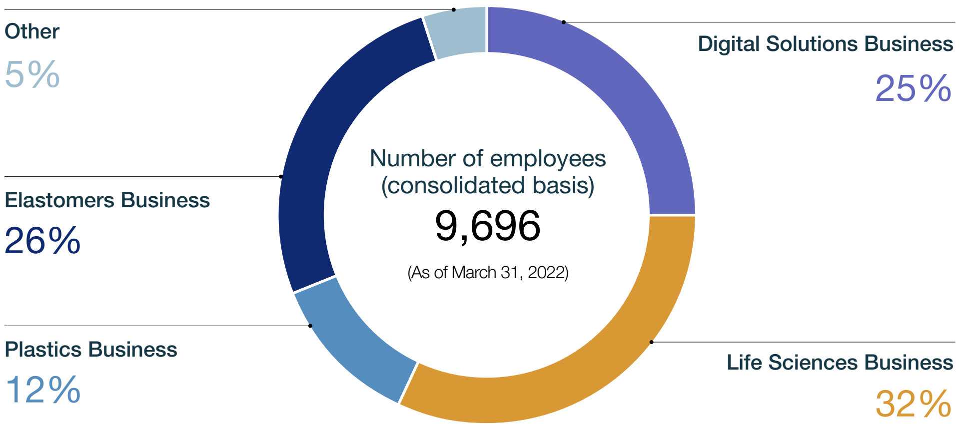
We aim to create a system and environment that makes it easy for all employees to work regardless of gender, age, nationality, personal preferences or physical challenges, through upholding a fair human resources and remuneration system that emphasizes ability and results. Currently, JSR Group operates in 12 countries and regions* around that world, with employees representing diverse backgrounds regardless of their nationality, gender, age, and years of experience. We will leverage such diversity while flexibly embracing concepts and approaches that differ from the convention to cultivate members who will continue to impact society and achieve the continued growth of the Group.

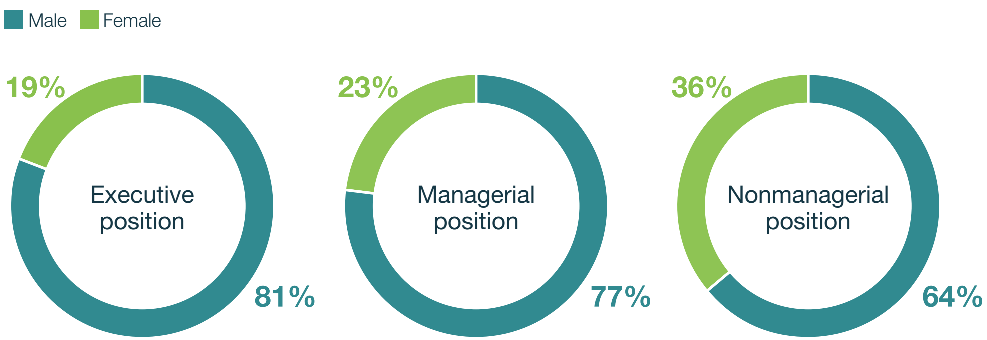
* Japan, North America, China, Belgium, Korea, Taiwan, Switzerland, UK, the Netherlands, Thailand, Germany, and Singapore

JSR Group's Global Human Resources and Skills Development Initiatives

JSR is evolving in accordance with the needs of its employees while respecting diversity, equity and inclusion (DE&I).
We aim to maximize employee engagement so that all employees can contribute their abilities to the fullest.

JSR Group's Global Human Resources





System & Environment Aimed at Skills Development

HR System

- Percentage of women in managerial positions

KPI: **10**% by FY2030

- Revision of HR system focusing more on career development (Japan)
- Development of a DE & I data matrix

Global engagement

- **Continued implementation of employee engagement survey globally**

We apply top-down and bottom-up approaches based on survey results and key driver analysis to optimize employee engagement and continuously refine actions.

Diverse work style post Covid-19

- **Initiative on Work Style Innovation (WSI)**

We promote multiple flexible work styles to maximize the results of the Group.

Example of Activities 1 **Diversity, Equity & Inclusion (DE&I)**

Moving forward with developing a system and work environment that is employee friendly regardless of nationality, gender, age, personal preferences, physical challenges, etc.

Main measures

- Promote active participation of female employees
- Promote active participation of employees providing family care
- Promote rehiring of employees who have previously resigned (career re-entry system)
- Promote active participation of foreign national employees
- Promote employment opportunities beyond retirements
- Promote active participation of employees with disabilities
- Diversity survey

JSR Group aims to be a resilient organization that can flexibly respond to various changes in the business environment. To that end, we believe it is important to recruit and promote diverse human resources, respect each employee's values, ways of thinking, and ideas, accept and challenge one another, and explore and be ready to pursue all possibilities.

Under JSR's vision for employee sustainability defined as: "We respect the values of diversity, equity and inclusion, and strive for all employees to reach their maximum potential. We will evolve to meet changing employee needs and maximize employee engagement," we are continuously working to create an environment and inclusive culture that incorporates flexible and diverse work styles and is easy for everyone to work in.

Based on DE&I, we will strive to improve engagement by creating opportunities for employees to proactively take on challenges, develop their careers, and grow and play an active role, thereby strengthening our organizational capabilities and competitiveness.

Example of Activities 2 **Employee Engagement**

To assess and visualize the engagement level of individual Group employees

Main measure

- Implementation of the 1st JSR Group employee engagement survey

In 2021, the 1st JSR Group Global Employee Engagement Survey was conducted covering all employees worldwide. This survey, which aims to assess and visualize the engagement level of individual employees, received responses from 82% of our global workforce. The survey results indicated a positive response with an overall engagement index of 63% for the Group. Items that received higher scores compared to other companies included "sustainability," "customer perspective," "quality," "safety," and "sense of belonging to the organization." In addition, discussions and analysis concerning each division's current status based on the survey results were conducted to deepen understanding, while an action plan was formulated for improvement themes identified at each division.

Going forward, we plan to continuously monitor the progress on the action plans formulated by each company and division, and verify the effectiveness during the 2nd survey (conducted in July 2022).

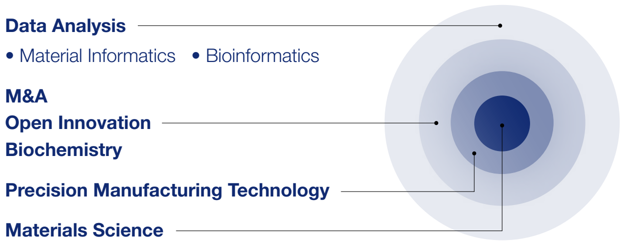
Summary of the 1st JSR Group employee engagement survey

Purpose:	Assess and visualize employee engagement Collect information for the continued development and improvement of workplace environment and corporate culture that enables each employee to demonstrate their fullest potential
Number of respondents:	6,024/7,324 people (82%)
Survey method:	online marksheet and written responses
Analysis method:	comparison with other domestic/foreign companies' benchmark, key driver analysis, and other

R&D Strategy

JSR Group has been conducting R&D by both cultivating its polymer and precision manufacturing technologies as its core technologies, and combining them with other fields of technology, including photochemistry, inorganic chemistry, precision manufacturing technology, and biotechnology, while expanding its technology domains. In addition, we also place emphasis on the understanding and pursuit of basic principles of science, including diving deep into analysis and evaluation technology.

JSR's Core Technologies



The accumulated experience and efforts through these R&D activities have become the Group's unique strength; not to mention, the driving force behind our global development of superior technologies, materials, and services.

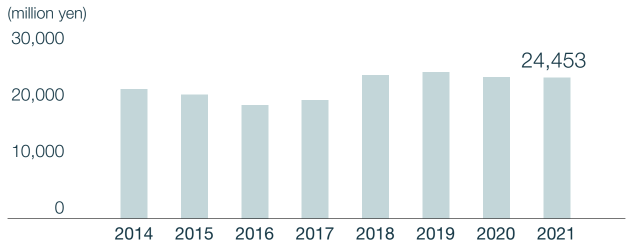
Our R&D efforts focus on fields that are currently being developed, as well as Business Support Research which involves new and applied research in peripheral areas, and Next Generation Technology Research, such as seed research where future growth is expected.

Among these, Business Support Research promotes streamlining of R&D activities with businesses by placing an emphasis on needs. Needs are identified via direct dialogue with researcher and customers, with value chain cooperation within the JSR Group in mind. In addition, this branch of research strives to enhance technical services in each country in which we operate while developing a global and timely support structure for customers to promote their businesses.

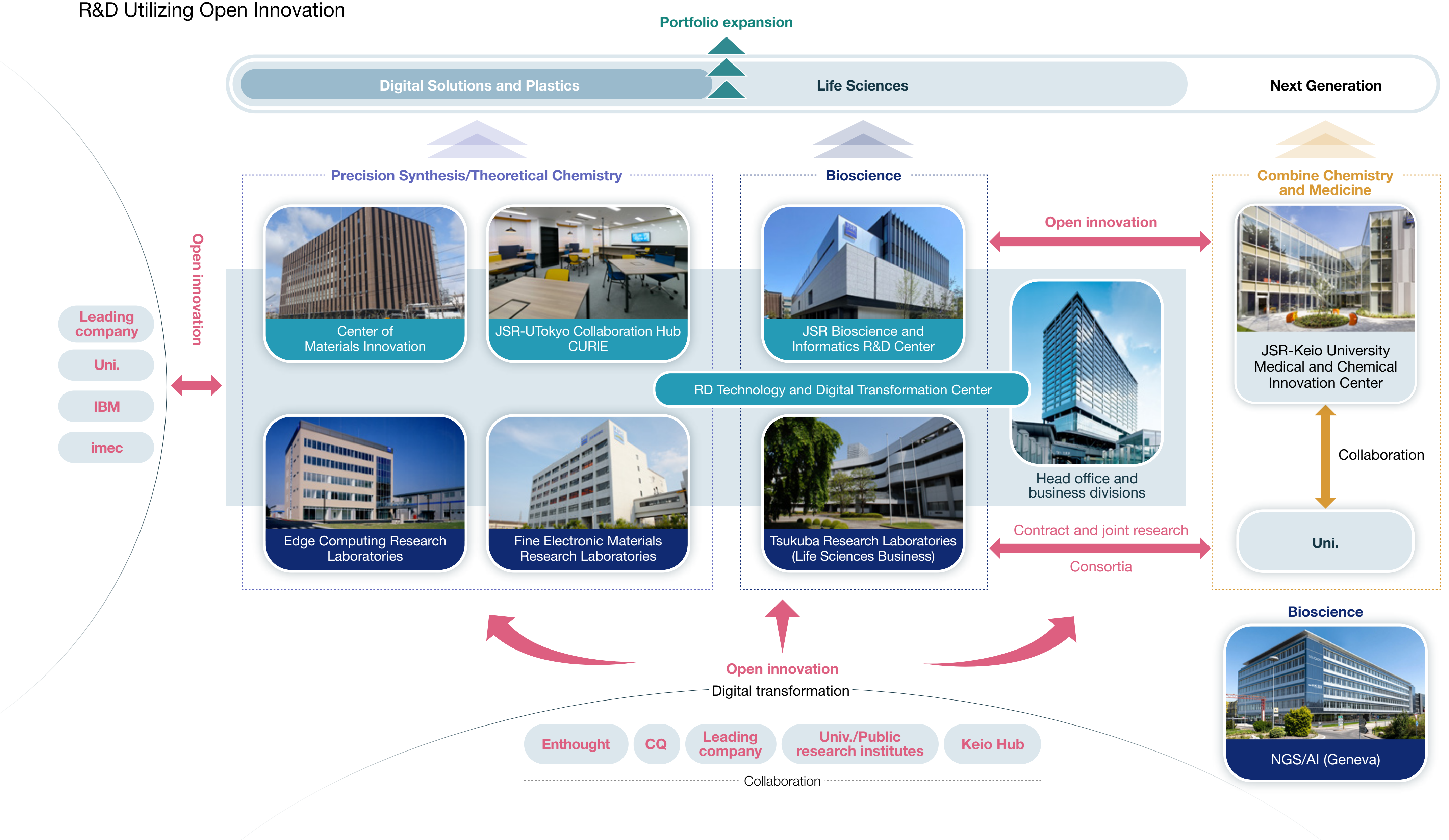
Regarding Next Generation Technology Research, we reorganized related R&D divisions in June 2020 into the RD Technology and Digital Transformation Center to accelerate the transformation of our research approach. In addition to in-house research, we are promoting open innovation such as joint research with universities and research institutes in Japan and abroad, bringing in outside knowledge and technologies to overcome problems and create groundbreaking innovation. We are exploring possibilities for developing businesses in new fields and commercializing leading-edge research in novel areas for us.

Furthermore, concurrent to the above research, materials informatics, and the practical application of data-driven R&D methods have been realized as another focus of the Group. The new data infrastructure for this requires digitalization and the construction of theoretical models, as well as new methods such as AI and quantum computing. JSR Group is moving forward with development from both angles. By promoting practical application of data infrastructure and new methods, we are confident that it will greatly improve the efficiency of R&D.

R&D Expenses



R&D Utilizing Open Innovation



Measures **Promoting an Innovative Culture**

Provide new solutions to address social issues with R&D as the starting point

Two initiatives derived from R&D

- Dramatically improve R&D capabilities through deep understanding of phenomena via analytical technology, data science, and simulation, in addition to conventional materials development
- Proactively adopt open innovations to break away from self-sufficiency

An innovative corporate culture is necessary to enable us to provide solutions to social issues, which involves embracing challenges through new knowledge from both in-house and external sources. One of the Five Foundations we have defined as the necessary actions to achieve the basis for the Group's sustainable growth and value creation is Innovative Culture, which promotes two initiatives derived from R&D.

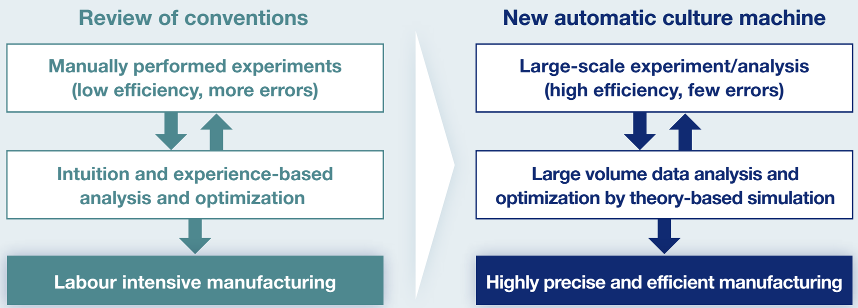
New mechanisms are introduced to conventional research facilities and organizations as a system to achieve these goals, while we move forward with projects to cultivate the capabilities of researchers and developers in multiple ways.

At the same time, we also encourage and conduct open innovation with universities and outside research institutions to avoid falling into the trap of self-fulfillment and cultivate a corporate climate that embraces challenges to resolve social issues.

As a result of these efforts, our R&D division has evolved into an innovative body that constantly embraces change. Going forward, we hope to instill this innovative culture among other divisions through provision of technologies, products, and services resulting from R&D.

Introduction of Activities **Searching for New Themes**

Combining future-oriented innovative materials R&D with data science utilizing open innovation



In order to develop future-oriented, innovated materials through our R&D activities that embody an innovative culture aimed at supporting existing businesses and creating new businesses, it is necessary to further access research based on open innovation and data science such as material informatics (MI), as well as theory-based simulation. As an example of research using open innovation and advanced simulation, we are developing antibodies using an automatic culture machine and simulation at JSR-UTokyo Collaboration Hub CURIE, which is an inclusive collaboration hub with the Faculty of Physics, School of Science, at the University of Tokyo. The purpose of this research is to improve the yield of antibodies and increase product development speed using the machine developed by Professor Furusawa at the University of Tokyo for culture automation and simulation, combined with mathematical analysis through highly efficient and accurate experiments.

©School of Science, the University of Tokyo
Faculty of Science Bldg.1 that houses JSR-UTokyo Collaboration Hub CURIE

Protecting the Environment and Reducing Environmental Impact

Please refer to the JSR Sustainability Site for more details.
https://www.jsr.co.jp/jsr_e/sustainability/environment/reduction.shtml

Philosophy

As a company that deals in chemical substances, JSR Group recognizes that it has a duty to help bring about a sustainable global environment and society.

Consequently, JSR considers reducing the environmental impact of business activities and managing chemical substances to be top priorities and strives to properly manage waste and greenhouse gas emissions arising from energy consumption. Climate change in particular is expected to have a major impact on businesses due to the growing frequency of natural disasters and risks associated with future environmental regulations. For this reason, JSR has positioned the reduction of greenhouse gas emissions as a medium- to long-term management issue.

Reducing Environmental Impact: Material Balance

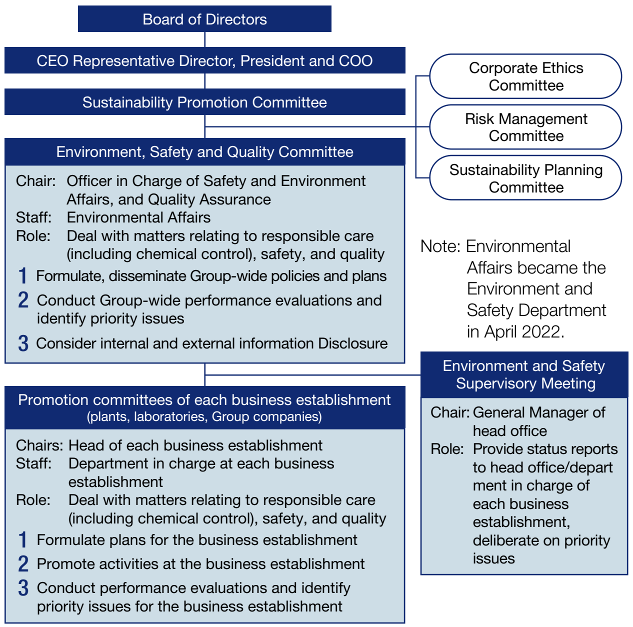
JSR Group strives to reduce its environmental impact in a comprehensive, efficient way by quantitatively ascertaining and closely analyzing the consumption of energy and resources in its business activities (input) as well as its product production, emissions into the environment, waste production, and other data (output).

Material Balance

Approach to the Environment

JSR Group sets environmental targets under its basic policy of responsible care, which ensures that environmental activities are integrated into corporate management. The Environmental Supervisory Department formulates initial targets, which are reviewed and approved by the Environment, Safety and Quality Committee chaired by the officer in charge of Safety and Environment Affairs and Quality Assurance, and reported to the Sustainability Promotion Committee. The environmental affairs department of each business site plays a central role in meeting established targets through responsible care activities in compliance with ISO 14001 environmental management system standards. JSR is also taking proactive responsible care measures such as the introduction of state-of-the-art equipment and technological development.

Environmental Management System Promotion Framework



Various Initiatives

JSR Group is engaged in the following initiatives.

Climate Change Mitigation

We regard climate change as one of our most pressing issues, and are vigorously engaged in activities to reduce GHG*1 emissions. To this end, we endorsed the TCFD*2 Recommendations in October 2020 and in March 2021 announced our commitment to actively pursue net zero GHG emissions by 2050. In April 2022, we split off and transferred our Elastomers Business companies. We are determined to ramp up our initiatives under this new business organization, take action based on a better understanding of opportunities and risks associated with our business activities, and proactively disclose information about our initiatives.

Conserve Water

Aside from drinking water, water resources are used as a raw material and coolant in manufacturing processes. In addition to striving to recycle water resources in our processes, after use, we appropriately purify water before discharging it into rivers.

Waste Reduction

We are working to reduce our environmental impact, focusing on the 3Rs of waste management (reduce, reuse, recycle). We are also promoting a circular economy that efficiently uses resources throughout the product life cycle, from procurement of raw materials to manufacturing, and contributing value to customers and to related SDGs initiatives through our business activities.

Chemical Management

Globally, regulations on chemical substances are growing more stringent. From the perspective of ensuring product safety, we develop products in line with trends in chemical risk evaluations in each country from the design stage onward.

In addition, we are steadily responding to legislation requiring existing substances to be registered along with safety data, in collaboration with local subsidiaries, according to the nature of the business.

*1 GHG: greenhouse gas
*2 TCFD: The Task Force on Climate-related Financial Disclosures, established by the Financial Stability Board (FSB). In June 2017, the TCFD presented recommendations for the disclosure in financial reports of the effects that climate change risk has on financial institutions, companies, and governments.

Reporting as Based on TCFD Recommendations

Please refer to the JSR Sustainability Site for more details.
https://www.jsr.co.jp/jsr_e/sustainability/management/tcfd.shtml

Philosophy

JSR Group sees the problem of climate change currently facing society as one of the most important issues for the company, and we are therefore actively working to reduce greenhouse gas emissions both internally and externally. As a manufacturer of chemical materials, our production and distribution processes affect climate change in various ways, but our materials and products also have the potential to help mitigate climate change indirectly. In that sense, climate change is a matter of deep concern for JSR Group.

It is in this context that we, as a corporate group, expressed our support for the TCFD Recommendations in October 2020. We believe that these recommendations will contribute to the development of a sustainable society transitioning to a low carbon economy. As a chemical company which is earnestly confronting climate change, we seek to deepen our understanding of the relevant opportunities and risks in our Group's business activities, taking action accordingly and striving to proactively and publicly disclose our initiatives. We will continue to strive to reach our target of net zero GHG emissions by FY2050 and will help society as a whole lower its GHG emissions with our products.

The TCFD Recommendations call for disclosure of information pertaining to climate change-related governance, strategy, risk management, and metrics and targets. JSR Group is taking the following action in line with these recommendations.

Governance	Development of a managerial governance structure relating to climate change risks and opportunities
Strategy	Analysis of impacts that climate change-related risks and opportunities will have on business, strategic and financial planning
Risk Management	Development of framework for assessing and managing climate change-related risks and opportunities
Metrics and Targets	Establishment of metrics and targets for managing risks and opportunities and disclosure of progress

Governance

JSR utilizes a supervisory structure, overseen by the Board of Directors, to examine appropriate responses and decide upon what courses of action to take with regard to the potential business risks posed by climate change and other issues. In FY2020, the position of Chief Sustainability Officer (CSO) was established, contributing to more robust supervision of sustainability initiatives including climate change response by the Board of Directors.

Strategy

In FY2019, in line with the TCFD recommendations, we began a scenario analysis in preparation for evaluating climate change-related risks and opportunities for our business and setting strategy and metrics and targets. We completed our evaluation of climate change importance and our qualitative climate change scenario analysis in FY2020. However, we are revising earlier qualitative analysis results to reflect the fact that in FY2021 we transferred our Elastomers Business, which had the greatest climate change impact of all our businesses. (The major business domains previously evaluated were the Digital Solutions Business, Life Sciences Business, Elastomers Business, and Plastics Business.) In a separate note, our analysis is based on 1.5°C and 4°C scenarios.*

At the same time, we recognize that responding to climate change cannot wait. For that reason, we have established preliminary measures along with metrics and targets for reducing GHG emissions and are working to reach those targets.

* Two climate-related scenarios of a type defined by such organizations as the Intergovernmental Panel on Climate Change (IPCC). They are descriptions of the economic measures that will be necessary to hold the increase in average air temperatures worldwide to within 1.5°C and 4°C respectively and forecasts of the damage expected from the increase in temperature.

Metrics and Targets Relating to GHG Emissions Reductions

FY2030 intermediate target

As of 2030 **30% lower** than FY2020

We are promoting energy conservation measures and the switch to renewable energy globally and aim for FY2030 CO_2 emissions that are 30% lower than in FY2020. We are also challenging ourselves to implement innovative energy technologies and developing eco-friendly products and services to help establish a carbon-free, circular society.

FY2050 targets

As of 2050 **Net zero**

JSR Group will continue actively striving to reduce our GHG emissions to net zero by 2050.

Health and Safety

Please refer to the JSR Sustainability Site for more details.
https://www.jsr.co.jp/jsr_e/sustainability/society/security_safety.shtml

Philosophy

Our goal is that every person who works for JSR Group, our own employees and those of contractors, can work safely and feel a sense of contentment. At the same time, as a responsible member of the local community, we continue to engage in business activities with a keen awareness of the environment and safety.

Guided by the conviction that safety is the most important value for every person working in the manufacturing industry and is a major premise of our business activities, JSR formulated the Philosophy for Occupational Health and Safety and the Policy for Security Management, targeting zero accidents and disasters.

Philosophy for Occupational Health and Safety

At JSR Group, safety is our highest priority and the foundation of all of our activities. Accordingly, we will create safe worksites and strive to maintain physical and mental health, with the goal of ensuring workers happily take it for granted that they will return home safely at the end of each workday.

Policy for Safety Management

(1) Extremely Safe Behavior

The Philosophy for Occupational Health and Safety has penetrated throughout the organization, the Courses of Action are established as applying to everyone, and safety competency is improving through independent safety activities.

(2) Enhanced Human Resources and Organizational Strength

High personal skill levels, organizational ability, and a healthy organizational culture are being maintained with the establishment and execution of the education and training programs needed for organizational management.

(3) Optimal Risk Management and Security Measures

Security measures corresponding to risk importance are being efficiently and effectively implemented using new technologies.

Courses of Action of the Philosophy for Occupational Health and Safety

1. No matter the situation, we will act with safety foremost in mind.
2. We will comply with established rules and never fail to act in accordance with safety basics.
3. We will maintain safety by identifying and eliminating both actual and potential hazards.
4. We will strive to create comfortable work environments and promote physical and mental health.
5. Through communication and ingenuity, we will aim to achieve 100% employee participation in all safety activities.

Message from the President

Nobuo Kawahashi
Representative Director, President, COO

As a business that handles chemicals, ensuring safe and stable plant operations has always been our most important and unwavering consideration. Without this mindset, JSR Group would not have grown as a company and could not survive.

Safety is the bedrock of our business continuity and an investment in the growth of the Group. It is my duty to pursue safety as a key management issue, to ensure that JSR Group offers a sense of security to the local community and grows as an organization where all JSR Group employees and employees of contractors feel contentment in their work, and to maintain this state into the future.

JSR completed the transfer of our former Elastomers Business in April 2022. Presently, we are working to achieve our business targets and build a resilient infrastructure for our business by FY2024. Safety is the most important element of this vision. As such, our job is to make our organization ready for how business will change going forward and strong enough to endure in a new environment.

As part of the top management team, I lead the development of our safety infrastructure and the fostering of a culture of safety to ensure that JSR continues to be a sustainable Group trusted by society. I will work with all JSR Group employees to improve our security capabilities and develop people who excel in safety.

I wish you safety.

Message from the Officer in Charge of Safety

Junichi Takahashi
General Manager of Product Safety & Quality Assurance Dept., Officer

JSR is continually enhancing occupational health and safety and security management as we seek to eliminate accidents and disasters. We are fostering a culture of safety through a variety of activities, including the propagation of basic safety principles, risk assessment activities, safety audits of business site, and construction safety management.

The April 2022 split off of our former Elastomers Business changed some of our environmental factors, such as company organization and business processes, but our stance on safe and stable plant operations, a core principle of the manufacturing industry, has not changed.

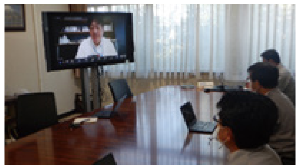
We will work to provide a safe workplace not only for employees of JSR Group but also of contractors and to offer value for all our stakeholders, including local communities, customers, and shareholders.

I wish you safety.

Safety Management System and Targets

JSR Group has established and is executing the JSR Roadmap for Health & Safety and Security Management, a medium-term plan that clearly states our safety goals and which we periodically review. Following this roadmap, we pursue a variety of safety initiatives aiming to eliminate equipment and workplace accidents. We have also developed and are operating a Safety Management System with established regulations and procedures relating to occupational health and safety and accident prevention. It takes account of each company's and each business site's equipment and operations as well as relevant laws and regulations.

To confirm the effectiveness of these activities, an auditing team led by the president conducts annual Headquarters Environment and Safety Audits in plants and laboratories. We also provide opportunities for dialog between top management and employees so managers and front-line workers can share their thoughts with one another. These give new energy to our environment and safety activities. Each year at each business site, moreover, there is an internal audit or the head of the business site conducts a management review. Through these we aim to confirm the effectiveness of our management system and continually improve it.




Audits by top management (From left, Chiba Plant and Kashima Plant. Both audits conducted online)

Activity Record

JSR Group had only half as many equipment accidents in FY2021 as in the previous year, but there were many workplace accidents among employees of contractors, so we continue trying to take construction safety management to the next level.

We are also working to increase knowledge, skills, and sensitivity in respect to security management. For example, we give training designed to enhance the precision of the risk assessments that are so crucial to safety activities. Tools like VR are used to learn by sensory experience. Workers also get practical training with a miniature plant as well as emergency response training for each type of risk.

We host the Safety Activity Forum where exemplary safety activities are presented. Its objectives are to improve employee motivation and raise the quality of safety activities Group-wide.

Sensory experience learning with VR

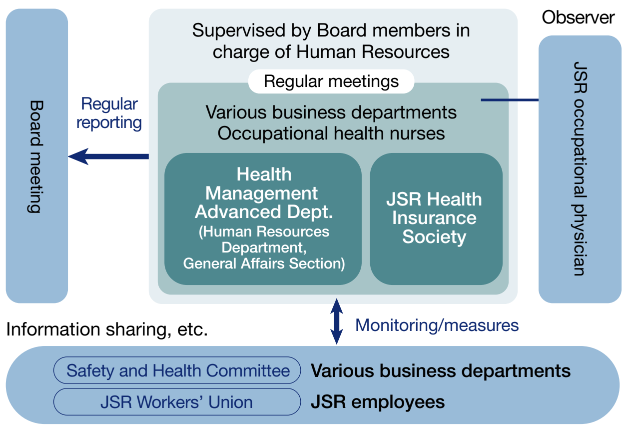
Disaster prevention training using a drone

Physical and Mental Health

JSR Group feels that a healthy mind and body are extremely important for employees and their families to live happy lives. We also feel that they are imperative in the creation of a productive and vibrant workplace. We actively adopt various measures to help our employees work in good health, both mentally and physically and some of our sites have established a Health Declaration spelling out this policy.

In our JSR Health Promotion initiative, moreover, we establish the necessary internal rules and share information so we can promote employee work style reform and health in tandem with each other. Top management spreads the word on the importance of health, hosts periodic Health Promotion Meetings led by occupational health nurses, and monitors the implementation and status of measures that reach across different business sites and organizations.

JSR Health Promotion Framework



Respect for Human Rights

Please refer to the JSR Sustainability Site for more details.
https://www.jsr.co.jp/jsr_e/sustainability/society/human_rights.shtml

Philosophy

JSR Group recognizes the importance of such international norms as the Universal Declaration of Human Rights, the UN Global Compact, and the UN Guiding Principles on Business and Human Rights. We agree with the thinking they represent and will respect human rights accordingly. We also understand that we must fulfill our responsibility to respect human rights in all of our business activities.

Advancement Structure and Establishment of JSR Group's Human Rights Policy

We promote respect for human rights as an activity guideline of the Corporate Ethics Committee. The Corporate Ethics Committee is charged with formulating and executing plans to promote human rights and verifying their progress.

As the provisions of the UN Guiding Principles on Business and Human Rights clearly state, companies have a social responsibility to take the lead in respecting human rights. Fulfilling this responsibility requires establishing guidelines that can provide the foundation for promoting respect for human rights and making sure they are shared and understood throughout the entire Group. JSR is a participant in Global Compact Network Japan's Human Rights Due Diligence Subcommittee. Applying the knowledge gained from this activity, in September 2021, we established the "JSR Group's Human Rights Policy" following a review by concerned divisions and Group companies in Japan and overseas. The review took into account the aims of the Government of Japan's "National Action Plan on Business and Human Rights," established in October 2020. We have been sharing this new policy with the outside world, while ensuring that the policy becomes embedded into the consciousness of each Group employee by publicizing it on the company intranet and running a special article in the company newsletter. Going forward, JSR Group will also study the introduction of a framework for human rights due diligence and effective initiatives in covering the supply chain.

Respect for Human Rights in the Supply Chain

JSR Group believes it is important to promote initiatives for respect for human rights not just within the Group but throughout the supply chain. To put this into practice in 2017, we revised the questions on our supplier questionnaire and incorporated items relating to respect for human rights in the JSR Group CSR/Sustainable Procurement Policy established in 2018. Additionally, the JSR Group's Human Rights Policy clearly states that we will continue to encourage our business partners in the supply chain to support this policy and adopt a similar policy.

JSR Group believes that our stance, as laid out in the two policies above, represents what the international community expects of enterprises. To ensure that our business partners share our thinking, in FY2021 we began distributing copies of the policies to the Group's major suppliers and asking them to return their written endorsement of the policies' aims. (Please refer also to "Supply Chain Management" on page 40.)

We will continue taking the steps necessary to strengthen collaboration with partners in the supply chain and enhance our respect for human rights.

Participation in Global Initiatives

JSR Group is a signatory and supporter of the United Nations Global Compact. We also actively participate in subcommittee activities led by Global Compact Network Japan. Knowledge we have gained by participating in GCNJ's Human Rights Due Diligence Subcommittee, taking workshops, and doing group work activities has borne fruit in, JSR Group's Human Rights Policy. As we believe it necessary to promote understanding of this policy and its diffusion throughout the Group, in FY2021 we decided to join GCNJ's Human Rights Education Subcommittee. We will utilize the knowledge we gain from the subcommittee's activities to consider the forms of education and training that are most appropriate.

Participation in Global Initiatives

JSR Group became a participant in the United Nations Global Compact in April 2009. As such, we will more proactively fulfill our corporate social responsibilities with recognition that businesses operating on a global level must make a greater commitment to human rights, labor, the environment and anti-corruption, as expressed in The Ten Principles of the United Nations Global Compact.

Representative Director, CEO
Eric Johnson

Supply Chain Management

Please refer to the JSR Sustainability Site for more details.
https://www.jsr.co.jp/jsr_e/sustainability/society/supplychain.shtml

Philosophy

We believe that an important role of JSR Group is to offer innovative materials and excellent products that meet customer needs and contribute to the making of a better society. Towards that purpose, through supply chain management, we will respond to social issues together with our business partners.

Sustainable procurement

As a business that handles chemicals, JSR Group is in a unique position to support society by delivering materials to various industries through its supply chain management. We consistently deliver products of proven quality to customers. The recent globalization of supply chains has seen the emergence of numerous issues in the supply chain, such as forced labor, child labor, environmental destruction, and corruption. In December 2018, we responded by formulating the JSR Group CSR/Sustainable Procurement Policy. The main parts are as follows.

- **Fair Corporate Activity**
  In the processes of producing products and services, companies must engage in business activities that are based on fair, transparent, and free competition.
- **Human Rights and Labor**
  Companies must act in accordance with the laws of each country and international standards, respect basic human rights, and pay attention to ensure that their business activities do not violate human rights, either directly or indirectly.
- **Environmental Conservation**
  Companies have a responsibility to comply with the laws and standards of each country concerning environmental conservation, to specify and manage factors that impact on the environment by building a management system, and to work toward preserving the environment in their processes of producing products and services.
- **Health and Safety**
  Companies must comply with the laws and standards of each country concerning occupational health and safety and establish management systems and mechanisms to prevent workplace accidents, promote the health and safety of employees, and create comfortable workplace environments.
- **Information Security**
  Companies must properly manage and protect the information they obtain through business activities, take protective measures against threats to their computer networks, and manage the confidential information of customers and third parties in a manner that prevents leaks.

Sustainable business operations require ongoing supply chain management. In FY2021 we began distributing copies of JSR Group's procurement and human rights policies to suppliers and asking them to return their written endorsement of the policies' aims. This helps ensure that our business partners share our thinking and our commitment to meeting society's demands. We are also starting to hold a series of briefings and to take concrete actions to ensure that the entire Group, including companies both in Japan and overseas, are making similar efforts.

Assessment of business partners

We assess candidates for new business partners based on certain criteria concerning the status of their financial affairs and level of quality management. We conduct an onsite audit prior to the start of business as well, to verify items concerning safety, the environment, and quality. Using the same standards as we use for ourselves, we also regularly check business partners with whom we have an ongoing business relationship to see if they are in compliance with our criteria. In particular, with regard to vital raw materials that are difficult to procure in an emergency because of low availability or extreme scarcity, we strive to secure supply stability for customers by conducting regular supplier audits and onsite confirmation of items pertaining to supply continuity and providing proposals and guidance for quality reliability.

