(TSE Code 4185)
May 27, 2019

Dear Shareholders,

# Notice of Convening of the 74th Ordinary General Meeting of Shareholders

# of

# JSR Corporation

We are pleased to announce the convening of the 74th Ordinary General Meeting of Shareholders of JSR Corporation as detailed below:

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

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

Sincerely,

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

**1. Date and Time** June 18, 2019 (Tuesday) 10:00 a.m. (Reception from 9:00 a.m.)

**2. Venue** Conrad Tokyo
Annex 2F, "Kazanami"
1-9-1, Higashi-Shinbashi, Minato-ku, Tokyo, Japan

**3. Agenda**

**Matters to be Reported**

1. Business Report, Consolidated Financial Statements for the 74th Fiscal Term (from April 1, 2018 to March 31, 2019) and Audit Report thereon by the Accounting Auditors and the Audit & Supervisory Board /
2. Non-Consolidated Financial Statements for the 74th Fiscal Term (from April 1, 2018 to March 31, 2019)

**Matters to be Resolved**

Proposal 1. Appropriation of surplus
Proposal 2. Partial amendment to the Articles of Incorporation
Proposal 3. Election of nine (9) Directors
Proposal 4. Election of two (2) Substitute Audit & Supervisory Board Members
Proposal 5. Revision of the maximum amount of remuneration for Directors

**4. Matters related to exercising your voting rights**

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

Please hand over the ballot form attached hereto at the reception.

(2) By Post:

Please return the ballot form attached hereto after indicating your approval or disapproval so that your ballot reaches us by 5:45 p.m. on Monday, June 17, 2019 (Japan Time).

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

Please exercise your voting rights via Internet by accessing our web site for online voting (https://www.web54.net) by 5:45 p.m. on Monday, June 17, 2019 (Japan Time) after reviewing the "Reminders for Exercising Voting Rights via Internet" on page 36 (of this translation).

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

(4) Exercising your voting rights in duplicate:

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

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

(5) Voting by Proxy:

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

(6) Use of Electronic Proxy Voting Platform:

If you are a shareholder among institutional investors, you may be able to exercise your voting rights through the Electronic Proxy Voting Platform operated by ICJ Inc. for its participants as a way to exercise your voting rights.

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Notice

Should it become necessary to correct the information contained in the "Reference Materials for the General Meeting of Shareholders", "Business Report", "Non-Consolidated Financial Statements" and/or "Consolidated Financial Statements", we will post the correction on our web site (http://www.jsr.co.jp/jsr_e/ir/shareholder.shtml).

**<< Reference >>**

## New Management Framework　Purpose and Outlines

**[Purpose of establishing New Management Framework]**

For the purpose of further expanding the business of the Company by globally seizing business opportunities under the global economy continuously expanding while becoming more diverse in each region and market, it is essential for the Company to establish a new management framework that enables the Company to conduct business from a broader perspective with the understanding on changing nature of the business environment and to make swift management decisions and business execution on global basis responding to the changes in each regions and markets.

As part of this effort, the Company established JSR NORTH AMERICA HOLDINGS, INC. in January 2019 and transferred the global control function of the Life Science Business to the U.S., which is the core market of and a key business location for the Life Sciences Business of the Company

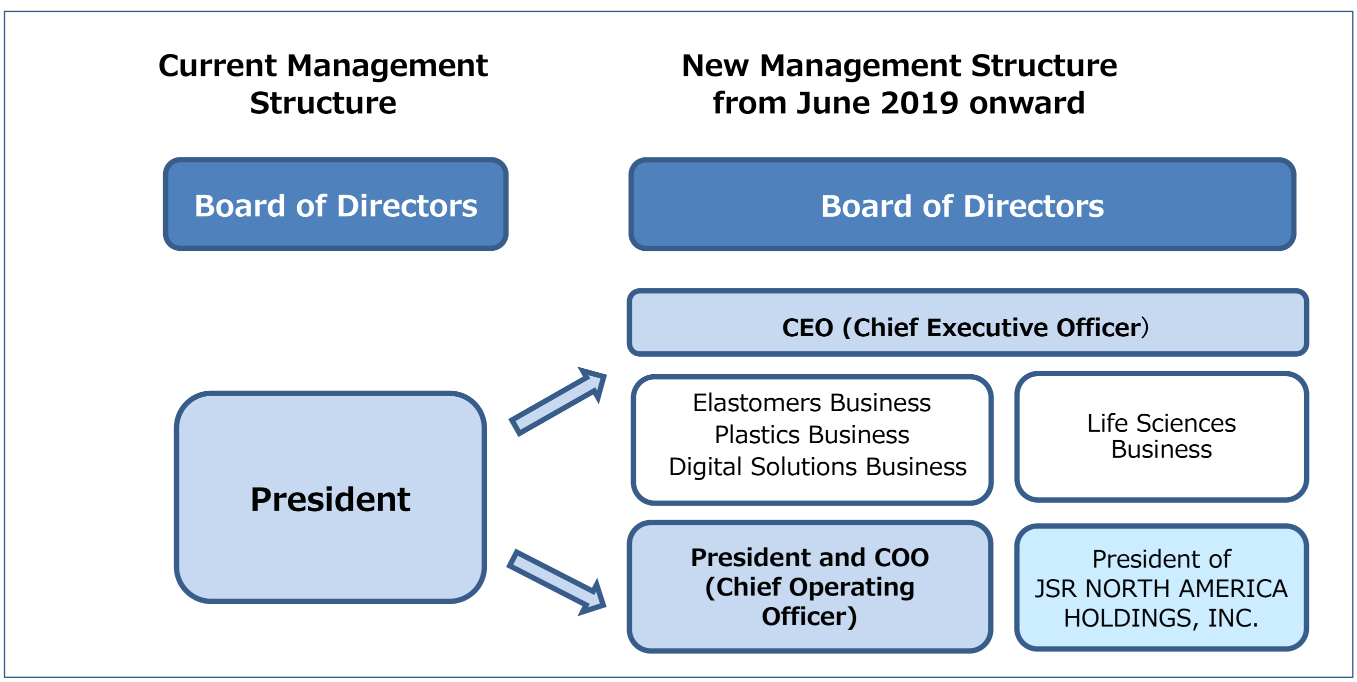
In addition, subject to the approval of the relevant proposals at this general meeting and the resolution at the Board of Directors meeting to be held immediately thereafter, the Company intends to create new positions such as Director and CEO(Chief Executive Officer)　(“CEO” in this section) and Director and COO (Chief Operating Officer) (“COO” in this section) in order to further strengthen its management framework towards growth on global basis and thereby to ensure continuous improvement　in its corporate value.

**[Outlines]**

The roles of the current President of the Company will be shared between the CEO and the President and COO.

**CEO** will be in charge of matters related to the entire JSR Group (management policies, management plans, etc.) as well as responsible for the Life Sciences Business of the JSR Group concurrently serving as the President of JSR NORTH AMERICA HOLDINGS, INC.

**The President and COO** will assist the CEO with matters related to the entire JSR Group (management policies, management plans, etc.), as well as supervise the Elastomers Business, Plastics Business and Digital Solutions Business (semiconductor materials, display materials, etc.).



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

# Reference Materials for the General Meeting of Shareholders

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## Agenda and Reference Materials

### Proposal 1. Appropriation of surplus

The Company considers it vitally important to improve corporate performance on a long-term basis by strengthening its research and development activities from a long-term viewpoint and enhancing competitiveness through development of new businesses. Our basic policy for dividends is, based upon the above understanding, to sustain continual and stable dividends considering an appropriate balance between distribution of profits to our shareholders and enhancement of the internal reserve required for future growth of the Company, taking into account the performance and the capital requirement.

The Company will comprehensively consider acquiring treasury shares as a measure for distributing the profit to shareholders while taking market environment into account. The Company will effectively utilize its internal reserves for investments that ensure further future growth and higher corporate values of the Company. The Company endeavors to maintain 50% or more of the total return ratio to our shareholders, which is calculated by dividing the aggregate amount of dividends and the acquisition of treasury shares by the amount of profit attributable to owners of the parent, during the period set for “JSR 20i9”, which is our mid-term business plan.

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

(1) Form of dividend

Cash

(2) Matters regarding disbursements of dividends to shareholders and total amount thereof

The Company would like to distribute ¥30 per ordinary share of the Company as year-end dividends.
The total amount of year-end dividends will therefore amount to ¥6,612,935,880.
Accordingly, total dividends per share for this fiscal year (inclusive of interim dividends) will be ¥60, and the total amount of dividends distributed will be ¥13,223,023,560.

(3) Effective Date of dividend distribution

June 19, 2019

**Proposal 2. Partial amendments to the Articles of Incorporation**[*1]

1. Reason for the proposal

(1) With the aim to further expand our business by globally seizing opportunities for growth, and for the purpose of building a new management system to conduct business from a broad perspective that takes changes in business environment into consideration and to swiftly make business judgment and conduct execution of operations for each area and market, the Company will additionally create the positions of the CEO (Chief Executive Officer) and the COO (Chief Operating Officer), which are Directors with Special Assignments.

(2) In order to enhance corporate governance, the Company has determined that the chief executive of business management is separated from the chairperson of the meeting of the Board of Directors which should oversee and supervise management, and that the Chairperson of the Board of Directors (if the Chairperson of the Board of Directors is unable to convene and/or chair the meeting of the Board of Directors or that the Company does not have the Chairperson of the Board of Directors, a Director other than the President) serves as the convener and chairman of the meeting of the Board of Directors. In accordance with the addition of the CEO (Chief Executive Officer) and the COO (Chief Operating Officer) as Directors with Special Assignments, we will conduct a change so that if the Chairperson of the Board of Directors is unable to convene and/or chair the meeting of the Board of Directors or that the Company does not have the Chairperson of the Board of Directors, a director who is neither the CEO (Chief Executive Officer), the President, nor the COO (Chief Operating Officer) will be acting as the convener and chairman of the meeting of the Board of Directors.

2. Contents of change

We would like to change the existing Articles of Incorporation as follows:

| Current Articles of Incorporation | Proposed Change |
|---|---|
| (Representative Directors and other Directors with Special Assignments)<br>Article 21.<br>The Board of Directors shall appoint by its resolution one (1) or more Representative Director(s) Representative Director(s) shall (respectively) represent the Company and execute affairs of the Company in accordance with the resolution of the Board of Directors.<br>2. The Board of Directors shall appoint by its resolution the President and may appoint one (1) Chairperson of the Board of Directors. | (Representative Directors and other Directors with Special Assignments)<br>Article 21.<br>The Board of Directors shall appoint by its resolution one (1) or more Representative Director(s) Representative Director(s) shall (respectively) represent the Company and execute affairs of the Company in accordance with the resolution of the Board of Directors.<br>2. The Board of Directors shall appoint by its resolution the President. The Board of Directors may also appoint each of one (1) Chairperson of the Board of Directors, one (1) CEO (Chief Executive Officer) and one (1) COO (Chief Operating Officer). |
| (The Person who Convenes and Chairs Meeting of the Board of Directors and the Notice of Convocation)<br>Article 23.<br>The Chairperson shall convene and chair a meeting of the Board of Directors. In the event that the Chairperson is unable to convene and/or chair the meeting of the Board of Directors or that the Company does not have the Chairperson, the Director, other than the President, designated in accordance with the order set by the Board of Directors in advance shall assume the responsibility to convene and/or chair the meeting.<br>2. Notice of any meetings of Board of Directors shall be given to each of the Directors and Audit & Supervisory Board Members not less than five (5) days prior to the date of the meeting: provided, however, in the inevitable event of emergency such period may be shortened. | (The Person who Convenes and Chairs Meeting of the Board of Directors and the Notice of Convocation)<br>Article 23.<br>The Chairperson shall convene and chair a meeting of the Board of Directors. In the event that the Chairperson is unable to convene and/or chair the meeting of the Board of Directors or that the Company does not have the Chairperson, the Director, other than the CEO (Chief Executive Officer), the President and the COO (Chief Operating Officer), designated in accordance with the order set by the Board of Directors in advance shall assume the responsibility to convene and/or chair the meeting.<br>2. Notice of any meetings of Board of Directors shall be given to each of the Directors and Audit & Supervisory Board Members not less than five (5) days prior to the date of the meeting: provided, however, in the inevitable event of emergency such period may be shortened. |

**Proposal 3. Election of nine (9) Directors**

As the tenures of all seven (7) current Directors will expire at the close of this ordinary general meeting of shareholders, the Company proposes, considering appropriate composition of its Board of Directors to ensure continuous improvement in corporate value, that the following nine (9) Directors be newly elected.

The following are the reasons for increasing two (2) directors;

(1) To establish management framework capable of timely and appropriate management decisions responding to respective regions and markets in view of the global market opportunities and business growth of the Company.

(2) To enhance skills and experiences necessary for the board of directors of the company by inviting an expert in this field as an Outside Director in view of the accelerating changes in information technology and digitalization

The candidates for Directors were nominated based on the deliberation of the Company's Nomination Advisory Committee of which the majority members are Independent Outside Directors and the chair of which is an Independent Outside Director.

The candidates for Directors are as follows:

| Number & Name of Candidates | Types of Appointment | Yrs in office | Position, Responsibility in JSR, Concurrent position | Attendance to BOD meetings | Nomination Advisory Committee | Remuneration Advisory Committee |
|---|---|---|---|---|---|---|
| 1.<br><br>Mr.<br>Eric<br>Johnson | New appointment | -- | Managing Officer<br>responsible for Life Sciences and North America Business<br>(Important concurrent positions held)<br>President of JSR NORTH AMERICA HOLDINGS INC<br>President of JSR LIFE SCIENCES, LLC | -- | | |
| 2.<br><br>Mr.<br>Nobuo<br>Kawahashi | Re-appointment | 3 | Director,<br>Executive Managing Officer<br>responsible for Research & Development, Human Resources Development, and Diversity Promotion | 17/17 times (100%) | | |
| 3.<br><br>Mr.<br>Mitsunobu<br>Koshiba | Re-appointment | 13 | Representative Director<br>President | 17/17 times (100%) | a member | a member |
| 4.<br><br>Mr.<br>Koichi<br>Kawasaki | Re-appointment | 3 | Representative Director<br>Executive Managing Officer<br>responsible for Manufacturing and Technology, Product Safety & Quality Assurance, Procurement, Logistics, and Safety and Environment Affairs, and General Manager of Manufacturing and Technology Group<br>(Important concurrent positions held)<br>President of Japan Butyl Co., Ltd. | 17/17 times (100%) | | |
| 5.<br><br>Mr.<br>Hideki<br>Miyazaki | Re-appointment | 1 | Director,<br>Managing Officer, responsible for Accounting, Financing and Corporate Communications | 13/13 times (100%) | | |

| Number & Name of Candidates | Types of Appointment | Yrs in office | Position, Responsibility in JSR, Concurrent position | Attendance to BOD meetings | Nomination Advisory Committee | Remuneration Advisory Committee |
|---|---|---|---|---|---|---|
| 6.<br><br>Mr.<br>Yuzuru Matsuda | Re-appointment | 4 | Independent Outside Director<br>(Important concurrent positions held)<br>Outside Director, KUBOTA Corporation, Outside Director, BANDAI NAMCO Holdings Inc. | 17/17 Times (100%) | Chairman | Chairman |
| 7.<br><br>Mr.<br>Shiro Sugata | Re-appointment | 3 | Independent Outside Director<br>(Important concurrent positions held)<br>Corporate Advisor USHIO INC.<br>Outside Director, Yokogawa Electric Corporation | 17/17 times (100%) | member | member |
| 8.<br><br>Mr.<br>Tadayuki Seki | Re-appointment | 2 | Independent Outside Director<br>(Important concurrent positions held)<br>Advisory Member, ITOCHU Corporation<br>Outside Director, PARCO CO., LTD.<br>Outside Director, NIPPON VALQUA IDUSTRIES, LTD.<br>Outside Audit & Supervisory Member of Asahi Mutual Life Insurance Company | 17/17 times (100%) | ditto | ditto |
| 9.<br><br>Mr.<br>Manabu Miyasaka | New Appointment | --- | Independent Outside Director-to-be<br>(Important concurrent positions held)<br>President and Representative Director of Z Corporation Incorporated,<br>Chairman of the Board of Directors of Yahoo Japan Corporation | --- | member -to-be | Member -to-be |