Initiatives concerning conflict minerals

In keeping with our policy to never permit the use of conflict minerals, directly or indirectly, in FY2015, we conducted an investigation concerning the use of conflict minerals and confirmed that none of the targeted suppliers used them. There is, however, growing concern about potential human rights violations such as the use of child labor when minerals are extracted. To fully confirm whether such problems exist, in FY2021 we decided to investigate using the CMRT and EMRT, world-standard templates provided by the RMI. We have since begun taking concrete action on these concerns.

Education and training of employees in charge of procurement

We educate and train purchasing department personnel on our sustainable procurement and conflict minerals initiatives to ensure that our practice of supply chain management is sound. We also support and encourage procurement staff to acquire Japan Management Association-accredited Certified Procurement Professional certification (CPP; certifying that a person has acquired specialized knowledge in the purchasing and procurement field) to further deepen their knowledge of procurement.

Corporate Governance

Please refer to the JSR Sustainability Site for more details.
https://www.jsr.co.jp/jsr_e/sustainability/governance/governance.shtml

Philosophy

JSR Group's goal is 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. 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 an independent outside director respectively, and the introduction of three types of performance-based remuneration for directors other than outside directors covering the short, medium and long term.

Shift toward Strengthening of Corporate Governance

We have been working to strengthen the management supervisory function and maintain the transparency and soundness of the Company, and to achieve prompt and efficient decision-making and business execution that will improve the Company's medium- to long-term corporate value. These efforts include appointing independent outside directors, establishing the Remuneration Advisory Committee and the Nomination Advisory Committee, and evaluating the effectiveness of the Board of Directors. We continue to strengthen governance, including implementation of the Malus Clawback clause in FY2021, under which all or part of incentive remuneration will be returned or seized in the event of certain circumstances, to ensure the soundness of the remuneration system for officers.

Governance Highlights

Performance-Linked Director Remuneration

Remuneration for directors consists of a fixed basic remuneration, an annual bonus, performance-linked remuneration to be granted after the applicable period aimed at steadily implementing the Medium-Term Management Plan ending in FY2024 and business structure reform, and restricted shares. This composition is designed to facilitate improvement of corporate value as well as sharing of corporate value between directors and shareholders. For details, see page 46.

Diversity of the Board of Directors

In response to rapid changes in the business environment, such as globalization, utilization of IT and digitalization, JSR appointed its first foreign national Chief Executive Officer (CEO) in FY2019, and appointed a foreign outside director with extensive experience as a partner of an investment firm in FY2021. In addition, since FY2020, appointment of internal directors has included female candidates as we strive to further increase the diversity of the Board of Directors. The appointment of directors is based on the criteria of ensuring a balance of the candidates' necessary knowledge, experience, and skills, board diversity, and size (board capacity). Candidates are chosen for their mental and physical health, outstanding personality, and leadership, as well as expertise and sense of ethics.

Female directors	Non-Japanese directors
1 person	2 persons

Governance Framework Drawing on Outside Strengths

The three current Audit & Supervisory Board members include an attorney and a certified public accountant, both of whom are independent and possess advanced expertise and vast experience.

In addition, the Board of Directors includes outside directors in fields where JSR Group expects to grow.

Ratio of outside directors	Ratio of outside Audit & Supervisory Board members
44%	66%

Main Agenda Items of the Board of Directors

Business Related

- Split of the elastomer business and transfer of shares of the successor company
- Acquisition of Inpria Corporation
- Progress report of each business and medium- to long-term strategy review
- Confirmation of policy on cross-shareholdings based on Corporate Governance Code and divestment
- Report on sustainability management
- Cybersecurity report

Governance Structure

Board of Directors

The Board of Director 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. In addition, all three Audit & Supervisory Board members including two independent outside Audit & Supervisory Board members regularly attend the Board of Directors meetings to state their opinions.

Going forward, based on the findings of the Nomination Advisory Committee, the Company will ensure the diversity of knowledge, experience, and abilities required for the Board of Directors in light of current business strategies, and seek to maintain the optimal Board composition within a 12 member limit.

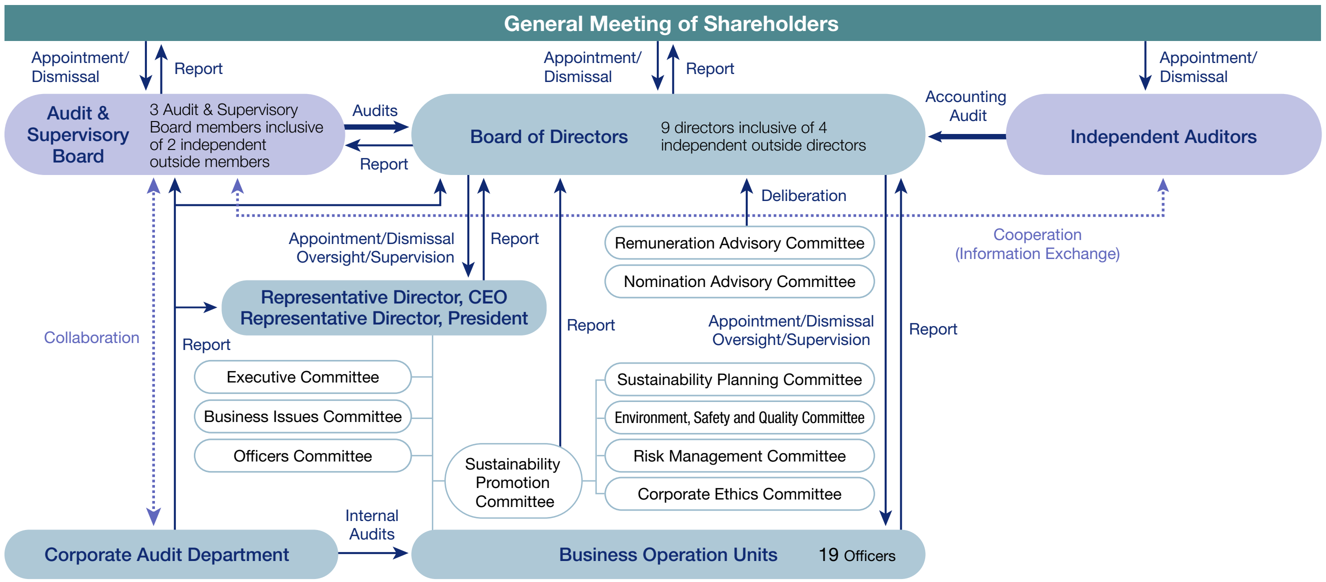
Executive Committee

This Executive Committee is comprised of the CEO, the President, and executive officers or general managers appointed by the CEO or the President and it responds to important business execution with the aim of expediting decision making and improving the efficiency of operations with meetings held generally every week. 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 or receives reports in relation to these issues.

Business Issues Committee

The Business Issues Committee generally holds monthly meetings consisting of the CEO, the President, and executive officers appointed by the CEO or the President. It engages in broad-ranging debate on items related to fundamental management strategies and policies, basic policies behind specific projects, and changes to business strategies. It also shares information and issues 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.

Corporate Governance Structure Diagram (As of June 17, 2022)



Officers Committee

This Officers Committee consists of the CEO, the President and all officers and aims to ensure members' thorough understanding of business conditions and important business matters. The standing Audit & Supervisory Board member is also present at committee meetings.

Audit & Supervisory Board and Audit & Supervisory Board Members

The Audit & Supervisory Board, consisting of three 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.

Outline of Internal Audit, Audit by Audit & Supervisory Board Members, 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 Audit & Supervisory Board and Audit & Supervisory Board members.

(2) Internal Audit

JSR has established the Corporate Audit Department to improve the effectiveness of 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 the CEO, the President, related departments, and Audit & Supervisory Board members.

(3) Independent Auditors

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.

Sustainability Promotion Committee

In order to establish good relationships with various stakeholders and to become a company that is trustworthy and indispensable, 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. The Company has set up the following four committees under the Sustainability Promotion Committee: the Sustainability Planning Committee, the Environment, Safety and Quality Committee, the Risk Management Committee, and the Corporate Ethics Committee.

Evaluation of the Effectiveness of the Company's Board of Directors

The Board of Directors of the Company has been conducting an evaluation in order to maximize corporate value of the Company by enhancing its effectiveness. The FY2021 effectiveness evaluation findings reached the conclusion that the JSR Board of Directors is functioning effectively. Effectiveness evaluations will continue to be performed moving forward.

Summary and Results of Board of Directors Effectiveness Evaluation for FY2021

Evaluation Process

The Board of Directors conducted a questionnaire targeting the nine directors (including four independent outside directors) as well as three Audit & Supervisory Board members (including two independent outside auditors). The Board of Directors has evaluated and analyzed the results of the evaluation by setting up discussion sessions at the Board of Directors meetings several times to discuss the results of the questionnaire as well as the comments expressed in the self-evaluation. To improve objectivity in the FY2021 evaluation process, the Board of Directors hired a third party with expertise in the field of analyzing and evaluating the results of the questionnaire.

Conclusions

The Board of Directors has drawn the conclusion that The Board of Directors of the Company is functioning effectively based on the following reasons.

Reasons for Evaluation

- Our company's Board of Directors comprises inside and outside directors as well as Audit & Supervisory Board members. The board has the right composition in terms of diversity (e.g., nationality, gender, etc.). The Board of Directors is functioning as a meeting structure to encourage discussions on improving the medium- to long-term corporate value as well as the supervision of operations execution while the members of the board are making use of their experiences and knowledge, respectively. In addition, the Company has properly executed decision-making and progress monitoring on the structural reforms of the Elastomers Business that was raised as an important management issue in last year's evaluation, as well as conducted investments for the growth of the Semiconductor Materials Business and Life Sciences Business.
- To run the Board of Directors, significant management challenges, risks, etc., are brought up for discussion in a timely manner, and sufficient information is provided to outside board members prior to board meetings so that they can participate in highly transparent, free and lively discussions that will take place during the board meetings.
- The Nomination Advisory Committee and the Remuneration Advisory Committee have an adequate composition, respectively, and the members of these committees adequately report the results of their discussions to the board after having sufficient discussions while ensuring independence and objectivity. By doing so, these two committees reinforce the supervisory functions of the Board of Directors. Appropriate measures were taken to address continuous review and revision of the remuneration system from a global standpoint, which was recognized as an issue in last year's evaluation.
- The Board of Directors considers that communicating with investors and shareholders is their significant role and responsibility. The board strives to reflect capital market expectations in the company's operations as well as the performance of their duties and to maximize corporate value by holding discussions on the status of their activities every quarter and talking directly with shareholders and investors.

The Board of Directors will conduct ongoing discussions and monitor the progress of the following key management issues reconfirmed in the process of evaluating the effectiveness of the Board of Directors, as well as changes in the external environment (environmental issues, geopolitical risks, etc.) that could impact these issues. In addition, the Board of Directors will make ongoing efforts to address the challenges of board effectiveness identified in this year's evaluation.

Significant Management Challenges

(1) Establishing a sustainable and resilient organization and business structure adaptable to a drastically changing business environment;
(2) Implementing growth strategies for the Semiconductor Materials Business;
(3) Strengthening the foundation and achieving steady growth for the Life Sciences Business;
(4) Addressing challenges to achieving sustainable business growth, such as carbon neutrality and maximizing employee engagement; and
(5) Conducting ongoing investment in innovation including digital transformation

Issues Noted

- While the Board of Directors of the Company is currently functioning effectively, it is necessary to further strengthen the monitoring function of the Board going forward. As we progress towards a monitoring model, we need to review the specific approach to monitoring, as well as the size and composition, and qualifications and diversity of the Board of Directors. In addition, we should also strive for a Board of Directors that is capable of promoting changes in the Company over the long term.
- While discussions on sustainability management at the Board of Directors meetings have progressed more than before, it is essential to consider measures for even more active discussions.
- Although the rating for the overall support structure for outside directors and outside Audit & Supervisory Board members is high, it is necessary to enhance the support structure through training and education, including site visits that were difficult to implement during the COVID-19 pandemic and online learning in order to further improve understanding of the business among outside directors and Audit & Supervisory Board members.

Executive Compensation

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 enable the Company to develop and recruit internationally competitive and diverse human resources capable of managing the businesses, and to provide short-, medium- 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 accomplish the management strategies and business strategies of the Company. The remuneration framework should:

(1) 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;
(2) encourage the management to demonstrate healthy entrepreneurial spirit by motivating them to achieve the objectives of business strategies aiming at continuous growth; and
(3) 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 director.

Remuneration Governance

Procedures for Determining Remuneration

In relation to remuneration for the directors, the Board of Directors 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 Board of Directors mentioned previously and to enhance the monitoring function and accountability of the Board of Directors, the Company established the Remuneration Advisory Committee as an advisory body for the Board of Directors.

Items for Deliberation and Reports by the Remuneration Advisory Committee

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

Persons eligible: Inside directors (including representative directors and executive directors), outside directors, Audit & Supervisory Board members, officers, executive advisors, senior advisors, chairman emeritus 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

Remuneration Framework

	Remuneration Structure	Time of Payment or Granting	Summary of AGM Approval
Fixed Salary	Basic Remuneration	Monthly Payment	The maximum amount for directors is JPY 60 million per month (inclusive of JPY 10 million per month for outside directors). The maximum amount of basic remuneration for Audit & Supervisory Board members is JPY 10 million per month.
Performance-Linked Remuneration	Annual Bonus	Payment at a fixed time every year	The maximum annual amount for directors excluding outside directors is JPY 432 million.
	Performance-Linked Remuneration	In principle, units shall be granted in FY2021, and shares and money shall be provided in a lump sum after the end of the Performance Evaluation Period.	• Maximum amount of monetary compensation claims and total amount of money: Number of fixed share units 800,000 × share price at delivery for target period. • Maximum number of shares to be granted: 400,000 shares for target period.
	Remuneration for granting Restricted Stock Shares	Payment at a fixed time every year	• Up to 400 million yen per year and up to 400,000 shares per year. • The lifting of the transfer restriction is a period of up to 3 ~ 30 years determined in advance by the Board of Directors. In addition, if resignation, etc., occurs for justifiable reasons determined by the Board of Directors during the transfer restriction period.

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 a chairperson shall be elected from independent outside directors by resolution of the Board of Directors in order to ensure independence, objectivity, and accountability as well as effectiveness of the Remuneration Advisory Committee. In addition, Willis Towers Watson (WTW) as a third party remuneration consultant, and staff members for the Committee also attend the Remuneration Advisory Committee meetings as observers.

Remuneration Framework of the Company

Remuneration Structure

The Company's executive remuneration consisted of basic remuneration as fixed compensation, annual bonuses that are linked to the level of companywide performance in a single year, performance-linked stock compensation plan (performance share units) aimed at achieving the Medium-Term Management Plan ending in FY2024 and steady business structure reform, as well as compensation for the granting of restricted shares (non-monetary compensation) to promote continuous improvement of corporate value and the sharing of value with shareholders. Remuneration for outside directors and Audit & Supervisory Board members is only basic remuneration in light of their roles.

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 an 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 remuneration and other remuneration for the director who is responsible for overseeing and managing the Company's international businesses, etc., the Remuneration Advisory Committee verifies the appropriateness of the 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 is responsible for as well as considering each director's job responsibilities and the magnitude of impact on management of the JSR Group.

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 proportion of each

Proportion of Each Remuneration Component, Assuming Basic Remuneration at 100 (with Standard Performance-Linked Remuneration for 100% Achievement of Target)

		Basic Remuneration	Performance-Linked Remuneration			Basic Remuneration: Performance-Linked Remuneration
			Annual Bonus	Performance-Linked Remuneration (per fiscal year)	Restricted Stock Shares	
Directors (Excluding Outside Directors)	CEO	100	100	200	200	100:500
	President	100	30	Around 38	Around 38	100:105
	Executive Managing Officer Managing Officer Senior Officer (concurrent post)	100	25	Around 23	Around 23	100:70

* An Executive Managing officer who also concurrently serves the position of a subordinate director is compensated with a concurrent director allowance that is separate from the table.

remuneration component, assuming basic remuneration at 100 (with standard performance-linked remuneration for 100% achievement of target) is as indicated in the table below. The proportion of each remuneration component for the CEO who oversees the North America Business is determined based on a survey conducted by an external specialist organization on the executive compensation components of the region concerned.

Succession and Evaluation of the Group's Management Structure

(Initiatives by the Nomination Advisory Committee)

The Nomination Advisory Committee was established in FY2015. Currently, the Committee consists of four independent outside directors (one of whom is the chair), as well as the CEO and the President and COO. The Committee carries out objective and long-term examinations of appointments and dismissals of the CEO and President, the Board of Directors' composition and elections, the Group's management structure, and succession plans for vital management posts.

In FY2021, the CEO and President submit annual management activity reports to the Committee, which deliberates on the nomination and removal/dismissal of top management and makes recommendations to the Board of Directors.

Nomination Advisory Committee

JSR established the Nomination Advisory Committee to ensure the transparency of the policy and procedures of appointing candidates for directors, Audit & Supervisory Board members and officers with directorship status (including senior officers). A majority of Committee members are independent outside directors and the chair is also an independent outside director. 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

Skills Matrix of Directors and Audit & Supervisory Board Members

	Name		Corporate Management Experience	Sales & Marketing	Manufacturing, R&D & IP	Finance & Accounting	Legal, Compliance & Risk Management	Sustainability	Globalization	Specialized Knowledge and Experience in Core Business Segments	
										Digital Solutions	Life Science
Director	Eric Johnson		○	○	○			○	○	○	○
	Nobuo Kawahashi		○	○	○			○	○	○	○
	Seiji Takahashi				○				○		
	Ichiko Tachibana						○	○			
	Kenichi Emoto					○			○	○	
	Tadayuki Seki	Independent outside officer				○	○	○	○		
	David Robert Hale	Independent outside officer	○			○		○	○		○
	Masato Iwasaki	Independent outside officer	○	○	○		○	○	○		○
	Kazuo Ushida	Independent outside officer	○		○			○		○	
Audit & Supervisory Board Member	Tomoaki Iwabuchi					○	○	○			
	Junko Kai	Independent outside officer					○	○			
	Takaaki Tokuhiro	Independent outside officer				○	○		○		

with directorship status (including senior officers), and Audit & Supervisory Board members, and reports its findings to the Board of Directors.

In addition, the CEO and/or the President submit to the Committee an annual report on a broad range of strategic management activities. Based on the report, the Committee assesses the business result and performance of the CEO and/or the President and advises the Board of Directors whether or not improvement in management quality is necessary.

Dismissal of Directors

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 the CEO. In order to ensure transparency of the deliberation, the Committee takes necessary measures such as deliberation solely among outside independent directors for the agenda relating to appointment/reappointment or dismissal of CEO. Upon receipt of the aforementioned annual management activities report and based on the business result and performance evaluation of the 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 the CEO and/or the President and terms of office.

Criteria for Appointing Candidates for Directors

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 an appropriate and timely fashion. JSR appoints persons who are mentally and physically sound and have an exceptional personality and popularity, and high principles and ethical view.

The specific elements in terms of knowledge, experience, and capability essential to the Board of Directors are identified based on medium- and long-term management policies and strategies, and are disclosed in the skills matrix.

Criteria for Appointing Candidates for Audit & Supervisory Board Member

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 appoints 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. 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.

Policy for Training Directors and Audit & Supervisory Board Members

JSR conducts introductory seminars and plant and laboratory tours and other opportunities for newly elected officers, given their potential as future director candidates, to deepen their understanding of the Company and its businesses. Moreover, when a Board of Directors meeting is held, JSR picks up key issues closely related to its businesses as Specific Themes 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 promotes communication between board members. Furthermore, 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.

Succession Plan

The Committee systematically develops and selects candidates for the successor to the 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 the selection process through interviews, etc.

Main Activities of Outside Officers in FY2021

Name	Position	Main Activities
Yuzuru Matsuda	Director	Yuzuru Matsuda attended all 18 Board of Directors meetings held in FY2021. Utilizing his extensive experience in management of a multinational company engaged in the fields of ethical pharmaceuticals and biochemicals along with his outside perspectives independent of the Company, he shared his views as necessary during deliberations of agenda items and contributed to the continuous improvement of corporate value by ensuring the rationality of management's decision making and the transparency and soundness of management. Matsuda chairs the Remuneration Advisory Committee and made every effort to ensure the rationality and transparency of the officer remuneration system. Also, Matsuda assisted in the review of the succession plan for the Group's management structure as chairperson of the Nomination Advisory Committee from an objective and long-term perspective.
Shiro Sugata	Director	Shiro Sugata attended all 18 Board of Directors meetings held in FY2021. Utilizing his extensive experience in entrepreneurship and in management of a multinational company engaged in the fields of optical products and industrial machinery coupled with his outside perspectives independent of the Company, he shared his views as necessary during deliberations of agenda items and contributed to the continuous improvement of corporate value by ensuring the rationality of management's decision making and the transparency and soundness of management. Sugata serves on the Remuneration Advisory Committee and made every effort to ensure the rationality and transparency of the officer remuneration system. Also, Sugata assisted in the review of the succession plan for the Group's management structure as member of the Nomination Advisory Committee from an objective and long-term perspective.
Tadayuki Seki	Director	Tadayuki Seki attended all 18 Board of Directors meetings held in FY2021. Utilizing his extensive experience in finance and accounting as CFO and in management positions at a multinational trading company coupled with his outside perspectives independent of the Company, he shared his views as necessary during deliberations of agenda items and contributed to the continuous improvement of corporate value by ensuring the rationality of management's decision making and the transparency and soundness of management. Seki serves on the Remuneration Advisory Committee and made every effort to ensure the rationality and transparency of the officer remuneration system. Also, Seki assisted in the review of the succession plan for the Group's management structure as member of the Nomination Advisory Committee from an objective and long-term perspective.
David Robert Hale	Director	David Robert Hale attended 13 of 13 Board of Directors meetings held after his appointment. He utilized his extensive experience in global business administration as well as business transformation and expansion as a partner at an investment firm engaged in long-term investments and as director of investee companies, coupled with his international and outside perspectives, in important decision making by the Board of Directors, supervision of execution of duties, and strengthening of corporate governance. As a result, he contributed to the continuous improvement of corporate value by ensuring the rationality of management's decision making and the transparency and soundness of management. Hale serves on the Remuneration Advisory Committee and made every effort to ensure the rationality and transparency of the officer remuneration system. Also, Hale assisted in the review of the succession plan for the Group's management structure as member of the Nomination Advisory Committee from an objective and long-term perspective.
Hisako Kato	Audit & Supervisory Board Member	Hisako Kato attended all 18 Board of Directors meetings and all 18 Audit & Supervisory Board meetings held in FY2021. She utilized her wide ranging specialist knowledge and extensive experience in finance and accounting as Certified Public Accountant and licensed tax accountant coupled with her outside perspectives independent of the Company in audits, and she shared her views as necessary during deliberations of agenda items at Board of Directors meetings and contributed to ensuring the rationality of management's decision making and the transparency and soundness of management.
Junko Kai	Audit & Supervisory Board Member	Junko Kai attended 13 of 13 Board of Directors meetings and 13 of 13 Audit & Supervisory Board meetings held after her appointment. She utilized her wide ranging specialist knowledge and extensive experience in law as an attorney-at-law coupled with her outside perspectives independent of the Company in audits, and she shared her views as necessary during deliberations of agenda items at Board of Directors meetings and contributed to ensuring the rationality of management's decision making and the transparency and soundness of management.

Outside Director's Messages

Tadayuki Seki
Outside Director

In April 2022, JSR completed our most wide-ranging business structure reform since our founding. Since then, we have continued to transform our business portfolio, bolstering the foundation of our Semiconductor Materials Business and Life Sciences Business and investing for the next generation.

As we do so, the deliberations of the Board of Directors focus on one key question: how to increase our corporate value in future. Of particular concern these days is the need for enterprises to enhance value in both economic and social terms. JSR too has named resilience and sustainability as important strategies. Therefore, we are stepping up efforts in non-financial aspects like ESG, human resources, R&D, and DX. Each of these efforts is an important way to increase latent value.

Going forward, my intention is to monitor management of both the financial and non-financial sides and support efforts to ensure strong governance. My guiding principle as an Outside Director will be not to stand in the way of JSR's unique dynamic actions but rather to encourage them.

David Robert Hale
Outside Director

JSR's Board of Directors is focused on long-term value creation for stakeholders through transformation and growth. The executive directors and outside directors are aligned on the strategy for JSR to grow corporate value by focusing resources on the Digital Solutions and Life Sciences businesses. Within that strategy, the Outside Directors primarily focus on the deliberating the key topics, while monitoring and supporting management.

In the last fiscal year for example, one of the topics for the board of directors included the acquisition of Inpria. The acquisition of Inpria is expected to secure JSR Corporation's long-term technical leadership and market share in photoresist chemicals for semiconductors, and is expected to drive value creation for shareholders and society. Therefore, the Board determined to approve Inpria.

JSR is a global company, with many important customers, employees, and critical operations outside of Japan. As an Outside Director who is American, I try to contribute a global perspective to the JSR Board. Collectively, JSR's Board members can bring experience with governance practices and strategic initiatives from Japan and overseas. We apply these perspectives through JSR's corporate governance framework, operating with a board culture that emphasizes respectful but candid discussions focused on the key strategic issues. In this way, we hope to meet the high expectations of all stakeholders for JSR's future transformation and growth.

Policy on Constructive Dialogue with Shareholders

To promote constructive dialogue with shareholders and investors, officers responsible for the Finance Department and the Corporate Communications Department take charge of IR activities, and work together to facilitate dialogue. JSR holds an analyst meeting every quarter and a mid-term business plan briefing once every fiscal year. In such meetings, the CEO, the President or an officer in charge of IR, explain business performance, financial position, details and progress of the mid-term business plan to analysts. Every year, the 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. JSR has been endeavoring to provide investors with Company information on its website, such as financial statements, information on mid-term business plans and progress thereof, and details of business performance of main businesses, as well as information on sustainability activities including efforts to conserve the environment and responsible care, and on R&D activities. Opinions and questions that JSR receives from investors through the above-mentioned discussions are fed back to management as IR activity reports. In discussions with shareholders, JSR has appropriately treated insider information (setting moratoriums 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).

Officers (As of July 31, 2022)

Directors and Audit & Supervisory Board Members

Nomination Nomination Advisory Committee   Remuneration Remuneration Advisory Committee

Eric Johnson
Representative Director, CEO

North America Business
President of JSR North America Holdings, Inc.

Nomination Remuneration

Nobuo Kawahashi
Representative Director, President and COO

Nomination Remuneration

Seiji Takahashi
Director, Managing Officer

Managing Officer, Manufacturing and Technology, Procurement and Logistics

Ichiko Tachibana
Director, Senior Officer

Sustainability Promotion, Diversity Promotion, General Manager of Sustainability Promotion Dept.

Kenichi Emoto
Director, Officer

Accounting, Finance, Corporate Communications
General Manager of Accounting Dept.
General Manager of Finance Dept.

Tadayuki Seki
Outside Director

Nomination Remuneration

David Robert Hale
Outside Director

Nomination Remuneration

Masato Iwasaki
Outside Director

Nomination Remuneration

Kazuo Ushida
Outside Director

Nomination Remuneration

Tomoaki Iwabuchi
Standing Audit & Supervisory Board Member

Junko Kai
Outside Audit & Supervisory Board Member

Takaaki Tokuhiro
Outside Audit & Supervisory Board Member

Officers (excluding those concurrently serving as directors)

Managing Officer

Tadahiro Suhara
Digital Solutions Business (Supervising), Electronic Materials Business, Edge Computing Business, General Manager of Electronic Materials Div., Chairman of JSR Electronic Materials Taiwan Co., Ltd.

Makoto Doi
Legal Affairs, Compliance, General Manager of Compliance Dept.

Senior Officer

Kazumasa Yamawaki
Plastics Business, President of Techno UMG Co., Ltd.

Yoshikazu Yamaguchi
In charge of special assignment from the President, President of Emulsion Technology Co., Ltd.

Koichi Hara
Corporate Planning (including supervising group companies), Structural Reforms, General Manager of Structural Reforms Dept.

Mikio Yamachika
Yokkaichi Plant, Manufacturing and Technology (deputy), Procurement and Logistics (deputy), Yokkaichi Plant Manager, General Manager of Digital Solutions Business DX Planning and Acceleration Dept.

Tim Lowery
Life Sciences Business
General Manager of Life Sciences Div.
President of JSR Life Sciences, LLC

Keisuke Wakiyama
Display Solution Business, China Business
General Manager of Display Solution Business Div.
Chairman of JSR (Shanghai) Co., Ltd.
Chairman of JSR Display Technology (Shanghai) Co., Ltd.
Chairman of JSR Micro (Changshu) Co., Ltd.

Officer

Yasufumi Fujii
Human Resources Development, General Affairs, Secretarial Office

Junichi Takahashi
Quality Assurance, Safety and Environment Affairs
General Manager of Product Safety & Quality Assurance Dept.

Toru Kimura
Supervising Digital Solutions Business (deputy), in charge of special assignments in Advanced Lithography Material Business in Electronic Materials Division, General Manager of Advanced Lithography Material Business Promotion Dept. in Electronic Materials Division

Yutaka Yoshimoto
Office of President, Emerging Business, General Manager of Office of President, Executive Officer of JSR Active Innovation Fund, LLC

Hiroaki Tokuhisa
Research & Development (CTO) General Manager of RD Technology · Digital Transformation Center

Khashayar (Hash) Pakbaz
Digital Transformation (CDO)
General Manager of Global DX Acceleration Dept.

Motoyuki Shima
Research & Development (deputy) (deputy CTO)
General Manager of Yokkaichi Research Center, General Manager of Fine Electronic Materials Research Laboratories

Kentaro Yamamoto
IT Strategy, Cyber Security Management, Business Process Renovation, General Manager of IT Strategy Dept.

Compliance

Please refer to the JSR Sustainability Site for more details.
https://www.jsr.co.jp/jsr_e/sustainability/governance/compliance.shtml

Philosophy

JSR Group has been endeavoring, by building up and maintaining good relationships with all our stakeholders, to become a trustworthy and indispensable corporate citizen. We have been vigorously adhering to our Code of Conduct in order to fulfill "Our Responsibility to our Stakeholders," an essential part of our Management Policies, as well as to ensure compliance with relevant laws and regulations during the course of our business.

JSR Group Principles of Corporate Ethics

At JSR Group, Group companies, both in Japan and overseas, are advancing corporate ethics activities in an integrated manner. To achieve this, we have formulated JSR Group Principles of Corporate Ethics as a concrete guideline for globally shared corporate ethics that reflect our Essential Elements.

The principles serve as a Code of Conduct that all directors and employees (full-time, contract, part-time, and temporary employees as well as employees on short-term contracts) of JSR companies should comply with in order to develop our corporate activities while fulfilling the Management Policies spelled out in "Our Responsibility to our Stakeholders." JSR Group shall never require directors and employees of Group companies to act in violation of this Code of Conduct. Additionally, JSR Group shall not disadvantage any director or employee who refuses to execute an order to perform an act that is in violation of the Code of Conduct because of that refusal.

* JSR Group's Essential Elements: The Essential Elements consist of the Corporate Mission, the Management Policies, and Course of Action: 4C action guidelines.

Corporate Ethics Activities

(1) Corporate Ethics Awareness Survey

The JSR Group works to grasp and improve corporate ethics-related issues by conducting annual surveys on corporate ethics awareness that target the directors and employees of JSR Group companies in Japan and other countries. The results are reported at the Corporate Ethics Committee and then to an Officers Committee. They are subsequently fed back to employees as a post on the company intranet containing a summary and identified issues, along with a message from the assigned officer explaining both. Some overseas Group companies also strive to build awareness of corporate ethics and legal compliance among their employees, including their locally hired employees, using methods that are appropriate for the local culture.

(2) Hotline (Internal Reporting Channels)

1 Hotline for Employees

JSR Group has introduced an internal reporting system called the Corporate Ethics Hotline. To make employees aware of the system, information on accessing the hotline is posted at the top page of our intranet and our online in-house newsletter. At the same time, we strive to build trust in the system by ensuring confidentiality of report content and prohibiting unfair treatment of hotline users. We have designed a system to facilitate use by overseas employees as well, setting up two contact points with specialized outside organizations capable of handling communication in Japanese, English, Chinese, Korean, Thai, and Indonesian. Reports made to the external hotline are also simultaneously reported to full-time auditors so that independence from management is assured.

For each report that comes in, the office of the Corporate Ethics Committee in the company concerned requests the relevant department to ascertain the facts. Based on the department's findings, the office then discusses and decides on responses and follows up on the results. If the reporter desires feedback, the contact point that initially received the report contacts him or her with the results as well as any actions taken.

2 Hotline for Business Partners

In its Procurement Department, JSR employs a Supplier's Hotline, an external reporting channel for business partners, namely suppliers and services providers with whom domestic Group companies do regular business. It receives reports from business

Internal Report Flow

partners to quickly discover and resolve violations of the law as well as actual and possible violations of corporate ethics in business transactions. Hotline services are entrusted to the same outside organization employed for the employee hotlines. Efforts are being made to improve reliability by enforcing strict secrecy of reports and prohibiting any handling of reports that would be disadvantageous to those reporting.

Legal Compliance Measures

Every JSR Group member defines legal compliance regulations that form the basis of its legal compliance. Each company then uses the regulations to solidify its compliance through regular review and improvement as well as legal training to increase awareness of laws and regulations and instill commitment to compliance. JSR Group establishes specific systems and executes other priority approaches to ensure compliance with laws and regulations that are particularly relevant to the execution of business.

Approach to Preventing Bribery and Unfair Competition

JSR has formulated a Policy for Bribery Prevention, Rules on Complying with Anti-Corruption Laws, and Standards for Gift-Giving and Entertaining that specify necessary items for all executives and employees to comply with the Japanese Unfair Competition Prevention Act, the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and other anti-corruption laws. In addition, JSR has also formulated Rules on Antimonopoly Law (Japan), Rules on Complying with U.S. Antitrust Laws, Rules on Complying with the EU's Antitrust Laws, and Rules on Complying with Korean Fair Trade Laws that specify items necessary for complying with each country's antimonopoly (antitrust) laws.

Protection of Personal Information

JSR Group recognizes the importance of protecting personal information. We have therefore formulated a Privacy Policy and Rules for Handling Personal Information that sets out our approach to the acquisition, use, and management of personal information based on the Act on the Protection of Personal Information. We have also established Rules for Handling Specific Personal Information in response to the introduction of Japan's Individual Number system.

Moreover, in accordance with relevant laws and our privacy policy, we ensure the appropriate handling of specific personal information by defining, within these rules, precautions and security standards necessary to ensure the proper use and protection of this information at each stage of acquisition, storage, use, provision, disclosure, correction, suspension of use, and deletion. Furthermore, for Group companies that will handle personal data covered by the EU's General Data Protection Regulation (GDPR), we are providing support for the development and operation of a GDPR compliance system to be applied to the acquisition, processing, and transfer of covered personal data.

Initiatives for Bioethics

JSR Group conducts life science and medical research on human subjects mainly as it relates to the Life Sciences Business. This research fully complies with the laws and regulations of each country where it takes place. JSR and Medical & Biological Laboratories Co., Ltd. (MBL) are both subject to the Ethical Guidelines for Medical and Biological Research Involving Human Subjects, co-developed by the Ministry of Education, Culture, Sports, Science and Technology, the Ministry of Health, Labour and Welfare, and the Ministry of Economy, Trade and Industry. Both companies have established internal rules required under these guidelines along with an Ethics Review Committee comprised of internal and external members in order to screen research from ethical and social perspectives. Applicable research is carried out following the research plan deliberated on and approved by this committee. Furthermore, we provide training on bioethics to employees involved in this research to ensure they follow proper research practices.

JSR Group conducts animal testing compliant with the laws and regulations of each country as part of the process to support the development of pharmaceuticals. Each JSR Group company has established internal rules compliant with these laws and regulations and set up an Animal Testing Committee. These committees administer animal testing appropriately based on rigorous screening from the perspectives of science, animal ethics and animal welfare, including the 3Rs of Replacement, Reduction and Refinement. Moreover, Group company Crown Bioscience International has obtained certification for its sites in the United States and China from AAALAC International, a third-party assessment institution that promotes the humane treatment of animals in science.