<table>
<tr><th>No.</th><th>Name<br>(Date of Birth)</th><th>Brief personal record, position, responsibilities,<br>and other important concurrent positions held</th></tr>
<tr><td>1</td><td>Eric Johnson<br>(June 19, 1961)<br><br>New-appointment<br><br>Number of the Company shares owned: 6,000</td><td>1984 Joined VLSI Technology, Inc.<br>1988 Joined Nikon Precision, Inc.<br>General Manager of Manufacturing & Technology Division<br>1991 General Manager of Technology Division<br>1995 General Manager of DUV Scanner Seed Unit Project Division and Technology Director<br>1999 Technology Vice President<br>Sep. 2001 Joined JSR Micro, Inc.<br>Principal Vice President<br>May 2002 Chief Operating Officer<br>Jun. 2005 President<br>Jun. 2011 Officer of JSR<br>Jun. 2015 Senior Officer of JSR<br>Apr. 2016 Senior Officer, General Manager of Life Sciences Division of JSR<br>Jun. 2017 Managing Officer, General Manager of Life Sciences Division of JSR (to present)<br>Jan. 2019 President of JSR NORTH AMERICA HOLDINGS, INC. (to present)<br>Jan. 2019 President of JSR LIFE SCIENCES, LLC (to present)<br>Apr. 2019 Resigned from President of JSR Micro, Inc.<br><br>(Current responsibilities )<br>Life Sciences Business and North America Business,<br><br>(Important concurrent positions held)<br>President of JSR NORTH AMERICA HOLDINGS, INC.<br>President of JSR LIFE SCIENCES, LLC</td></tr>
<tr><td></td><td colspan="2">Reasons for the Nomination of this Candidate for Director:<br><br>After serving as Technology Vice President at Nikon Precision Inc., a subsidiary of a Japanese company, Mr. Johnson joined JSR Micro, Inc., one of the principal subsidiaries of JSR. After joining JSR Micro, Inc., he assumed the office of President in 2005 and has contributed significantly to the expansion of semiconductor materials business. Since 2011, Mr. Johnson, as an Officer of JSR, has pushed forward business operation mainly in the U.S and the planning and execution of global strategies. Currently, Mr. Johnson is leading launch and expansion of life science business as Life Sciences Officer.<br>Mr. Johnson is expected to contribute his vast international experience and knowledge acquired from his experience at Japanese company groups for 30 years or more to help the Company in making crucial decisions and to supervise the performance of duty at the Board of Directors level, thereby contributing further to the enhancement of JSR’s corporate value. For the above reasons, he has been nominated as a candidate for Director.<br>If Proposal 2 and Proposal 3 are approved as originally proposed at this general meeting, Mr. Johnson is expected to be appointed as Representative Director and CEO at the Board of Directors meeting to be held right after this general meeting.</td></tr>
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<tr><th>No.</th><th>Name<br>(Date of Birth)</th><th>Brief personal record, position, responsibilities,<br>and other important concurrent positions held</th></tr>
<tr><td>3</td><td>Nobuo Kawahashi<br>(July 23, 1956)<br><br><br><br>Re-appointment<br><br>Number of Company shares owned: 12,000<br><br>Record of attendance at BOD meetings: 17/17 (100%)</td><td>Apr. 1981 Joined JSR<br>Jun. 2002 Head of Functional Materials Development Laboratory, Fine Electronic Materials Research Laboratories<br>Jun. 2008 Officer, General Manager of Display Material Business Division and New FPD Materials Division<br>Jun. 2009 Officer, General Manager of Electronic Materials Division<br>Jun. 2010 Officer and President of JSR Micro Korea Co., Ltd.<br>Jun. 2011 Senior Officer and President of JSR Micro Korea Co., Ltd.<br>Apr. 2014 Senior Officer, General Manager of Research and Development Division<br>Jun. 2016 Director and Managing Officer<br>Jun. 2017 Director and Executive Managing Officer (current position )<br><br>(Current responsibilities )<br>Research and Development,<br>Human Resources, and Diversity Development</td></tr>
<tr><td></td><td colspan="2">Reasons for the Nomination of this Candidate for Director:<br>For many years since joining JSR, Mr. Nobuo Kawahashi has been engaged in JSR’s research and development in various key areas for the Company such as synthetic rubbers, emulsion, plastics, semiconductor materials including those for CMP, and functionalized particles for life science business and thus has greatly contributed to the expansion of businesses of the Company. He promoted expansion of businesses of display materials and semiconductor material as a head of business divisions from 2005. In addition, he accumulated experience in managing an overseas company as the President of JSR Micro Korea. Co., Ltd, from 2010. Throughout his career, he has contributed to the enhancement of JSR’s corporate value.<br>Mr. Kawahashi is expected to contribute his vast experience and knowledge to help the Company in making crucial decisions and to supervise the performance of duty at the BOD level, thereby continually contributing further to the enhancement of JSR Group’s corporate value. For the above reasons, he has been nominated as a candidate for Director.<br>If Proposal 2 and Proposal 3 are approved as originally proposed at this general meeting, Mr. Kawahashi is expected to be appointed as Representative Director and COO at the Board of Directors meeting to be held right after this general meeting.</td></tr>
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| No. | Name<br>(Date of Birth) | Brief personal record, position, responsibilities, and other important concurrent positions held |
|---|---|---|
| 1 | Mitsunobu Koshiba<br>(November 9, 1955)<br><br>Re-appointment<br><br>Number of the Company shares owned: 77,300<br><br>Record of attendance at BOD meetings: 17/17 times (100%) | Oct. 1981 Joined JSR<br>Jun. 2004 Director, General Manager of Electronic Materials Division<br>Jun. 2005 Senior Officer, General Manager of Electronic Materials Division<br>Jun. 2006 Managing Director, General Manager of Electronic Materials Division<br>Jun. 2008 Senior Managing Director<br>Apr. 2009 Representative Director and President (current position) |
| | **Reasons for the Nomination of this Candidate for Director**:<br><br>Since joining JSR, Mr. Mitsunobu Koshiba has worked in the field of JSR's electronic material businesses, and has been engaged in JSR's research and development as well as the establishment of JSR's overseas offices in Europe and America. As General Manager of Electronic Materials Division, he has advanced the globalization and expansion of JSR's businesses. After assuming the office of Representative Director and President, he has also pushed forward JSR's midterm management plans (JSR20i3, JSR20i6, and JSR20i9) to realize the JSR's objectives for 2020. Additionally, Mr. Koshiba has enhanced the Company's corporate governance standards, thereby enhancing the trust of all stakeholders of the Company. Mr. Koshiba is expected to continue to contribute his vast experience and knowledge to help the Company in making crucial decisions and to supervise the performance of duty at the BOD level, thereby contributing further to the enhancement of JSR's corporate value. For the above reasons, he has been nominated as a candidate for Director.<br>If Proposal 2 and Proposal 3 are approved as originally proposed at this general meeting, Mr. Koshiba is expected to be appointed as Representative Director and Chairman at the Board of Directors meeting to be held right after this general meeting.<br>. | |

| No. | Name (Date of Birth) | Brief personal record, position, responsibilities, and other important concurrent positions held |
|---|---|---|
| 2 | Koichi Kawasaki<br>(April 20, 1957)<br><br>Re-appointment<br><br>Number of Company shares owned: 19,800<br><br>Record of attendance at BOD meetings: 17/17times (100%) | Apr. 1983 Joined JSR<br>Jun. 2003 Head of the First Manufacture and Technology Center<br>Jun. 2005 Officer, General Manager of Manufacturing & Technology Division<br>Jun. 2007 Director and Senior Officer, General Manager of Manufacturing & Technology Division<br>Jun. 2008 Director and Senior Officer, General Manager of Elastomer Business Division<br>Jun. 2011 Managing Officer, General Manager of Petrochemical Products Division<br>Jun. 2014 Executive Managing Officer, General Manager of Petrochemical Products Division<br>Jun. 2016 Representative Director and Executive Managing Officer, General Manager of Manufacturing & Technology Group<br>Apr. 2018 Representative Director and Executive Managing Officer, General Manager of Manufacturing & Technology Group and President of Japan Butyl Co., Ltd. (current position)<br><br>(Current responsibilities)<br>Manufacturing and Technology, Product Safety & Quality Assurance, Procurement, Logistics, and Safety and Environment Affairs<br><br>(Important concurrent positions held)<br>President of Japan Butyl Co., Ltd. |
| | **Reasons for the Nomination of this Candidate for Director:**<br>For many years since joining JSR, Mr. Koichi Kawasaki has been engaged in JSR's production, manufacturing & technology-related businesses.<br>After assuming the position in charge of JSR's petrochemical products businesses, he has been recently responsible for Manufacturing and Technology, Product Safety & Quality Assurance, Procurement, Logistics and Safety and Environment Affairs. Throughout his career, he has contributed to the enhancement of JSR's corporate value.<br>Mr. Kawasaki is expected to contribute his vast experience and knowledge to help the Company in making crucial decisions and to supervise the performance of duty at the BOD level, thereby continually contributing further to the enhancement of JSR Group's corporate value. For the above reasons, he has been nominated as a candidate for Director. | |

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<tr><th>No.</th><th>Name<br>(Date of Birth)</th><th>Brief personal record, position, responsibilities,<br>and other important concurrent positions held</th></tr>
<tr><td>4</td><td>Hideki Miyazaki<br>(January 22, 1958)<br><br><br><br>Re-appointment<br><br>Number of Company shares owned: 5,200 shares<br><br>Record of attendance at BOD meetings: 13/13times held after assuming his office (100%)</td><td>Apr. 1980 Joined Nomura Securities Co., Ltd.<br>Jul. 2005 Joined Japan Tobacco Inc. (“JT”)<br>Senior Manager of Accounting Division of JT<br>Jan. 2006 Deputy Chief Financial Officer of JT<br>Jun. 2008 Senior Vice President, and<br>Chief Financial Officer of JT<br>Jun. 2010 Executive Vice President, and CFO of JT<br>Jun. 2012 Director and Executive Vice President<br>Finance, Public Relations and CSR of JT<br>Jan. 2018 Director of JT<br>Mar. 2018 Joined JSR, Advisor<br>Jun. 2018 Director and Managing Officer (Current Position)<br><br>(Current responsibilities)<br>Accounting, Finance, and Corporate Communications<br><br>Reasons for the Nomination of the Candidate for Director:<br>Mr. Hideki Miyazaki joined JSR after having served as Director and Executive Vice President of Japan Tobacco Inc. He has been contributing enhancing corporate value of the JSR Group by assuming responsibilities for Accounting Financing, and Corporate Communications and by utilized his vast experience and knowledge both in domestic and international accounting and financing<br>Mr. Miyazaki is expected to contribute his vast experience and knowledge to help the Company in making crucial decisions and to supervise the performance of duty at the BOD level, thereby continually contributing further to the enhancement of JSR Group’s corporate value. For the above reasons, he has been nominated as a candidate for Director.</td></tr>
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| No. | Name<br>(Date of Birth) | Brief personal record, position, responsibilities,<br>and other important concurrent positions held |
|---|---|---|
| 5 | Yuzuru Matsuda<br>(June 25, 1948)<br><br>Outside Director<br>Re-appointment<br>Independent Director<br><br>Number of Company shares owned: None<br><br>Term of office:<br>4 years at the close of this meeting<br><br>Record of attendance at BOD meetings: 17/17 times (100%) | Apr.1977 Joined KYOWA HAKKO KOGYO CO., LTD. (“KHK”) (currently known as Kyowa Hakko Kirin Co., Ltd (“KH Kirin”))<br>Jun. 2000 Officer, Head of the Pharmaceutical Research Institute Laboratory, KHK<br>Jun. 2002 Executive Director and Director of Corporate Planning Department, KHK<br>Jun. 2003 President and Chief Operating Officer, KHK<br>Oct. 2008 President and Chief Officer, KH Kirin<br>Mar. 2012 Senior Advisor, KH Kirin<br>Jun. 2012 President of Kato Memorial Bioscience Foundation, a public interest incorporated association<br>Mar. 2014 Retired from Senior Advisor, KH Kirin<br>Jun. 2014 Outside Director, KUBOTA Corporation (current position)<br>Jun. 2014 Outside Director, BANDAI NAMCO Holdings Inc. (current position)<br>Jun. 2015 Outside Director, JSR Corporation (current position)<br>Jun. 2019 Director Emeritus of Kato Memorial Bioscience Foundation, a public interest incorporated association (scheduled to assume office)<br>(Important concurrent positions held)<br>Outside Director. KUBOTA Corporation<br>Outside Director, BANDAI NAMCO Holdings Inc. |

**Reasons for Nomination of this Candidate for Outside Director:**

Mr. Yuzuru Matsuda served as the President and Chief Officer of KYOWA HAKKO KOGYO CO., LTD and Kyowa Hakko Kirin, Co., Ltd. and the Advisor of Kyowa Hakko Kirin Co., Ltd.

He has vast experience in corporate management for global companies especially in the field of medical and biochemical products and pharmaceuticals. He also possesses an independent perspective as outside personnel.

He has utilized his experiences and independent viewpoints to help the Company in making crucial decisions, to supervise the performance of duty at the BOD level, and to strengthen the Company’s fair corporate governance through enhancement of fair and reasonable business judgment and transparent and sound management, thereby continually contributing further to the enhancement of JSR Group’s corporate value. He is, therefore, nominated again as a candidate for Outside Director.

**The items relating to the candidate for Outside Director:**

(1) Mr. Yuzuru Matsuda is a candidate for Outside Director.

(2) Summary of agreement to limit Outside Directors’ liabilities proposed to be entered into with Mr. Matsuda:
The Company had previously, pursuant to Paragraph 1 of Article 423 of the Companies Act, entered into an agreement with Mr. Matsuda to limit his liabilities to the maximum permitted extent as set forth in Paragraph 1 of Article 425 of the Companies Act. If this proposal is approved and resolved as originally proposed at this general meeting, the Company intends to renew the agreement with Mr. Matsuda.

(3) The Company has registered Mr. Matsuda with the Tokyo Stock Exchange as an Independent Director / Auditor as such term is defined by the Exchange. If this proposal is approved and resolved as originally proposed at this general meeting, he will be re-appointed as an Independent Director/Auditor.

(4) Mr. Matsuda meets the “Criteria for judging independence of outside directors and audit & supervisory board members”, as set forth on page 23 of this translation.

(5) There are some ongoing transactions involving the purchase of testing reagents and other products between the group companies of Kyowa Hakko Kirin Co., Ltd. (where Mr. Matsuda served as

| | |
|---|---|
| | President and Chief Officer) and those of JSR Corporation. The value of such transactions in the current business year ending in March 2019 amounts to less than 0.1% of JSR Corporation's consolidated revenue for the business year.<br>(6) KUBOTA Corporation where Mr. Matsuda currently holds important position reported in September 2018 that inappropriate conduct relating to inspection reports on expendable components(rolling mill rolls) used by its facilities for producing steel plates had taken place. Mr. Matsuda had been unaware of such inappropriate conduct until it came to light. However, he regularly made suggestions at meetings of the Board of Directors and other important meetings from the perspective of corporate compliance as well as compliance with laws and regulations. After recognizing the conduct, he has been contributing to set up necessary measures for recurrence prevention by ordering a thorough investigation of the root causes, and a review of the inspection system. |

<table>
<tr><th>No.</th><th>Name<br>(Date of Birth)</th><th>Brief personal record, position, responsibilities, and other important concurrent positions held</th></tr>
<tr><td>6</td><td>Shiro Sugata<br>(November 17, 1949)<br><br><br><br>Outside Director<br>Re-appointment<br>Independent Director<br><br>Number of Company shares owned: None<br><br>Term of office:<br>3 years at the close of this meeting<br><br>Record of attendance at BOD meetings: 17/17 times (100%)</td><td>Apr. 1972 Joined USHIO INC.<br>Jan. 1993 President, BLV LICHT-UND VAKUUMTECHNIK GmbH<br>Mar. 1994 General Manager, Technical Research Institute, USHIO INC.<br>Jun. 2000 Director, Senior Officer, USHIO INC.<br>Apr. 2004 Director, Executive Managing Officer, USHIO INC.<br>Jun. 2004 Representative Director, Executive Managing Officer, USHIO INC.<br>Mar. 2005 Representative Director and President, USHIO INC.<br>Apr. 2013 Vice Chairman, Executive Director, Japan Association of Corporate Executives<br>Oct. 2014 Director and Advisor, USHIO INC.<br>Jun. 2016 Outside Director, JSR Corporation (current position)<br>Jun. 2016 Advisor, USHIO INC.<br>Jun. 2016 Outside Director, Yokogawa Electric Corporation (current position)<br>Jun. 2017 Corporate Advisor, USHIO INC. (current position)<br><br>(Important concurrent positions held)<br>Corporate Advisor, USHIO INC.<br>Outside Director, Yokogawa Electric Corporation</td></tr>
<tr><td></td><td colspan="2">Reasons for the Nomination of this Candidate for Outside Director:<br>Mr. Shiro Sugata served as the Representative Director and President of USHIO INC., where he currently serves as Advisor. He also served as Vice Chairman, Executive Director at the Japan Association of Corporate Executives.<br>He has vast experience in the corporate management of global companies especially in the field of optical application products and industrial machineries. He also has experience obtained through activities in the business community and possesses the perspective of independent outside personnel. He has utilized his experiences and independent viewpoints to help the Company in making crucial decisions, to supervise the performance of duty at the BOD level, and to strengthen the Company’s fair corporate governance through enhancement of fair and reasonable business judgment and transparent and sound management, thereby continually contributing further to the enhancement of JSR Group’s corporate value. He is, therefore, nominated again as a candidate for Outside Director.<br><br>The items relating to the candidate for Outside Director:<br>(1) Mr. Shiro Sugata is a candidate for Outside Director.<br>(2) Summary of agreement to limit Outside Directors’ liabilities proposed to be entered into with Mr. Sugata:<br>The Company had previously, pursuant to Paragraph 1 of Article 423 of the Companies Act, entered into an agreement with Mr. Sugata to limit his liabilities to the maximum permitted extent as set forth in Paragraph 1 of Article 425 of the Companies Act. If this proposal is approved and resolved as originally proposed at this general meeting, the Company intends to renew the agreement with Mr. Sugata.<br>(3) The Company has registered Mr. Sugata with the Tokyo Stock Exchange as an Independent Director/Auditor as such term is defined by the Exchange. If this proposal is approved and resolved as originally proposed at this general meeting, he will be re-appointed as an Independent Director/Auditor.<br>(4) Mr. Sugata meets the “Criteria for judging independence of outside directors and audit & supervisory board members”, as set forth on page 23 of this translation.</td></tr>
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| | (5) There is no conflict of interest between the group companies of USHIO INC. (where Mr. Sugata served as Representative Director and President and is currently serving as Corporate Advisor) and those of JSR Corporation. |