Risk Management

Please refer to the JSR Sustainability Site for more details.
https://www.jsr.co.jp/jsr_e/sustainability/governance/riskmanagement.shtml

Philosophy

JSR Group believes that preventing a major crisis from occurring and minimizing the impact of a crisis on business activities are important management roles. The Group has formulated Risk Management Policies and established a Risk Management Committee through which it actively pursues risk management activities.

Risk Management System

JSR Group manages risk by largely classifying it into two types: risk related to business strategies and risk related to business operations.

Among these, for risk related to business strategies, we engage in management through deliberations and decisions made in important meetings, such as those of the Board of Directors, Executive Committee, and Business Issues Committee. For risk related to business operations, under the Risk Management Policies ,we engage in risk management centered on the Risk Management Committee.

The risk management system forms part of the internal control system. The status of the internal control system's execution is regularly reported to the Board of Directors. JSR's Corporate Audit Department continuously verifies and evaluates the preservation and operation of internal control for the entire JSR Group as required by the Companies Act and Financial Instruments and Exchange Act. It also ensures that risk in existing business does not exceed permissible levels. Furthermore, the department strives to maintain and strengthen internal control levels for the entire Group and conducts internal audits to ensure the appropriate and efficient execution of operations.

Risk Management Committee

JSR Group believes that preventing a major crisis from occurring and minimizing the impact of potential crises on business activities are important management roles. The Group has formulated Risk Management Policies and established a Risk Management Committee, chaired by the officer in charge of the Corporate Planning, which carries out risk management. The Committee pursues continuous improvement by reviewing response policies and action plans in response to the detailed matters of actual and potential crises.

Identifying Risks and Selecting Important Risks

JSR Group has operated its own unique risk management system since FY2009, and regularly identifies risks facing the entire Group under the initiative of the Risk Management Committee.

For each division of JSR Group companies in and outside of Japan, we identify and evaluate all potential management risks, and formulate measures to control such risks. Utilizing a risk map that represents the level of business impact and frequency of occurrence, we identify risks that could have a significant impact on business continuity and organize the risks into JSR Group Risk Factors. Senior Management builds and maintains systems for prevention and crisis preparedness by personally monitoring and regularly reviewing important risks that could materialize.

Information Security Initiatives

JSR Group has established an Information Security Policy and strives for appropriate management of information by making this policy known to all employees. In August 2019, we established the Cyber Security Management Office as a department in charge. The office works alongside outside experts to information security management including Group companies, providing training to employees, and enhancing response to incidents such as cyber attacks.

In FY2014, we published an information security handbook to raise sensitivity among employees toward the risks of information leakages and ensure they act in accordance with rules. We make this handbook known to all through the company intranet, e-learning, and workplace networking sessions.

Crisis Management Training

JSR has formulated BCM procedures that summarize the BCM/BCP* systems in place for both normal circumstances and emergency situations. These procedures define the BCM organization and the actual implementation system which includes stipulations on target recovery times, and BCP activation and cancellation standards. They also define the organizational structure that takes effect during activations of the BCP and corresponding priority businesses and operations.

* BCM: Business Continuity Management/BCP: Business Continuity Plan

Communication with Stakeholders

Please refer to the JSR Sustainability Site for more details.
https://www.jsr.co.jp/jsr_e/sustainability/stakeholder/index.shtml

Evaluation by Outside Organization

JSR Group is highly regarded for its non-financial initiatives, as reflected by its inclusion in international socially responsible investment indexes.

List of Main Evaluations (As of July 1, 2022)

FTSE Blossom Japan Index	We were selected as an investment brand of the FTSE Blossom Japan Index and FTSE Blossom Japan Sector Relative Index for being a Japanese company with excellent consideration for ESG.	FTSE Blossom Japan; FTSE Blossom Japan Sector Relative Index
FTSE4Good	Since 2004 we have been selected by FTSE Russell as a constituent of the FTSE4Good Index Series.	FTSE4Good
MSCI Japan ESG Select Leaders Indexe and MSCI ESG Leaders Indexes	We were selected for inclusion in the MSCI Japan ESG Select Leaders Index and MSCI ESG Leaders Indexes as a company with excellent response to ESG.	2022 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX; 2022 MSCI ESG Leaders Indexes Constituent
MSCI Japan Empowering Women Index (WIN)	We were selected by MSCI as an investment brand of the "MSCI Japan Empowering Women Index (WIN)" for being a company with excellent gender diversity.	2022 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

In addition, we were selected for inclusion in the S&P/JPX Carbon Efficient Index by the S&P Dow Jones Indices.

* The inclusion of JSR Corporation in MSCI indexes, as well as the use of the MSCI logo, trademark, service mark and index name, does not constitute support, endorsement or promotion of MSCI or any MSCI affiliated company by JSR Corporation. MSCI indexes are the sole property of MSCI. MSCI and all MSCI index names and logos are the trademark or service mark of MSCI and its affiliated companies.

Examples of Communication with Stakeholders

Stakeholder	JSR Group's Responsibility	Main Methods / Opportunities for Dialogue
Customers / Business Partners	• Never cease to challenge changes and evolve, to support the diverse material needs of the ever-changing times. • Aim for sustainable improvement of customer satisfaction. • Approach all business partners with sincerity, and always continue maintaining fair and equitable business relations. • Continue considering the environment and society in supply chains.	**Customers** • Received Excellent Partner Award from Sony Semiconductor Solutions Group • Received Excellent Performance Award from TSMC • Providing information through SDS (safety data sheet), website, etc. • Quality Assurance Support • Implementation of customer satisfaction surveys • Support of CSR surveys from customers **Business Partners** • Communication through purchasing activities such as Partner Awards • Support of CSR surveys from business partners • Distribution of JSR Group Human Rights Policy and CSR Procurement Policy • Established supplier hotline
Employees	• Evaluate each employee based on fair standards. • Provide opportunities for employees to constantly challenge themselves. • Continue providing opportunities for employees to mutually recognize each others' personalities and diversity, and to flourish together.	• Labor-Management council and workplace meetings • Commendation system • Employee awareness survey and global employee engagement survey • Various training programs (stratified education, technical training, etc.) • Corporate climate reform activities (interactive education, OJT promotion activities, communication improvement activities, etc.) • Activities to promote sustainability and Responsible Care
Local / Society	• As a responsible member of local society, continue carrying out business activities that take the environment and safety into consideration (responsible care). • Continue providing environment-conscious products that support the needs for global environmental conservation, including reduction of local environmental burdens. • Make efforts to reduce environmental burdens that are generated from the product lifecycle as a whole, and continue making considerations to the environment and safety. • Continue actively contributing to the preservation of biodiversity through business activities.	• Participation in local responsible care dialogues (at plants) • Local cleanup activities (plants, research labs) • Participation in environmental conservation activities, such as beach clean-ups and forest preservation • Participation in visiting lectures at schools and in projects to develop skilled workers • Participation in social welfare activities (blood donation, fundraising activities, etc.) • Contribution towards disaster areas, support for employee volunteer activities
Shareholders / Investors	• Create business opportunities through materials and aim to expand corporate value. • Constantly improve management efficiency. • Become a company that is trusted by shareholders, through highly-transparent and robust corporate management.	• General Meeting of Shareholders • Management Policy Briefing, financial results briefing, individual meetings with investors and analysts • Publication of JSR Report (Integrated Report) • Publication of corporate governance report • Provision of information through websites (IR section and sustainability section of corporate website)

Data Section

Ten-Year Summary

Million yen

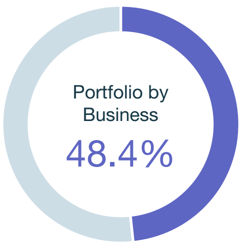
JGAAP For the year:	FY2012	FY2013	FY2014	FY2015	FY2016
Net sales	¥ 371,487	¥ 394,309	¥ 404,073	¥ 386,709	¥ 390,599
Costs and expenses	(336,281)	(358,247)	(366,005)	(352,301)	(358,228)
Operating profit	35,206	36,062	38,068	34,408	32,370
Interest and dividends income	809	916	1,390	1,380	1,369
Interest expenses	(126)	(142)	(345)	(527)	(699)
Profit before income taxes	42,847	36,956	41,069	27,367	38,327
Profit attributable to owners of parent	30,278	25,173	29,919	24,069	30,078
Capital expenditures	27,608	21,499	35,157	24,276	31,785
Depreciation	19,145	18,096	17,407	18,508	14,676
Year-end financial position					
Total assets	482,935	501,320	534,592	516,360	576,016
Long-term loans payable	6,626	11,069	20,387	22,249	38,381
Total liabilities	167,202	164,060	169,918	154,006	199,302
Equity	308,641	331,284	358,303	353,145	361,394
Current ratio (times)	2.3	2.5	2.5	2.7	2.5
Return on assets (%)	6.6	5.1	5.8	4.6	5.5
Return on equity (%)	10.3	7.9	8.7	6.8	8.4
Equity ratio (%)	63.9	66.1	67.0	68.4	62.7
Per share of common stock (Yen and U.S. Dollars)					
Profit attributable to owners of parent	¥ 126.13	¥ 106.10	¥ 128.19	¥ 105.87	¥ 134.43
Cash dividends	34.00	38.00	40.00	50.00	50.00
Equity	1,299.77	1,409.06	1,557.08	1,565.45	1,624.14

IFRS For the year:	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021 (Million yen)	FY2021 (Thousands of U.S. dollars)
Revenue	¥ 388,455	¥ 421,930	¥ 495,354	¥ 471,967	¥ 312,000	**¥ 340,997**	**$ 2,786,154**
Costs, other income and expenses	(352,512)	(378,360)	(450,093)	(439,083)	(277,767)	**(297,237)**	**(2,428,608)**
Operating profit (loss)	35,943	43,569	45,261	32,884	34,233	**43,760**	**357,546**
Finance income	3,045	3,659	2,499	1,929	822	**3,415**	**27,904**
Finance costs	(694)	(1,022)	(1,352)	(2,184)	(1,744)	**(1,655)**	**(13,518)**
Profit (loss) before tax	38,294	46,206	46,408	32,629	33,310	**45,521**	**371,931**
Profit (loss) attributable to owners of parent	30,243	33,230	31,116	22,604	(55,155)	**37,303**	**304,789**
Capital expenditures	31,377	42,408	35,981	45,880	40,188	**41,851**	**341,950**
Depreciation	14,793	16,973	21,790	26,343	19,074	**22,482**	**183,688**
Year-end financial position							
Total assets	578,484	647,699	691,435	677,713	672,773	**809,371**	**6,613,048**
Bonds and Borrowings (non-current liabilities)	38,381	53,456	50,777	52,684	81,406	**48,737**	**398,214**
Total liabilities	202,120	236,084	251,075	240,301	302,036	**394,631**	**3,224,377**
Total equity attributable to owners of parent	361,889	393,499	401,998	396,793	333,995	**376,011**	**3,072,237**
Current ratio (times)	2.5	2.3	1.97	2.05	1.95	**1.52**	**1.52**
Return on assets (%)	5.5	5.4	4.7	3.3	(8.2)	**4.9**	**4.9**
Return on equity (%)	8.5	8.8	7.8	5.7	(15.1)	**10.5**	**10.5**
Equity ratio (%)	62.6	60.8	58.1	58.5	49.6	**46.5**	**46.5**
Per share of common stock (Yen and U.S. Dollars)							
Profit (loss) attributable to owners of parent	¥ 135.17	¥ 149.32	¥ 140.62	¥ 104.38	¥ (256.73)	**¥ 173.49**	**$ 1.42**
Cash dividends	50.00	50.00	60.00	60.00	60.00	**70.00**	**0.57**
Equity attributable to owners of parent	1,626.36	1,767.81	1,823.69	1,848.01	1,554.17	**1,748.25**	**14.28**

(Notes) 1. Amounts in U.S. dollars are translated from yen, provided for convenience only, at the exchange rate of 1.00 U.S. dollar = 122.39 Japanese yen; the prevailing rate on March 31, 2022. 2. The Group has adopted International Financial Reporting Standards (IFRS) as from the fiscal year ended March 2018. 3. ROA = Under Japanese GAAP, return on total assets. Under IFRS, return on equity attributable to owners of parent. 4. ROE = Under Japanese GAAP, return on equity. Under IFRS, return on equity attributable to owners of parent. 5. The Elastomers Business has been categorized as a discontinued business from FY2021. Certain data for FY2020 is presented after reclassification.

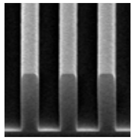
At a Glance

Digital Solutions Business



Semiconductor Materials Business

We feature a wide lineup of products to meet the needs of the world's semiconductor manufacturers, including lithography materials to support semiconductor production processes (photoresists, multilayer materials), CMP* materials, cleaning solutions, and advanced packaging materials used in device packages.

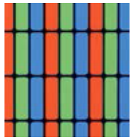


Lithography Materials

Used for miniaturization of electronic elements and circuits on substrates in semiconductor production processes, these photosensitive materials help to shrink semiconductor chips while boosting their performance.

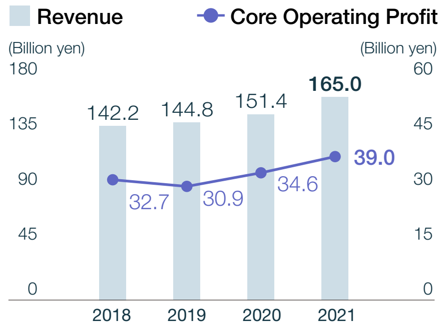
Display Materials Business

We offer Alignment Layer and Passivation Coat used in liquid crystal display panels for smartphones, LCD TVs, etc.; Passivation Coat and Planarization Layer for OLED displays; and other materials meeting the need for lightweight, power-saving devices with excellent picture quality.



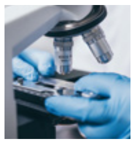
LCD Materials

Materials used in liquid crystal displays to achieve power savings and excellent picture quality.



Life Sciences Business

JSR Group's drug discovery and development services operate a contract development and manufacturing organization (CDMO) for biologics and a contract research organization (CRO). We also provide materials and services using the latest technology, such as diagnostic reagents that contribute to more advanced disease diagnosis and preventive diagnosis, and bioprocess materials used to purify antibodies and drugs.

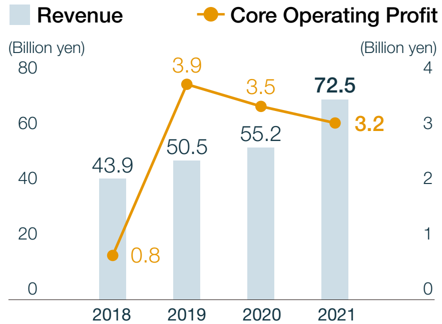


Drug Discovery and Development Services

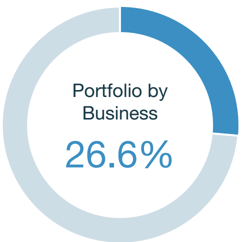
We have a global support system covering all aspects from drug discovery to manufacturing, which increases the probability of successful drug development and shortens development times.

Bioprocess Materials
Diagnostic and Research Reagents

Materials for the isolation and purification of biomaterials like proteins and cells and in vitro diagnostic reagents for diagnosing disease, which are key to personalized medicine. Materials that support the optimization of biologics manufacturing processes.



Plastics Business



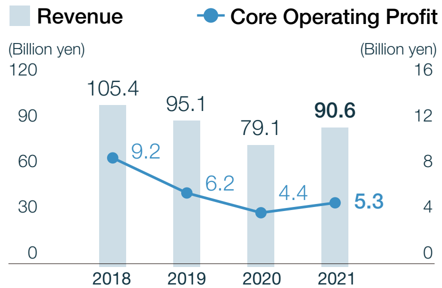
Offering anti-squeak materials, non-coated high colorable materials, and plating materials for automobiles, with a primary focus on ABS resins used for a wide range of purposes, including automobile parts, household appliances and building materials. Using JSR Group technological capabilities flexible enough to meet a variety of needs to develop unique products and design components that combine multiple desirable characteristics, providing users around the world with products of consistently high quality and added value.

ABS Resin

Providing heat- and weather-resistant grades of ABS used in automobile and building materials, with high resistance in practical use, impact resistance, workability, and weather resistance.

HUSHLLOY™ Anti-Squeak Material

Prevents unpleasant squeaking when parts rub against each other; the anti-squeaking effect lasts for the lifetime of the product and helps to lower parts costs.



* Chemical and mechanical planarization

Digital Solutions Business

Semiconductor Materials Business

Contribution to Solving Social Issues

As society becomes increasingly dependent on information, semiconductor chips must evolve to offer faster processing, lower energy consumption, and higher capacity. JSR will further develop its already powerful nanotechnology and develop leading-edge semiconductor materials offering greater performance at smaller sizes while using less energy. In this way, we will help to realize a smart society that runs on technologies like IoT and AI.

Overview of FY2021

In the semiconductor market, demand continued to grow for 5G mobile communications systems (5G), computers, and data centers, and materials for memory and logic semiconductors also performed well. To strengthen our position as a leader in the advanced lithography field, we made Inpria Corporation, a world leader in EUV lithography metal oxide photoresist design, development and manufacturing, a wholly owned subsidiary. We also established affiliates in Singapore and Taiwan to bolster our marketing and customer response. We also started building a new advanced lithography materials factory at our core Yokkaichi Plant and added metal oxide photoresists, a technology for the future, to our EUV photoresist product portfolio. Sales are also strong especially for advanced photoresists, in part because major customers are launching advanced devices. Packaging materials for major customers are also launching smoothly. We aim to monetize cleaning solutions quickly by adopting their use as next-generation products at our U.S.-based facility and expanding our market share Overall revenue and core operating profit were higher than in the previous fiscal year.

Management Policies

- Aim to grow sales by double the amount of market growth and maintain high share in ArF and multilayer materials.
- Capture demand from full-scale launch of products using EUV photoresists.
- Work to grow sales of CMP materials (for chemical and mechanical planarization), cleaning solutions, and packaging materials.

Going Forward

The semiconductor market, supported by demand for digital infrastructure, is growing powerfully as an essential business that society cannot live without. Our aim is to grow sales by twice the amount of growth in this market, and we will continue to focus on materials for advanced processes. In particular, we will emphasize EUV photoresists for semiconductors of the 3nm and beyond generation and for memory and work to maintain and expand our share in the global market for lithography materials. We will also expand peripheral materials like CMP materials, cleaning solutions, and packaging materials and grow sales to ensure we capture the growth in demand for semiconductor chips. Although a delay in the launch of our U.S. cleaning solutions plant, which began operating in FY2020, resulted in an impairment, it is now operating well. We will work to expand local production and optimize costs to stabilize earnings as soon as possible. The aim going forward is to use the U.S. plant to expand the cleaning solutions business in the global market.

TOPICS

Received the "Excellent Performance Award"

Taiwan Semiconductor Manufacturing, the world's largest dedicated semiconductor foundry, honored JSR Group with an Excellent Performance Award in December 2021. The company hands out the award to suppliers providing outstanding service, production equipment, and materials. The award given to JSR especially recognized our contribution in materials development, technical support, and the stable supply of high-quality products.

Digital Solutions Business

Display Materials Business

Contribution to Solving Social Issues

The spread of 8K broadcasting and 5G devices, two new technologies, is fueling demand for LCDs with high resolution and brightness and low power consumption. In the LCD panel market, which we expect will continue expanding, we will keep offering customers solutions that fully capitalize on our new development methods incorporating digitalization technology.

Overview of FY2021

In the Chinese market, which we expect to continue growing, we expanded sales focusing on competitive products. Of those, sales of Alignment Layer and Passivation Coat for LCD panels for large TV, which we are particularly focusing our efforts, expanded in China.

At the same time, as production of LCDs shifts from South Korea and Taiwan to China, we have been closing or downsizing local production bases in Taiwan and South Korea as part of a JSR Group realignment. Owing to the rising costs associated with the realignment, revenue and core operating profit were lower than in the previous fiscal year.

Management Policies

- Maximize cash flow in the LCD panel materials business through strategically focused business realignment.
- Capture growth in markets for new types of displays.

Going Forward

We have a high market share in the Display Materials Business. Here, our strength is in Alignment Layer and Passivation Coat, which help determine the performance of LCD panels. We particularly expect strong growth in the LCD panel market in China thanks to the growing number of 4K and 8K TVs sold. Therefore, we will especially promote sales of competitive Alignment Layer and Passivation Coat for large LCD panels.

As part of this, we will leverage the business management functions transferred from Japan to China to practice efficient information gathering and quick decision-making at the frontline of that market. We will also reinforce our sales and technical service structure at sales bases located around China. Additionally, part of the production of Over Coat, Passivation Coat, and other products from closed and downsized plants in Taiwan and South Korea was transferred at the end of March 2022 to JSR Micro (Changshu) Co., Ltd., which has expanded its own production of display materials. In March 2022, the Shanghai Technical Center (STC), our base for providing technical services for display materials in China, relocated to a different part of the city and expanded. Using the basic technology and experience we have acquired with LCD panel materials, we will also strengthen technical services in the field of OLED panel materials. In addition, as part of our global realignment, we moved the laboratory functions of JSR Micro Taiwan to STC and consolidated our technical service functions.

We will continue to carry out structural reforms in line with changes in our customers' industries and strategically realign the product portfolio and focus markets. We will work for stable, long-term cash generation through cost optimization and aim for steady profit growth.

TOPICS

Expansion of Technical Service Center

In March of 2022, JSR's technical center in Shanghai moved to a different district of the city, expanding in the process. The center provides technical services on display materials in China. It was already offering various technical services backed by the fast, one-stop customer responsiveness of its excellent Chinese staff. Now, it can provide technical services on OLED materials with its wealth of basic technology and experience, as well as various technical services using laboratory functions transferred from Taiwan and consolidated in Shanghai. The relocated center has also put in various new evaluation equipment and small scale production equipment.

Life Sciences Business

Contribution to Solving Social Issues

We deliver materials and support services for the entire biopharmaceutical process, from drug discovery through development and manufacturing. Our advanced framework can provide pharmaceutical companies, biotechnology companies, and academic and research institutions with services and products that help increase the efficacy of biologics and boost the probability of successful development, while shortening development periods, thereby helping to bring advanced healthcare to market sooner.

Overview of FY2021

With our U.S. headquarters, JSR Life Sciences, guiding strategies for the entire business segment, the Group has worked to expand revenue primarily from biomedical drug discovery support, production process development, and contract manufacturing, in addition to business from materials developed in-house.

There was an increase in projects in the pipelines of the CRO business operated by Crown Bioscience International and the CDMO business operated by KBI Biopharma, Inc.

MEDICAL & BIOLOGICAL LABORATORIES CO., LTD. (MBL) contributed to revenue with its diagnostic reagent business growing steadily. Also, bioprocess materials began to be used in commercial production and contributed to sales revenue. However, core operating profit was lower than the previous fiscal year, in part because of rising advance costs resulting from growth investment.

Management Policies

- Achieve revenue of more than 100 billion yen and core operating profit margin of 20% or more at a growth rate greater than that of the market.
- In addition to pursuing strategies in each business, strengthen the strategic synergies across the Life Sciences group and aim for growth above and beyond targets.

Going Forward

While the CDMO market is attracting an increasing number of entrants, Group company KBI Biopharma, Inc.'s business has some unique characteristics. It has completed a new plant in North Carolina and is further building its production capacity in the U.S. with the expectation to increase commercial production. Meanwhile, KBI and Selexis SA are newly enlarging their facilities in Geneva, Switzerland as JSR Group expands our business in Europe with its large market for biologics. The CRO business similarly taps its distinctive technological capabilities as the source of competitive strength. In this business, we are working to further increase revenue and profit ratios, primarily by expanding services from Crown Bioscience.

In addition, we aim to accelerate growth in Japan by strengthening the diagnostics business of Medical & Biological Laboratory (MBL) and establishing a joint venture with Crown Bioscience to provide advanced preclinical services. At the same time, research activities are proceeding at JSR Bioscience and informatics R&D center (JSR BiRD) and JSR-Keio University Medical and Chemical Innovation Center (JKiC), among others. By tapping into the synergy of the whole Group working together, we are building a powerful business that will achieve sales growth that is at least 20% greater than the market's own growth rate.

TOPICS

Stronger Support for Cell Culturing Business

U.S. subsidiary KBI Biopharma opened a new plant in April 2022. Located in a state-of-the-art commercial manufacturing facility in North Carolina's Research Triangle Park, the plant supports the manufacture of mammalian-based products for late-stage clinical and commercial programs. As such, it is helping to expand the mammalian cell culturing business in the U.S.

Plastics Business

Contribution to Solving Social Issues

We continue to offer products that meet customers' increasingly diverse needs and help to solve problems. Among the needs we address: high-performance ABS resin and plating materials; squeak-reducing materials that meet the demand for low in-vehicle noise in line with increasing use of electric vehicles (EVs); and unpainted materials that reproduce the advantages of paint, hold down costs, and reduce environmental impact by eliminating the need for solvents.

Overview of FY2021

We captured some of the demand that is recovering from a slump, particularly in the automobile industry. Sales volume and revenue both exceeded that of the previous fiscal year, and core operating profit surpassed that of the previous fiscal year thanks to recovery in sales volume. As a result of the above, revenue from the Plastics Business was 90,606 million yen (up 14.5% year on year) and core operating profit was 5,323 million yen (up 20.2% year on year).

Going Forward

The automobile industry, the chief market for our plastics, is undergoing profound changes thanks to technological progress. As such, manufacturers are demanding lighter and more multifunctional vehicle bodies than ever before. For example, with the increasing use of EVs, customers want less in-vehicle noise. Moreover, with rising awareness of the need to conserve the environment and respond to stronger laws and regulations, reducing environmental impact has become a big issue for the automobile industry. At the same time, there is the need to reduce costs. Together with other issues, these mean that customer needs are increasingly diverse. We are committed to meeting these diverse needs through our Plastics Business. We will continue to offer materials that help transform the automobile industry.

One such material is HUSHLLOY™ styrene thermoplastic. Where plastic parts are joined together, rubbing between the parts can cause unpleasant squeaking noises. The noise, caused by frictional vibration on the contact surface between plastic parts, is a major design consideration. HUSHLLOY™ styrene thermoplastic has revolutionary properties that prevent such squeaking to maintain a quiet vehicle interior. It can not only help reduce the cost of anti-squeak materials but also help lower environmental impact, since its effects last for the lifetime of the product.

Meanwhile, VIVILLOY™ is a highly colorable material for paint-less applications. We developed it based on proprietary polymer technology cultivated over many years of selling and supplying weather-resistant materials (in the DIALAC™series) and composite plastic alloys around the globe. Though no paint is used, this product features color depth and vividness closely resembling paint for components with intricate shapes. Moreover, bypassing the painting process can contribute to lower overall cost. JSR Group previously worked with a customer to implement closed-loop recycling of plastic in office equipment, and now we will use that experience to study recycling of unpainted automobile components. The Group works to expand sales of our distinctive and differentiated products, particularly in overseas markets.

TOPICS

Used in Various Applications from Automotive to Daily Goods

HUSHLLOY™, which reduces squeaking between plastic components, is a widely varied line of products built for specific applications. For example, some products are meant to withstand heat and some to be non-glossy, while others contain glass fiber or consist of a PC alloy. Each product offers the excellent physical properties balance and formability of ABS resin while maintaining a stable molding shrinkage rate. Thanks to these advantages, the line is used in a wide range of applications, including automotive components, electronics components, and home appliances. Automotive components that use HUSHLLOY™ include center cluster panels, air conditioner retainers, cup holders, and meter housing. Electronics components that use it include car navigation systems, while home appliances include air conditioner components.

Center cluster panel

Main Group Enterprises (As of July 31, 2022)

Head Office

JSR Corporation
Shiodome Sumitomo Bldg. 1-9-2, Higashi-Shimbashi, Minato-ku, Tokyo 105-8640 Japan

Branch Office

Taiwan Branch
5F.-1, No. 30, Taiyuan St., Zhubei City, Hsinchu County 302082, Taiwan, R.O.C.

Plants/Business Sites/Laboratories

Yokkaichi Plant/Yokkaichi Research Center
100, Kawajiricho, Yokkaichi-shi, Mie 510-8552 Japan

Tsukuba Site/Tsukuba Research Laboratories
25, Miyukigaoka, Tsukuba-shi, Ibaraki 305-0841 Japan

JSR-Keio University Medical and Chemical Innovation Center
35, Shinanomachi, Shinjuku-ku, Tokyo 160-8582 Japan

JSR Bioscience and informatics R&D center
3-103-9 Tonomachi, Kawasaki-ku, Kawasaki, Kanagawa 210-0821 Japan

JAPAN

Digital Solutions Business

Emulsion Technology Co., Ltd.
Compounding and sales of crude latex

D-MEC Ltd.
3D model generation, analysis by CAE and sales of solid modeling system and optically hardened resins

JSR Micro Kyushu Co., Ltd.
Production of semiconductor materials and display materials

JSR ARTON Manufacturing Co., Ltd.
Production of edge computing materials

Life Sciences Business

MEDICAL & BIOLOGICAL LABORATORIES CO., LTD.
R&D, manufacture and sales of diagnostic and research reagents and companion diagnostics development service

LEXI Co., Ltd.
Development, sales, and services of software and devices for supporting surgical operations

JSR Life Sciences Corporation
Manufacture of life sciences-related materials

Plastics Business

Techno-UMG Co., Ltd.
Production, sales and R&D of ABS resin

JAPAN COLORING CO., LTD.
Coloring and sales of synthetic resins

Other Businesses

JEY-TRANS CO., LTD.
Freight forwarding, warehousing, delivery management

JN System Partners Co., Ltd.
Computer system design, programming, operation and maintenance

JSR Business Services Co., Ltd.
Human resources, payroll calculation, welfare, general affairs

JSR Logistics & Customer Center Co., Ltd.
Customer service agent and logistics management

JSR Active Innovation Fund, LLC
Investment for start-ups and support for developing investees' businesses

Overseas

Digital Solutions Business

EUV Resist Manufacturing & Qualification Center N.V.
Production of EUV photoresists for semiconductors

Inpria Corporation
Development and production of EUV metal resist

JSR Electronic Materials Korea Co., Ltd.
Sales agency of products such as semiconductor materials

JSR Electronic Materials Singapore Pte. Ltd.
Sales agency of semiconductor materials

JSR Electronic Materials Taiwan Co., Ltd.
Sales, marketing and R&D activities of semiconductor materials

JSR Micro (Changshu) Co., Ltd.
Production of display materials

JSR Micro, Inc.
Production and sales of semiconductor materials

JSR Micro Korea Co., Ltd.
Design, development, production and sales of display materials

JSR Micro N.V.
Production and sales of semiconductor materials and life sciences-related materials

JSR Micro Taiwan Co., Ltd.
Design, development, production and sales of display materials

JSR North America Holdings, Inc.
Management and oversight of JSR Micro, Inc. and JSR Life Sciences, LLC's global operations

JSR (Shanghai) Co., Ltd.
Sales agency of products such as synthetic rubbers, semiconductor materials, LCD materials and performance chemicals

Life Sciences Business

Crown Bioscience International
Efficacy testing services for candidates of drugs against oncology, inflammation, cardiovascular and metabolic disease and development of antibodies for those diseases

JSR Life Sciences, LLC
JSR Life Sciences global business headquarters and distribution of life sciences products in the US market

JSR Micro N.V.
Production and sales of semiconductor materials and life sciences related materials

JSR North America Holdings, Inc.
Management and oversight of JSR Micro, Inc. and JSR Life Sciences, LLC's global operations

KBI Biopharma BVBA
Wholly owned KBI subsidiary, focused on delivering analytical and formulation services

KBI Biopharma, Inc.
Microbial and mammalian, clinical and commercial biopharmaceutical contract development and manufacturing services

KBI Biopharma, SA
Contract development and manufacturing of biopharmaceuticals

MBL Beijing Biotech Co., Ltd.
Manufacture of in vitro diagnostic raw material platforms and provider of complete project solutions for in vitro diagnostic industry

MBL Hangzhou Biotech Co., Ltd.
Manufacture of clinical diagnostics materials, antibodies and intermediates

MBL International Corporation
Development, manufacturing and sales of solutions-based products for both life science research and clinical diagnostics

MBL Shenzhen Biotech Co., Ltd.
Development, manufacture, and sale of diagnostic reagents and their raw materials

Selexis SA
Cell-line development services

Plastics Business

Techno-UMG America, Inc.
Sales of plastics, technical services related to plastics in North America

Techno-UMG Asia Co., Ltd.
Sales and technical services of synthetic resin in ASEAN region

Techno-UMG Europe GmbH
Sales and technical services of synthetic resin in Europe

Techno-UMG Guangzhou Co., Ltd.
Sales and technical services of synthetic resin in Guangzhou and neighboring regions

Techno-UMG Hong Kong Co., Ltd.
Sales and technical services of synthetic resin in Hong Kong and neighboring regions

Techno-UMG Shanghai Co., Ltd.
Sales and technical services of synthetic resin in China

Corporate Data (As of March 31, 2021)

JSR Corporation

JSR Corporation Established
December 10, 1957

Capital (Common Stock)
23,370 million yen

Employees
9,696

Closing date
JSR books are closed on March 31 each year.

Shareholders Information

Stock Listing
Tokyo Stock Exchange

Number of Shareholders
15,868

Number of Shares Issued
226,126,145 shares

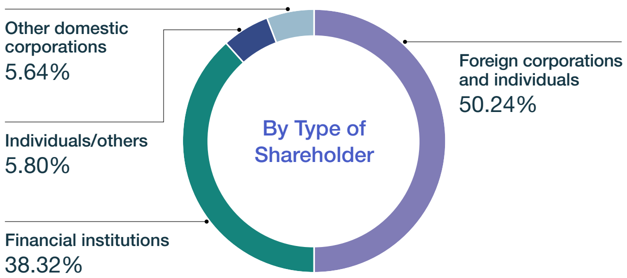
Major Shareholders

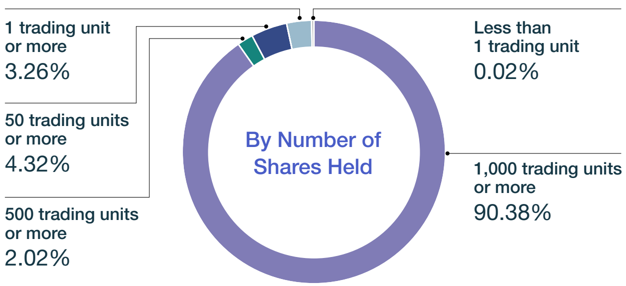
Name of Shareholder	% of shares held/voting rights	Number of shares held (thousands)
The Master Trust Bank of Japan, Ltd. (trust account)	15.42	33,162
SSBTC CLIENT OMNIBUS ACCOUNT BRITISH VIRGIN ISLANDS/U.K.	9.71	20,887
Custody Bank of Japan, Ltd. (trust account)	5.84	12,552
GOLDMAN SACHS & CO. REG	4.02	8,644
Bridgestone Corporation	3.03	6,525
MSCO CUSTOMER SECURITIES	3.00	6,449
ML PRO SEGREGATION ACCOUNT	2.15	4,633
Nippon Life Insurance Company	1.73	3,717
Meiji Yasuda Life Insurance Company	1.69	3,631
Mizuho Bank, Ltd.	1.55	3,325

*1 The numbers in the columns under "Number of shares held" are rounded to thousands of shares.
*2 The Company is not included in the table above although it holds 11,047,900 treasury shares.
*3 The shareholding ratio is calculated by using 215,078,245 shares (calculated by deducting number of treasury shares from Total number of issued shares 226,126,145 shares) and rounded to two decimal places.

Composition of Shareholders

	Shareholder	Shares held (thousands)
Individuals and others	14,891	12,485
Foreign corporations and individuals	660	108,052
Other domestic corporations	205	12,127
Financial institutions	111	82,414
Treasury stock	1	11,048
Total	15,868	226,126





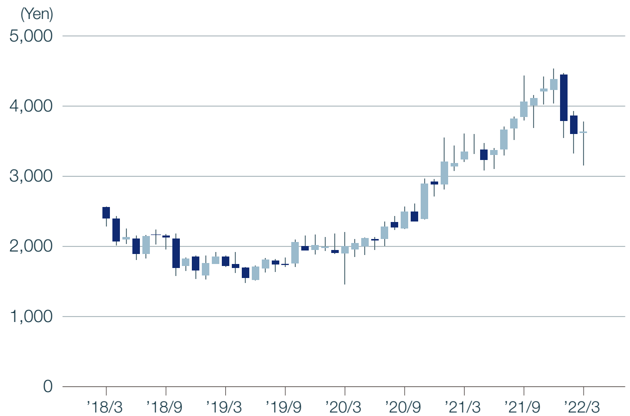
Ordinary General Meeting of Shareholders
The annual General Meeting of Shareholders is held in June each year. The 2021 annual General Meeting was held on June 17, 2022.

Transfer Agent and Register
SUMITOMO MITSUI TRUST BANK, LIMITED

Independent Auditors
KPMG AZSA LLC

Common Stock Price Range (Yen/share: Tokyo Stock Exchange)

		1st Q	2nd Q	3rd Q	4th Q
FY2010	High	1,999	1,666	1,543	1,875
	Low	1,436	1,201	1,341	1,183
FY2011	High	1,724	1,655	1,582	1,790
	Low	1,413	1,221	1,218	1,408
FY2012	High	1,695	1,455	1,644	1,994
	Low	1,255	1,274	1,224	1,670
FY2013	High	2,360	2,073	2,049	2,085
	Low	1,748	1,713	1,663	1,694
FY2014	High	1,933	1,975	2,229	2,205
	Low	1,622	1,681	1,711	1,893
FY2015	High	2,296	2,227	2,054	1,903
	Low	1,998	1,626	1,688	1,455
FY2016	High	1,682	1,635	1,872	2,115
	Low	1,292	1,287	1,437	1,835
FY2017	High	2,082	2,177	2,320	2,758
	Low	1,794	1,871	2,035	2,215
FY2018	High	2,425	2,229	2,177	1,909
	Low	1,803	1,824	1,530	1,526
FY2019	High	1,914	1,836	2,165	2,196
	Low	1,475	1,621	1,699	1,452
FY2020	High	2,127	2,557	2,959	3,600
	Low	1,840	2,004	2,346	2,809
FY2021	High	3,595	4,425	4,530	4,465
	Low	3,080	3,290	3,680	3,150



Management's Discussion and Analysis

Analysis of Operating Results

Overview of Operating Results for FY2021

In the FY2021, a recovery trend from the previous downturn was seen, fueled by both the control of COVID-19 and a rebound in economic activity. On the other hand, recent signs point to the pace of the global economy's recovery slowing down, including a fresh wave of COVID-19 infections, skyrocketing resource prices sparked by the Russian invasion of Ukraine that broke out in February 2022, worsening raw material and component shortages, and suppressed demand due to inflation mainly in the United States. As for the exchange rate, the yen depreciated against the dollar year-on-year. As for trends among the Group's main customer industries, the semiconductor market remained strong for both memory and logic semiconductors due to continued growth in demand for 5th generation mobile communication systems (5G), PCs and data centers. The flat-panel display market was strong throughout the year, thanks to the promotion of telework and other factors, but panel market conditions softened in the second half of the year, prompting manufacturers to adjust panel production. The biopharmaceutical market continued to see strong growth. The speed of recovery in global automobile production was hampered by production cuts by automobile manufacturers stemming from semiconductor shortages and difficulties in procuring parts for overseas production.

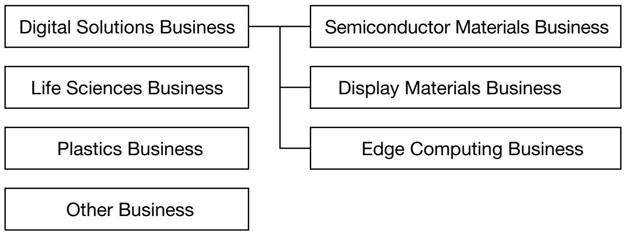
To push its business forward amid these circumstances, JSR Group has been strengthening its business structure and management framework to realize a corporate structure imbued with sustainability and resilience, in line with the management policy for FY2024, and actively investing in R&D and businesses. As part of this, the Group has focused resources on medium and long-term growth in the Digital Solutions Business and Life Sciences Business, which are positioned as core businesses. In the Digital Solutions Business, which is centered on the Semiconductor Materials Business, the Group made Inpria Corporation (Inpria) a wholly owned subsidiary. Inpria is a world leader in the design, development, and manufacturing of metal photoresists for extreme ultraviolet (EUV) lithography. The Group also embarked on the construction of a new plant for cutting-edge lithography materials, including EUV resists, at the main Yokkaichi Plant complex. Local subsidiaries were established in Singapore and Taiwan to further bolster marketing and customer support capabilities. The local subsidiaries will aim to further expand business in key markets for semiconductor production. In the Life Sciences Business, the Group took definitive steps toward future business growth. These included the continued construction and startup of new plants in Europe and America by the Group company KBI Biopharma, Inc. (KBI) for its biologics contract development and manufacturing organization (CDMO) business; the acquisition of OcellO B.V., which possesses advanced 3D cell imaging technology, by Crown Bioscience International (Crown Bio); and the opening of the JSR Bioscience and informatics R&D center (JSR BiRD), a new research facility to spearhead new business generation. Regarding the Elastomers Business, at the Board of Directors meeting held on May 11, 2021, the Company decided to establish a new subsidiary named Japan Synthetic Rubber Spin-off Preparation Co., Ltd. that succeeds to the Company's Elastomers Business through an absorption-type split, after which JSR will transfer all shares of Japan Synthetic Rubber Spin-off Preparation Co., Ltd. to ENEOS Corporation. Accordingly, JSR has classified the Elastomers Business as discontinued operations from the FY2021. Moreover, certain reclassifications have been made to the Consolidated Statement of Profit or Loss and related Notes on Consolidated Financial Statements for the FY ended March 2021 to conform to the presentation format for the FY ended March 2022. The share transfer to ENEOS Corporation was concluded on April 1, 2022.

As a result, the Group reported revenue of 340,997 million yen (up 9.3% year-on-year), core operating profit of 43,306 million yen (up 14.3% year-on-year), operating profit of 43,760 million yen (up 27.8% year-on-year), and profit attributable to owners of parent of 37,303 million yen, compared with loss attributable to owners of parent was 55,155 million yen in the previous fiscal year.

Business Segment Overview

The JSR Group's business is classified into three reportable segments: Digital Solutions, Life Sciences, and Plastics. The reportable segments are positioned as shown below.

Positioning of Reportable Segments



Digital Solutions Business Segment

The Digital Solutions Business segment experienced both increased revenue and profit compared to the previous fiscal year.

In the Semiconductor Materials Business, demand was firm for materials for both memory and logic semiconductors. To solidify JSR's position as a leader in the advanced lithography field, the Company made Inpria a subsidiary and added metal resists, a future technology, to its product portfolio of EUV photoresists. Sales of cutting-edge photoresists were particularly strong, due in part to advanced device launches by major customers. In addition, smooth product launches were achieved for packaging materials destined for major customers. An impairment loss was recorded for cleaning solutions caused by startup delays at the U.S. plant. Nevertheless, revenue and core operating profit increased year-on-year.

The Display Materials Business promoted expanded sales particularly of competitive products in the China market where continued growth is expected. Expanded sales to China were seen for alignment films and insulating films for wide-screen TV LCD panels, a focus point of the business. Although sales of alignment films and insulating films were solid, the sector posted lower year-on-year revenue and core operating profit because of increased expenses arising from the Group's business restructuring associated with the closure or scaling back of local production in Taiwan and South Korea, amid the shift of LCD production from South Korea and Taiwan to China.

The Edge Computing Business suffered revenue and profit declines because of a sales decrease in near infrared (NIR) filters.

As a result, the Digital Solutions Business segment posted a core operating profit of 39,002 million yen (up 12.8% year-on-year) on revenue of 165,030 million yen (up 9.0% year-on-year).

Life Sciences Business Segment

In the Life Sciences Business, with the U.S. headquarters guiding strategies for the entire business segment, the Group worked to expand revenue primarily in the biologics contract research business and the biologics contract development and manufacturing business, in addition to JSR materials. The contract research organization (CRO) business, provided by Group company Crown Bio, and KBI are steadily increasing their pipelines.

As a result, the Life Sciences Business segment posted a core operating profit of 3,168 million yen (down 9.7% year-on-year) on revenue of 72,452 million yen (up 31.3% year-on-year).

Plastics Business Segment

In the Plastics Business, sales volume rose from the previous fiscal year, mainly on the back of demand recovery in the automobile industry, and revenue also climbed. Core operating profit was up on the recovery in sales volume.

As a result, the Plastics Business segment posted a core operating profit of 5,323 million yen (up 20.2% year on-year) on revenue of 90,606 million yen (up 14.5% year-on-year).

Business Outlook

Uncertainties are anticipated to continue in FY ending March 2023, including changes in the international situation driven by the re-emergence of COVID-19 infections, geopolitical fluctuations including heightened tensions around the Ukraine situation, suppressed demand in countries around the world due to broad price increases, and the impact on exchange rates of interest rate policies in various countries. On the other hand, global economic growth is expected to be on a recovery track due to the widespread roll-out of COVID-19 vaccines, the expanding deployment of booster shots and use of therapeutic drugs against COVID-19, and the favorable employment conditions and asset markets in the United States that are expected to support the economy.

In the current situation, the semiconductor market, JSR's primary customer market, is expected to be sustained by digital infrastructure demand and see robust growth as an essential industry for society. Furthermore, the solid demand forecasts over the medium-to-long term for the life sciences field remain unchanged. In the global automobile market, the Plastics Business's main customer market, the recovery trend in automobile production is predicted to continue.

Amid these business conditions, JSR will continue proactive R&D and business investments in the growing Semiconductor Materials Business and Life Sciences Business toward further strengthening of its business structure and management framework in order to build an organizational structure having both resilience and sustainability.

Analysis of Financial Position

Overview of Financial Position for FY2021

1. Asset

Total assets as of March 31, 2022 amounted to 809,371 million yen, up 136,598 million yen from a year earlier.

Current assets amounted 437,002 million yen, up 107,723 million yen, due to an increase in inventories, including the Elastomers Business.

Non-current assets amounted 372,369 million yen, up 28,875 million yen, due to an increase in goodwill resulting from making Inpria Corporation a wholly owned subsidiary.

2. Liabilities

Total liabilities amounted to 394,631 million yen, up 92,595 million yen, due to an increase in borrowings resulting from the issue of bonds.

3. Equity

In terms of equity, total equity attributable to owners of parent amounted to 376,011 million yen, up 42,016 million yen from a year earlier, due to the recording of profit attributable to owners of parent. Total equity, including noncontrolling interests, amounted to 414,739 million yen, up 44,003 million yen.

Overview of Cash Flows for FY ended March 2022

Cash and cash equivalents ("funds") as of March 31, 2022 stood at 45,567 million yen, down 39,809 million yen from a year earlier.

Net cash provided by operating activities amounted to 18,271 million yen, down 52,132 million yen from the previous year. The main items included profit before tax of 45,521 million yen, depreciation expenses and amortization charges of 22,482 million yen, and net increase in inventories of 46,454 million yen.

Net cash used in investing activities totaled 63,117 million yen, up 10,431 million yen from the previous year. The main items were 47,614 million yen in payments for purchase of property, plant and equipment, 47,348 million yen in payments for purchase of shares of subsidiaries resulting in change in scope of consolidation, 17,203 million yen in proceeds from sale of investments, and 15,224 million yen in proceeds from sale of investments in associates.

Net cash provided by financing activities totaled 22,994 million yen, up 18,698 million yen from the previous year. The main items were 39,338 million yen in net increase in short-term borrowings and 15,338 million yen in repayments of long-term borrowings.

The Group formulates a funding plan based on the annual business plan and controls liquidity risk in consideration of an appropriate balance of direct and indirect funding, as well as short-term and long-term funding.

Financing and Capital Liquidity

The Group's need for capital includes working capital such as raw material costs; overhead costs; selling, general and administrative expenses; capital investment, business investment including M&As; and repayment of interest-bearing debt related to manufacturing and sales. The Group meets such needs for capital mainly from operating cash flows and by borrowing from financial institutions. The Group formulates a financial plan based on the annual business plan, and manages liquidity risks by ensuring an appropriate balance between direct and indirect financing and between short-term and long-term financing to prepare for these risks, while considering business expansion and enhancement of the financial position. The Group registered for the issuance of up to 100 billion yen in corporate bonds and established a commercial paper issuance facility of up to 15 billion yen. In the current fiscal year under review, we issue a total of 10 billion yen in short-term corporate bonds to further diversify our methods for raising capital. We are also introducing a cash management system for the purpose of efficient use of capital, and are seeking to centralize capital procurement and management within the Group.

Basic Approach to the Selection of Accounting Standards

JSR Group has voluntarily adopted International Financial Reporting Standards (IFRS) starting from FY ended March

2018 to improve convenience and the international comparability of financial information in the capital market.

Significant accounting policies, accounting estimates, and assumptions used in making such estimates adopted in the JSR Group's consolidated financial statements are described in "5. Accounting Conditions, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements Notes to Consolidated Financial Statements, 4. Significant Accounting Policies, 6. Judgments Involving Significant Accounting Estimates and Estimates" in the Annual Securities Report.

Basic Policy on Profit Allocation and Dividends for FY ended March 31, 2022 and FY ending March 31, 2023

With respect to profit appropriation, the Company regards business growth over the long term as its top priority. To generate sustainable long-term growth, JSR strives to increase its competitiveness by developing new businesses through the reinforcement of research and development activities. The Company determines returns to shareholders by taking into account business performance and medium-term and long-term demand for funds, while giving consideration to a balance between returning profits to shareholders and retaining earnings necessary for future business advancement. The Company plans to pay a year-end dividend of 35.00 yen per share in the interest of continuing stable dividends. Including the interim dividend already paid, the total annual dividend for FY ended March 2022 will be 70.00 yen per share. With regard to the dividend for the next fiscal year (FY ending March 2023), JSR plans to pay 70.00 yen per share annually, the same amount as for FY ended March 2022, in consideration of the balance between returns to shareholders and retaining earnings for the Company's future growth, with the objective of sustainably improving the Company's business performance from a long-term perspective.

JSR Group Business and Other Risks

JSR Group is exposed to the following risks that may impact on operating results, financial position, cash flows, and other aspects of its business performance.

Forward-looking statements are based on the Group's judgments as of March 31, 2022, and the Group's business and other risks are not limited to the following matters.

Changes in Demand due to Economic Trends

Major industries in which JSR Group's products are sold, such as automobiles and electronics, may be influenced by the economic climate in countries or regions. An economic slowdown could reduce demand in these industries and adversely affect JSR Group's operating results.

Fluctuations in Exchange Rates

JSR Group is susceptible to the effects of exchange rate fluctuations. Operating results of consolidated subsidiaries and equity-method affiliates located in other countries are converted into Japanese yen amounts for the purposes of preparing consolidated financial statements. Accordingly, yen appreciation could adversely affect JSR Group's operating results.

Fluctuations in Prices for Crude Oil, Naphtha, and Other Major Raw Materials

Fluctuations in prices for crude oil and naphtha, or changes in market conditions for other major raw materials, could change procurement prices of raw materials or market conditions for products and adversely affect JSR Group's operating results, especially in the Elastomers Business and Plastics Business.

Overseas Operations

Overseas operations are exposed to a number of risks that include, but are not limited to, an unfavorable political environment or economic trends; labor disputes and other problems due to differences in labor laws and other working conditions; difficulty in recruiting and retaining employees; an adverse impact on business activities due to inadequate social infrastructure; and the impact of wars, terrorism, and other social instability. Any of these events could adversely affect JSR Group's operating results.

Product Quality Assurance and Product Liability

Damage or injury caused by a product manufactured by JSR Group could adversely affect JSR Group's operating results.

Development of New Products

Large, unforeseen changes in the industry or market could prevent the timely development of new products and adversely affect JSR Group's operating results.

R&D Involving NextStage Growth Businesses

JSR Group actively invests in R&D to create next-stage growth businesses. However, there is no guarantee that all R&D activities will yield worthwhile results. Depending on R&D results, there could be an adverse effect on JSR Group's operating results.

Protection of Intellectual Property

Disputes over intellectual property with other companies could arise or infringements on JSR's intellectual property by other companies could occur.

Climate Change

As a transition risk associated with climate change, if policies toward a decarbonized society are strengthened or laws and regulations related to carbon emissions are revised or newly enacted at an unexpectedly rapid pace in various countries and regions in the future, the Group may face increased expenditures for such efforts and restrictions on its business activities.

Environmental Issues

In the event that a spill of any type of chemical occurs or that environmental regulations become more stringent, the Group's business activities could be constrained, the Group may have to pay compensation and other costs, or the Group may have to make new substantial capital expenditures. Any of these events could adversely affect JSR Group's operating results.

Laws and Regulations

In the countries where it operates, JSR Group is subject to various laws and regulations involving business and investment permits, import and export activities, trade, labor relations, intellectual property, taxes, foreign exchange, and other matters. In the event that a law or regulation is violated, or a law or regulation becomes stricter or is significantly altered, there could be limitations to the Group's business activities or additional compliance costs. Any of these events could adversely affect JSR Group's operating results.

Litigation

JSR Group may be sued or be involved in other litigation concerning a dispute with a supplier, customer, or other external party. The outcome of significant litigation could adversely affect JSR Group's operating results.

Procurement of Raw Materials

An interruption in the supply of raw materials due to an accident at a raw materials manufacturer or a supply stoppage due to quality issues or bankruptcy could hinder production activities and adversely affect JSR Group's operating results.

Information Systems and Information Management

Unauthorized access due to cyber attacks, malicious or grossly negligent actions by employees or others, power outages, disasters, or other events, may result in the falsification or destruction of data, leakage of personal information, failure of information systems, which could in turn impede business activities.

Natural Disasters and Accidents

Constraints on economic activity caused by a major natural disaster or an accident at a manufacturing facility that damages a manufacturing facility or disrupts production could adversely affect JSR Group's operating results.

Spread of COVID-19 Infections

Restriction of economic activities due to the spread of the COVID-19 infections, temporary closure of offices and factories, or reduced operation could adversely affect the JSR Group's business results.

MATERIALS INNOVATION

JSR REPORT 2022

FINANCIAL SECTION

1. Preparation Policy of the Consolidated Financial Statements

   The consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS") pursuant to the provisions of Article 93 of the Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976; hereinafter the "Regulation on Consolidated Financial Statements").

2. Audit Certification

   In accordance with the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act of Japan, the consolidated financial statements for the fiscal year ended March 31, 2022 were audited by KPMG AZSA LLC.

3. Special Efforts to Ensure the Appropriateness of Consolidated Financial Statements, etc., and Development of a System for Fair Preparation of Consolidated Financial Statements, etc. in Accordance with IFRS

   (1) The Company has implemented special efforts to ensure the appropriateness of consolidated financial statements, etc. Specifically, the Company has become a member of the Financial Accounting Standards Foundation and obtains information including the latest accounting standards in order to develop a system that enables it to properly understand the contents of accounting standards, etc. or respond appropriately to changes in accounting standards, etc. In addition, the Company's staff members have attended seminars, lectures and other events held by the Accounting Standards Board of Japan.

   (2) For the adoption of IFRS, the Company keeps up with the latest accounting standards by obtaining press releases and standards published by the International Accounting Standards Board as needed. To prepare appropriate consolidated financial statements under IFRS, the Company has developed accounting policies, etc. of the Group in accordance with IFRS and performs accounting procedures based on these policies.

Consolidated Statement of Financial Position

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2021 and 2022

	Note	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Assets				
Current assets				
Cash and cash equivalents	9	85,377	45,567	372,312
Trade and other receivables	10, 35	125,292	76,106	621,836
Inventories	12	104,862	104,934	857,374
Other financial assets	11, 35	1,933	1,289	10,529
Other current assets	14	11,815	17,807	145,496
Subtotal		329,279	245,704	2,007,547
Assets related to disposal group classified as held for sale	13	-	191,298	1,563,022
Total current assets		329,279	437,002	3,570,569
Non-current assets				
Property, plant and equipment	15, 16, 18	170,428	159,539	1,303,527
Goodwill	17, 18	58,633	117,640	961,190
Other intangible assets	17, 18	15,014	24,571	200,763
Investments accounted for using equity method	19	21,015	2,984	24,381
Retirement benefit asset	23	4,905	5,192	42,426
Other financial assets	11, 35	49,751	31,408	256,619
Other non-current assets	14	3,598	2,830	23,120
Deferred tax assets	20	20,150	28,205	230,453
Total non-current assets		343,494	372,369	3,042,479
Total assets		672,773	809,371	6,613,048

Consolidated Statement of Financial Position

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2021 and 2022

	Note	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	22, 35	100,797	63,548	519,228
Contract liabilities		9,368	12,824	104,780
Bonds and borrowings	21, 35	37,872	69,170	565,162
Income taxes payable		4,866	13,479	110,132
Provisions	24	1,837	2,718	22,205
Other financial liabilities	21, 35	3,874	3,489	28,508
Other current liabilities	25	10,196	7,461	60,960
Subtotal		168,810	172,689	1,410,976
Liabilities related to disposal group classified as held for sale	13	-	115,576	944,325
Total current liabilities		168,810	288,265	2,355,300
Non-current liabilities				
Contract liabilities		7,861	11,582	94,631
Bonds and borrowings	21, 35	81,406	48,737	398,214
Retirement benefit liability	23	16,434	10,278	83,974
Provisions	24	-	8,033	65,635
Other financial liabilities	21, 35	19,314	17,795	145,397
Other non-current liabilities	25	5,136	4,809	39,290
Deferred tax liabilities	20	3,077	5,133	41,936
Total non-current liabilities		133,227	106,366	869,077
Total liabilities		302,036	394,631	3,224,377
Equity				
Equity attributable to owners of parent				
Share capital	26	23,370	23,370	190,950
Capital surplus	26	11,562	11,799	96,409
Retained earnings	26	302,916	333,335	2,723,549
Treasury shares	26	(19,202)	(18,874)	(154,215)
Other components of equity	26	15,348	26,381	215,545
Total equity attributable to owners of parent		333,995	376,011	3,072,237
Non-controlling interests		36,741	38,728	316,434
Total equity		370,736	414,739	3,388,671
Total liabilities and equity		672,773	809,371	6,613,048

Consolidated Statement of Profit or Loss

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2021 and 2022

	Note	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2022
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Continuing operations				
Revenue	7, 28	312,000	340,997	2,786,154
Cost of sales		(198,192)	(214,937)	(1,756,168)
Gross profit		113,808	126,060	1,029,986
Selling, general and administrative expenses	29	(75,205)	(87,330)	(713,537)
Other operating income	18, 30	1,601	10,819	88,398
Other operating expenses	18, 30	(5,302)	(5,952)	(48,633)
Share of profit (loss) of investments accounted for using equity method	19	(669)	163	1,332
Operating profit	7	34,233	43,760	357,546
Finance income	7, 31	822	3,415	27,904
Finance costs	7, 31	(1,744)	(1,655)	(13,518)
Profit before tax	7	33,310	45,521	371,931
Income tax expense	20	(7,990)	(8,370)	(68,389)
Profit from continuing operations		25,321	37,151	303,542
Discontinued operations				
Profit (loss) from discontinued operations	13	(79,851)	2,289	18,703
Profit (loss)		(54,530)	39,440	322,245
Profit (loss) attributable to:				
Owners of parent		(55,155)	37,303	304,789
Non-controlling interests		625	2,136	17,456
Total		(54,530)	39,440	322,245
Earnings (loss) per share		Yen	Yen	U.S. dollars
Basic earnings (loss) per share		(256.73)	173.49	1.42
Continuing operations	33	108.65	162.52	1.33
Discontinued operations	33	(365.38)	10.97	0.09
Diluted earnings (loss) per share		(256.34)	173.26	1.42
Continuing operations	33	108.47	162.30	1.33
Discontinued operations	33	(364.81)	10.96	0.09

Consolidated Statement of Comprehensive Income

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2021 and 2022

	Note	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2022
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit (loss)		(54,530)	39,440	322,245
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	32	5,101	1,141	9,320
Remeasurements of defined benefit plans	32	1,438	281	2,295
Share of other comprehensive income of investments accounted for using equity method	32	68	(2)	(20)
Items that may be reclassified to profit or loss				
Effective portion of cash flow hedges	32	28	34	274
Exchange differences on translation of foreign operations	32	6,167	17,573	143,580
Share of other comprehensive income of investments accounted for using equity method	32	65	640	5,228
Total other comprehensive income, net of tax		12,867	19,665	160,678
Total comprehensive income		(41,663)	59,105	482,923
Comprehensive income attributable to:				
Owners of parent		(43,458)	56,124	458,565
Non-controlling interests		1,795	2,981	24,358
Total		(41,663)	59,105	482,923

Consolidated Statement of Changes in Equity

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2021 and 2022

Fiscal year ended March 31, 2021

(Millions of yen)

	Note	Equity attributable to owners of parent						Non-controlling interests	Total equity
		Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total		
Restated balance at April 1, 2020		23,370	18,242	369,102	(19,547)	5,626	396,793	40,619	437,412
Profit(loss)				(55,155)			(55,155)	625	(54,530)
Other comprehensive income						11,697	11,697	1,170	12,867
Total comprehensive income		-	-	(55,155)	-	11,697	(43,458)	1,795	(41,663)
Share-based payment transactions			(6)		266	(9)	251		251
Dividends	27			(12,888)			(12,888)	(479)	(13,368)
Purchase and disposal of treasury shares			(18)		80		62		62
Transfer from other components of equity to retained earnings				2,399		(2,399)	-		-
Proceeds from sale of shares of subsidiaries							-		-
Changes in non-controling interests			(6,656)			(27)	(6,682)	(5,198)	(11,881)
Other				(541)		460	(82)	5	(77)
Total transactions with owners, etc.		-	(6,679)	(11,031)	346	(1,975)	(19,339)	(5,673)	(25,012)
Balance at March 31, 2021		23,370	11,562	302,916	(19,202)	15,348	333,995	36,741	370,736

Fiscal year ended March 31, 2022

(Millions of yen)

	Note	Equity attributable to owners of parent						Non-controlling interests	Total equity
		Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total		
Balance at April 1, 2021		23,370	11,562	302,916	(19,202)	15,348	333,995	36,741	370,736
Profit				37,303			37,303	2,136	39,440
Other comprehensive income						18,821	18,821	845	19,665
Total comprehensive income		-	-	37,303	-	18,821	56,124	2,981	59,105
Share-based payment transactions			226		248	(32)	441		441
Dividends	27			(13,975)			(13,975)	(1,127)	(15,102)
Purchase and disposal of treasury shares			(17)		79		63		63
Transfer from other components of equity to retained earnings				7,663		(7,663)	-		-
Proceeds from sale of shares of subsidiaries			34				34	133	167
Changes in non-controling interests							-		-
Other			(6)	(573)		(92)	(671)		(671)
Total transactions with owners, etc.		-	237	(6,884)	327	(7,788)	(14,108)	(994)	(15,102)
Balance at March 31, 2022		23,370	11,799	333,335	(18,874)	26,381	376,011	38,728	414,739

Consolidated Statement of Changes in Equity

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2021 and 2022

Fiscal year ended March 31, 2022

(Thousands of U.S. dollars)

	Note	Equity attributable to owners of parent						Non-controlling interests	Total equity
		Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total		
Balance at April 1, 2021		190,950	94,472	2,475,005	(156,890)	125,404	2,728,940	300,200	3,029,140
Profit			-	304,789	-	-	304,789	17,456	322,245
Other comprehensive income			-	-	-	153,777	153,777	6,901	160,678
Total comprehensive income		-	-	304,789	-	153,777	458,565	24,358	482,923
Share-based payment transactions			1,843	-	2,026	(265)	3,603	-	3,603
Dividends	27			(114,182)			(114,182)	(9,209)	(123,391)
Purchase and disposal of treasury shares			(135)		649		514	-	514
Transfer from other components of equity to retained earnings				62,615		(62,615)	-	-	-
Proceeds from sale of shares of subsidiaries			275				275	1,086	1,361
Changes in non-controling interests							-	-	-
Other			(45)	(4,678)	-	(755)	(5,479)	-	(5,479)
Total transactions with owners, etc.		-	1,937	(56,245)	2,674	(63,635)	(115,269)	(8,123)	(123,392)
Balance at March 31, 2022		190,950	96,409	2,723,549	(154,215)	215,545	3,072,237	316,434	3,388,671

Consolidated Statement of Cash Flows

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2021 and 2022

	Note	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2022
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash flows from operating activities				
Profit before tax		33,310	45,521	371,931
Profit (loss) before tax from discontinued operations	13	(95,740)	3,371	27,541
Depreciation and amortization		29,477	22,482	183,688
Interest and dividend income		(903)	(1,782)	(14,561)
Interest expenses		1,743	2,535	20,713
Share of loss (profit) of investments accounted for using equity method		4,132	(163)	(1,332)
Impairment losses	18	79,575	5,650	46,163
Loss (gain) on step acquisition		—	(7,467)	(61,012)
Decrease (increase) in trade and other receivables		(13,009)	(12,532)	(102,394)
Decrease (increase) in inventories		9,807	(46,454)	(379,558)
Increase in trade and other payables		11,772	10,066	82,244
Other		15,001	8,884	72,586
Dividends received		1,076	1,801	14,718
Interest received		201	367	2,995
Interest paid		(1,605)	(2,300)	(18,792)
Income taxes refund		958	—	—
Income taxes paid		(5,393)	(11,706)	(95,645)
Net cash provided by (used in) operating activities		70,403	18,271	149,285
Cash flows from investing activities				
Net decrease in time deposits		2,145	397	3,243
Purchase of property, plant and equipment		(55,205)	(47,614)	(389,036)
Proceeds from sale of property, plant and equipment		284	778	6,358
Purchase of investments		(1,606)	(1,652)	(13,498)
Proceeds from sale of investments		2,016	17,203	140,560
Purchase of shares of subsidiaries resulting in change in scope of consolidation	8	—	(47,348)	(386,862)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation		—	(45)	(368)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation		498	—	—
Proceeds from sale of investments in associates		—	15,224	124,385
Payments for loans receivable		(567)	(471)	(3,847)
Collection of loans receivable		627	811	6,626
Other		(878)	(400)	(3,266)
Net cash provided by (used in) investing activities		(52,687)	(63,117)	(515,705)
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings	21	(2,424)	39,338	321,414
Net increase in commercial papers	21	—	10,003	81,734
Repayments of long-term borrowings	21	(11,428)	(15,338)	(125,317)
Proceeds from long-term borrowings	21	11,320	7,863	64,249
Proceeds from issuance of bonds		34,836	—	—
Purchase of treasury shares		(3)	(4)	(36)
Dividends paid	27	(12,887)	(13,972)	(114,158)
Dividends paid to non-controlling interests		(464)	(1,127)	(9,209)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation		(11,717)	—	—
Proceeds from sale of investments in subsidiaries		—	160	1,305

Consolidated Statement of Cash Flows

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2021 and 2022

not resulting in change in scope of consolidation				
Repayments of lease liabilities	21	(3,264)	(4,348)	(35,524)
Other		327	419	3,421
Net cash provided by (used in) financing activities		4,297	22,994	187,878
Effect of exchange rate changes on cash and cash equivalents		1,432	(1,534)	(12,533)
Net increase (decrease) in cash and cash equivalents		23,445	(23,386)	(191,074)
Cash and cash equivalents at beginning of period		61,931	85,377	697,578
Cash and cash equivalents included in assets associated with disposal groups classified as held for sale	13	—	(16,424)	(134,193)
Cash and cash equivalents at end of period	9	85,377	45,567	372,312

Notes of Consolidated Financial Statements

(1) Reporting Entity

JSR Corporation (the "Company") is incorporated in Japan. The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (collectively, the "Group") together with the Group's attributable share of the results of associates and joint ventures. The Group is primarily engaged in the Digital Solutions Business, the Life Sciences Business and the Plastics Business as well as businesses related to these. The products of these businesses are wide ranging. See the note "(7) Segment Information" for further details.

(2) Basis of Preparation

1) Compliance with Accounting Standards

The Group meets the requirements of a "specified company" set forth in Article 1-2 of the "Ordinance on Consolidated Financial Statements." Accordingly, the Group prepares consolidated financial statements in accordance with IFRS pursuant to the provisions of Article 93 of the said Ordinance.

2) Basis for Measurement

The Group's consolidated financial statements, with the exception of assets pertaining to post-employment benefit plans, financial instruments measured at fair value, etc., stated on "(4) Significant Accounting Policies," are prepared on a historical cost model.

3) Presentation Currency and Units

The Group's consolidated financial statements are presented in Japanese yen, the currency of the primary economic environment in which the Company performs business activities (the "functional currency"), with amounts rounded to the nearest million yen.

The translation of the amounts in Japanese yen into US dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate on March 31, 2022, which was ¥108.83 to $1.00. The amounts translated should not be construed as representations that the amounts in Japanese yen have been, could have been, or could in the future be, converted into US dollars at this or any other rates of exchange.

4) Authorization of Consolidated Financial Statements

The consolidated financial statements have been authorized by Nobuo Kawahashi, the Company's representative director and president and COO, and Ken-ichi Emoto, the Company's CFO, on June 17, 2022.

(3) Explanation of New Standards and Interpretations Not Applied

The major new or revised standards and interpretations published prior to the date of authorization of the consolidated financial statements have no significant impact.

(4) Significant Accounting Policies

The significant accounting policies that have been applied to the consolidated financial statements are as follows and are identical to those applied to all periods stated in the consolidated financial statements.

1) Basis of Consolidation

(i) Subsidiaries

Subsidiaries refer to all entities controlled by the Group. The Group is deemed to have control over an entity if it has exposure or rights to variable returns from its involvement in the entity and has the ability to use its power over an entity to affect such returns. The financial statements of subsidiaries are included in the Group's consolidated financial statements from the date the Company gains control until the date it loses control of the subsidiary.

In cases where the accounting policies applied by a subsidiary are different from those applied by the Group, adjustments are made to the subsidiary's financial statements, if necessary. All intergroup balances of payables and receivables, internal transactions and unrealized gains or losses arising from transactions within the Group are eliminated in preparing the consolidated financial statements.

When the Company retains control when there has been partial disposal of ownership interest in a subsidiary, the partial disposal is accounted for as an equity transaction. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity attributable to Owners of the parent company.

If the Company loses control over the subsidiary, gains or losses derived from such loss are recognized as profit or loss.

When the fiscal year-end of a subsidiary is different from the end of the reporting period of the Group, the Company uses financial statements of the subsidiary based on the provisional accounting as of the end of the reporting period of the Group.

(ii) Associates

Associates are entities over which the Group has significant influence but does not have control over the financial and operating policies. The equity method is applied to all associates from the date on which the Group acquires significant influence to the date on which it loses the significant influence.

Goodwill recognized on acquisition (less accumulated impairment losses) is included in investments in associates.

In cases where the accounting policies applied by an associate are different from those applied by the Group, adjustments are made to the associate's financial statements, if necessary.

(iii) Joint Ventures

A joint venture is an entity jointly controlled by two or more parties including the Group under the contractually agreed sharing of control over economic activities of the joint venture, which exists only when decisions for strategic financial and operating decisions related to relevant activities require unanimous consent of the parties sharing control.

Joint ventures of the Group are accounted for using the equity method.

In cases where the accounting policies applied by a joint venture are different from those applied by the Group, adjustments are made to the joint venture's financial statements, if necessary.

2) Business Combinations

The Group takes in account business combinations using the acquisition method.

The aggregate of the consideration paid for a business combination measured at fair value on the acquisition date and the amount of non-controlling interests in the acquired entity are taken as the acquisition costs based on the acquisition method.

Non-controlling interests are measured at equivalent amount for the fair price of the acquired entity's identifiable net assets and liabilities in proportion to the share of the non-controlling interest.

Ancillary costs incurred relating to business combination such as brokerage fees, attorney's fees, due diligence costs, other professional fees, consulting fees, as well as other acquisition-related costs are recognized as expenses in the periods in which such costs are incurred.

If the initial accounting for the business combination has not been completed by the closing date of the reporting period in which the business combination took place, such incomplete items are measured at provisional amounts based on the best estimate.

If the new information obtained during the measurement period, which lasts for a year from the acquisition date, affects the measurement of the amount recognized on the acquisition date, the provisional amount recognized on the acquisition date is retrospectively revised.

In the event that the aggregate amount of fair value of the consideration paid in relation to the business combination, the amount of non-controlling interests in the acquired entity, and the fair value of equity interests on the control commencement date in the acquired entity previously held by the acquiring entity exceeds the net value of identifiable assets and liabilities at the acquisition date, the excess amount is recognized as goodwill.