| No. | Name<br>(Date of Birth) | Brief personal record, position, responsibilities, and other important concurrent positions held |
|---|---|---|
| 7 | Tadayuki Seki<br>(December 7, 1949)<br><br>Outside Director<br>Re-appointment<br>Independent Director<br><br>Number of Company shares owned: 800 shares<br><br>Term of office:<br>2 years at the close of this meeting<br><br>Record of attendance at BOD meetings: 17/17 times (100%) | Apr. 1973 Joined ITOCHU Corporation<br>Jun. 2004 Executive Officer and Chief Financial Officer, Food Company, ITOCHU Corporation<br>Apr. 2007 Managing Executive Officer, General Manager, Finance Division, ITOCHU Corporation<br>Jun. 2009 Representative Director, Managing Director, Chief Officer for Finance, Accounting, Risk Management and CFO, ITOCHU Corporation<br>May 2011 Representative Director, Senior Managing Executive Officer, CFO, ITOCHU Corporation<br>Apr. 2013 Representative Director, Executive Vice President, CFO, ITOCHU Corporation<br>Apr. 2015 Advisor, ITOCHU Corporation<br>May. 2016 Outside Director, PARCO CO., LTD. (current position)<br>Jun. 2016 Outside Director, NIPPON VALQUA IDUSTRIES,LTD. (current position)<br>Apr. 2017 Advisory Member, ITOCHU Corporation<br>Jun. 2017 Outside Director, JSR Corporation (current position)<br>Jul. 2017 Outside Audit & Advisory Board Member, Asahi Mutual Life Insurance Company<br><br>(Important Concurrent Positions held)<br>Advisory Member, ITOCHU Corporation<br>Outside Director, PARCO CO., LTD.<br>Outside Director, NIPPON VALQUA IDUSTRIES, LTD.<br>Outside Audit & Advisory Board Member, Asahi Mutual Life Insurance Company |

**Reasons for the Nomination of this Candidate for Outside Director:**

Mr. Tadayuki Seki served as the Representative Director and Executive Vice President and thereafter as an Advisory Member at ITOCHU Corporation. He has vast experience in the corporate management of a general trading company which operates a global trading business, as well as extensive experience in financing and accounting matters cultivated during his service as CFO, and possesses the perspectives of independent outside personnel.

He has utilized his experiences and independent viewpoints to help the Company in making crucial decisions, to supervise the performance of duty at the BOD level, and to strengthen the Company's fair corporate governance through enhancement of fair and reasonable business judgment and transparent and sound management, thereby continually contributing further to the enhancement of JSR Group's corporate value. He is, therefore, nominated again as a candidate for Outside Director.

**The items relating to the candidate for Outside Director:**

(1) Mr. Tadayuki Seki is a candidate for Outside Director.

(2) Summary of agreement to limit Outside Directors' liabilities proposed to be entered into with Mr. Seki: If this proposal is approved and resolved as originally proposed at this general meeting, the Company intends, pursuant to Paragraph 1 of Article 423 of the Companies Act, to enter into an agreement with Mr. Seki to limit his liabilities to the maximum permitted extent as set forth in Paragraph 1 of Article 425 of the Companies Act.

(3) The Company has registered Mr. Seki with the Tokyo Stock Exchange as an Independent Director/Auditor as such term is defined by the Exchange. If this proposal is approved and resolved as originally proposed at this general meeting, he will be re-appointed as an Independent Director/Auditor.

(4) Mr. Seki meets the "Criteria for judging independence of outside directors and audit & supervisory board members", as set forth on page 23 of this translation.

(5) There have been some ongoing transactions involving the sales and purchase of synthetic rubber and plastics between the group companies of ITOCHU Corporation (where Mr. Seki previously served as Representative Director and Executive Vice President and is currently serving as an Advisory

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| | | Member) and those of JSR Corporation. The values of such transaction in the current business year ending in March 2019 amounted to less than 0.6% of JSR Group's consolidated revenue and less than 0.1% of those of ITOCHU Corporation for the previous business year ending in March 2018 respectively. |

| No. | Name<br>(Date of Birth) | Brief personal record, position, responsibilities,<br>and other important concurrent positions held |
|---|---|---|
| 9 | Manabu Miyasaka<br>(November 11, 1967)<br><br>Outside Director<br>New-appointment<br>Independent Director<br><br>Number of the Company shares owned: 0 | Apr. 1992 Joined UPU Co., Ltd.<br>Jun. 1997 Joined Yahoo Japan Corporation<br>Jan. 2002 Senior Manager, Media Business Group<br>Apr. 2009 Operating Officer, Head of Consumer Business Group<br>Apr. 2012 Chief Executive Officer, & Operating Officer<br>Jun. 2012 President & Representative Director<br>Jun. 2013 Director, SoftBank Corp. (currently SoftBank Group Corp.)<br>Jun. 2015 President and Representative Director, President Corporate Officer, Chief Executive Officer, Yahoo Japan Corporation<br>Jun. 2017 Director, SoftBank Corp.<br>Feb. 2018 Representative Director, Z Corporation Incorporated<br>Apr. 2018 President and Representative Director, Yahoo Japan Corporation<br>Apr. 2018 President and Representative Director, Z Corporation Incorporated (to present)<br>Jun. 2018 Chairman of the Board of Directors, Yahoo Japan Corporation (to present)<br>Jun. 2018 Retired from Director of SoftBank Corp.<br><br>(Important concurrent positions held)<br>President and Representative Director of Z Corporation Incorporated<br>Chairman of the Board of Directors of Yahoo Japan Corporation |

**Reasons for the Nomination of this Candidate for Director:**

Mr. Manabu Miyasaka is currently serving as Chairman of the Board of Directors of Yahoo Japan Corporation, after having served as President and Representative Director of the same company. He has experience in corporate management especially in the field of internet advertising and e-commerce. He also has vast knowledge and foresight concerning IT and digital technology and possesses the perspective of independent outside personnel. He will utilize his experiences and independent viewpoints to help the Company in making crucial decisions, to supervise the performance of duty at the Board of Directors level, and to strengthen the Company's fair corporate governance through ensuring of fair and reasonable business judgment and transparent and sound management, thereby contributing further to the enhancement of JSR Group's corporate value. He is, therefore, nominated as a candidate for Outside Director.

**The items relating to the candidate for Outside Director:**

(1) Mr. Manabu Miyasaka is a candidate for Outside Director.

(2) Summaries of agreement to limit the Outside Directors' liabilities proposed to be entered into with Mr. Miyasaka
If this proposal is approved and resolved as originally proposed at this general meeting, the Company intends to enter into an agreement with Mr. Miyasaka pursuant to Paragraph 1 of Article 423 of the Companies Act to limit his liabilities to the maximum permitted extent as set forth in Paragraph 1 of Article 425 of the Companies Act.

(3) If this proposal is approved and resolved as originally proposed at this general meeting, the Company intends to register Mr. Miyasaka with the Tokyo Stock Exchange as an Independent Director/Auditor, as such term is defined by the Exchange.

(4) Mr. Miyasaka meets the "Criteria for judging independence of outside directors and audit & supervisory board members", as set forth on page 23 of this translation.

(5) There is no conflict of interest either between the group companies of Z Corporation Incorporated (where Mr. Miyasaka is serving as President and Representative Director) and those of JSR Corporation or between the group companies of Yahoo Japan Corporation (where Mr. Miyasaka is

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| | serving as Chairman of the Board of Directors) and those of JSR Corporation.<br>(6) There are some ongoing transactions involving systems between the group companies of SoftBank Corp. (where Mr. Miyasaka served as Director) and those of JSR Corporation. The amounts paid from JSR Group to SoftBank Corp. in connection to the transaction was less than 0.1% of SoftBank Corp.'s consolidated revenue for the business year ended March 2018. |

Note: No conflict of interest exists between the Company and each of the candidates for Directors.