If, on the other hand, such aggregate amount does not exceed the net value of identifiable assets and liabilities at the acquisition date, the difference is recognized in profit or loss. Additional acquisitions of non-controlling interests after the controlling acquisition are accounted for as capital transactions and are not recognized as goodwill from the original transaction.

3) Foreign Currency Translation

(i) Functional Currency and Presentation Currency

The Group's consolidated financial statements are presented in Japanese yen, which is the Company's functional currency. The Group's foreign operations generally use the local currency as their functional currency, but if any currency other than the local currency is primarily used in the economic environment in which the entity operates, such currency is used as the entity's functional currency.

(ii) Foreign Currency Transactions

Foreign currency transactions, meaning transactions conducted in a currency other than the respective entity's functional currency, are translated into the functional currency either by using the exchange rates prevailing at the date of the transaction or using an average rate when there are no material fluctuations in exchange rates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the reporting date, and exchange differences are recognized in profit or loss in principle.

(iii) Foreign Operations

The assets and liabilities (including goodwill arising from acquisitions and adjustments of fair value) of foreign operations that use a currency other than Japanese yen as their functional currency are translated into Japanese yen at the exchange rates prevailing at the reporting date. The revenues and expenses of foreign operations are translated into Japanese yen at the average rates of exchange over the reporting period, unless there are material fluctuations in exchange rates. Exchange differences arising from such translations in foreign operations' financial statements are recognized in other comprehensive income, and are included and accounted for in other components of equity.

4) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, deposits that can be withdrawn as needed, and short-term investments that are easily converted into cash with minimal risk of changes in value.

5) Inventories

Inventories are measured at the lower of cost or net realizable value. Cost of inventories is calculated based on the weighted-average cost formula. Net realizable value is the estimated selling price of inventories in the ordinary course of business, less the estimated costs of completion and estimated selling expenses. Inventories and work in process manufactured by the Company include the amounts of manufacturing overhead appropriately allocated based on the ordinary operating rate.

6) Property, Plant and Equipment （Excluding Right-of-use Assets）

The cost model has been adopted, and all property, plant and equipment are measured at cost less any accumulated depreciation and accumulated impairment losses. Cost includes costs directly attributable to the acquisition of the assets, and the present value of the estimated costs of removal of the assets and site restoration. Furthermore, borrowing costs that satisfy certain conditions directly attributable to the acquisition, construction, etc., of the assets are recognized as part of the cost of the assets.

Depreciation expenses are recognized using the straight-line method over the estimated useful life of each asset to depreciate the cost less the residual value of the asset. The estimated useful lives, residual values, and depreciation methods are reviewed at the end of the reporting period. In the event of the modification in estimates, impacts therefrom are recognized in the accounting period in which the estimates were modified and in the future accounting periods.

The estimated useful lives of major assets are as follows:

・ Buildings and structures: 10 to 50 years
・ Machinery, equipment, and vehicles: 5 to 25 years
・ Tools, furniture, and fixtures: 3 to 10 years

7) Intangible assets

(i) R&D expenses

Research-related expenditures are recognized as expenses when they are incurred. Development-related expenditures are capitalized as intangible assets only when all of the following conditions are satisfied: the amount for such expenditures can be reliably measured; the products or the processes to be developed therefrom are technically and commercially viable; there is a high probability of generating future economic benefits; and the Group intends to complete the development and use the process or the products therefrom as well as sufficient resources to make them feasible. All other expenditures are recognized as expenses when they are incurred.

(ii) Goodwill

The measurement of goodwill at initial recognition is stated in "2) Business combinations." The Group does not amortize goodwill, but tests for impairment every fiscal year. Impairment of goodwill is stated in "8) Impairment of non-financial assets." Impairment losses of goodwill are recognized as profit or loss and not reversed subsequently.

After the initial recognition, goodwill is presented at cost less accumulated impairment losses.

(iii) Intangible Assets Acquired as a Result of a Business Combination

Cost of intangible assets acquired as a result of a business combination is measured at fair value on the acquisition date.

Intangible assets acquired as a result of a business combination are accounted after initial recognition at cost less any accumulated amortization and accumulated impairment losses, which are amortized using the straight-line method over the estimated useful life of each asset.

The estimated useful life of major assets is as follows:

・ Technology-based intangible assets: 5-15 years

(iv) Intangible Assets Acquired Individually

Other intangible assets acquired individually inclusive of software, etc., are accounted at cost less any accumulated amortization and accumulated impairment losses, which are amortized using the straight-line method over the estimated useful life of each asset.

The estimated useful life of a major asset is as follows:

・ Software: 5 years

8) Impairment of Non-financial Assets

The Group assesses its non-financial assets, excluding inventories and deferred tax assets at the end of each reporting period to identify any indications of a potential inability to recover the carrying amount due to changes in such assets or circumstances. If any such indication exists, impairment testing is conducted.

If the carrying amount of an asset exceeds its recoverable amount, the difference is recognized as impairment loss.

The recoverable amount of an asset is the higher of the fair value less costs of disposal and the value in use. In calculating the value in use, the estimated future cash flows from the asset are discounted to the present value using a discount rate that reflects the time value of money and the inherent risks of the asset. For the purposes of determining impairment, assets are grouped into an individual asset or the smallest asset group (cash-generating unit) generating cash inflows that are largely independent of the cash flows of other assets.

Goodwill is tested for impairment once a year periodically, regardless of whether any indications of impairment exist, and the cost at the time of acquisition less any accumulated impairment losses is recognized as the carrying amount.

In the case of property, plant and equipment and intangible assets, excluding goodwill, for which impairment losses have been recognized in prior years, an assessment is conducted at the end of each reporting period to determine if there are any possibilities of reversal of such impairment losses.

9) Financial Instruments

(9.1) Financial Assets

(i) Initial Recognition and Measurement

The Group initially recognizes financial assets on the date when it becomes a party to the contract on the financial instruments concerned. Financial assets bought or sold by ordinary methods are initially recognized on the transaction date. Financial assets are subsequently classified into those measured at amortized cost or those measured at fair value.

Financial assets measured at fair value through profit or loss are initially measured at fair value. Financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Additionally, trade receivables that do not include significant financing components are initially measured at the transaction price.

(a) Financial assets measured at amortized cost

Financial assets are classified as those measured at amortized cost only when both of the following conditions are satisfied; the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Financial assets measured at fair value

Financial assets are classified as those measured at fair value if they fail to meet either of the two requirements given above.

Of these assets, financial assets that generate, on specified dates, cash flows that are solely payments of principal and interest on the principal amount outstanding and are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling the assets are classified as debt financial assets measured at fair value through other comprehensive income.

Moreover, for certain equity financial assets, the Group has made an irrevocable election to present subsequent changes in fair value in other comprehensive income and to classify these assets as equity financial assets measured at fair value through other comprehensive income.

Financial assets such as derivative assets, other than the above assets, are classified as financial assets measured at fair value through profit or loss.

(ii) Subsequent Measurement

After initial recognition, financial assets are measured according to their classification as follows:

(a) Financial assets measured at amortized cost

Measured at amortized cost using the effective interest method

(b) Financial assets measured at fair value

Measured at fair value on the reporting date

Any changes in the fair value of financial assets are recognized in profit or loss or in other comprehensive income according to their respective classification of the financial asset. Dividends received from designated equity instruments measured at fair value through other comprehensive income are recognized in profit or loss. If the fair value of the equity instrument depreciates materially or if the equity instrument is disposed of, any accumulated other comprehensive income or loss is reclassified to retained earnings.

(iii) Derecognition

Financial assets are derecognized when the contractual rights to the cash flows from the investment expire or when the contractual rights to the cash flows from the investment are assigned and substantially all the risks and rewards of the Group’s ownership of such financial assets are transferred.

(9.2) Financial Liabilities

(i) Initial Recognition and Measurement

The Group initially recognizes financial liabilities on the contract date. Financial liabilities are initially measured at fair value less transaction costs that are directly attributable to the acquisition of the financial liability.

(ii) Subsequent Measurement

After initial recognition, financial liabilities are measured according to their classification as follows:

(a) Financial liabilities measured at amortized cost

Measured at amortized cost using the effective interest method

(b) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss, which include those designated financial liabilities measured at fair value through profit or loss, are measured at fair value.

(iii) Derecognition

Financial liabilities are derecognized when contractual obligations are discharged, cancelled, or expired.

(9.3) Offsetting Financial Instruments

Financial assets and liabilities are offset if and only if: there is a legally enforceable right to set off the recognized amount of financial assets against the recognized amount of financial liabilities; there is the intent either to settle on a net basis or to realize assets and settle liabilities simultaneously.

10) Impairment of Financial Assets

The Group estimates expected credit losses as of the reporting date for financial assets measured at amortized cost.

If the credit risk has not increased materially from initial recognition, the 12-month expected credit loss is recognized as a loss allowance. In the case of trade receivables that do not include significant financial components, however, the loss allowance is always measured at lifetime expected credit loss. If the credit risk has increased materially from initial recognition, the lifetime expected credit loss is recognized as a loss allowance. Judgment as to whether or not a material increase in credit risk has occurred from the initial recognition is based on the degree of changes in default risk. When the Group judges whether or not there are material changes in default risk, it reviews the information on the past due status as well as the following factors;

- External credit grades of the financial asset
- Internal credit grades
- Results of operations of the borrower
- Financial assistance from the parent company, etc. of the borrower

Expected credit losses are measured as weighted average of the present value of the difference between all contractual cash flows that are due to the entity in accordance with the contract and all cash flows that the entity expects to receive, weighted by respective risks of default occurring. The Group treats any financial asset as a credit-impaired financial asset in cases where the financial asset is considered to have defaulted, including cases where the financial asset is significantly past due even after enforcement activities for the performance of obligations are taken and where the debtor files legal proceedings for bankruptcy, corporate reorganization, civil rehabilitation or special liquidation. The Group presents the financial assets measured at amortized cost at the net amount that the loss allowance is deducted from the carrying amount in the consolidated statement of financial position and recognizes the loss as profit or loss.

When the Group has no reasonable expectations of recovering all or part of a financial asset, the carrying amount of the asset is directly written off by that amount.

11) Derivatives and Hedge Accounting

Derivatives are initially recognized at fair value at the date on which the derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period after initial recognition. The method of recognizing the resulting gain or loss depends on whether or not the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as hedging instruments of cash flow hedges (hedges of a particular risk associated with a recognized asset or liability, or a highly probable forecast transaction), and certain foreign currency borrowings as hedging instruments of net investment in foreign operations.

The Group documents, at the start of the transaction, the relationship between hedging instruments and hedged items as well as the objectives and strategies for managing risk regarding the execution of their hedging transactions. Furthermore, the Group documents at the start of the hedge, and on a continuing basis, assessments of whether or not the derivatives used in the hedging transaction are effective in offsetting changes in the hedged items' cash flow.

Hedge effectiveness is assessed on a continuing basis, and a hedge is deemed effective when it satisfies all of the following conditions: an economic relationship exists between hedged items and hedging instruments; the effect of credit risk is not such that it materially dominates value changes arising from the economic relationship; and the hedge ratio of the hedging relationship is equivalent to the ratio arising from the volume of hedging instruments and hedged items that are actually being hedged.

The effective portions of change in the fair values of derivatives designated as hedging instruments of cash flow hedges and satisfying the conditions thereof are recognized in other comprehensive income. Gains or losses arising from ineffective portions are recognized immediately as profit or loss. Accumulated gains or losses recognized through other comprehensive income are reclassified to profit or loss in the period when the cash flow originating from the hedged items has an effect on profit or loss.

When hedge accounting conditions are no longer satisfied due to forfeit, sale, etc., of hedging instruments, hedge accounting will no longer be applied prospectively. When hedged future cash flow is expected to occur again, the accumulated gains or losses recognized in other comprehensive income will continue to be recognized as other components of equity. In cases where forecast transactions are no longer expected to occur, the accumulated gains or losses recognized in other comprehensive income are reclassified immediately to profit or loss.

With regard to certain foreign currency borrowings that are retained for the purpose of hedging exposure to exchange rate fluctuation risks for net investments in foreign operations, the portion of foreign exchange differences deemed effective as a hedge is recognized in other comprehensive income as hedges of net investment in foreign operations. Of exchange differences in the hedging instruments, any ineffective portion of the hedge or any portion of the hedge not subject to the assessment of hedge effectiveness is recognized in profit or loss.

Through net investment hedges, the cumulative amount of gain or loss recognized in other comprehensive income is reclassified to profit or loss on the disposal of foreign operations.

12) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group elects not to recognize right-of-use assets and lease liabilities for short-term leases within 12 months and leases of low-value assets.

Apart from short-term leases or leases of low-value assets, the group records right-of-use assets and lease liabilities in the consolidated statement of profit or loss at the lease commencement date when a contract is, or contains a lease. The lease payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

Right-of-use assets are measured under the cost model and are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of right-of-use assets is initially measured based on the initial measurement amount of the lease liability adjusted for any initial direct costs incurred or any lease payments made at or before the commencement date, plus any costs to restore the underlying asset or the site at which it is located and other related costs required in the lease contract. Right-of-use assets are depreciated over the lease term on a straight-line basis. Right-of-use assets are recorded in Property, plant and equipment on the current Consolidated Statement of Financial Position. Lease liability is measured at the present value of unpaid lease payments at the calculated interest rate of the lease or when the calculated interest rate cannot be easily calculated, discounted by the incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as the discount rate. Lease payments are apportioned between finance costs and repayments of lease liability under the effective interest rate method. Finance costs are recognized in the consolidated statement of profit or loss.

13) Employee Benefits

(i) Short-term Employee Benefits

Short-term employee benefits are recognized as an expense in the period in which the employee renders the related service without discounting. Bonus payments are recognized as liabilities in the amount estimated to be paid based on the applicable bonus payment system when there is a legal or constructive obligation to pay and the obligation can be estimated reliably.

(ii) Long-Term Employee Benefits

The Group has adopted defined contribution plans and defined benefit plans as post-employment benefit plans for employees.

Liabilities (assets) recognized in connection to defined benefit pension plans are calculated at the present value of defined benefit obligations under such plans at the end of the reporting period less the fair value of the plan assets. An independent specialist calculates the defined benefit obligations for each reporting period using the projected unit credit method. Any amount recognized as assets from this calculation is limited to the present value of any future economic benefit available in the form of refunds from the plans or reductions in future contributions to the plans when there is a possibility for the assets to generate these to the Group. Calculations of the present value of economic benefits take into consideration the minimum funding requirement. The present value of defined benefit obligations is calculated by discounting the estimated future cash flows in reference to market yields on high-quality corporate bonds that pay benefits and with maturities similar to the estimated timing of payment of the obligations.

Changes due to remeasurements of net defined benefit liabilities (assets) that were recognized in other comprehensive income in the period they occurred are immediately reclassified from other comprehensive income to retained earnings.

Defined contribution plans are post-employment benefit plans under which an employer pays fixed contributions to an independent entity and has no legal or constructive obligation to pay further contributions. Contribution obligations under the defined contribution plans are recognized as an expense in the period in which the employee renders the related service.

(iii) Termination benefits

The Group pays termination benefits when the Group ends an employee's employment before the normal retirement date, or when the employee accepts an offer of benefits in exchange for the termination of employment. The group recognise a liability and expense for termination benefits at the earlier of the following dates: (a) when the group cannot withdraw the offer of those benefits; and (b) when the group recognises costs for a restructuring that involves the payment of termination benefits.

14) Non-current Assets Held for Sale and Discontinued Operations

A non-current asset or disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continued use.

The conditions for classifying an asset or disposal group as held for sale are that it must be available for immediate sale in its present condition and the sale must be highly probable. The classification is also limited to when management of the Group is committed to executing the sale plan and the sale is generally expected to complete within one year. After classification as held for sale, an asset or disposal group is measured at the lower of the carrying amount and the fair value less costs to sell, and is not depreciated or amortized.

A discontinued operation includes a component of the Group that either has been disposed of or is classified as held for sale, represents a line of business or geographical area of the Group, and is recognized when there is a plan to dispose of that line of business or geographical area.

15) Provisions

Provisions are recognized if the Group has a present legal or constructive obligation as a result of a past event that can be estimated reliably and it is probable that an outflow of resources will be required to settle the obligation.

When the time value of money is significant, the estimated future cash flow is discounted by the present value using a before-tax discount rate that reflects the time value of money and inherent risks of the liability. Transfer-backs of the discounted amount over time are recognized as finance costs.

16) Share Capital

The issue price of equity instruments issued by the Company is recognized in share capital and capital surplus, and direct issue costs (net of tax effects) are deducted from capital surplus.

On the purchase of treasury shares, costs net of tax effects including direct transaction costs are recognized as an equity deduction. On the sale of treasury shares, including disposal of treasury shares with the exercise of stock options, the balance of disposals is recognized as capital surplus. Common shares are classified to equity.

17) Share-based Remuneration Plans

(i) Stock Options

The Group operated an equity-settled share-based remuneration plan where the Group received services from directors, executive officers, and employees as well as paid equity instruments (options) as consideration thereof until June 2018

The fair value on the date the option was granted under the plan is recognized as an expense over the option's vesting period and the same amount is recorded as an increase in equity. The plan was terminated in June 2018 (however, of share acquisition rights as share-based stock options that were already granted to directors, etc., those share acquisition rights which have not been exercised will be continued).

(ii) Restricted Share-based Remuneration Plan

The Company has adopted the restricted share-based remuneration plan for its directors and others as a performance-linked remuneration plan and applied the accounting treatment for equity-settled share-based plans under this plan.

Fair value of the share-based remuneration is determined using the fair value of ordinary shares on the grant date. The fair value is recognized as an expense over the share's vesting period, and the same amount is recorded as an increase in equity.

(iii) Performance Share Unit Remuneration Plan

The Company has adopted a Performance Share Unit Remuneration plan for directors and executive officers of the Company and officers of certain subsidiaries of the Company, under which the number of shares to be delivered and the amount of individual cash payments are adjusted according to the attainment level of predetermined performance targets, and applied cash-settled share-based payment transactions and equity-settled share-based payment transactions under this plan.

Expenses related to the cash-settled payment transactions are recognized over the applicable period and the same amounts are recognized as an increase in liabilities.

Expenses related to the equity-settled payment transactions are calculated using the fair value of common stock at the grant date and are recognized over the applicable period and the same amounts are recognized as an increase in equity.

18) Revenue Recognition

The Group recognizes revenue by applying the following five steps, apart from interest and dividend income accounted for in accordance with IFRS 9 — Financial Instruments.

Step 1: Identify the contract with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to performance obligations.

Step 5: Recognize revenue when (or as) the Group satisfies a performance obligation.

In case of sales contracts with customers for products and merchandise, the Group recognizes the sale as revenue when the products and merchandise are delivered to the customer, considering that control of the products and merchandise is transferred to the customer and the performance obligation is fulfilled. For rendering of services, the Group recognizes revenue over time with fulfillment of performance obligation based on the contract between the Group and the customer.

19) Government Grants

Government grants are recognized when there is reasonable assurance that the Group will comply with the conditions attached to the grant and that the grant will be received. Government grants are recognized in profit or loss on a systematic basis over the period the associated costs, which the grant is intended to compensate, are recognized as expenses.

For government grants associated with acquiring assets, the amounts of the grants are deducted directly when calculating the carrying amounts of the assets. Grants are recognized in profit or loss over the useful lives of the depreciated assets as changes in depreciation expense.

20) Finance Income and Finance Cost

Finance income comprises interest received, dividends received, etc. Interest received is recognized when it incurred using the effective interest method. Dividends received are recognized when the Group’s rights to receive dividends have been established; there is a high probability that the economic benefits associated with the dividends will flow into the Group; the amounts can be measured reliably.

Finance cost comprises interest paid, etc.

With respect to an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, borrowing costs that are directly attributable to the acquisition, construction or manufacture of the asset form part of the cost of that asset. All other borrowing costs are recognized as an expense in the period in which they are incurred.

21) Income Taxes

Income taxes comprise current taxes and deferred taxes. They are recognized in profit or loss, with the exception of income taxes associated with items recognized in other comprehensive income or items that are directly recognized in equity.

(i) Current Taxes

The Group recognizes current taxes based on taxable profits for the reporting period. Current tax amounts are calculated using the tax rates that are in force or substantially in force on the final day of the reporting period. Income taxes receivable and payable are measured at the estimated refund from or payment to the tax authorities.

(ii) Deferred Taxes

The Group recognizes deferred taxes using the asset and liability approach for temporary differences between the amounts of assets and liabilities for accounting purposes and their tax bases. In principle, deferred tax liabilities are all recognized in taxable temporary differences, and deferred tax assets are recognized only to the extent it is probable that there will be taxable profits against which deductible temporary differences, tax losses, etc., may be utilized. Deferred tax assets and liabilities, however, are not recognized for the following temporary differences:

- Taxable temporary differences arising from initial recognition of goodwill;
- Temporary differences arising from initial recognition of assets or liabilities in transactions (excluding business combinations) that do not affect taxable profits (tax losses) in profit or loss for accounting purposes; and
- Taxable temporary differences pertaining to investments in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets pertaining to deductible temporary differences associated with investments in subsidiaries and associates are recognized only to the extent that the temporary difference will reverse in the foreseeable future and that it is probable that there will be adequate taxable profits against which benefits from the temporary difference can be utilized.

Deferred tax assets and liabilities are calculated at the tax rates expected to apply to the period when the associated deferred tax assets will be realized or the period when the deferred tax liabilities will be settled, based on the tax rates that are in force or substantially in force at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax assets and liabilities are associated with the income taxes levied on the same taxable entity, or the equivalent or different taxable entity intended to be settled on a net basis, by the same tax authority.

22) Earnings per Share

Basic quarterly earnings per share are calculated by dividing profit for the quarter attributable to ordinary shareholders by the weighted-average number of common shares outstanding during the reporting period. Diluted quarterly earnings per share are calculated through adjustments for the effect of all potentially dilutive common shares.

(5) Changes in Presentation

(Changes due to the classification of the Elastomers Business as a discontinued operations)

In this fiscal year, the Group has decided to transfer the Eastomers Business to the newly established Japan Synthetic Rubber Spin-off Preparation Co., Ltd., a subsidiary of the Company, through an absorption-type company split, and to transfer all its shares to ENEOS Corporation. The Company concluded a share transfer agreement with ENEOS Corporation on May 11, 2021.

Accordingly, the Group has classified the Elastomers Business as discontinued operations from the fiscal year ended March 31, 2022. As a result, the consolidated statement of profit or loss, the consolidated statement of cash flows and related notes to the consolidated financial statements for the previous fiscal year have been partially reclassified to conform to the presentation for the current fiscal year.

(6) Significant Accounting Estimates and Judgments Involving Estimates

In the preparation of consolidated financial statements, management is required to make judgments, estimates, and assumptions.

The estimates and the underlying assumptions are reviewed on an ongoing basis, and the effects of the review are recognized in the period in which the review was conducted and in future periods.

Actual results may differ from these estimates.

Estimates and judgments that have significant effects on amounts recognized in the Group's consolidated financial statements are as follows. These assumptions have been determined based on management's best estimates and judgments. However, the assumptions may be affected by results of uncertain changes in economic conditions in the future and amendment or promulgation of related laws and regulations, and if a review is necessary, this may have significant effects on amounts recognized in consolidated financial statements in the following fiscal years.

1) Impairment of Non-Financial Assets

In the calculation of recoverable amount in impairment test, certain assumptions have been made for future cash flows, discount rate reflecting risks inherent to the asset, long-term growth rate and others. Details of the method for calculating recoverable amount, etc. are provided in the note "(18) Impairment of Non-Financial Assets."

2) Recoverability of Deferred Tax Assets

For the recognition of deferred tax assets, the amount is determined, assuming the probability that there will be taxable profits, by estimating the timing when taxable profits that can be obtained in the future are available and the amount of these profits based on the business plan. The relevant content and amount of deferred tax assets are provided in the note "(20) Income Taxes."

(7) Segment Information

1) Overview of Reportable Segments

JSR Group's reportable segments are based on its business segments for which separate financial information is available and which the Board of Directors determines are the basis that are subject to regular reviews for decisions on the allocation of managerial resources and the evaluation of business results.

The Group has established divisions by product at its head office. Each division formulates comprehensive domestic and overseas strategies for its products and conducts business activities according to the strategies. Core Group companies also take the initiative in working out comprehensive domestic and overseas strategies and conduct business activities according to the strategies. Thus, JSR Group's businesses consist of business segments by product based on divisions and core Group companies.

The Group had four reportable segments: the Digital Solutions Business, which is engaged mainly in the manufacture and sale of semiconductor materials, display materials, and products related to edge computing; the Life Sciences Business; the Elastomers Business, which is engaged mainly in the manufacture and sale of general-purpose synthetic rubber products for automobile tires, functional special synthetic rubber for automobile components, thermoplastic elastomers for modifying plastics, and synthetic rubber latex for coated paper; and the Plastics Business, which is engaged mainly in the manufacture and sale of ABS and other resins for automobiles, office equipment, and amusement applications.
As of the current fiscal year , the Group has three reportable segments: the Digital Solutions Business, the Life Sciences Business, and the Plastics Business.
This change is the result of JSR's decision to transfer part of the Eastomers Business to the newly established Japan Synthetic Rubber Spin-off Preparation Co., Ltd., a subsidiary of the Company, through an absorption-type company split, and to transfer all its shares to ENEOS Corporation. With the conclusion of a share transfer agreement with
ENEOS Corporation dated May 11, 2021, JSR has classified the Elastomers Business as discontinued operations. The part of the Elastomers Business not transfered to Japan Synthetic Rubber Spin-off Preparation Co., Ltd. has been reclassified to the Other segment because of the decrease in its monetary importance.

The Digital Solutions Business is a reportable segment comprising multiple segments based on the nature of the products and services, the nature of production processes, and similarity in markets and other economic characteristics.
The accounting methods for reportable segments are the same as the methods adopted for the preparation of consolidated financial statements.
The Group has classified the Elastomers Business as discontinued operations from the current fiscal year, and segment information presents only amounts for continuing operations excluding the Elastomers Business.

Main Products in Each Business Segment

Business segments	Main products
Digital Solutions Business	<Semiconductor Materials> Lithography materials (photoresists, multilayer materials); mounting materials; Cleaning Solution; CMP materials; etc. <Display Materials> Materials for color LCDs; functional coating materials; etc. <Edge Computing Materials> Heat-resistant transparent resins and functional films; photo fabrication and photo molding systems; etc.
Life Sciences Business	Diagnostic and research reagents and similar materials; bio-process materials; drug discovery and development services, etc.
Plastics Business	Synthetic resins including ABS resins, AES resins, AS resins, and ASA resins

2) Segment Revenues, Profits or Losses, Assets and Other Material Items
The following information pertains to the Group's reportable segments.

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(Millions of yen)

	The Reportable Segment			Other [Note 1]	Total	Adjustment [Note 2]	Amount Recorded in the Consolidated Financial Statements
	Digital Solutions	Life Sciences	Plastics				
Revenue from external customers	151,420	55,197	79,123	26,259	311,999	0	312,000
Segment profit (loss) (core operating profit)[Note 3]	34,568	3,510	4,430	1,627	44,135	(6,233)	37,902
Segment assets	164,777	158,393	76,569	10,778	410,516	262,256	672,773
Other items							
Depreciation and amortization	7,525	6,236	2,631	748	17,140	1,934	19,074
Impairment losses	1,408	940			2,348		2,348
Capital expenditures	13,542	18,566	3,511	645	36,264	3,923	40,188

Note 1: The Other segment is a business segment not contained in the reportable segments. It includes the purchase and sale of chemicals and other businesses.

Note 2: The segment profit (loss)downward adjustment of ¥(6,233) million contains company-wide profits and losses not allocated to the reportable segments. The adjustment amounts in the segment assets line are corporate assets not allocated to any reportable segment. Corporate assets mainly include investment of surplus funds (deposits, cash equivalents, and securities (debt instrument assets)) and longterm investment funds (securities (equity instrument assets)) by the parent company.

Note 3: The segment profit (loss) is presented as core operating profit after deducting non-recurring profit (loss) arising from business restructuring and other non-recurring factors from operating profit.

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

	The Reportable Segment			Other [Note 1]	Total	Adjustment [Note 2]	Amount Recorded in the Consolidated Financial Statements
	Digital Solutions	Life Sciences	Plastics				
Revenue from external customers	165,030	72,452	90,606	12,910	340,997	0	340,997
Segment profit (loss) (core operating profit) [Note 3]	39,002	3,168	5,323	987	48,480	(5,174)	43,306
Segment assets	241,824	210,371	75,996	11,528	539,719	269,652	809,371
Other items							
Depreciation and amortization	9,394	8,021	2,753	627	20,795	1,687	22,482
Impairment losses	3,228	—	—	—	3,228	—	3,228
Capital expenditures	17,192	19,692	2,816	260	39,960	1,891	41,851

Note 1: The Other segment is a business segment not contained in the reportable segments. It includes the purchase and sale of chemicals and other businesses.

Note 2: The segment profit (loss) downward adjustment of ¥(5,174) million contains company-wide profits and losses not allocated to the reportable segments. The adjustment amounts in the segment assets line are asset from corporation and discontinued operation not allocated to any reportable segment. Corporate assets mainly include investment of surplus funds (deposits, cash equivalents, and securities (debt instrument assets)) and longterm investment funds (securities (equity instrument assets)) by the parent company.

Note 3: The segment profit (loss) is presented as core operating profit after deducting non-recurring profit (loss) arising from business restructuring and other non-recurring factors from operating profit.

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Thousands of U.S. dollars)

	The Reportable Segment			Other [Note 1]	Total	Adjustment [Note 2]	Amount Recorded in the Consolidated Financial Statements
	Digital Solutions	Life Sciences	Plastics				
Revenue from external customers	1,348,395	591,973	740,305	105,480	2,786,154	0	2,786,154
Segment profit (loss) (core operating profit) [Note 3]	318,668	25,886	43,492	8,063	396,110	(42,272)	353,838
Segment assets	1,975,844	1,718,856	620,936	94,194	4,409,830	2,203,218	6,613,048
Other items							
Depreciation and amortization	76,756	65,535	22,493	5,123	169,906	13,782	183,688
Impairment losses	26,379	-	-	-	26,379	-	26,379
Capital expenditures	140,468	160,896	23,008	2,125	326,497	15,454	341,950

Note 1: The Other segment is a business segment not contained in the reportable segments. It includes the purchase and sale of chemicals and other businesses.

Note 2: The segment profit (loss) downward adjustment of $(42,272) thousand contains company-wide profits and losses not allocated to the reportable segments. The adjustment amounts in the segment assets line are asset from corporation and discontinued operation not allocated to any reportable segment. Corporate assets mainly include investment of surplus funds (deposits, cash equivalents, and securities (debt instrument assets)) and longterm investment funds (securities (equity instrument assets)) by the parent company.

Note 3: The segment profit (loss) is presented as core operating profit after deducting non-recurring profit (loss) arising from business restructuring and other non-recurring factors from operating profit.

Adjustments to reconcile segment profit to profit before tax are as follows.

	Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Segment profit	37,902	43,306	353,838
Reversal of impairment loss	-	1,348	11,010
Profit from sales of shares of affiliated companies	-	332	2,711
Business restructuring expenses	(3,508)	-	-
Loss on valuation of investments in subsidiaries	-	(1,411)	(11,531)
Special retirement benefits	(160)	-	-
Others	-	186	1,518
Operating profit	34,233	43,760	357,546
Finance income	822	3,415	27,904
Finance costs	(1,744)	(1,655)	(13,518)
Profit before tax	33,310	45,521	371,931

3) Information on Products and Services

Information on products and services is stated on “1) Overview of reportable segments.”

4) Information by Region

The following is a breakdown of revenue and non-current assets by region.

Revenue from External Customers

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Japan	108,248	110,688	904,385
China	55,459	65,757	537,270
U.S.	55,213	61,253	500,473
Other regions	93,079	103,300	844,026
Total	312,000	340,997	2,786,154

Note: Revenue is divided into countries or regions based on the locations of customers.

Property, Plant and Equipment

	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Japan	92,718	80,863	660,702
U.S.	40,319	55,492	453,405
Other regions	37,391	23,183	189,419
Total	170,428	159,539	1,303,527

Note: We confine items presented to property, plant and equipment considering cost of the preparation.

5) Information on Major Customers

Information on major customers is omitted, since no single external customer accounts for more than 10 percent of the Group’s revenue in terms of revenue through transactions with a single external customer.

(8) Business Combination and Acquisition of Non-controlling Interest

1) Business Combination

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

Not Applicable

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Wholly Owned Subsidiary through Acquisition of Shares of Inpria Corporation)

(1) Outline of the Business Combination

On October 29, 2021, the Company acquired an additional 78.7% stake in Inpria Corporation (Location: Oregon, USA; CEO: Andrew Grenville, “Inpria”) which develops and manufactures metal based EUV resists, making it a wholly owned subsidiary of the Company.

① Name and Business of the Acquired Company

Name Inpria Corporation

Business Development and manufacturing of metal based EUV resists

② Date of Acquisition

October 29, 2021

③ Percentage of Voting Rights Acquired

Percentage of Voting Rights Held Immediately before the Date of Acquisition	21.3%
Percentage of Voting Rights Additionally Acquired on the Date of Acquisition	78.7%
Percentage of Voting Rights at Date of Acquisition	100.0%

④ Method of Acquiring Control

Acquisition of Shares for Cash

⑤ Purpose of Business Combination

Inpria has been working on the development of metal based EUV resists since its establishment in 2007. Its main product, which is composed primarily of tin oxide, has achieved the world's highest resolution using EUV exposure systems. In addition, the metal-based resist is superior to conventional resists in terms of pattern transfer performance during dry etching and is highly suitable for semiconductor mass production processes. With the completion of this acquisition, JSR will add metal resists, a promising future technology, to its photoresist product portfolio, which is one of its strengths, and aims to seamlessly provide value as an advanced materials company that supports the further shrinking in the technologies of its customers.

(2) Fair value of Consideration Paid, Assets Acquired, and Liabilities Assumed at the Date of Acquisition

	Amount	Amount
	Millions of yen	Thousands of U.S. dollars
Fair value of equity interests held immediately prior to the acquisition date	9,447	77,188
Cash	46,654	381,191
Total Fair value of consideration paid	56,101	458,379
Current Assets		
Cash and cash equivalents	1,043	8,521
Trade and other receivables	151	1,237
Other current assets	151	1,233
Non-current assets		
Property, plant and equipment	357	2,915
Other intangible assets *	8,218	67,149
Other non-current assets	9	71
Acquired assets	9,929	81,126

Current liabilities		
Trade and other payables	572	4,674
Other current liabilities	76	624
Non-current liabilities		
Deferred tax liabilities	2,219	18,130
Other non-current liabilities	9	75
Total liabilities assumed	2,877	23,503
Goodwill	49,049	400,756

*The item allocated to other intangible assets are technology assets of ¥8,218 million ($67,149 thousand). The fair value of the intangible assets were calculated using the excess earnings method valuation model. Measurements with the valuation model are based on such assumptions as future sales and technology obsolescence rates.

As of March 31, 2022, the allocation of the purchase price, for the amount of goodwill incurred and the amounts of assets acquired and liabilities assumed on the date of the business combination, was completed because the identifiable assets and liabilities on the date of the business combination were identified.

The valuation gain recognized as a result of the remeasurement of equity interests held by the Company immediately prior to the date of acquisition at its fair value on the date of acquisition of control was ¥7,467 million ($61,012 thousand) and is accounted for in the "Other operating income" line item in the consolidated statement of profit or loss. Acquisition-related costs pertaining to the business combination were ¥123 million ($997 thousand). The amount incurred in the fiscal year ended March 31, 2022 is accounted for as an expense in the "Selling, general and administrative expenses" line item in the consolidated statement of profit or loss.

Goodwill is primarily composed of expected future earning power. The goodwill cannot be reported as a deductible for tax purposes.

(3) Effect of Business Combination on Cash Flows

	Amount	Amount
	Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents paid for the acquisition	46,654	381,191
Cash and cash equivalents held by the acquired company at the time of acquisition	1,043	8,521
Purchase of shares of subsidiaries resulting in change in scope of consolidation	45,611	372,669

(4) Impact on the Group's Performance

The impact on revenue and profit arising from Inpria included in the consolidated statement of profit or loss and the impact on revenue and profit assuming that the business combination was carried out at the beginning of the current fiscal year is insignificant.

2) Acquisition of Non-controlling Interest

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

From October 28, 2020 till January 15, 2021 to improve the enterprise value, the Group additionally acquired 40.18% shares in MEDICAL & BIOLOGICAL LABORATORIES CO., LTD. from non-controlling-interest shareholders hold, and as a result, the voting rights ratio increased to 100% from 50.82%.

As the consideration for additionall acquisition, the cash of ¥ 11,415 million was paid to the non-controlling-interest shareholders, and the group accounted for ¥ 6,398 million as the decreasing capital surplus ,which is the difference between the consideration for the additional acquisition and ¥ 5,016 million which is the total amount of Non-controlling interest reduced because of the additional acquisition and the exchange differences on translation of foreign operations.

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

Not Applicable

(9) Cash and Cash Equivalents

Cash and cash equivalents for each fiscal year are as follows.

Cash and cash equivalents comprise cash, short-term deposits (not later than three months) and short-term investments (e.g. securities redeemable not later than three months from the date of acquisition).

Cash and cash equivalents on the indicated dates consisted of the following items.

The total amount of cash and cash equivalents corresponds to cash and cash equivalents at the end of the period in the consolidated statement of cash flows.

	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents			
Cash and deposit	73,372	45,563	372,275
Short-term investment	12,005	4	36
Total	85,377	45,567	372,312

(10) Trade and Other Receivables

Trade and other receivables are classified as financial assets measured at amortized cost.

Trade and other receivables include the following items.

	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Trade receivables			
Notes and account receivable-trade	108,615	68,674	561,111
Other receivables			
Account receivables-other	16,410	7,158	58,485
Other	267	274	2,239
Total	125,292	76,106	621,836

(11) Other financial assets

1) Breakdown of Other financial assets

The breakdown of other financial assets is as follows:

	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Derivative asset	1	-	-
Investments (equity financial assets)	46,186	30,269	247,319
Term deposits	1,412	1,060	8,664
Other	4,086	1,366	11,164
Total	51,684	32,696	267,148
Current assets	1,933	1,289	10,529
Non-current assets	49,751	31,408	256,619
Total	51,684	32,696	267,148

Derivative assets are classified as financial assets measured at fair value through profit or loss. Investments (equity financial assets) are classified as financial assets measured at fair value through other comprehensive income, or those through profit or loss. Time deposits are classified as financial assets measured at amortized cost.

2) Financial Assets Measured at Fair Value through Other Comprehensive Income

Major stocks classified as financial assets measured at fair value through other comprehensive income and their fair values are as follows:

Name of Stock	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Carbon, Inc.	5,230	5,782	47,245
Optorun Co., Ltd.	6,336	4,863	39,730
Cambridge Quantum Computing	3,060	3,382	27,637
Vedanta Biosciences Inc	1,882	2,724	22,260
OSAKA ORGANIC CHEMICAL INDUSTRY LTD.	2,597	2,146	17,530
BRIDGESTONE Corporation	8,856	-	-
Mitsubishi Chemical Holdings Corporation	1,330	-	-
Tosoh Corporation	835	-	-
Other	12,254	9,598	78,421
Total	42,380	28,495	232,821

Amounts of dividends received recognized related to financial assets measured at fair value through other comprehensive income are as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Dividends received	701	1,232	10,069

3) Derecognition of Financial Assets Measured at Fair Value through Other Comprehensive Income

The Group has derecognized certain financial assets measured at fair value through other comprehensive income by disposing of such assets for the purpose of improving the asset efficiency. Fair value and accumulated gains or losses (net of tax) recognized as other comprehensive income at the time of disposal in each fiscal year are as follows:

Fiscal year ended March 31, 2021		Fiscal year ended March 31,2022		Fiscal year ended March 31, 2022	
Millions of yen		Millions of yen		Thousands of U.S. dollars	
Fair Value	Accumulated gains or losses	Fair Value	Accumulated gains or losses	Fair Value	Accumulated gains or losses
2,016	808	17,203	7,523	140,560	61,464

For financial assets measured at fair value through other comprehensive income, accumulated gains or losses recognized as other comprehensive income are transferred to retained earnings when the assets are derecognized.

(12) Inventories

Inventories consist of the following items.

	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Finished goods and merchandise	61,394	60,669	495,699
Work in process	3,156	2,233	18,247
Raw materials and supplies	40,312	42,032	343,428
Total	104,862	104,934	857,374

The amount of valuation losses on inventories recognized as expenses is not applicable in the previous fiscal year. There was 814 million ($6,655 thousand) as of March 31, 2022. The write-off amount is included in “cost of sales” in the consolidated statement of profit or loss.
The amount included in cost of sales was ¥172,554 million as of March 31, 2021 and ¥178,766 million ($1,460,629 thousand) as of March 31, 2022.

(13) Notes on Disposal Groups Classified as Held for Sale and Discontinued Operations

The Group classifies as discontinued operations those business segments that have been disposed of or are classified as held for sale.

1) Disposal Groups Classified as Held for Sale

(The Separation of the Elastomers Business and Transfer of Shares to the Successor Company)

At the Board of Directors meeting held on May 11, 2021, the Company decided to transfer the Eastomers Business to the newly established Japan Synthetic Rubber Spin-off Preparation Co., Ltd., a subsidiary of the Company, through an absorption-type company split, and to transfer all its shares to ENEOS Corporation. The Company concluded a share transfer agreement with ENEOS Corporation on the same date. The share transfer was executed as scheduled on April 1, 2022.

As a result of the transfer decision, the assets and liabilities of the Elastomers Business have been classified as disposal groups classified as held for sale and the Elastomers Business has been classified as discontinued operations from the fiscal year ended March 31, 2022.

The following are the assets and liabilities related to disposal groups classified as held for sale.

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Assets associated with disposal groups classified as held for sale			
Cash and cash equivalents	-	16,424	134,193
Trade and other receivables	-	66,318	541,862
Inventories	-	50,115	409,474
Other financial assets (Current)	-	364	2,976
Other current assets	-	3,145	25,698
Property, plant and equipment	-	46,466	379,655
Other intangible assets	-	1,740	14,214
Investments accounted for using equity method	-	1,528	12,484
Other financial assets (Non-current)	-	3,920	32,027
Other non-current assets	-	70	568
Deferred tax assets	-	1,208	9,873
Total assets	-	191,298	1,563,022
Liabilities associated with disposal groups classified as held for sale			
Trade and other payables	-	51,238	418,644
Bonds and borrowings (Current)	-	21,500	175,670
Income taxes payable	-	333	2,720
Other financial liabilities (Current)	-	807	6,597

Other current liabilities	-	2,115	17,277
Bonds and borrowings (Non-Current)	-	28,838	235,626
Retirement benefit liability	-	5,765	47,101
Other financial liabilities (Non-Current)	-	4,336	35,430
Other non-current liabilities	-	644	5,258
Deferred tax liabilities	-	0	2
Total liabilities	-	115,576	944,325

*Other components of equity related to the assets and liabilities associated with the disposal group held for sale at the end of the current fiscal year were ¥669 million ($ 5,466 thousand), net of tax.

2)Discontinued Operations
As described in "1) Disposal Groups Classified as Held for Sale", the Elastomer Business is classified as discontinued operations.

(i) Profit or Loss from Discontinued Operations

The following are the profit or loss from discontinued operations.

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Revenue	134,609	189,318	1,546,842
Cost of sales and expenses	(230,350)	(185,947)	1,519,301
Profit (loss) before tax from discontinued operations	(95,740)	3,371	27,541
Income tax expenses	15,890	(1,082)	(8,838)
Profit (loss) from discontinued operations	(79,851)	2,289	18,703

Cost of sales and expenses for the current fiscal year include a loss of ¥1,495 million ($12,213 thousand) that was recognized by measuring the assets or disposal groups comprising discontinued operations at fair value less costs to sell. The fair value is calculated primarily on the basis of the business value to be transferred. The fair value hierarchy is classified as Level 3.
For basic and diluted earnings (loss) per share related to discontinued operations, please refer to the consolidated statement of profit or loss.

(ii) Cash Flows Arising from Discontinued Operations

The following are cash flows from discontinued operations.

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash flows from operating activities	21,429	12,261	100,178
Cash flows from investing activities	(15,054)	8,088	66,087
Cash flows from financing activities	(6,006)	1,205	9,846
Effect of exchange rate changes on cash and cash equivalents	(460)	1,107	9,047
Total	(90)	22,661	185,157

Note: Cash flows from investing activities in the previous fiscal year involve expenditures (cash and cash equivalents of the disposed subsidiary) ¥(1,176) million due to the sale of shares of the subsidiary accompanying a change in the scope of consolidation.

(14) Other Assets

The breakdown of other assets is as shown below.

	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Other current assets			
Excise tax receivable	4,276	9,154	74,795
Income taxes receivable	2,044	2,357	19,259
Prepaid expenses	3,509	2,237	18,277
Other	1,987	4,059	33,165
Total	11,815	17,807	145,496
Other non-current assets			
Long-term prepaid expenses	41	182	1,488
Other	3,557	2,648	21,632
Total	3,598	2,830	23,120

(15) Property, Plant and Equipment

Changes in carrying amounts and the balance of acquisition costs and accumulated depreciation of property, plant and equipment are as follows. For information on impairment losses, see “(18) Impairment on Non-financial Assets.”

Changes in carrying amounts

(Millions of yen)

	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Other	Total
April 1, 2020	60,481	71,763	11,999	20,275	50,999	147	215,664
Acquisition	8,644	2,670	1,310	44	39,670	96	52,434
Depreciation	(7,322)	(14,349)	(4,731)	(243)	-	(29)	(26,675)
Impairment loss	(17,655)	(52,226)	(2,241)	-	(988)	-	(73,110)
Sales and disposals	(102)	(298)	(89)	0	(221)	1	(709)
Transfer	21,585	40,648	3,790	291	(66,177)	(137)	-
Exchange differences of foreign operations	2,043	3,276	195	64	1,839	(9)	7,408
Other	625	(290)	(111)	(1,081)	(3,780)	52	(4,585)
March 31, 2021	68,299	51,194	10,122	19,350	21,342	120	170,428
Acquisition	3,891	5,023	1,260	98	32,381	128	42,782
Acquisition by business combination	-	364	40	-	-	-	405
Depreciation	(7,593)	(8,160)	(3,985)	(131)	-	-	(19,869)
Impairment loss	(1,248)	(2,047)	(60)	-	(44)	-	(3,400)
Reversal of impairment losses	1,422	1,199	58	-	19	1	2,699
Sales and disposals	(76)	(817)	(125)	-	-	(32)	(1,050)
Transfer	6,400	10,405	4,236	-	(20,971)	(71)	-
Assets associated with disposal group classified as held for sale	(13,764)	(24,671)	(1,994)	(4,485)	(1,532)	(21)	(46,466)
Exchange differences of foreign operations	4,458	4,056	406	266	2,775	10	11,970
Other	2,593	(27)	(10)	-	(517)	-	2,040
March 31, 2022	64,383	36,521	9,948	15,098	33,452	135	159,539

(Thousands of U.S. dollars)

	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Other	Total
March 31, 2021	558,043	418,288	82,705	158,103	174,376	981	1,392,497
Acquisition	31,795	41,044	10,297	803	264,569	1,047	349,555
Acquisition by business combination	-	2,977	331	-	-	-	3,307
Depreciation	(62,040)	(66,670)	(32,563)	(1,071)	-	-	(162,344)
Impairment loss	(10,200)	(16,726)	(493)	-	(361)	-	(27,780)
Reversal of impairment losses	11,621	9,800	473	-	154	7	22,055

Sales and disposals	529,219	(6,672)	60,749	-	1	(263)	(8,578)
Transfer	52,293	85,015	34,613	-	(171,344)	(577)	0
Assets associated with disposal group classified as held for sale	(112,458)	(201,574)	(16,290)	(36,648)	(12,516)	(169)	(379,655)
Exchange differences of foreign operations	36,427	33,136	3,315	2,176	22,673	79	97,804
Other	21,189	(217)	(80)	(0)	(4,226)	0	16,667
March 31, 2022	526,050	298,402	81,283	123,363	273,325	1,104	1,303,527

Acquisition Cost

(Millions of yen)

	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Other	Total
March 31, 2021	194,226	409,383	70,942	21,176	21,342	199	717,267
March 31, 2022	140,435	160,389	61,969	16,908	33,452	135	413,289

(Thousands of U.S. dollars)

	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Other	Total
March 31, 2022	1,147,442	1,310,473	506,327	138,151	273,325	1,104	3,376,823

Accumulated Depreciation and Impairment

(Millions of yen)

	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Other	Total
March 31, 2021	125,927	358,188	60,819	1,825	0	79	546,839
March 31, 2022	76,052	123,867	52,021	1,810	-	-	253,751

(Thousands of U.S. dollars)

	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Other	Total
March 31, 2022	621,392	1,012,071	425,044	14,788	-	-	2,073,296

(Note) 1. Depreciation expenses of property, plant and equipment are recorded as “inventories” in the consolidated statement of financial position, or “cost of sales”, “selling, general and administrative expenses” and “Profit (loss) from discontinued operations” in the consolidated statement of profit or loss.

2. Impairment loss is recorded as “other operating expenses” and “Profit (loss) from discontinued operations” in the consolidated statement of profit or loss.

3. The reversal of impairment losses is included in "Other operating income " and " Profit (loss) from discontinued operations" in the consolidated statement of profit or loss.

4. “Other” in the changes of carrying amounts includes transfer to/from “inventories” in the consolidated statement of financial position, or “cost of sales” and “selling, general and administrative expenses” in the consolidated statement of profit or loss.

5. Amounts of property, plant and equipment pledged as collateral for liabilities are stated in “(21) Borrowings and bonds (including Other financial liabilities).”

6. Right-of-use asset included in carrying amounts of property, plant and equipment is stated in “(16) Lease.”

(16) Leases

The Group leases Offices, Production equipment, Company cars, Land and Other assets as the lessee. Certain lease contracts include an extension option. No significant restrictions are imposed by lease contracts, such as restrictions regarding additional borrowings or leases.

1) Right-of-use Asset

Carrying amount of right-of-use assets and the breakdown of depreciation expenses are as follows:

Fiscal year ended March 31, 2021 (from April1, 2020 to March 31, 2021)

(Millions of yen)

	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Total
Carrying amount	17,000	943	29	1,056	19,028
Depreciation	(3,154)	(425)	(22)	(243)	(3,844)

(Note) 1. Increase amount of right-of-use asset is ¥8,165 million.

2. Depreciation of right-of-use assets is included in "Inventories" in the consolidated statement of the financial position or "Cost of sales," "Selling, general and administrative expenses" and "Profit (loss) from discontinued operations" in the consolidated statement of profit or loss.

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Total
Carrying amount	17,704	2,016	60	79	19,859
Depreciation	(3,497)	(118)	(5)	(88)	(3,708)

(Note) 1. Increase amount of right-of-use asset is ¥ 2,405 million.

2. Depreciation of right-of-use assets is included in "Inventories" in the consolidated statement of the financial position or "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

(Thousands of U.S. dollars)

	Buildings and structures	Machinery and vehicles	Tools, fixtures and fittings	Land	Total
Carrying amount	144,655	16,470	488	647	162,260
Depreciation	(28,576)	(963)	(42)	(715)	(30,296)

(Note) 1. Increase amount of right-of-use asset is $19,648 thousand.

2. Depreciation of right-of-use assets is included in "Inventories" in the consolidated statement of financial position or “Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

2) Finance Costs Related to Lease

Finance costs related to leases are as follows:

Fiscal year ended March 31, 2021(from April 1, 2020 to March 31, 2021)

	Millions of yen
Finance costs related to leases	537
Expenses relating to short-term leases	246
Expenditures relating to leases of low-value assets	570
Variable lease payments	40
The amount of cash outflow related to leases	3,264

Fiscal year ended March 31, 2022(from April 1, 2021 to March 31, 2022)

	Millions of yen	Thousands of U.S. dollars
Finance costs related to leases	631	5,158
Expenses relating to short-term leases	401	3,274
Expenditures relating to leases of low-value assets	542	4,425
Variable lease payments	34	278
The amount of cash outflow related to leases	4,348	35,524

(Note) 1. Finance costs related to leases are included in "Finance costs" and "Profit (loss) from discontinued operations" in the consolidated statement of profit or loss.

2. Expenses relating to short-term leases, expenditures relating to leases of low-value assets and variable lease payments are included in "Cost of sales,"

"Selling, general and administrative expenses" and "Profit (loss) from discontinued operations" in the consolidated statement of profit or loss.

3. The amounts of cash outflow related to leases are included in “Repayments of lease liabilities” which include cash flows from discontinued operations in the consolidated statement of cash flow.

For the information on Maturity analysis for lease liabilities, see “(35) Financial Instruments, 2) Financial Risks, (iii) Liquidity Risks.”

(17) Goodwill and Other Intangible Assets

Changes in carrying amounts and the balance of acquisition costs and accumulated amortization of goodwill and other intangible assets are as follows. For information of impairment losses, see “(18) Impairment on Non-financial Assets.”

Changes in Carrying Amounts

(Millions of yen)

	Goodwill	Other intangible asset		
		Software	Other	Total
April 1, 2020	58,283	7,220	8,671	15,891
Acquisition	-	8,259	309	8,567
Amortization	-	(1,334)	(1,468)	(2,802)
Impairment loss	(688)	(3,908)	(1,869)	(5,777)
Sales and disposals	-	(4)	(201)	(205)
Transfer to other property, plant and equipment	-	(480)	480	-
Exchange differences of foreign operations	1,039	59	283	343
Other	-	(1,056)	53	(1,003)
March 31, 2021	58,633	8,755	6,258	15,014
Acquisition	-	5,335	540	5,875
Acquisition by business combination	50,172	1	8,646	8,646
Amortization	-	(1,245)	(1,273)	(2,518)
Impairment loss	-	(2,250)	-	(2,250)
Reversal of impairment losses	-	84	34	118
Sales and disposals	-	(58)	(2)	(60)
Transfer to other property, plant and equipment	-	9	(9)	-
Assets associated with disposal group classified as held for sale	-	(742)	(998)	(1,740)
Exchange differences of foreign operations	8,835	129	794	923
Other	-	288	274	562
March 31, 2022	117,640	10,307	14,264	24,571

(Thousands of U.S. dollars)

	Goodwill	Other intangible asset		
		Software	Other	Total
March 31, 2021	479,069	71,537	51,135	122,673
Acquisition	-	43,594	4,412	48,006
Acquisition by business combination	409,936	6	70,640	70,646
Amortization	-	(10,174)	(10,398)	(20,571)
Impairment loss	-	(18,383)	-	(18,383)
Reversal of impairment losses	-	690	275	966
Sales and disposals	-	(476)	(18)	(494)
Transfer to other property, plant and equipment	-	72	(72)	-
Assets associated with disposal group classified as held for sale	-	(6,062)	(8,151)	(14,214)

Exchange differences of foreign operations	72,185	1,055	6,487	7,542
Other	-	2,356	2,236	4,592
March 31, 2022	961,190	84,217	116,546	200,763

Acquisition Cost

(Millions of yen)

	Goodwill	Other intangible asset		
		Software	Other	Total
March 31, 2021	58,633	30,999	27,615	58,614
March 31, 2022	117,640	30,123	33,452	63,574

(Thousands of U.S. dollars)

	Goodwill	Other intangible asset		
		Software	Other	Total
March 31, 2022	961,190	246,119	273,322	519,441

Accumulated Amortization and Impairment

(Millions of yen)

	Goodwill	Other intangible asset		
		Software	Other	Total
March 31, 2021	-	22,243	21,357	43,600
March 31, 2022	-	19,815	19,188	39,003

(Thousands of U.S. dollars)

	Goodwill	Other intangible asset		
		Software	Other	Total
March 31, 2022	-	161,902	156,776	318,678

(Note) 1. Amortization expenses of other intangible assets are recorded as “cost of sales”, “selling, general and administrative expenses” and “profit (loss) from discontinued operations” in the consolidated statement of profit or loss.
2. Impairment losses are included in “Other operating expenses” and “profit (loss) from discontinued operations” in the consolidated statement of profit or loss.
3. The reversal of impairment losses is included in "Other operating income " and "Net profit (loss) from discontinued operations" in the consolidated statement of profit or loss.
4. “Other” in the changes of carrying amounts includes transfer to from “cost of sales” and “selling, general and administrative expenses” in the consolidated statement of profit or loss.

(18) Impairment on Non-Financial Assets

1) Impairment Losses on Property, Plant and Equipment and Intangible Assets Other Than Goodwill

Impairment losses in the fiscal years ended March 31, 2021 and 2022 are as follows:

	Fiscal year ended March 31, 2021 Millions of yen	Fiscal year ended March 31, 2022 Millions of yen	Fiscal year ended March 31, 2022 Thousands of U.S. dollars
Property, plant and equipment			
Buildings and structures	1,202	1,236	10,098
Machinery and vehicles	360	1,934	15,799
Tools, fixtures and fittings	32	59	482
Subtotal	1,595	3,228	26,379
Goodwill and other intangible asset			
Goodwill	688	-	-
Software	9	-	-
Other	56	-	-
Subtotal	754	-	-
Total	2,348	3,228	26,379

In the previous fiscal year, as part of the business restructuring program, the Company reduced the carrying amount to the recoverable amount for assets of some operations of the Display Materials Business and the Life Sciences Business for which the investment amount became unlikely to be recovered. The reduction amounts of ¥1,408 million and ¥940 million were recorded as impairment losses under “Other operating expenses.”

In the current fiscal year, the carrying amount of assets for which recovery of the investment amount cannot be expected due to the delay in the start-up of the U.S. plant in the cleaning solutions business was reduced to the recoverable amount (value in use), and ¥3,228 million ($26,379 thousand) was recorded as an impairment loss in "Other operating expenses."

Impairment losses on the non-financial assets of the Elastomer Business recorded in the previous fiscal year (¥77,227 million) and the current fiscal year (¥2,421 million) ($19,785 thousand) have been reclassified to Profit (loss) from discontinued operations.

2) Reversal of impairment losses

In the current fiscal year, among business assets for which impairment losses were recognized in previous years in the Display Materials Business, the carrying amount of assets that are expected to be sold has been reversed to their recoverable amount, and the reversal of impairment losses (¥1,348 million) ($11,010 thousand) of ¥1,109 million ($9,063 thousand) for Buildings and structures,
¥212 million ($1,734 thousand) for Machinery and vehicles, ¥16 million ($130 thousand) for tools, fixtures and fittings, and ¥10 million ($84 thousand) for software has been recorded. The reversal of the impairment loss is included in "Other operating income" in the consolidated statement of profit or loss.
Recoverable value of Display Materials Business is measured at fair value less costs of disposal. The fair value is calculated based on the sale price to a third party. The fair value hierarchy is classified as Level 3.

3) Impairment Test on Goodwill

The goodwill listed on the consolidated statement of financial position is mainly the goodwill related to drug discovery and development service that happened in the 2018 acquisition of Crown Bioscience International, and the goodwill related to development and manufacture of Metal resists for EUV that happened in this fiscal year acquisition of Inpria Corporation. The carrying amount of goodwill allocated to cash-generating units (or groups of cash-generating units) is as follows:

Segment	Cash-generating units (groups of cash-generating units)	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Plastics business	Plastics	2,598	2,598	21,231
Life Sciences business	In-vitro Diagnostics and Research Reagents	3,641	3,641	29,751
	Contract Development and Manufacturing for Biomedicine	5,213	5,763	47,086
	Contract of the Services for Development and Generation of Cell-lines	9,528	9,864	80,592
	Drug Discovery and Development Services	36,823	42,042	343,507
Digital Solutions Business	Metal based EUV resists	-	44,208	361,209
	Lithography Materials	-	8,694	71,034
	Other	830	830	6,782
Total		58,633	117,640	961,192

Of the above goodwill, major goodwill was tested for impairment as follows. The recoverable amount was measured as the higher of the value in use or the fair value less costs of disposal.

The value in use was calculated by reflecting the external information such as past experience and market growth rate which each cash-generating unit or cash-generating unit groups belong to and internal information such as equipment capacity, and it was discounting the estimated amount of cash flows to the present value based on the plan approved by management.
A terminal growth rate used for impairment test of major goodwill, pre-tax discount rate and term to estimate cash flows are as below.

Measured at the Value in Use

Cash-generating units (groups of cash-generating units)	Terminal growth rate	Pre-tax discount rate	Term to estimate cash flows
Plastics	0.0%	11.4%	5 years
In-vitro Diagnostics and Research Reagents	1.0%	9.5%	5 years
Contract Development and Manufacturing for Biomedicine	2.0%	13.6%	5 years
Contract of the Services for Development and Generation of Cell-lines	2.0%	10.8%	5 years
Drug Discovery and Development Services	2.0%	13.5%	5 years
Lithography Materials	0.0%	9.1%	5 years

Recoverable amount of metal based EUV resists is measured at fair value less costs of disposal. Such fair value was determined by discounting to present value, at a pre-tax discount rate of 13.1%, and the estimated future cash flows based on the business plan approved by the management of the Company during the Inpria acquisition process. The fair value hierarchy is classified as Level 3.

As a result of the above calculation, the recoverable amounts well exceed the carrying amount of each cash-generating units, as for those cash-generating units, the Group considers that the carrying amount will not exceed the recoverable amount even if there is a change in the key assumptions used in the estimation of the recoverable amounts within a reasonable range.

(19) Investments Accounted for Using the Equity Method

1) Investments in Associates

There are no investments in significant associates.

Carrying ammount of investments in associates that are not individually significant is as follows:

	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Carrying amount	5,061	2,984	24,381

The Group's share of comprehensive income of associates that are not individually significant is as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Share of profit(loss)	(640)	72	588
Share of other comprehensive income	(22)	232	1,893
Share of total comprehensive income	(661)	304	2,481

2) Investments in Joint Ventures

There are no investments in significant joint ventures.

Carrying ammount of investments in joint ventures that are not individually significant is as follows:

	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Carrying amount	15,954	-	-

The Group's share of comprehensive income of joint ventures that are not individually significant is as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Share of profit(loss)	(3,492)	91	743
Share of other comprehensive income	155	406	3,316
Share of total comprehensive income	(3,337)	497	4,060

(20) Income Taxes

1) Deferred Tax Assets and Liabilities

(i) Deferred Tax Assets and Liabilities Recognized

The breakdown of deferred tax assets and liabilities by major causes for occurrence in each fiscal year is as follows:

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(Millions of yen)

	April 1, 2020	Recognized through profit(loss)	Recognized through other comprehensive income	Other	March 31, 2021
Deferred Tax Assets					
Inventories	1,100	22	-	-	1,122
Accrued bonuses	1,908	(41)	-	-	1,867
Non-current assets	1,324	24,405	-	-	25,729
Retirement benefit liability	4,355	75	(711)	-	3,719
Unused tax losses	701	(426)	-	69	344
Other	5,863	829	(185)	(422)	6,086
Total	15,252	24,864	(895)	(353)	38,868
Deferred Tax Liabilities					
Non-current assets	(1,551)	37	-	-	(1,514)
Financial asset measured at fair value through other comprehensive income	(4,931)	-	(2,241)	377	(6,794)
Retained earnings	(1,619)	(11,440)	-	-	(13,059)
Other	(959)	532	-	-	(427)
Total	(9,060)	(10,871)	(2,241)	377	(21,794)

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

	April 1, 2021	Recognized through profit(loss)	Recognized through other comprehensive income	Other	March 31, 2022
Deferred Tax Assets					
Inventories	1,122	151	-	-	1,274
Accrued bonuses	1,867	339	-	-	2,206
Non-current assets	25,729	419	-	-	26,148
Retirement benefit liability	3,719	(310)	-	-	3,409
Unused tax losses	344	(172)	-	-	172
Other	6,086	2,215	(50)	(797)	7,454
Total	38,868	2,642	(50)	(797)	40,663
Deferred Tax Liabilities					
Non-current assets	(1,514)	49	-	-	(1,465)
Financial asset measured at fair value through other comprehensive income	(6,794)	-	(248)	3,158	(3,884)
Retained earnings	(13,059)	3,756	-	-	(9,303)
Other	(427)	(126)	-	(2,385)	(2,938)
Total	(21,794)	3,679	(248)	772	(17,590)

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Thousands of U.S. dollars)

	April 1, 2021	Recognized through profit(loss)	Recognized through other comprehensive income	Other	March 31, 2022
Deferred Tax Assets					
Inventories	9,171	1,237	-	-	10,408
Accrued bonuses	15,254	2,769	-	-	18,023
Non-current assets	210,224	3,423	-	-	213,647
Retirement benefit liability	30,387	(2,531)	-	-	27,856
Unused tax losses	2,809	(1,404)	-	-	1,405
Other	49,728	18,097	(410)	(6,514)	60,901
Total	317,573	21,590	(410)	(6,514)	332,239
Deferred Tax Liabilities					
Non-current assets	(12,371)	399	-	-	(11,972)
Financial asset measured at fair value through other comprehensive income	(55,513)	-	(2,026)	25,801	(31,738)
Retained earnings	(106,701)	30,692	-	-	(76,009)
Other	(3,485)	(1,031)	-	(19,489)	(24,006)
Total	(178,071)	30,060	(2,026)	6,312	(143,725)

(ii) Temporary Differences, etc. for Which Deferred Tax Assets Have Not Been Recognized

The Group assesses the recoverability of deferred tax assets in each period and recognizes deferred tax assets taking into account significant uncertainty on the recoverability of its deferred tax assets.

Tax losses carried forward and deductible temporary differences for which deferred tax assets have not been recognized are as follows:

	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Unused tax losses	11,471	16,531	135,065
Deductible temporary differences	1,874	5,631	46,005
Total	13,345	22,161	181,070

Expiration schedule of tax losses carried forward for which no deferred tax asset is recognized is as follows:

	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Not later than one year	-	-	
Later than one year and not later than five years	2,259	12,424	101,513
Later than five years	9,212	4,106	33,552
Total	11,471	16,531	135,065

The amount of taxable temporary differences pertaining to investments in subsidiaries, etc. for which deferred tax liabilities have not been recognized was ¥22,963million as of March 31, 2021 and ¥30,051million ($245,538 thousand) as of March 31, 2022. For these temporary differences, deferred tax liabilities have not been recognized because the Group can control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

2) Income Tax Expense

The breakdown of income tax expense is as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Current tax expenses	6,093	15,773	128,877
Deferred tax expenses	(13,993)	(6,322)	(51,651)
Total	(7,900)	9,452	77,227
Continuing operations	7,990	8,370	68,389
Discontinued operations	(15,890)	1,082	8,838

Deferred tax expenses include tax losses of ¥218 million, which had not been recognized, in the previous fiscal year. Also, the amounts of benefits arising from temporary differences in past periods are included in the previous fiscal year and the current fiscal year, which were ¥90 million. There is no applicable in this fiscal year.

Differences between statutory income tax rates and average effective tax rates can be explained by the following factors.

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	%	%
Statutory income tax rate	30.6	30.6
Retained earnings	(4.3)	(5.0)
Tax credit on experiment and research expenses	-	(3.1)
Differences in tax rates applied to foreign operations	0.2	(2.4)
Special deduction for reconstruction district	(0.9)	0.2
Share of loss (profit) of entities accounted for using the equity method	0.6	(0.1)
Other	(2.2)	(1.8)
Average effective tax rate	24.0	18.4

(21) Borrowings and bonds (including Other financial liabilities)

1) Financial Liabilities

Borrowings and bonds (including Other financial liabilities) consisted of the following:

	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022	Average interest rates	Payment Due
	Millions of yen	Millions of yen	Thousands of U.S. dollars	%	
Current borrowings	22,333	50,631	413,686	0.55%	-
Commercial Papers	-	10,003	69,742	(0.03%)	
Current portion of non-current borrowings	15,539	8,536	81,734	3.01%	-
Non-current borrowings	46,537	13,847	113,139	2.37%	2023-27
Bonds Payable	34,869	34,890	285,075	0.28%	2025-30
Current lease liabilities	3,330	2,984	24,383	-	-
Non-current lease liabilities	19,043	16,231	132,618	-	2023-42
Derivative liabilities	815	2,069	16,904	-	-
Total	142,465	139,192	1,137,281	-	-
Current liabilities	41,745	72,659	593,670	-	-
Non-current liabilities	100,720	66,533	543,611	-	-
Total	142,465	139,192	1,137,281	-	-

Borrowings and bonds are classified as financial liabilities measured at cost. Derivative liabilities are classified as financial liabilities measured at fair value through profit or loss.

No restrictive financial covenants have been attached to the Group's borrowings.

Payment schedules of non-current borrowings and bonds payable are as follows:

(Millions of yen)

	Later than one year and not later than two years	Later than two years and not later than three years	Later than three years and not later than four years	Later than four years and not later than five years	Later than five years	Total
Non-current borrowings	5,207	4,358	2,146	2,136	-	13,847
Bonds Payable	-	-	13,000	-	22,000	35,000

(Thousands of U.S. dollars)

	Later than one year and not later than two years	Later than two years and not later than three years	Later than three years and not later than four years	Later than four years and not later than five years	Later than five years	Total
Non-current borrowings	42,545	35,607	17,532	17,454	-	113,139
Bonds Payable	0	0	106,218	0	179,753	285,971

2) Pledged Assets

The Company and its consolidated subsidiaries have pledged collateral under standard customary terms in standard borrowing contracts.

Pledged assets are as follows:

	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents	7	7	57
Property, plant and equipment	12,814	7,391	60,393
Total	12,821	7,398	60,450

Corresponding liabilities are as follows:

	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Current borrowings and current portion of non-current borrowings	2	-	-
Liabilities associated with disposal groups classified as held for sale	-	2	245
Non-current portion of non-current borrowings	31	30	14
Total	33	32	259

3) Reconciliation of Liabilities Arising from Financing Activities

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(Millions of yen)

	As of April 1, 2020	Cash flow	Non-cash items				As of March 31, 2021
			Lease	Exchange differences	Transfer between non-current and current	Other	
Borrowings (non-current)	52,684	10,896	-	2,166	(19,208)	-	46,537
Bonds Payable	-	34,836	-	-	-	33	34,869
Borrowings (current)	30,043	(13,427)	-	1,715	19,208	333	37,872
Lease liabilities	18,766	(3,264)	6,000	871	-	-	22,373
Total	101,492	29,041	6,000	4,752	-	366	141,650

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

	As of April 1, 2021	Cash flow	Non-cash items				As of March 31, 2022
			Lease	Exchange differences	Transfer between non-current and current	Other	
Borrowings (non-current)	46,537	7,691	-	3,040	(14,598)	(28,822)	13,847
Bonds Payable	34,869	-	-	-	-	22	34,890
Borrowings (current)	37,872	24,173	-	4,003	14,598	(21,479)	59,167
Commercial Papers	-	10,003	-	-	-	-	10,003
Lease liabilities	22,373	(4,348)	4,441	1,765	-	(25)	19,215
Total	141,650	37,519	4,441	8,808	-	(50,305)	137,123

(Thousands of U.S. dollars)

	As of April 1, 2021	Cash flow	Non-cash items				As of March 31, 2022
			Lease	Exchange differences	Transfer between non-current and current	Other	
Borrowings (non-current)	380,235	62,839	-	24,836	(119,278)	(235,493)	113,139
Bonds Payable	284,898	-	-	-	-	178	285,075
Borrowings (current)	309,434	197,506	-	32,709	119,278	(175,500)	483,428
Commercial Papers	-	81,734	-	-	-	-	81,734
Lease liabilities	182,798	(35,524)	36,285	14,423	-	(208)	157,001
Total	1,157,365	306,556	36,285	71,968	-	(411,023)	1,120,377

(22) Trade and Other Payables

Trade and other payables are classified as financial liabilities measured at amortized cost. The breakdown is shown below.

	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Trade Payable			
Notes and accounts payable - trade	73,751	38,749	316,599
Other Payable			
Accounts payable - other, and accrued expenses	26,521	24,395	199,324

Other	525	405	3,305
Total	100,797	63,548	519,228

(23) Employee Benefits

1) Outline of Post-Employment Benefit Plans

The Company and certain consolidated subsidiaries have adopted funded and unfunded defined benefit plans and defined contribution plans, and virtually all employees of these companies are covered by these plans. In Japan, defined benefit plans under the Defined-benefit Corporate Pension Act, defined benefit corporate pension plans and lump-sum retirement benefit plans have been operational. The amount of these benefits is calculated based on certain points, etc. given in accordance with service years and contribution. These pension plans are exposed to general investment risk, interest rate risk, inflation risk and others.