**Proposal 4. Election of two (2) Substitute Audit & Supervisory Board Members**

As a provision for the contingency of a shortage in the number of Audit & Supervisory Board Members required by law, the Company proposes that the following two (2) Substitute Audit & Supervisory Board Members be elected. Mr. Makoto Doi is proposed to substitute for Mr. Atsushi Kumano, an Audit & Supervisory Board Member, and Mr. Akira Chiba is proposed to substitute for Mr. Sumio Moriwaki, currently serving as an Outside Audit & Supervisory Board Member and for Ms. Hisako Kato, who will be an Outside Audit & Supervisory Board Member if Proposal 3 is approved and resolved as originally proposed at this general meeting.

The Audit & Supervisory Board has consented to the submission of this proposal in advance based on the deliberation of the Company's Nomination Advisory Committee of which the majority members are Independent Outside Directors, and the chair of which is an Independent Outside Director.

The details of the candidates for Substitute Audit & Supervisory Board Members are as follows:

| No. | Name<br>(Date of Birth) | Brief personal record, position<br>and other important concurrent positions held |
|---|---|---|
| 1 | Makoto Doi<br>(December 25, 1959)<br><br>Number of Company shares owned:<br>17,100 shares | Apr. 1983 Joined Sumitomo Metal Industries, Ltd. (currently known as NIPPON STEEL CORPORATION)<br>Nov. 2002 Joined Unicharm Corporation<br>Dec. 2003 Joined JSR<br>Jun. 2012 Officer and General Manager, Legal Department<br>Jun. 2016 Senior Officer,<br>General Manager, Legal Department (current position)<br><br>(Current responsibilities)<br>Legal |
| | **Reason for the Nomination of this Candidate for Substitute Audit &Supervisory Board Member:**<br>Mr. Makoto Doi has sophisticated knowledge about legal affairs. Since joining JSR, he has been engaged in the legal affairs of JSR by virtue of his expertise. Currently, he serves as a senior officer responsible for lega affairsl. He is expected to contribute his vast experience, knowledge, and sophisticated expertise to audit the Directors' in their decision-making and in respect of the Company's operations through the enhancement of its fair and reasonable judgment and transparent and sound management. He is, therefore, nominated as a candidate for Substitute Audit & Supervisory Board Member.<br><br>**The items relating to the candidate for Substitute Audit & Supervisory Board Member:**<br>(1) No conflict of interest exists between Mr. Doi and the Company.<br>(2) Summary of agreement to limit the Audit & Supervisory Board Members' liabilities proposed to be entered into with Mr. Doi:<br>If this proposal is approved and resolved as originally proposed at this general meeting and should Mr. Doi assume the position of Audit & Supervisory Board Member, the Company intends, pursuant to Paragraph 1 of Article 423 of the Companies Act, to enter into an agreement with him to limit his liabilities to the maximum extent permitted as set forth under Paragraph 1 of Article 425 of the Companies Act. | |

| No. | Name<br>(Date of Birth) | Brief personal record, position, ,<br>and other important concurrent positions held |
|---|---|---|
| 2 | Akira Chiba<br>(September 11, 1953)<br><br>Number of Company shares owned: None | Oct. 1984 Joined Tetsuzo Ota & Co. (currently known as Ernst &Young ShinNihon LLC )<br>Mar. 1989 Registered as Certified Public Accountant (current position)<br>Aug. 2000 Partner, Century Ota Showa & Co (currently known as Ernst &Young ShinNihon LLC)<br>May 2007 Executive Partner, Ernst & Young ShinNihon (currently known as Ernst &Young ShinNihon LLC)<br>Jun. 2015 Retired from Ernst & Young ShinNihon LLC<br>Jul. 2015 Representative, Chiba Certified Public Accountant Office (current position)<br>Apr. 2017 Auditor, Organization for Cross-regional Coordination of Transmission Operation JAPAN (current position)<br><br>(Important concurrent position held)<br>Representative, Chiba Certified Public Accountant Office<br>Organization for Cross-regional Coordination of Transmission Operation JAPAN |
| | **Reason for the Nomination of a Candidate for Substitute Outside Audit & Supervisory Board Member:**<br>Mr. Akira Chiba has vast expertise and experience in financing, accounting and auditing as a Certified Public Accountant. It is expected that he will utilize his vast experience, knowledge, and sophisticated expertise as well as his viewpoint as an independent outsider to audit the Directors' decision-making and execution of operation and to commit to enhancing fair and reasonable judgment for, and accountable and sound management of, the businesses of the Company. Thus, he is appointed as a candidate for Outside Substitute Audit & Supervisory Board Member. Mr. Akira Chiba has no experience in corporate management. The Company, however, believes that he will be able to appropriately perform his duty for the reasons set forth above.<br><br>**The items relating to the candidate for Substitute Audit & Supervisory Board Member:**<br>(1) Mr. Akira Chiba is a candidate for Substitute Outside Audit & Supervisory Board Member.<br>(2) No conflict of interest exists between Mr. Chiba and the Company.<br>(3) Summaries of agreement to limit the Audit & Supervisory Board Members' liabilities:<br>If Proposal 3 and this proposal are approved and resolved as originally proposed at this general meeting and should Mr. Chiba assume the position of Outside Audit & Supervisory Board Member, the Company intends to enter into an agreement with him to limit the liabilities under Paragraph 1 of Article 423 of the Companies Act to the maximum amount set forth under Paragraph 1 of Article 425 thereof.<br>(4) If the Proposal 3 and this proposal are approved and resolved as originally proposed at this general meeting and should he assume the position of Outside Audit & Supervisory Board Member, the Company will register Mr. Chiba with the Tokyo Stock Exchange as an Independent Director/Auditor, as such term is defined by the Exchange.<br>(5) Mr. Chiba meets the "Criteria for judging independence of outside directors and audit & supervisory board members", as set forth on page 23 of this translation.<br>(6) No conflict of interest exists between the Company and each of, Ernst & Young ShinNihon, currently known as Ernst &Young Shin Nihon LLC (where Mr. Chiba served as an Executive partner) and Chiba Certified Public Accountant Office (where Mr. Chiba serves as Representative). | |

**<<Reference>>**

## Criteria for judging independence of outside directors and audit & supervisory board members

JSR has set criteria for judging the independence of outside directors and audit & supervisory board members (hereinafter collectively or independently referred as “outside officers” or “outside officer”). If an outside officer (including a candidate) falls under any of the following categories, the Company judges such person does not have sufficient independence.

(1) Executive (*1) of JSR or its consolidated subsidiary (JSR Group) or ex-executive
(2) Major shareholder of JSR (any shareholder who directly or indirectly holds 10% or more of the voting rights)
(3) Executive of a company, etc. that falls under any of the following
  1) Major shareholder of JSR
  2) Major business partner of the JSR Group (*2)
  3) Major creditor of the JSR Group (*3)
  4) Company, etc. in which the JSR Group holds 10% or more of the voting rights
(4) Certified Public Accountant who belongs to an accounting firm that serves as the JSR Group Independent Auditor
(5) Expert, such as a consultant, accountant, lawyer, judicial scrivener, or patent agent, etc., who receives a large amount (*4) of monetary consideration or other property benefits from the JSR Group
(6) Person who receives a large amount of donations from the JSR Group (*5)
(7) Executive of a company, between which and JSR outside directors are mutually appointed (*6)
(8) Person with a close relative (*7) who falls under any of the above paragraphs from (1) to (7) (limited to an important person (*8) excluding paragraphs (4) and (5))
(9) Person who fell under any of the above paragraphs from (2) to (8) in the past five years
(10) Person who is deemed to have special reasons that would cause a conflict of interest with JSR, notwithstanding the provisions of the preceding paragraphs

(*1) Executive refers to a director (excluding either an outside director or non-executive director), an officer, an executive officer and an employee.
(*2) Major business partner refers to a company whose annual transactions with the JSR Group exceed 2% of the consolidated sales of JSR or such company.
(*3) Major creditor refers to a financial institution or other large creditor which is relied upon by the JSR Group to such an extent that it is indispensable and irreplaceable to financing of the JSR Group.
(*4) A large amount refers to: 10 million yen or more per year in the case such expert is an individual; and 2% or more of annual total revenue of such organization in the case such expert is an organization such as an enterprise or association. However, when a consideration for services directly offered by such expert exceeds 10 million yen, even if the amount does not exceed 2% of consolidated total assets of JSR or such financial institution, such amount is considered to be a large amount.
(*5) Person who receives a large amount of donations refers to a person who receives donations of 10 million yen or more per year from the JSR Group.
(*6) Mutually appointed relationship refers to a relationship in which an executive of the JSR Group serves as an outside officer of a company and an executive of such company serves as outside officer of JSR.
(*7) Close relative refers to a spouse and a relative within the second degree.
(*8) Important person refers to an executive including a director, an officer, an executive officer and a person in the position of general manager or higher or an executive who has authority equivalent to those persons.

**Proposal 5. Revision of the maximum amount of remuneration for Directors**

The remunerations for Directors of the Company consist of 4 types: Basic Remuneration which is fixed remuneration, Annual Bonuses that are linked to the degree of achievement of the Company's annual performance target and other factors, Mid-term Performance-linked Bonuses that are linked to the degree of achievement of the Company's medium to long term performance target, and remuneration for issuing Restricted Stock Shares which has the purpose of early promotion of sharing of values with our shareholders. For Outside Directors and Audit & Supervisory Board Members, in light of their roles, their remuneration consists only of Basic Remuneration.
The maximum amount of each of the above four types of remunerations for Directors will be revised for the following reasons.

If Proposal 3 is approved as originally proposed at this general meeting:
1) In order to secure personnel who will have a role in the globally competitive management system and excellent personnel with diversity in terms of gender, nationality, experience, etc., it will be important to remunerate them appropriately. In particular, in order to ensure and retain personnel with diversity (including the Director and CEO in charge of management of North America operations, etc.), it will become necessary to offer an appropriate amount of remuneration in light of the level of the amount of remuneration, remuneration structure, and remuneration ratio, etc. in the area that the relevant person manages and in the industry in which the relevant person has experiences.
2) In accordance with the expansion of the scale, scope and area of the Company's business, the Company will have another additional inside Director. Also, in order to improve and enhance qualification and experience required for the Board of Directors, the Company will have another additional Outside Director. As a result, the number of Directors will be increased from the current 7 to 9 (including increase in the number of Outside Directors from 3 to 4.

For the overall policies for remuneration of Directors and the basic approach to the respective remuneration effective as of March 31, 2019, please refer to Business Report "*(2) Policies for Determining the Amount of Remuneration for Directors and Audit & Supervisory Board Members of the Company or the Method of Calculation thereof*" on page 56 of this Notice.

Furthermore, in respect of the remuneration paid to Directors, the number of eligible persons and the total amount of remuneration for each type, the target, the result and payout ratio reflecting the degree of achievement of performance evaluation indices during evaluation period for payment of Annual Bonuses and Mid-term Performance-linked Bonuses, and the outline of activities of the Remuneration Advisory Committee will be disclosed in a similar manner to those described in *"(3) Amount of Remunerations for Directors and Audit & Supervisory Board Members"* in the Business Report on page 58 of this Notice.

**1. Revision of the maximum amount of the Directors' Basic Remuneration**

The Basic Remuneration for the Directors of the Company of not more than JPY 30 million per month as a total has been approved by a resolution of the 44th Ordinary General Meeting of Shareholders held on June 29, 1989, which is currently in effect.

For the reason stated above, the Company would like to revise the maximum amount of Basic Remuneration paid to Directors from the current amount of JPY 30 million per month to JPY 60 million per month (including Basic Remuneration for Outside Directors of JPY 10 million).

The Basic Remuneration does not include the wages or salaries to the Directors as employees if the Directors concurrently serve as employees.

If Proposal 3 is approved as originally proposed at this general meeting, the number of Directors who receive payment of Basic Remuneration will become 9 as compared with the current 7.

**2. Revision of the maximum amount of the Directors' Annual Bonus**

With regard to the Annual Bonuses for Directors excluding the Outside Directors of the Company (hereinafter in "2. Revision of the maximum amount of the Directors' Annual Bonus" referred to as the "Eligible Director(s)") for the relevant fiscal year, payment of Annual Bonus of not more than JPY 216 million per year subject to a resolution of the Board of Directors based on deliberation and reports from the Remuneration Advisory Committee was approved at the

72nd Ordinary General Meeting of Shareholders held on June 16, 2017, which is currently in effect.

For the reason stated above, we would like to revise the maximum amount of Annual Bonus from the current amount of JPY 216 million per year to JPY 432 million per year.

If Proposal 3 is approved as originally proposed at this general meeting, the number of Eligible Directors will become 5 as compared with the current 4.

Other details of the Annual Bonus are as described in *Proposal 6. "Setting maximum amount of remuneration for annual bonuses to Directors" of the 72nd Ordinary General Meeting* inserted on page 26 of this Notice as <<Reference>>.

### 3. Revision of the maximum amount of Mid-term Performance-linked Bonus for Directors

With regard to the Mid-term Performance-linked Bonus for the Directors of the Company excluding Outside Directors (hereinafter in "3. Revision of the maximum amount of Mid-term Performance-linked Bonus for Directors" referred to as the "Eligible Director(s)"), payment of not more than JPY 270 million per year subject to a resolution of the Board of Directors based on the deliberation and reports from the Remuneration Advisory Committee was approved at the 70th Ordinary General Meeting of Shareholders held on June 17, 2015, which is currently in effect.

For the reason stated above, we would like to revise the maximum amount of the Mid-term Performance-linked Bonus from the current amount of JPY 270 million per year to JPY 540 million per year.

If Proposal 3. is approved as originally proposed at this general meeting, the number of Eligible Directors becomes 5 as compared with the current 4.

Other details of the Mid-term Performance-linked Bonus are as described in *Proposal 5. "Introduction of mid-term performance-linked bonuses for Directors"* of the 70th Ordinary General Meeting inserted on pages 27-28 of this Notice as <<Reference>>.

### 4. Revision of the maximum amount of the remuneration for issuing Restricted Stock Shares and the maximum number of shares

With regard to the remuneration for issuing Restrict Stock Shares for the Directors of the Company excluding Outside Directors (hereinafter in "4. Revision of the maximum amount of the remuneration for issuing Restricted Stock Shares and the maximum number of shares" referred to as "Eligible Directors(s)"), payment of monetary compensation of not more than JPY 100 million for issuing not more than 100,000 shares subject to a resolution of the Board of Directors based on the deliberation and reports from the Remuneration Advisory Committee was approved at the 72nd Ordinary General Meeting of Shareholders held on June 16, 2017, which is currently in effect.

For the reason stated above, we would like to revise the maximum amount of the remuneration for issuing Restricted Stock Shares from the current amount of JPY 100 million per year to JPY 200 million per year, and to revise the total number of ordinary shares of the Company issued or allotted under this framework from not more than 100,000 shares per year to not more than 200,000 shares per year.

If Proposal 3 is approved as originally proposed at this general meeting, the number of Eligible Directors will become 5 as compared with the current 4.

Other details of the remuneration for issuing Restrict Stock Shares are as described in *Proposal 7. "Determining amount of remuneration for granting restricted stock shares to Directors"* of the 72nd Ordinary General Meeting inserted on pages 29-30 of this Notice as <<Reference>>.

The Remuneration Advisory Committee, the majority of the members of which are Independent Outside Directors and which is chaired by an Independent Outside Director, reported that the contents of this proposal are appropriate.

<<Reference>>

If all of Proposals 2, 3, and 5 are approved as originally proposed at this general meeting, "*(2) Policies for Determining the Amount of Remuneration for Directors and Audit & Supervisory Board Members of the Company or the Method of Calculation thereof*" in the Business Report stated on page 56 of this Notice will be replaced with the pages from 31-35 under the same title with remarks as " (New policies effective from June 18, 2019 subject to relevant approvals at this general meeting)".

**<<Reference>>**

**Proposal 6. "Setting maximum amount of remuneration for annual bonuses to Directors"** of the 72nd Ordinary General Meeting

The Company has paid annual bonuses to Directors (excluding Outside Directors; hereinafter in this proposal to be referred to as "Eligible Directors") that are linked to the achievement of the performance targets of the Company during each business year based upon the deliberation of the Remuneration Advisory Committee of which the majority members are Independent Outside Directors and the chair of which is an Independent Outside Director (hereinafter in this proposal to be referred to as "Remuneration Advisory Committee") and the approval of the ordinary general meeting of shareholders.

The Company would like to pay annual bonuses to Eligible Directors based upon the resolution of the Board of Directors and the deliberation of the Remuneration Advisory Committee within the range of the maximum amount approved at this general meeting in order to enhance the deliberation for determining of the amount of the annual bonuses and ensure realization of flexible and appropriate allocation of the annual bonuses.

1. Maximum Amount:
   Annual amount for ¥216 million yen, which is in addition to and separate from the basic remuneration paid to Directors, the stock option to Eligible Directors (which will be replaced with remuneration for granting restricted stock if proposal 7 is approved and resolved as originally proposed at this general meeting) and mid-term performance-linked bonuses to Eligible Directors.