Funded defined benefit plans have been operated by a corporate pension fund that is legally separated from the Group in accordance with laws and regulations including Defined-Benefit Corporate Pension Act. The board of the corporate pension fund and the pension-managing trustee are required by laws and regulations to act in the best interests of plan participants, and are responsible for managing plan assets based on predetermined policies.

The management of plan assets is conducted based on basic asset allocation aimed to ensure stable revenue in the medium to long term within the limits of tolerable risks, in order to ensure the payment of pension benefits, etc. at present and in the future. The basic asset allocation is periodically reviewed in order to respond to changes in the market environment and the funding position from initial assumptions made.

2) Defined Benefit Plans

(i) Reconciliation of Defined Benefit Plan Obligations and Plan Assets

The relationship between defined benefit plan obligations and plan assets, and net defined benefit liabilities and assets recorded in the consolidated statement of financial position is as follows:

	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Present value of funded retirement benefit obligation	38,495	35,248	288,000
Fair value of plan assets	(40,114)	(38,103)	(311,327)
Subtotal	(1,619)	(2,855)	(23,327)
Present value of unfunded retirement benefit obligation	13,148	7,940	64,875
Total Net liability (asset) for retirement benefit	11,529	5,085	41,548
Amounts on consolidated statement of financial position			
Retirement benefit liability	16,434	10,278	83,974
Retirement benefit asset	(4,905)	(5,192)	(42,426)
Total Net liability (asset) for retirement benefit	11,529	5,085	41,548

(ii) Reconciliation of Present Value of Defined Benefit Plan Obligations

Increase or decrease in the present value of defined benefit plan obligations is as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U,S, dollars
Balance of present value of retirement benefit obligation at the beginning of the fiscal year	51,128	51,643	421,953
Service cost	2,462	2,390	19,528
Interest expense	215	227	1,853
Remeasurement			
Actuarial gains (losses) arising from changes in demographic assumptions	53	1,103	9,013
Actuarial gains (losses) arising from changes in financial assumptions	44	(725)	(5,920)
Benefits paid	(2,402)	(3,600)	(29,416)
Transfer to liabilities associated with disposal group classified as held for sale	-	(7,458)	(60,940)
Other	144	(391)	(3,196)
Balance of present value of retirement benefit obligation at the end of the fiscal year	51,643	43,188	352,875

The weighted average duration of defined benefit plan obligations was 13.7 years in the fiscal year ended March 31, 2021 and 13.3 years in the fiscal year ended March 31, 2022.

(iii) Reconciliation of Fair Value of Plan Assets

Increase or decrease in the fair value of plan assets is as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Balance of fair value of plan assets at the beginning of the fiscal year	37,472	40,114	327,756
Interest revenue	312	166	1,356
Remeasurement			
Return on plan assets	2,436	242	1,976
Contributions paid by the employer	1,519	1,396	11,406
Benefits paid	(1,703)	(1,901)	(15,531)
Transfer to liabilities associated with disposal group classified as held for sale classified as held for sale	-	(1,694)	(13,839)
Other	78	(220)	(1,797)
Balance of fair value of plan assets at the end of the fiscal year	40,114	38,103	311,327

Contributions to defined benefit plans are determined by performing an actuarial review periodically so that balanced budgets can be maintained in the future. In the actuarial review, the Group reviews assumptions related to the determination of contributions (such as expected rate of interest, expected mortality rate and expected withdrawal rate) and verifies the appropriateness of contributions determined.

The Group will make contributions of ¥2,668 million ($21,798 thousand) in the fiscal year ending March 31, 2023.

(iv) Items of Plan Assets

Plan assets consisted of the following items.

	As of March 31, 2021			As of March 31, 2022		
	Assets for which active market prices are available	Assets for which active market prices are not available	Total	Assets for which active market prices are available	Assets for which active market prices are not available	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Cash and cash equivalents	4,546	-	4,546	4,478	-	4,478
Equity instruments						
Domestic equity securities	1,482	-	1,482	1,428	-	1,428
Foreign equity securities	4,005	-	4,005	3,857	-	3,857
Debt instruments						
Domestic bonds	9,669	-	9,669	9,592	-	9,592
Foreign bonds	10,632	-	10,632	10,013	-	10,013
General accounts of life insurance	-	688	688	-	414	414
Alternative investments*	-	9,090	9,090	-	8,320	8,320
Total	30,335	9,779	40,114	29,369	8,735	38,103

*Alternative investments include hedge funds.

	As of March 31, 2022		
	Assets for which active market prices are available	Assets for which active market prices are not available	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Cash and cash equivalents	36,591	-	36,591
Equity instruments	-	-	-
Domestic equity securities	11,667	-	11,667
Foreign equity securities	31,515	-	31,515
Debt instruments	-	-	-
Domestic bonds	78,371	-	78,371
Foreign bonds	81,816	-	81,816
General accounts of life insurance	-	3,384	3,384
Alternative investments*	-	67,983	67,983
Total	239,959	71,367	311,327

*Alternative investments include hedge funds.

(v) Main Component Used for Actuarial Assumption

	As of March 31, 2021	As of March 31, 2022
	%	%
Discount rates (weighted average)	0.50	0.63

(vi) Sensitivity Analysis

In the fiscal year ended March 31, 2022, a 0.5% increase (decrease) in the discount rate used in actuarial calculation would have resulted in a decrease (increase) in the present value of defined benefit plan obligations by ¥2,830 million ($23,124 thousand). This provisional calculation assumes that variables other than the assumptions used in the calculation are constant. In reality, since individual assumptions are affected by changes in economic indicators and conditions at the same time, the assumptions are expected to change independently or in a correlated fashion, and the actual effects of such changes on defined benefit plan obligations may differ from the expected effects.

3) Defined Contribution Plans

The amount recognized as expenses in relation to defined contribution plans was ¥1,427 million in the fiscal year ended March 31, 2021 and ¥1,806 million ($14,755 thousand) in the fiscal year ended March 31, 2022.

4) Employee Benefits Expense

The total amount of employee benefits expense included in “cost of sales” and “selling, general and administrative expenses” in the consolidated statement of profit or loss in the fiscal year ended March 31, 2021 and the fiscal year ended March 31, 2022 was ¥3,792 million and ¥4,257 million ($34,781 thousand), respectively.

(24) Provisions

Increase or decrease in provisions are the following.

	Provision for loss on business restructuring	Allowance for dismantling and removal
	Millions of yen	Millions of yen
As of April 1, 2021	1,837	-
Increase	2,635	8,139
Decrease (used for purposes)	(1,860)	-
As of March 31, 2022	2,612	8,139

	Provision for loss on business restructuring	Allowance for dismantling and removal
	Thousands of U.S. dollars	Thousands of U.S. dollars
As of April 1, 2021	15,010	-
Increase	21,531	66,497
Decrease (used for purposes)	(15,199)	-
As of March 31, 2022	21,343	66,497

Provision for Loss on Business Restructuring
To provide for losses due to business restructuring that are expected to arise for the future, the estimated loss is recorded.
The payment period is within one year from the end of the fiscal year.

Allowance for dismantling and removal
To provide for expenses for the dismantling and removal of manufacturing facilities, etc., that are expected to arise in the future, an estimated amount of expenses at the end of the current fiscal year is recorded.
The payment period may change due to a review of future dismantling and removal plans.

Provisions on consolidated statement of financial position consisted of the following:

	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Current liabilities	1,837	2,718	22,205
Non-Current liabilities	-	8,033	65,635
Total	1,837	10,751	87,839

(25) Other Liabilities

Other liabilities include the following items.

	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Other current liabilities			
Unearned revenue	55	-	-
Accrued bonuses	5,254	3,794	30,998
Accrued consumption taxes	1,019	476	3,886
Other	3,867	3,191	26,076
Total	10,196	7,461	60,960
Other non-current assets			
Provision for environmental measures	787	127	1,036
Other	4,349	4,682	38,254
Total	5,136	4,809	39,290

(26) Equity and Other Equity Items

1) Share Capital and Capital Surplus

Capital surplus consists of legal capital surplus and other capital surplus.

The Companies Act of Japan (hereinafter the "Companies Act") stipulates that at least half of the payment or contribution at the share issue shall be credited to share capital, and the remaining amount may be recorded as legal capital surplus included in capital surplus. In addition, under the Companies Act, legal capital surplus may be credited to share capital by resolution of the general meeting of shareholders.

Increase or decrease in the number of authorized shares and the number of issued shares are as follows:

	Number of shares authorized	Number of shares issued
As of April 1, 2020	696,061,000	226,126,145
Increase/Decrease	-	-
As of March 31, 2021	696,061,000	226,126,145
Increase/Decrease	-	-
As of March 31, 2022	696,061,000	226,126,145

(Note) All shares issued by the Company are ordinary shares with no rights limitations and without par value and restricted shares. Issued shares are fully paid.

2) Treasury Shares

The Companies Act stipulates that entities may determine the number of shares to be acquired, the total amount of acquisition price, etc. and acquire treasury shares by resolution of the general meeting of shareholders, to the extent of the distributable amount. Moreover, in the case of acquisition through market transactions or a takeover bid, treasury shares may be acquired by resolution of the Board of Directors within the requirements prescribed in the Companies Act in accordance with the provisions of the Articles of Incorporation.

Increase or decrease in the number of treasury shares is as follows:

	Number of shares
As of April 1, 2020	11,412,308
Increase/Decrease	(188,973)
As of March 31, 2021	11,223,335
Increase/Decrease	(175,435)
As of March 31, 2022	11,047,900

(Note) Increase or decrease during the period is mainly due to the disposal of treasury stock as the restricted share-based remuneration.

3) Retained Earnings

Retained earnings consist of legal retained earnings and other retained earnings.

The Companies Act stipulates that one-tenth of the amount paid as dividends of surplus shall be reserved as legal capital surplus or legal retained earnings until the sum of legal capital surplus included in capital surplus and legal retained earnings included in retained earnings reaches one quarter of share capital. Accumulated legal retained earnings may be appropriated to cover a deficit. It is specified that legal retained earnings may be reversed by resolution of the general meeting of shareholders.

4) Other Components of Equity

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(Millions of yen)

	Net change in financial assets measured at fair value through other comprehensive income	Net change in fair value on cash flow hedges	Exchange differences on translation of foreign operations	Remeasurements of defined benefit plans	Restricted Shares	Other	Total
As of April 1, 2020	10,849	(34)	(4,657)	-	(73)	(460)	5,626
Other comprehensive income	5,055	14	5,038	1,590	-	-	11,697
Total comprehensive income	5,055	14	5,038	1,590	-	-	11,697
Share-based remuneration plan	-	-	-	-	(9)	-	(9)
Transfer from other components of equity to retained earnings	(808)	-	-	(1,590)	-	-	(2,399)
Changes in non-controlling interests	-	-	(27)	-	-	-	(27)
Other movements	-	-	-	-	-	460	460
Total transactions with owners, etc.	(808)	-	(27)	(1,590)	(9)	460	(1,975)
As of March 31, 2021	15,096	(20)	354	-	(82)	-	15,348

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Net change in financial assets measured at fair value through other comprehensive income	Net change in fair value on cash flow hedges	Exchange differences on translation of foreign operations	Remeasurements of defined benefit plans	Restricted Shares	Other	Total
As of April 1, 2021	15,096	(20)	354	-	(82)	-	15,348
Other comprehensive income	1,140	17	17,523	141	-	-	18,821
Total comprehensive income	1,140	17	17,523	141	-	-	18,821
Share-based remuneration plan	-	-	-	-	(32)	-	(32)
Transfer from other components of equity to retained earnings	(7,523)	-	-	(141)	-	-	(7,663)
Changes in non-controlling interests	-	-	-	-	-	-	-
Other movements	-	-	(92)	-	-	-	(92)
Total transactions with owners, etc.	(7,523)	-	(92)	(141)	(32)	-	(7,788)
As of March 31, 2022	8,713	(2))	17,784	-	(114)	-	26,381

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Thousands of U.S. dollars)

	Net change in financial assets measured at fair value through other comprehensive income	Net change in fair value on cash flow hedges	Exchange differences on translation of foreign operations	Remeasurements of defined benefit plans	Restricted Shares	Other	Total
As of April 1, 2021	123,340	(160)	2,893	-	(668)	-	125,404
Other	9,316	140	143,170	1,151	-	-	153,777

comprehensive income							
Total comprehensive income	9,316	140	143,170	1,151	-	-	153,777
Share-based remuneration plan	-	-	-	-	(265)	-	(265)
Transfer from other components of equity to retained earnings	(61,464)	-	-	(1,151)	-	-	(62,615)
Changes in non-controlling interests	-	-	-	-	-	-	0
Other movements	-	-	(755)	-	-	-	(755)
Total transactions with owners, etc.	(61,464)	-	(755)	(1,151)	(265)	-	(63,635)
As of March 31, 2022	71,191	(20)	145,308	-	(933)	-	215,545

(a) Net Change in Financial Assets Measured at Fair Value through Other Comprehensive Income
It represents valuation differences on fair value of equity instruments measured at fair value through other comprehensive income.

(b) Net Change in Fair Value of Cash Flow Hedges
It represents change in profit or loss on valuation of derivatives as hedging instruments that were recorded in the statement of comprehensive income on and before the date of cessation of hedge accounting.

(c) Exchange Differences on Translation of Foreign Operations
They represent translation differences on foreign operations' financial statements.

(d) Remeasurements of Defined Benefit Liabilities (Assets)
Remeasurements of defined benefit liabilities (assets) are changes in actuarial differences, return on plan assets (excluding the amount included in interest revenue) and the effect of the asset ceiling (excluding the amount included in interest revenue). Actuarial differences are adjustments based on actual results related to defined benefit plan obligations (differences between actuarial assumptions at the beginning of the period and actual results) and the effect of changes in actuarial assumptions. These items are recognized in other comprehensive income when they arise, and immediately transferred from other components of equity to retained earnings.

(e) Restricted Shares
Under the restricted share-based remuneration plan, monetary remuneration to be used as contributed properties for restricted shares is provided. The amount equivalent to fair value of remuneration determined at the initial recognition is recorded in share capital, and recognized as the amount debited to other components of equity. Over the vesting period, other components of equity recognized as the debited amount are deducted at the time when remuneration cost is recognized.
Details of the restricted share-based remuneration plan are provided in the note "(34) Share-based remuneration."

(f) Other
The Company and the non-controlling interests had entered into an agreement under which the Company would purchase all of the interest held by the non-controlling interests under certain conditions. In the previous fiscal year, however, the obligation to purchase these interests was extinguished, and the carrying amount of the financial liabilities at the time of extinguishment was transferred to capital surplus.

(27) Dividends

The amounts of dividends paid are as follows:

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

Resolution	Class of shares	Total amount of dividends	Dividends per share	Record date	Effective date of dividends	Source of dividends
Ordinary General Meeting of Shareholders on June 17, 2020	Ordinary Shares	¥6,441 million	¥30	March 31, 2020	June 18, 2020	Retained Earnings
Board of Directors Meeting on October 27, 2020	Ordinary Shares	¥6,447 million	¥30	September 30, 2020	November 27, 2020	Retained Earnings

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

Resolution	Class of shares	Total amount of dividends	Dividends per share	Record date	Effective date of dividends	Source of dividends
Ordinary General Meeting of Shareholders on June 17, 2021	Ordinary Shares	¥6,447 million ($52,677 thousand)	¥30($0.25)	March 31, 2021	June 18, 2021	Retained Earnings
Board of Directors Meeting on November 8, 2021	Ordinary Shares	¥7,528 million ($61,505 thousand)	¥35 ($0.29)	September 30, 2021	December 8, 2021	Retained Earnings

Dividends of which record dates belong to the current fiscal year and of which effective dates of dividends fall after the end of the current fiscal year are as follows:

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

Resolution	Class of shares	Total amount of dividends	Dividends per share	Record date	Effective date of dividends	Source of dividends
Ordinary General Meeting of Shareholders on June 17, 2021	Ordinary Shares	¥6,447 million	¥30	March 31, 2021	June 18, 2021	Retained Earnings

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

Resolution	Class of shares	Total amount of dividends	Dividends per share	Record date	Effective date of dividends	Source of dividends
Ordinary General Meeting of Shareholders on June 17, 2022	Ordinary Shares	¥7,528 million ($61,506 thousand)	¥35 ($0.29)	March 31, 2022	June 20, 2022	Retained Earnings

(28) Revenue

(1) Disaggregation of Revenue

Regarding the revenue arising from contracts with the Group's customers, the breakdown of revenue into domestic and overseas and its relation to the reportable segments are as follows.

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(Millions of yen)

		Domestic	Overseas	Total
The Reportable Segments	Digital Solutions	28,152	123,268	151,420
	Semiconductor Materials	19,269	75,585	94,855
	Display Materials	4,919	42,436	47,354
	Edge Computing Materials	3,964	5,247	9,211
	Life Sciences	12,369	42,828	55,197
	Plastics	47,817	31,306	79,123
Other		19,909	6,350	26,259
Total		108,247	203,752	311,999
Adjustment		0	-	0
Amount Recorded in the Consolidated Financial Statements		108,248	203,752	312,000

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

		Domestic	Overseas	Total
The Reportable Segments	Digital Solutions	29,137	135,893	165,030
	Semiconductor Materials	20,061	90,190	110,251
	Display Materials	5,136	40,802	45,938
	Edge Computing Materials	3,940	4,901	8,841
	Life Sciences	16,837	55,615	72,452
	Plastics	53,122	37,484	90,606
Other		11,591	1,319	12,910
Total		110,688	230,310	340,997
Adjustment		0	-	0
Amount Recorded in the Consolidated Financial Statements		110,688	230,310	340,997

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Thousands of U.S. dollars)

		Domestic	Overseas	Total
The Reportable Segments	Digital Solutions	238,070	1,110,325	1,348,395
	Semiconductor Materials	163,913	736,905	900,818
	Display Materials	41,968	333,374	375,342
	Edge Computing Materials	32,189	40,046	72,235
	Life Sciences	137,569	454,405	591,973
	Plastics	434,042	306,263	740,305

Other	94,704	10,776	105,480
Total	904,385	1,881,769	2,786,154
Adjustment	0	-	0
Amount Recorded in the Consolidated Financial Statements	904,385	1,881,769	2,786,154

1) Digital Solutions Business

In Digital Solutions business, the Group manufactures and sells semiconductor materials, display materials, and products related to edge computing, etc.

For the sales contracts on products and merchandise, the Group recognizes revenue upon delivery because the control of the products and merchandise is considered to be transferred to the customer and the performance obligation is satisfied by delivery.

2) Life Sciences Business

(i) Manufacturing and sale of in-vitro diagnostics and research reagents, related materials, and bioprocess materials

For the sales contracts on products and merchandise, the Group recognizes revenue upon delivery because the control of the products and merchandise is considered to be transferred to the customer and the performance obligation is satisfied by delivery.

(ii) Contract development and manufacturing for bioprocess, etc.

The Group renders services in the contract research and manufacturing businesses related to bioprocess, etc.

For rendering of services, the Group recognizes revenue at over time with fulfillment of performance obligation based on the contract between the Group and the customer.

3) Plastics Business

In Plastics business, the Group manufactures and sells ABS and other resins for automobiles, office equipment, and amusement applications, etc.

For the sales contracts on products and merchandise, the Group recognizes revenue upon delivery because the control of the products and merchandise is considered to be transferred to the customer and the performance obligation is satisfied by delivery.

(2) Liabilities Arising from Contracts with the Customers

Contract liabilities primarily consist of consideration received from customers before performance obligations are satisfied for biologics contract development and manufacturing organization (CDMO) services in the Life Sciences Business. Said contract liabilities are transferred to revenue as the corresponding performance obligation is satisfied. Among the beginning balance of contract liabilities for the current fiscal year, the amount of revenue recognized is ¥9,436 million ($77,099 thousand).

The amount of revenue recognized from the performance obligations that were satisfied (or partially satisfied) in previous fiscal years is insignificant in the current fiscal year.

(3) Transaction Price Allocated to the Remaining Performance Obligations

The Group applies the practical expedient and omits information on the remaining performance obligations because there are no significant transactions with initial expected contractual terms exceeding one year.

There are no significant amounts of consideration from contracts with customers that are not included in transaction prices.

The consideration does not include a significant financing component, since the consideration for transaction prices is mainly collected within one year from the time of delivery of products and merchandise to customers or the agreement based on the contract such as milestone achievement.

(4) Assets Recognized from the Costs of Obtaining or Fulfilling Contracts with Customers

There is no significance in the amount of assets recognized from the costs incurred to obtain or fulfill a contract with a customer in the current fiscal year.

The Group applies the practical expedient of recognizing the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Group otherwise would have recognized is one year or less.

(29) Selling, General and Administrative Expenses

1) Major items in selling, general and administrative expenses are as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Transportation and warehousing expenses	6,244	7,997	65,336
Salaries and allowances	19,501	22,315	182,330
Retirement benefit expenses	856	702	5,736
Experiment and research expenses	19,711	21,839	178,438
Depreciation	5,244	6,793	55,506
Supplies expenses	619	570	4,658
Business consignment expenses	2,823	3,578	29,235
Other	20,208	23,535	192,297
Total	75,205	87,330	713,537

2) Amount of research and development expense included in general and administrative expenses and manufacturing costs

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Research and development expense	22,178	24,406	199,414

(30) Other Operating Income and Expenses

Other operating income consisted of as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Gain on sales of non-current assets	129	19	158
Rent income	110	171	1,394
Remeasured gains on business combinations*	-	7,467	61,012
Reversal of impairment losses	-	1,348	11,010
Other	1,361	1,814	14,824
Total	1,601	10,819	88,398

*Remeasured gains on business combinations are described in "Notes of Consolidated Financial Statements (8). Business Combinations and Acquisition of Non-controlling Interest."

Other operating expenses consisted of as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Loss on abandonment of non-current assets	205	91	747
Loss on sales of non-current assets	82	12	99
Impairment loss	-	3,228	26,379
Business Restructuring expenses*	3,508	-	-
Other	1,506	2,620	21,408
Total	5,302	5,952	48,633

*Business Restructuring expenses mainly consisted of costs related to structural reforms in the Display Solutions Business of ¥2,458 million ($20,084 thousand).

(31) Financial Income and Costs

Financial income consisted of the following:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Interest income			
Financial assets measured at amortized cost	112	166	1,358
Dividend income			
Equity financial assets measured at fair value through other comprehensive income	701	1,232	10,069
Foreign exchange gains	-	2,017	16,476
Other	9	-	-
Total	822	3,415	27,904

Financial costs consisted of the following:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Interest expenses			
Financial liabilities measured at amortized cost	701	1,160	9,477
Lease liabilities	383	495	4,041
Foreign exchange loss	660	-	-
Other	0	-	-
Total	1,744	1,655	13,518

(32) Other Comprehensive Income

Changes in items of other comprehensive income are shown below:

Amount incurred and reclassification for profit or loss in items of other comprehensive income, and effects of income tax are shown below:

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(Millions of yen)

	Amount incurred	Reclassification	before tax	Income tax	Net of tax
Other comprehensive income that will not be reclassified to profit or loss					
Net change in financial assets measured at fair value through other comprehensive income	7,342	-	7,342	(2,241)	5,101
Remeasurements of defined benefit plans	2,072	-	2,072	(635)	1,438
Share of other comprehensive income of investments accounted for using the equity method	68	-	68	-	68
Total	9,482	-	9,482	(2,875)	6,607
Items that may be reclassified to profit or loss					
Cash flow hedges	(10)	37	28	-	28
Exchange differences on translation of foreign operations	6,167	-	6,167	-	6,167
Share of other comprehensive income of investments accounted for using the equity method	65	-	65	-	65
Total	6,223	37	6,260	-	6,260
Total	15,705	37	15,742	(2,875)	12,867

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

	Amount incurred	Reclassification	before tax	Income tax	Net of tax
Other comprehensive income that will not be reclassified to profit or loss					
Net change in financial assets measured at fair value through other comprehensive income	1,389	-	1,389	(248)	1,141
Remeasurements of defined benefit plans	405	-	405	(124)	281
Share of other comprehensive income of investments accounted for using equity method	(2)	-	(2)	-	(2)
Total	1,791	-	1,791	(372)	1,419
Items that may be reclassified to profit or loss					
Cash flow hedges	2	32	34	-	34
Exchange differences on translation of foreign operations	17,480	-	17,480	-	17,573
Share of other comprehensive income of investments accounted for using the equity method	640	-	640	-	640
Total	18,122	32	18,154	-	18,246
Total	19,913	32	19,945	(372)	19,665

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Thousands of U.S. dollars)

	Amount incurred	Reclassification	before tax	Income tax	Net of tax
Other comprehensive income that will not be reclassified to profit or loss					
Net change in financial assets measured at fair value through other comprehensive income	11,345	-	11,345	(2,026)	9,320
Remeasurements of defined benefit plans	3,308	-	3,308	(1,013)	2,295
Share of other comprehensive income of investments accounted for using the equity method	(20)	-	(20)	-	(20)
Total	14,634	-	14,634	(3,039)	11,595
Items that may be reclassified to profit or loss					
Cash flow hedges	13	261	274	-	274
Exchange differences on translation of foreign operations	142,824	-	142,824	-	143,580
Share of other comprehensive income of investments accounted for using the equity method	5,228	-	5,228	-	5,228
Total	148,066	261	148,327	-	149,083
Total	162,700	261	162,961	(3,039)	160,678

(33) Earnings per Share

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2022
1) Basic earnings (loss) per share	¥(256.73)	¥173.49	$1.42
Continuing operations	¥108.65	¥162.52	$1.33
Discontinued operations	¥(365.38)	¥10.97	$0.09
(Basis of calculation)			
Profit (loss) attributable to owners of parent	¥(55,155) million	¥37,303 million	$304,789 thousand
Continuing operations	¥23,341 million	¥34,944 million	$285,509 thousand
Discontinued operations	¥(78,497) million	¥2,360 million	$19,279 thousand
Average shares outstanding during the year (1,000 shares)	214,838	215,016	215,016
2) Diluted earnings (loss) per share	¥(256.34)	¥173.26	$1.42
Continuing operations	¥108.47	¥162.30	$1.33
Discontinued operations	¥(364.81)	¥10.96	$0.09
(Basis of calculation)			
Increase in common shares due to stock options (1,000 shares)	331	285	285
Average diluted shares outstanding during the year (1,000 shares)	215,169	215,301	215,301

(34) Share-based Remuneration

1) Stock Options

(i) Overview of Share-based Remuneration Plan

The Group operated an equity-settled share-based remuneration plan where it received services from directors, executive officers, and employees and paid equity instruments (options) as consideration thereof until June 2017.

The fair value on the date the option was granted under the plan is recognized as an expense over the option's vesting period and the same amount is recorded as an increase of equity. The plan was terminated in June 2017 (however, share acquisition rights already granted as share-based stock options to directors, etc. that have not been exercised will be continued).

(ii) Number and Weighted Average Exercise Prices of Stock Options

	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022		
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price	Weighted average exercise price
	Shares	Yen	Shares	Yen	U.S. dollars
ıtstanding at the beginning	361,000	1	312,600	1	0.01
anted	-	-	-	-	-
ercised	(48,400)	1	(49,000)	1	0.01
rfeited	-	-	-	-	-
pired	-	-	-	-	-
ıtstanding at the end	312,600	1	263,600	1	0.01
ercisable at the end	312,600	1	263,600	1	0.01

The weighted average share price as of the exercise date of stock options exercised during the period was ¥2,445 and ¥3,505 ($28.64) in the fiscal years ended March 31, 2021 and 2022, respectively.

In the fiscal years ended March 31, 2021 and 2022, the exercise price of unexercised stock options was ¥1 each. The weighted average remaining contract terms in the fiscal years ended March 31, 2021 and 2022 were 10.2 years and 10.1 years, respectively, for the unexercised balance at the end of the fiscal year, and 10.2 years and 10.1 years, respectively, for the exercisable balance at the end of the fiscal year.

2) Restricted Share-based Remuneration Plan

The Group employs the restricted share-based remuneration plan in order to further promote sharing of values with shareholders and establish a remuneration structure that contributes to sustained improvement in corporate value in the medium to long term. Under this plan, to grant restricted shares to directors, excluding outside directors, and executive officers (hereinafter "Eligible Directors, etc."), the Company is to provide the Eligible Directors, etc. with claims for monetary remuneration in principle in each period and have them contribute these claims in kind as contributed properties to the Company. Accordingly, the Company is to issue or dispose of ordinary shares of the Company to the Eligible Directors, etc. and make them hold the shares.

The Company enters into an agreement with Eligible Directors, etc. for allotment of restricted shares, and Eligible Directors, etc. cannot transfer, pledge or dispose of in any other way shares granted under the allotment agreement at will during a given period of time stipulated in the agreement (hereinafter the "Transfer Restriction Period") (hereinafter, the "Transfer Restriction"). The Transfer Restriction is lifted for all shares held by Eligible Directors, etc. when the Transfer Restriction Period expires, on the condition that the Eligible Directors, etc. continued to hold a position of directors, executive officers, audit & supervisory board members, employees, or any other equivalent position of the Company or its subsidiaries during the Transfer Restriction Period. On the other hand, under this structure, shares for which the Transfer Restriction has not been lifted at the time when the Transfer Restriction Period expires are acquired by the Company without any payment in principle.

Details of restricted shares granted during the period are as follows:

	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
Number of restricted shares granted	144,900 shares
Fair value on the grant date	¥3,485 per share ($28.47 per share)
Calculation method for fair value measurement	Calculated on the basis of closing price of ordinary shares of the Company at the Tokyo Stock Exchange on the business day proceeding the date when the Board of Directors adopted a resolution.
Transfer Restriction Period	Directors and executive officers of the Company: 30 years Executives of certain subsidiaries: 3 years

3) Performance Share Unit Remuneration Plan

The Company has adopted the performance share unit remuneration plan for directors and executive officers of the Company and officers of certain subsidiaries of the Company, under which the number of shares to be delivered and the amount of individual cash payments are adjusted according to the attainment level of predetermined performance targets. (hereinafter referred to as" Eligible Directors, Executive Officers and Subsidiaries Officers").

The Eligible Directors, Executive Officers and Subsidiaries Officers shall, at the beginning of the performance evaluation period, be granted the basic number of share units determined by position, by resolution of the Board of Directors based on the deliberation and report of the Compensation Advisory Committee of the Company, except for cases of transfer to a competitor which is not approved by the Company or cases of disciplinary action.

The number of the Company shares to be paid to Eligible Directors, Executive Officers and Subsidiaries Officers and the amount of cash paid shall be determined by multiplying the base number of share units by the payment rate (varying from 0% to 200%) corresponding to the degree of achievement of the target value of the consolidated performance indicator (average consolidated ROE for fiscal year 2023 and fiscal year 2024) set in fiscal year 2021. Out of the number calculated

Director, Executive Officer and Subsidiaries Officers by the allocation rate determined after the end of the performance evaluation period, 50% is calculated as the number of individual shares to be allocated and the remaining amount is calculated as the amount of individual cash to be paid.
The fair value in the plan is estimated based on the market price of the Company's shares, which is not revised in consideration of the estimated dividend. The fair value at the reporting date for the fiscal year ended March 31, 2022 is ¥3,535 ($28.88).

4) Share-based Remuneration Expense

The breakdown of share-based remuneration expenses in the consolidated statement of profit or loss is as follows:

The amount of share-based remuneration expense is included in "selling, general and administrative expenses".

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Equity-settled (Restricted Share-based Remuneration Plan)	318	461	3,769
Cash-settled (Performance Share Unit Remuneration Plan)	-	172	1,403
Equity-settled (Performance Share Unit Remuneration Plan)	-	167	1,366
Total	318	800	6,538

5) Liabilities Arising from Share-based Payment

The liabilities included in "Other current liabilities" in the consolidated statement of the financial position are as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Carrying amount of liabilities	-	172	1,403

(35) Financial Instruments

1) Capital Management Policy

The Group considers it vitally important to improve corporate performance on a long-term basis and achieve improvement in corporate value in the medium to long term by strengthening its research and development activities from a long-term viewpoint and enhancing competitiveness through development of new businesses. For capital efficiency, the Group monitors ROE on a timely basis.

2) Financial Risks

The Group is exposed to financial risks related to operating activities (market risk, credit risk and liquidity risk), and conducts risk management based on a certain policy to avoid or mitigate effects of the risks. For fund management, approval of the Company's Board of Directors is received in principle at the beginning of each period. Transactions and risk management during the period are principally conducted based on internal management regulations. The Group uses derivatives to avert risks described below, and as its policy, does not perform any speculative transaction.

(i) Market Risks

(a) Exchange Rate Risks

The Group operates business globally and sells products manufactured by the Company and each subsidiary and others abroad. Thus, the Group is exposed to the risk that profit or loss, cash flows, etc. are affected by fluctuations in exchange rates.

To avoid exchange rate risks, the Group mainly utilizes foreign exchange forward contracts as derivative transactions for trade receivables and payables denominated in foreign currencies.

The Company's responsible department manages risks in accordance with the derivative transaction management regulations that specify authority for transactions, maximum amount, etc. and reports monthly trading results to responsible directors.

Details of currency derivatives are as follows:

Derivative Transactions to which Hedge Accounting is Not Applied

	As of March 31, 2021			As of March 31, 2022		
	Contracted Amount	Later than one year	Fair value	Contracted Amount	Later than one year	Fair value
U.S. dollar	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Forward exchange contracts						
Purchase	651	-	16	2,575	-	58
Sell	8,584	-	(462)	5,533	-	(365)
Total	9,235	-	(447)	8,108	-	(308)

	As of March 31, 2022		
	Contracted Amount	Later than one year	Fair value
U.S. dollar	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Forward exchange contracts			
Purchase	21,040	-	471
Sell	45,207	-	(2,985)
Total	66,247	-	(2,514)

	As of March 31, 2021			As of March 31, 2022		
	Assumed principal	Later than one year	Fair value	Contracted Amount	Later than one year	Fair value
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Currency swap						
U.S. dollars	6,975	4,982	(228)	28,394	27,415	(1,483)
EUR	6,620	-	(33)	-	-	-
Total	13,595	4,982	(262)	28,394	27,415	(1,483)

	As of March 31, 2022		
	Assumed principal	Later than one year	Fair value
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Currency swap			
U.S. dollars	232,000	224,000	(12,114)
EUR	-	-	-
Total	232,000	224,000	(12,114)

Although the Group does not apply hedge accounting to these derivative transactions, it considers that the transactions effectively offset effects of exchange fluctuations.

Exposure to Exchange Rate Risks

The Group's exposure of Japanese yen, Korean won and Thai baht as functional currencies against the US dollar, the major foreign currency, is as follows. These amounts are after deduction of amounts of exchange rate risks hedged through derivative transactions, etc.

Functional Currency	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Japanese yen	1,954	11,314	92,446
Korean won	780	1,704	13,924
Thai baht	4,335	3,603	29,442

Foreign Exchange Sensitivity Analysis

With regard to foreign currency receivables and payables held by the Group at the end of each fiscal year, effects of 1% depreciation of the US dollar against each functional currency on profit before tax in the consolidated statement of profit or loss are as follows. If each currency moves inversely, this will have effects opposite to and at the same amount as the table below. The calculation is based on the assumption that currencies other than the currency used do not fluctuate.

Functional Currency	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Japanese yen (weak U.S. dollar)	(20)	(113)	(924)
Korean won (weak U.S. dollar)	(8)	(17)	(139)
Thai baht (weak U.S. dollar)	(43)	(36)	(294)

The Group hedges against the risk of exchange rate fluctuations regarding net investment in foreign operations by using foreign currency borrowings. The Group designates it as hedges of net investment.

(b) Equity Price Risks

Equity instruments held by the Group are principally shares of companies with which the Group has business r elationships. These shares were acquired to expand businesses mutually and enhance the transaction relationships, and the Group does not hold the shares for the purpose of short-term trading.

Equity instruments include listed shares and unlisted shares. The Group periodically monitors market value, financial conditions of the issuers (business partners), etc. and reviews the ownership in light of the relationships with the business partners.

If the share price increases (decreases) by 5% with other changing factors remaining constant, other components of equity (net of related tax effects) will increase (decrease) by ¥526million ($4,298thousand) for the fiscal year ended March 31, 2022 (fiscal year ended March 31, 2021: ¥1,252 million) due to the change in fair value.

(c) Interest Rate Risks

The Group is exposed to interest rate fluctuation risks because it receives variable-rate loans from financial institutions.

For variable-rate, long-term borrowings involving interest rate fluctuation risks, the Group mitigates the risks by fixing cash flows using interest rate swap transactions, and applies cash flow hedges.

Exposure to interest rate fluctuation risks for the Group is limited, and effects of interest rate fluctuations are insignificant.

(ii) Credit Risks

The Group's trade and other receivables, other financial assets, etc. are exposed to credit risks of customers.

The Group establishes terms of collection and credit limit for transaction partners. In addition, the Group confirms the credit status periodically by obtaining the latest credit report on transaction partners from external organizations where necessary and analyzing the report as well as past results of collection and other factors. If it is considered that there is any change or abnormality in the credit status as a result of the confirmation, measures for protection of receivables are taken appropriately, including change in the credit limit, modification of the terms of collection or obtaining transaction credit insurance.

In the execution of derivative transactions, the Group conducts transactions only with financial institutions with high credit ratings in principle to mitigate credit risks.

The Group classifies receivables, etc. based on the nature of the credit risk to calculate loss allowance.

In terms of trade receivables that do not include significant financial components, the loss allowance is always determined as the same amount as lifetime expected credit loss (simplified approach). The amount of expected credit loss is calculated by classifying receivables, etc. according to the nature of the credit risk of the counterparty and multiplying the receivables amount by the allowance rate set according to the classification. This allowance rate is set in view of the probability of future occurrence of credit loss based on external credit reports.

In terms of other receivables, etc., the loss allowance is measured as the same amount as the 12-month expected credit loss in principle. The amount of expected credit loss is calculated by multiplying the gross carrying amount by the allowance rate established as stated above, in accordance with the general approach.

Of other receivables, etc., in terms of assets for which the credit risk has significantly increased from the initial recognition, including the case where the receivable is past due for payment, and credit-impaired financial assets, the loss allowance is recognized at the same amount as lifetime expected credit loss. In doing so, the amount of expected credit loss is determined as the difference between the present value, which is calculated by discounting future estimated cash flows using the original effective interest rate for the asset, and the gross carrying amount.

The Gross carrying amount and loss allowance of financial assets for which loss allowance is recognized are as shown below. Time deposits are excluded from the table below as those are considered to be not exposed to credit risks.

Gross carrying amount		Trade and other receivables: Measured at 12-month expected credit losses	Trade and other receivables: Measured at lifetime expected credit losses	Trade and other receivables: Measured by simplified approach	Other financial assets: Measured at 12-month expected credit losses	Other financial assets: Measured at lifetime expected credit losses
As of March 31, 2021	Millions of yen	16,676	-	109,332	3,802	168
As of March 31, 2022	Millions of yen	7,409	-	69,265	23	4
As of March 31, 2022	Thousands of U.S. dollars	60,534	-	565,940	192	34

* Financial assets for which loss allowance is measured at the amount equivalent to lifetime expected credit loss are principally credit-impaired financial assets.
* Credit risk rating:
For financial assets for which loss allowance is measured at 12-month expected credit loss, the credit risk rating for expected credit loss (assets to which the simplified approach is applied also correspond to this) is relatively high compared to financial assets for which loss allowance is measured at the amount equivalent to lifetime expected credit loss, and the credit rating of financial assets falling in the same category is basically the same.

(Millions of yen)

Loss Allowance	Trade and other receivables: Measured at 12-month expected credit losses	Trade and other receivables: Measured at lifetime expected credit losses	Trade and other receivables: Measured by simplified approach	Other financial assets: Measured at 12-month expected credit losses	Other financial assets: Measured at lifetime expected credit losses
As of April 1, 2020	-	0	789	0	130
Increase	-	-	299	2	40
Decrease (Utilization)	-	(0)	(118)	-	-
Decrease (Reversal)	-	-	(116)	(1)	(2)
Other	-	-	(67)	(1)	1
As of March 31, 2021	-	-	717	0	168
Increase	-	-	192	-	43
Decrease (Utilization)	-	-	(158)	-	(48)
Decrease (Reversal)	-	-	(217)	-	(69)
Other	-	-	58	(0)	(48)
Transfer to assets associated with disposal group classified as held for sale	-	-	(23)	-	(43)
As of March 31, 2022	-	-	567	-	4

(Thousands of U.S. dollars)

As of March 31, 2021	-	-	5,856	1	1,374
Increase	-	-	1,567	-	354
Decrease (Utilization)	-	-	(1,292)	-	(389)
Decrease (Reversal)	-	-	(1,773)	-	(561)
Other	-	-	470	(1)	(389)
Transfer to assets associated with disposal group classified as held for sale	-	-	(191)	-	(354)
As of March 31, 2022	-	-	4,637	-	34

* There is no significant change in gross carrying amount that could affect a change in loss allowance.

The maximum exposure for credit risk of financial assets is the carrying amount presented in the consolidated statement of financial position.

With regard to debt guarantees, the maximum exposure for credit risk is as follows:

	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Guarantee Obligation	-	-	-

* Loss allowance related to losses that could arise due to performance of a debt guarantee contract has not been recorded.

(iii) Liquidity Risks

Liquidity risks are the risks that the Group cannot execute a payment on the due date. Funds of the Group as a whole are in a position of net cash where funds held exceed borrowings. The Group formulates a financial plan based on the annual business plan, and then manages liquidity risks by ensuring an appropriate balance between direct and indirect financing and between short-term and long-term financing to prepare for these risks.

The balance of financial liabilities of the Group by maturity is as follows:

(Millions of yen)

As of March 31, 2021	Carrying amount	Not later than one year	1-2 years	2-3 years	3-4 years	4-5 years	Later than 5 years	Contractual cash flows Total
Trade and other receivables	100,797	100,797	-	-	-	-	-	100,797
Borrowings	84,409	38,067	8,954	13,705	15,033	8,272	1,389	85,421
Bonds payable	34,869	97	97	97	97	13,097	22,336	35,820
Derivative liabilities	815	544	-	-	-	-	271	815
Lease liabilities	22,373	3,800	2,612	2,344	2,122	2,044	11,508	24,430
Total	243,263	143,305	11,662	16,146	17,252	23,413	35,504	247,283

(Millions of yen)

As of March 31, 2022	Carrying amount	Not later than one year	1-2 years	2-3 years	3-4 years	4-5 years	Later than 5 years	Contractual cash flows Total
Trade and other receivables	63,548	63,548	-	-	-	-	-	63,548
Commercial papers	10,003	10,003	-	-	-	-	-	10,003
Borrowings	73,014	62,920	5,318	4,375	2,148	2,138	-	76,898
Bonds payable	34,890	97	97	97	13,097	73	22,162	35,623
Derivative liabilities	2,069	505	-	-	-	-	1,564	2,069
Lease liabilities	19,215	3,573	3,034	2,070	1,961	1,879	7,896	20,414
Total	202,740	140,646	8,449	6,542	17,206	4,090	31,622	208,556

(Thousands of U.S. dollars)

As of March 31, 2022	Carrying amount	Not later than one year	1-2 years	2-3 years	3-4 years	4-5 years	Later than 5 years	Contractual cash flows Total
Trade and other receivables	519,228	519,228	-	-	-	-	-	519,228
Commercial papers	81,734	81,734	-	-	-	-	-	81,734
Borrowings	596,566	514,092	43,450	35,749	17,549	17,465	-	628,306
Bonds payable	285,075	791	791	791	107,009	600	181,079	291,060
Derivative liabilities	16,904	4,125	-	-	-	-	12,778	16,904
Lease liabilities	157,001	29,194	24,789	16,912	16,026	15,357	64,517	166,794
Total	1,656,509	1,149,165	69,030	53,452	140,583	33,422	258,374	1,704,026

3) Fair Value of Financial Instruments

The Group classifies financial instruments into the following three levels in the fair value hierarchy according to the observability of inputs used for fair value measurement in markets:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2: Directly or indirectly observable inputs that are not included in Level 1
Level 3: Fair value that is determined using a valuation technique including unobservable inputs

Carrying amount and fair value of financial instruments measured at amortized cost are as follows:

	As of March 31, 2021		As of March 31, 2022		As of March 31, 2022	
	Millions of yen		Millions of yen		Thousands of U.S. dollars	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term loans payable	62,076	60,874	22,383	21,584	182,881	176,350
Bonds payable	34,869	35,474	34,890	35,413	285,075	289,347

The above figures include balances to be collected within one year or to be repaid and redeemed within one year.

Financial instruments for which the carrying amount is reasonably approximate to the fair value are not included in the table above.

The fair value of long-term borrowings is calculated by discounting the total amount of principal and interest using the interest rate at which a similar new loan is assumed to be made.

Borrowings are classified as Level 3 in the fair value hierarchy.

The fair value of bonds payable is calculated by discounting future cash flows using the current market interest rate.

Bonds payable are classified as Level 2 in the fair value hierarchy.

Assets and liabilities measured at fair value by the Group are as follows:

(Millions of yen)

	As of March 31, 2021			
	Level 1	Level 2	Level 3	Total
<Financial Assets>				
Financial assets measured at fair value through profit or loss				
Investments (equity financial assets)	-	-	3,805	3,805
Derivatives	-	1	-	1
Financial assets measured at fair value through other comprehensive income				
Investments (equity financial assets)	25,141	-	17,239	42,380
Financial assets defined as hedging instruments				
Derivatives	-	-	-	-
Total	25,141	1	21,044	46,186
<Financial Liabilities>				
Financial liabilities measured at fair value through profit or loss				
Derivatives	-	544	-	544
Financial liabilities measured at fair value through other comprehensive income				
Financial liabilities defined as hedging instruments				
Derivatives	-	271	-	271
Total	-	815	-	815

(Millions of yen)

	As of March 31, 2022			
	Level 1	Level 2	Level 3	Total
<Financial Assets>				
Financial assets measured at fair value through profit or loss				
Investments (equity financial assets)	-	-	1,775	1,775
Derivatives	-	-	-	-
Financial assets measured at fair value through other comprehensive income				
Investments (equity financial assets)	10,608	-	17,887	28,495
Financial assets defined as hedging instruments				
Derivatives	-	-	-	-
Total	10,608	-	19,661	30,269
<Financial Liabilities>				
Financial liabilities measured at fair value through profit or loss				
Derivatives	-	2,069	-	2,069
Financial liabilities measured at fair value through other comprehensive income				
Financial liabilities defined as hedging instruments				
Derivatives	-	-	-	-
Total	-	2,069	-	2,069

(Thousands of U.S. dollars)

	As of March 31, 2022			
	Level 1	Level 2	Level 3	Total
<Financial Assets>				
Financial assets measured at fair value through profit or loss				
Investments (equity financial assets)	-	-	14,499	14,499
Derivatives	-	-	-	-
Financial assets measured at fair value through other comprehensive income				
Investments (equity financial assets)	86,674	-	146,147	232,821
Financial assets defined as hedging instruments				
Derivatives	-	-	-	-
Total	86,674	-	160,645	247,320
<Financial Liabilities>				
Financial liabilities measured at fair value through profit or loss				
Derivatives	-	16,904	-	16,904
Financial liabilities measured at fair value through other comprehensive income				
Financial liabilities defined as hedging instruments				
Derivatives	-	–	-	-
Total	-	16,904	-	16,904

Transfer between levels in the fair value hierarchy is recognized on the day when the event or change in circumstances that caused the transfer occurred. In each fiscal year, there was no significant transfer between Level 1 and Level 2 in the fair value hierarchy.

Changes in financial instruments classified as Level 3 are as follows:

	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Balance at the beginning	19,942	21,098	172,383
Total gains and losses	446	(947)	(7,734)
Profit or loss (Note1)	(32)	(1,393)	(11,384)
Other comprehensive income (Note2)	478	447	3,650
Purchase	1,644	1,676	13,694
Selling	-	(1,396)	(11,406)
Other	(934)	29	240
Transfer to assets associated with disposal group classified as held for sale	-	(799)	(6,532)
Balance at the end	21,098	19,661	160,645

(Note) 1. Gains and losses included in profit or loss relate to financial assets measured at fair value through profit or loss. These gains and losses are included in "Operating income," "Operating expenses," "Finance income" and "Finance costs."

2. Gains and losses included in other comprehensive income relate to financial assets measured at fair value through other comprehensive income as at the reporting date. These gains and losses are included in “net change in financial assets measured at fair value through other comprehensive income” in the consolidated statement of comprehensive income.

Financial assets and liabilities classified as Level 2 are derivative transactions related to foreign exchange forward contracts, interest rate swaps, etc. Fair value of foreign exchange forward contracts, interest rate swaps, etc. is calculated based on observable market data such as the interest rate presented by financial institutions with which the Group has transactions and others.

Financial assets classified as Level 3 are mainly unlisted shares. With regard to valuation of unlisted shares, principally, the fair value is measured taking into account future profitability or cash flows of the investees comprehensively. The results are reviewed and approved by a person with appropriate authority. For financial instruments classified as Level 3, an increase or decrease in fair value if unobservable inputs are changed to reasonably possible alternative assumptions is not significant.

4) Hedge Accounting

Effects of hedging instruments designated as hedge on the Group’s consolidated statement of financial position are as follows:

(Millions of yen)

As of March 31, 2021	Notional principal of hedging instruments	Carrying amount of hedging instruments		Item on the consolidated statement of financial position
		Asset	Liability	
Cash flow hedges				
Interest rate risk				
Interest rate swap	2,048	-	38	Other financial liabilities
Hedging instruments of net investment in foreign operations				
Exchange rate risk				
Borrowings in U.S. dollars	8,691 ($ 79 million)	-	8,691	Borrowings

(Millions of yen)

As of March 31, 2022	Notional principal of hedging instruments	Carrying amount of hedging instruments		Item on the consolidated statement of financial position
		Asset	Liability	
Cash flow hedges				
Interest rate risk				
Interest rate swap	796	-	5	Liabilities associated with disposal group classified as held for sale
Hedging instruments of net investment in foreign operations				
Exchange rate risk				
Borrowings in U.S. dollars	8,139	-	8,139	Liabilities associated with disposal group classified as held for sale
	($ 67 million)			

(Thousands of US dollars)

As of March 31, 2022	Notional principal of hedging instruments	Carrying amount of hedging instruments		Item on the consolidated statement of financial position
		Asset	Liability	
Cash flow hedges				
Interest rate risk				
Interest rate swap	6,500	-	40	Liabilities associated with disposal group classified as held for sale
Hedging instruments of net investment in foreign operations				
Exchange rate risk				
Borrowings in U.S. dollars	66,500		66,500	Liabilities associated with disposal group classified as held for sale

There are no cash flow hedge reserves arising from hedge relationship for which the hedge accounting was discontinued, and no ineffective portion of hedges recognized in profit or loss.

Effects of hedging instruments designated as cash flow hedges and hedges of net investment on the Group's profit or loss and other comprehensive income are as follows:

(Millions of yen)

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)	Hedging gains(losses) recognized as other comprehensive income (Note)	Transfer from other components of equity to profit or loss as reclassification adjustments (Note)	Item of transfer to profit or loss as reclassification adjustments
Cash flow hedges			
Interest rate risk			
Interest rate swap	28	(37)	Financial costs
Hedging instruments of net investment in foreign operations			
Exchange rate risk			
Borrowings in U.S. dollars	517	-	-

(Note) Before tax effect

(Millions of yen)

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Hedging gains(losses) recognized as other comprehensive income (Note)	Transfer from other components of equity to profit or loss as reclassification adjustments (Note)	Item of transfer to profit or loss as reclassification adjustments
Cash flow hedges			
Interest rate risk			
Interest rate swap	34	(32)	Financial costs
Hedging instruments of net investment in foreign operations			
Exchange rate risk			
Borrowings in U.S. dollars	(503)	-	-

(Note) Before tax effect

(Thousands of U.S. dollars)

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Hedging gains(losses) recognized as other comprehensive income (Note)	Transfer from other components of equity to profit or loss as reclassification adjustments (Note)	Item of transfer to profit or loss as reclassification adjustments
Cash flow hedges			
Interest rate risk			
Interest rate swap	274	(261)	Financial costs
Hedging instruments of net investment in foreign operations			
Exchange rate risk			
Borrowings in U.S. dollars	(4,114)	-	-

(Note) Before tax effect

(36) Subsidiaries

The circumstances of the main subsidiaries of the Company is as below.

Name of the company	Address	Percentage of Voting Rights
		%
ELASTOMIX CO., LTD.	Yokkaichi, Mie, Japan	98.5
Emulsion Technology, Co., Ltd.	Yokkaichi, Mie, Japan	100.0
Techno-UMG Co., Ltd.	Minato-ku, Tokyo, Japan	51.0
JAPAN COLORING CO., LTD.	Yokkaichi, Mie, Japan	100.0
JSR Trading Co., Ltd.	Minato-ku, Tokyo, Japan	100.0
MEDICAL & BIOLOGICAL LABORATORIES CO., LTD.	Minato-ku, Tokyo, Japan	100.0
ELASTOMIX(THAILAND)CO.,LTD.	Rayong,Thailand	86.7 (65.0)
JSR Micro N.V.	Leuven, Belgium	100.0
JSR Micro,Inc.	Sunnyvale, CA U.S.A.	100.0 (100.0)
Inpria Corporation	Corvallis, Oregon U.S.A.	100.0
JSR Micro Korea Co.,Ltd.	Chungcheongbuk-do, Korea	100.0
JSR Micro Taiwan Co.,Ltd.	Yunlin County, Taiwan	100.0
JSR BST Elastomer Co.,Ltd.	Bangkok,Thailand	51.0
KBI Biopharma,Inc.	Durham,NC, U.S.A	90.0
JSR MOL Synthetic Rubber Ltd.	Budapest, Hungary	51.0
Selexis SA	Geneva, SWITZERLAND	100.0
JSR Micro (Changshu) Co.,Ltd.	Changshu, Jiangsu Province, China	51.0
Crown Bioscience International	San Diego, CA U.S.A.	100.0
EUV Resist Manufacturing & Qualification Center N.V.	Leuven, Belgium	69.4 (69.4)

Name of the company	Address	Percentage of Voting Rights
JSR North America Holdings, Inc.	Sunnyvale, CA U.S.A.	100.0
JSR Life Sciences, LLC	Sunnyvale, CA U.S.A.	100.0 (100.0)

The figure in the parentheses in the column of Percentage of Voting Rights is Indirect ownership ratio.
The company acquired all stake in Inpria Corporation in this period and holds 100% voting rights. (As of the end of the previous consolidated fiscal year ; 21.3%)

The number of consolidated subsidiaries as of March 31, 2022 was 64 (64 as of March 31, 2021).

Changes in the consolidated subsidiaries in the current fiscal year are as follows:
The number of companies consolidated by acquisition, establishment, etc.: 3
The number of subsidiaries excluded by liquidation, sales, etc.: 3

The condensed financial information for consolidated subsidiaries for which the Group has recognized significant non-controlling interests are as follows. The condensed financial information shows the amount before elimination of transactions within the Group.

Techno-UMG Co., Ltd.
(1) Proportion of non-controlling interests and the cumulative amount of non-controlling interests

	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Proportion of share of non-controlling interests	49%	49%	49%
The cumulative amount of non-controlling interests	20,268	21,133	172,669

(2) Profit or loss allocated to non-controlling interests and dividends paid for non-controlling interests

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit or loss allocated to non-controlling interests	1,475	1,834	14,986
Dividends paid for non-controlling interests	423	1,097	8,965

(3) The condensed financial information
1) Condensed Statement of Financial Position

	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Current assets	43,266	42,862	350,207
Non-current assets	23,928	24,091	196,842
Total assets	67,194	66,953	547,049

Non-current liabilities	853	793	6,482
Total current liabilities	21,481	19,530	159,568
Total equity	45,712	47,424	387,480
Total liabilities and equity	67,194	66,953	547,049

2) Condensed Statements of Profit or Loss and Comprehensive Income

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Revenue	66,346	78,357	640,227
Profit (loss)	3,109	3,970	32,434
Comprehensive income	3,249	3,951	32,278

3) Condensed Statement of Cash Flows

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash flows from operating activities	10,073	(1,792)	(14,643)
Cash flows from investing activities	(2,815)	(3,499)	(28,591)
Cash flows from financing activities	(863)	(2,239)	(18,296)
Net increase (decrease) in cash and cash equivalents	6,395	(7,531)	(61,530)
Cash and cash equivalents at the end of the period	10,376	2,845	23,248

(37) Related Parties

1) Transactions with Joint Venture

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

Attribute	Name of the company	Contents of transactions	Transaction amount	Balance at the end of the current fiscal year
			Millions of yen	Millions of yen
Joint venture	KRATON JSR ELASTOMERS K. K.	Manufacturing consignment of elastomer products	6,109	2,869
		Supply of raw material gas	2,095	1,019

(Notes) 1. Transactions with joint venture have been determined through price negotiations in light of market prices and others. In addition, the receivables and payables are settled in cash and consistent with the terms of third party settlements.

2. There is no outstanding balance of collateral or guarantee. Loss allowance has not been made for the receivables.

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

Attribute	Name of the company	Contents of transactions	Transaction amount	Balance at the end of the current fiscal year
			Millions of yen	Millions of yen
Joint venture	KRATON JSR ELASTOMERS K. K.	Manufacturing consignment of elastomer products	10,608	4,570
		Supply of raw material gas	5,173	2,192

(Notes) 1. Transactions with joint venture have been determined through price negotiations in light of market prices and others. In addition, the receivables and payables are settled in cash and consistent with the terms of third party settlements.

2. There is no outstanding balance of collateral or guarantee. Loss allowance has not been made for the receivables.

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

Attribute	Name of the company	Contents of transactions	Transaction amount	Balance at the end of the current fiscal year
			Thousands of U.S. dollars	Thousands of U.S. dollars
Joint venture	KRATON JSR ELASTOMERS K. K.	Manufacturing consignment of elastomer products	86,672	37,339
		Supply of raw material gas	42,263	17,908

(Notes) 1. Transactions with joint venture have been determined through price negotiations in light of market prices and others. In addition, the receivables and payables are settled in cash and consistent with the terms of third party settlements.

2. There is no outstanding balance of collateral or guarantee. Loss allowance has not been established for the receivables.

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2）Key Management Personnel Compensation

	Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Basic compensation	339	335	2,740
Bonuses	149	234	1,915
Share-based remuneration	124	426	3,482
Total	613	996	8,137

(38) Commitments

Commitments related to expenditures taking place after the last day of the fiscal year are as follows:

	As of March 31, 2021	As of March 31, 2022	As of March 31, 2022
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Acquisition of property, plant and equipment	16,672	12,541	102,471

(39) Subsequent Events

Transfer of the Elastomers Business

On April 1, 2022, the Company had Japan Synthetic Rubber Spin-off Preparation Co., Ltd., which was established on May 12, 2021 as a subsidiary of the Company, take over the Elastomers Business through an absorption-type company split. Based on the share transfer agreement concluded with ENEOS Corporation on May 11, 2021, the transfer of all shares of the succeeding company to ENEOS Corporation was completed.
The Company classified assets and liabilities of the Elastomers Business as a disposal group classified as held for sale and classified the Elastomers Business as discontinued operations from the current fiscal year.
The impact from this transaction on the consolidated financial statements in the following fiscal year is still under review.

Purchase of Treasury shares

On April 25, 2022, the Board of Directors of the Company resolved to purchase its treasury shares pursuant to the provisions of Article 156, which is applicable in accordance with Article 165 (3) of the Corporation Act of Japan.

(1) Purpose of the purchase
To improve capital efficiency and exercise agile capital policies corresponding to changes in the business environment. Based on the Company's shareholders return policy, which is approximately 50% of the total shareholders return ratio while maintaining financial soundness for growth investments, it intends to purchase its own shares.

(2) Details of the purchase
1) Method of the purchase:
Market purchase through a securities company based on a trade contract
2)Type of shares to be purchased:
Common shares of the Company
3) Maximum number of shares:
Up to 10,000,000 shares (approximately 4.65% of total number of shares issued , excluding treasury shares)
4) Maximum value of the buyback: Up to 30,000,000,000 yen ($ 245,118 thousand).

(3) Period of purchase: From May 9, 2022 to December 30, 2022 (Japan Standard Time)

Important Cancellation of Treasury shares

At the meeting of the Board of Directors held on August 1, 2022, the Company resolved the cancellation of treasury shares as provided for under Article 178 of the Companies Act to improve capital efficiency and improve shareholder value, and the cancellation of treasury shares was completed on August 15, 2022.

1. The content of the resolutions of the Board of Directors
(1) Type of shares cancelled: Common shares of the Company
(2) Number of shares cancelled: 17,726,145 shares (7.8% of total number of issued shares before the cancellation)
(3) Date of cancellation: August 15, 2022

2. Total number of issued shares after cancellation: 208,400,000 shares (including treasury shares)

Issuance of corporate bonds

Based on the comprehensive resolution on issuance of unsecured bonds at the meeting of the Board of Directors held on May 9, 2022, the Company determined the issuance conditions on August 26, 2022.
The details are as below.

Name of the bonds	JSR Corporation Unsecured Bonds (with special pari passu conditions among bonds) series 11
Total amount of bonds	¥ 5,000 million
Denomination per bond	¥ 100 million
Coupon rate	0.345%
Date of coupon payment	March 1 and September 1, every year
Issue price	100 yen per face value of 100 yen
Date of issuance	September 1, 2022
Method and due date for the redemption	1. Redemption amount 100 yen per face value of 100 yen 2. Redemption and maturity date (1) The principal of the bonds will be redeemed in a lump sum on September 1, 2027. (In the case of retirement by purchase, the total amount of the bonds purchased will be deducted.) (2) If the redemption date is a bank holiday, it will be advanced to a previous business day. (3) The issuer may repurchase the bonds after the payment date unless otherwise provided in the laws and ordinances or regulations such as operating rules regarding to the service of the custody of transfer agency stated in the separate paragraph.
Collateral	No collateral or guarantee is pledged, and no assets are specifically reserved to secure the bonds.
Use of proceeds	Repayment of borrowings

Name of the bonds	JSR Corporation Unsecured Bonds (with special pari passu conditions among bonds) series 12
Total amount of bonds	¥ 5,000 million
Denomination per bond	¥ 100 million
Coupon rate	0.544%
Date of coupon payment	March 1 and September 1, every year
Issue price	100 yen per face value of 100 yen
Date of issuance	September 1, 2022
Method and due date for the redemption	1. Redemption amount 100 yen per face value of 100 yen 2. Redemption and maturity date (1) The principal of the bonds will be redeemed in a lump sum on August 31, 2029. (In the case of retirement by purchase, the total amount of the bonds purchased will be deducted.) (2) If the redemption date is a bank holiday, it will be advanced to a previous business day. (3) The issuer may repurchase the bonds after the payment date unless otherwise provided in the laws and ordinances or regulations such as operating rules regarding to the service of the custody of transfer agency stated in the separate paragraph.
Collateral	No collateral or guarantee is pledged, and no assets are specifically reserved to secure the bonds.
Use of proceeds	Repayment of borrowings

Name of the bonds	JSR Corporation Unsecured Bonds (with special pari passu conditions among bonds) series 13
Total amount of bonds	¥ 15,000 million
Denomination per bond	¥ 100 million
Coupon rate	0.619%
Date of coupon payment	March 1 and September 1, every year
Issue price	100 yen per face value of 100 yen
Date of issuance	September 1, 2022
Method and due date for the redemption	1. Redemption amount 100 yen per face value of 100 yen 2. Redemption and maturity date (1) The principal of the bonds will be redeemed in a lump sum on September 1, 2032. (In the case of retirement by purchase, the total amount of the bonds purchased will be deducted.) (2) If the redemption date is a bank holiday, it will be advanced to a previous business day. (3) The issuer may repurchase the bonds after the payment date unless otherwise provided in the laws and ordinances or regulations such as operating rules regarding to the service of the custody of transfer agency stated in the separate paragraph.
Collateral	No collateral or guarantee is pledged, and no assets are specifically reserved to secure the bonds.
Use of proceeds	Repayment of borrowings

Independent auditor's report

To the Board of Directors of JSR Corporation:

Opinion

We have audited the accompanying consolidated financial statements of JSR Corporation ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group") , which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to Note 39 "Subsequent Events" of the consolidated financial statements.

On April 1, 2022, the Company separated its Elastomer business into a standalone company named "Japan Synthetic Rubber Spin-off Preparation Co., Ltd.", which was established on May 12, 2021 as a subsidiary of the Company, by an absorption-type company split. Additionally the transfer of all shares of Japan Synthetic Rubber Spin-off Preparation Co., Ltd.to ENEOS Corporation completed.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

"Appropriateness of the impairment loss on non-financial assets used in the Elastomers business" which was a key audit matter in the previous fiscal year, is not a key audit matter in this fiscal year as the impairment loss on non-financial assets used in the business was recognized based on the fair value less cost of disposal in the previous fiscal year and the degree of uncertainty of the estimate for the impairment loss in the current fiscal year has been relatively reduced.

Appropriateness of management's evaluation of the consideration for the acquisition of shares and the valuation of intangible assets identified related to the acquisition of Inpria corporation	
The key audit matter	**How the matter was addressed in our audit**
As described in Note 8, "Business Combination and Acquisition of Non-controlling Interest" of the consolidated financial statements, the Company acquired additional shares of Inpria Corporation ("Inpria"), which develops and manufactures metal based EUV resists as semiconductor materials, on October 29, 2021. Previously an investment accounted for using the equity method, Inpria became a wholly owned subsidiary of the Company on the date additional shares were acquired. The Company recognized a valuation gain of ¥7,467 million in the consolidated statement of profit or loss, as a result of the remeasurement of its equity interests (21.3%) held by the Company, immediately prior to the date of acquisition, at fair value on the acquisition date. The total consideration for the acquisition was ¥56,101 million including the remeasurement at fair value. The Company also measured an amount for goodwill as the difference between the consideration for the acquisition and the net amount of identifiable assets and liabilities. As a result, as described in Note 8, "Business Combination and Acquisition of Non-controlling Interest" of the consolidated financial statements, the Company recognized intangible assets (technology assets) of ¥8,218 million and goodwill of ¥49,049 million on the acquisition date of the shares in the consolidated financial statements. The consideration for the acquisition of shares of Inpria is determined as the fair value of Inpria's shares measured using the discounted present value of future cash flows based on the business plan approved by the management. The Company used an external valuation expert to measure the fair value. However, as the estimates underlying the	The primary procedures we performed to assess whether management's evaluation of the consideration for the acquisition of shares and the valuation of intangible assets identified related to the acquisition of Inpria was appropriate included the following: **(1) Internal control testing** We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the evaluation of the consideration for the acquisition of shares and the valuation of intangible assets identified related to the acquisition of Inpria. In this assessment, we focused our testing on controls relevant to the use of external experts by management in relation to the selection of experts, the materials to be submitted to experts and the evaluation of the results of the expert's work. **(2) Assessment of the appropriateness of the evaluation of the consideration for the acquisition of shares and the valuation of intangible assets** In order to assess the appropriateness of key assumptions used in preparing the business plan, which formed the basis for the fair value of shares of Inpria and the fair value of intangible assets (technology assets), we inquired of management and the personnel responsible for the digital solutions business about the basis on which those assumptions were developed. In addition, we: • Assessed the appropriateness of sales price projections by comparing them with the prices of similar products set at the start of the sale and the subsequent price transition; and • Assessed the appropriateness of the sales growth rates and sales volume projections used in the business plan by comparing them with results estimated using available external data, such as forecasts for market sales volume of similar products and for mass-production schedules for each nodes.

<table>
<tr>
<td>future cash flows include assumptions, such as a sales growth rate, sales prices and sales volume projections in terms of the market environment, the future cash flows involved a high degree of uncertainty, and management's judgment thereon had a significant effect on the estimated future cash flows.

Additionally, identifiable assets acquired through a business combination are measured at fair value on the date of acquisition. The Company measured the fair value of intangible assets (technology assets) with the assistance of an external valuation expert using the valuation model (the excess earnings method) adapted for fair value measurement. The measurement includes assumptions that involve management's judgment regarding future sales (sales price and sales volume) generated from the technology related to metal based EUV resists and technology obsolescence rates of the technology held by Inpria. Accordingly, there was a high degree of uncertainty.

In addition, selecting an appropriate calculation method and input data for measuring the fair value of shares of Inpria and the identifiable assets requires a high degree of expertise in valuation.

We, therefore, determined that our assessment of the appropriateness of management's evaluation of the consideration for the acquisition of shares and the valuation of intangible assets identified related to the acquisition of Inpria was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</td>
<td>Furthermore, we performed the following procedures by involving a valuation specialist within our domestic network firms to assist with our evaluation:
• Assessment of the appropriateness of the measurement of the fair value and the model used to estimate the discount rate based on subject matters relevant to valuation and the requirements of accounting standards;
• Examination of the consistency between the technology obsolescence rate and the remaining period of the main patent held by Inpria; and
Assessment of the appropriateness of input data used for the calculation of the discount rate through comparison with relevant data published by external organizations.</td>
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<tr>
<td colspan="2">Appropriateness of management's judgment as to whether an impairment loss should be recognized on goodwill allocated to the drug discovery and development services business</td>
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<tr>
<td>The key audit matter</td>
<td>How the matter was addressed in our audit</td>
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<td>As described in Note 18, "Impairment on Non-Financial Assets" of the consolidated financial statement, the Group recognized goodwill of ¥42,042 million allocated to the drug discovery and development services</td>
<td>The primary procedures we performed to assess whether management's judgment with respect to the recognition of an impairment loss on goodwill allocated to the drug discovery and development</td>
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business, which represented 5% of total assets in the consolidated financial statements. The goodwill arose when the Company acquired control of Crown Bioscience International. Goodwill is required to be tested for impairment at least annually or more frequently whenever it is determined that there is an impairment indicator. In the impairment testing, when the recoverable amount of a group of cash-generating units is less than the carrying amount, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss. The recoverable amount is the higher of either the value in use or fair value less costs of disposal. In the annual impairment testing, no impairment loss was recognized in the current fiscal year as the value in use of the drug discovery and development services business exceeded the carrying amount. The margin between the value in use and the carrying amount has increased when compared to the previous fiscal year further supporting no impairment loss to be recognized in the current fiscal year. The value in use was discounted to the present value of an estimated amount of future cash flows based on the five-year business plan approved by management. The five-year revenue projection based on the business plan involved a high degree of uncertainty as the revenue is affected by the future growth potential of the CRO business in which the drug discovery and development services business operates and the capacity of the equipment used in the business. Accordingly, management's judgment thereon had a significant effect on the estimated future cash flows. In addition, selecting appropriate models and input data for estimating the discount rate	services business was appropriate included the following: **(1) Internal control testing** We tested the design and operating effectiveness of certain of the Company's internal controls relevant to measuring the value in use used in the impairment testing on goodwill. In this assessment, we focused our testing on controls to prevent and/or detect the use of inappropriate assumptions to estimate the value in use. **(2) Assessment of the reasonableness of the estimated value in use** We inquired of management and the personnel responsible for the drug discovery and development services business about the basis on which key assumptions were developed to assess the appropriateness of those assumptions used in preparing the business plan, which formed the basis for estimating future cash flows. We also assessed whether assumptions used in preparing the business plan were appropriately selected, by estimating the impact on future cash flows for the subsequent fiscal years when the effects on specific uncertainties were incorporated into each assumption. In addition, we: • Compared the five-year revenue included in the business plan with available external data related to the market growth rate; and • Examined the consistency of the capacity of the equipment which is currently held and/or is expected to be invested in the future with the projected revenue. Furthermore, we performed the following procedures by involving a valuation specialist within our domestic network firms in assisting our evaluation of the discount rate: • Assessment of the appropriateness of the model used to estimate the discount rate based on subject matters relevant to valuation and the requirements of accounting standards; and • Assessment of the appropriateness of input data through comparison with relevant data published by external organizations.

requires a high degree of expertise in valuation. We, therefore, determined that our assessment of the appropriateness of management's judgment as to whether an impairment loss should be recognized on goodwill allocated to the drug discovery and development services business was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	

Other Information

The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Iwao Hirano

Designated Engagement Partner

Certified Public Accountant

Toshiyuki Tamura

Designated Engagement Partner

Certified Public Accountant

Yukihiro Kase

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

August 29 , 2022