2. Performance-linked Structure:
   1) The Remuneration Advisory Committee reflects to the Board of Directors about the criteria for the annual review on the consolidated annual business performance after examining the appropriateness thereof.
   2) Amount for the annual bonus will vary from 0% to 200% of the standard in proportion to the level of achievement of the target set forth at the beginning of each year.

If Proposal 2 is approved and resolved as originally proposed at this general meeting, the number of Eligible Directors will be four (4).

The Remuneration Advisory Committee has approved the content of this proposal.

**<<Reference>>**

**Proposal 5. "Introduction of mid-term performance-linked bonuses for Directors"** of the 70th Ordinary General Meeting

This proposal concerns the introduction of mid-term performance-linked bonuses to be paid as remuneration for Directors upon a resolution of the Board of Directors, and the upper limit thereof.

Previously, the remuneration structure for Directors of the Company (excluding Outside Directors) was composed of basic remuneration paid in fixed amount, annual bonuses linked to the annual business performance of the Company, and Stock Option as Remuneration to Directors, with the intent of having Directors share with shareholders the effects of changes in stock prices.
Upon receipt of deliberation of the Remuneration Advisory Committee of which majority members are Independent Outside Directors (hereinafter to be referred to as "Remuneration Advisory Committee"), the Company proposes the introduction of mid-term performance-linked bonuses, in addition to the current remuneration, with the view to further enhance enthusiasm and motivation among Directors to continuously improve corporate value and further strengthen corporate governance.

In actual terms, the Company proposes payment of mid-term performance-linked bonuses to its Directors (excluding Outside Directors) upon a resolution of the Board of Directors reflecting the deliberation of the Remuneration Advisory Committee as specified in the "Outline of the mid-term performance-linked bonuses" below, with the maximum amount not exceeding ¥270 million, which is in addition to and separate from: the maximum amount of ¥30 million per month for basic remuneration as approved at the 44th Ordinary General Meeting of Shareholders held on June 29, 1989; the annual bonus linked to the annual business performance of the Company; and the maximum amount of ¥100 million for Stock Option as Remuneration to Directors as approved at the 62nd Ordinary General Meeting of Shareholders held on June 15, 2007.

If Proposal 2. is approved at this ordinary general meeting of shareholders, the number of Directors (excluding Outside Directors) subject to this proposal will be four (4).

The Board of Directors will resolve, upon receipt of deliberations and reports by the Remuneration Advisory Committee, the specific numerical targets and calculation methods to calculate the mid-term performance-linked bonuses.
The Company thereby requests that any specific amounts paid to each of the Directors be at the discretion of the Board of Directors.

**Outline of the mid-term performance-linked bonuses**

The Company uses, as performance evaluation reference for mid-term performance-linked bonuses, an averaged consolidated ROE (return on equity ratio) over a three year evaluation period with the view to further create corporate value over the medium to long term by way of improving capital productivity.

The first evaluation period of three years will start from FY 2015 ending on March 31, 2016, and new periods will start in each year thereafter.

The Company will pay, after the end of each evaluation period, the mid-term performance-linked bonuses to its Directors (excluding Outside Directors), in the amount determined by the level of achievement relative to the targets by comparing the consolidated average ROE of those targeted at the beginning of each evaluation period and actually achieved during such period.

The mid-term performance-linked bonuses will have a standard of 100% pay-out ratio for 100% level of achievement, and the pay-out ratio will vary according to the level of achievement, with an upper limit of 150% and a lower limit of 0%.

The Company will pay, after the end of each evaluation period, remuneration to those Directors (excluding Outside Directors) whose terms of office expired or who retired for appropriate reasons during an evaluation period or who are appointed after the conclusion of this ordinary general meeting of shareholders in an amount corresponding to their term of office.

The Company has received a deliberation of the Remuneration Advisory Committee of which majority members are Independent Outside Directors confirming that the maximum amounts and structure of the mid-term performance-linked bonuses, are appropriate.

**<<Reference>>**

**Proposal 7. "Determining amount of remuneration for granting restricted stock shares to Directors"** of the 72nd Ordinary General Meeting

As a part of reviewing the remuneration package for Directors, the Company proposes that a restricted stock plan (hereinafter in this proposal to be referred to as the "Plan"), replacing the current stock option plan be newly introduced as follows. The Plan, pursuant to which the Company will annually provide remuneration for granting restricted stock shares to Directors (excluding Outside Directors; hereinafter in this proposal to be referred to as "Eligible Directors"), aims to provide incentives for Eligible Directors to continuously enhance the Company's value over the medium to long term as well as to facilitate earlier sharing of values between Eligible Directors and the shareholders as compared to the stock option plan by having Eligible Directors hold shares upon granting thereof.

The Company has established the remuneration package for Officers with approval of its shareholders in order to ensure sustainable growth and medium to long term improvement in its corporate value by steadily pursuing its management plans and business strategies while maintaining accountability to its shareholders, as follows:

(i) basic remuneration paid in fixed amounts with the maximum amount being ¥30 million per month (as approved at the 44th Ordinary General Meeting of Shareholders held on June 29, 1989);
(ii) annual bonuses for Eligible Directors that are linked to the achievement of the performance targets of the Company during each business year, with the maximum amount being ¥216 million per year (if Proposal 6 is approved and resolved as originally proposed at this general meeting);
(iii) the stock option plan for Eligible Directors with the maximum amount being 100 million per year, with the intent of having Eligible Directors share with the shareholders the effects of changes in stock prices (as approved at the 62nd Ordinary General Meeting of Shareholders held on June 15, 2007); and
(iv) mid-term performance-linked bonuses for Eligible Directors that are linked to the achievement of the performance targets of the Company over the medium to long term, with the maximum amount being ¥270 million per year (as approved at the 70th Ordinary General Meeting of Shareholders held on June 17, 2015).

If this proposal is approved and resolved as originally proposed, the Company will abolish the stock option plan for Directors listed in (iii) above, except for the stock options already granted thereunder, and will not issue any new stock options under the stock option plan to Eligible Directors.

The new remuneration for granting restricted stock shares to Eligible Directors on this proposal will be monetary claims (hereinafter to be referred to as "Monetary Remuneration Claims"), and their aggregated amount shall be up to ¥100 million per year, in addition to and separate from the amounts in (i), (ii) and (iv) above, as deemed reasonable for the purpose above. The specific time of the provision and allocation thereof to each Eligible Director will be decided by the Board of Directors based on a deliberation of the Remuneration Advisory Committee of which the majority members are Independent Outside Directors and the chair of which is an Independent Outside Director (hereinafter in this proposal to be referred to as "Remuneration Advisory Committee"). For the avoidance of doubt, Outside Directors will not receive remuneration for granting restricted stock shares. Please note that the above amount of remuneration does not include salaries for the employee status of Directors who also have duties in their capacity as employees.

If Proposal 2 is approved and resolved as originally proposed at this general meeting, the number of Eligible Directors will be four (4).

[Content of the Plan]

Under the Plan, the Company annually provides Eligible Directors with Monetary Remuneration Claims for granting restricted stock shares. Eligible Directors pay in all of the Monetary Remuneration Claims as in-kind contributions to the Company of common shares to be issued or disposed of by the Company. Further, the Company enters into an agreement for the allotment of restricted stock shares (hereinafter to be referred to as the "Allotment Agreement") with each Eligible Director which sets forth the matters concerning the granting of restricted stock shares and disposition thereof and other necessary matters.

The total number of common shares to be issued or disposed of by the Company under the Plan shall not exceed 100,000 shares per year. However, if a split-up (including allotment without contribution) or consolidation of the Company's common shares is carried out or if any other event that requires adjustment of the total number of the Company's common shares to be issued or disposed of as restricted stock shares arises, on and after the date on which this proposal is approved and resolved, the total number shall be adjusted to the reasonable extent.

The amount to be paid in per restricted stock share under the Plan will be a reasonable amount equal to the closing price of the Company's common shares on the Tokyo Stock Exchange for the last business day preceding the day of the resolution by the Board of Directors (if no transaction is executed on such business day, the closing price for the last traded day preceding such business day) or other appropriate price which would not be specially favorable to Eligible Directors who subscribe the Company's common shares under the Plan.

The Allotment Agreement to be executed between the Company and each Eligible Director shall include the matters as outlined below.

(1) Transfer restricted period

Eligible Directors shall not transfer, pledge or otherwise dispose of the shares allotted (hereinafter to be referred as the "Allotted Shares") under the Allotment Agreement for three (3) years (hereinafter to be referred to as the "Restricted Period"; such restriction hereinafter to be referred to as the "Transfer Restriction").

(2) Removal of Transfer Restriction upon expiration of Restricted Period

The Company will remove the Transfer Restriction for all of the Allotted Shares at the time when the Restricted Period expires provided that the relevant Eligible Director has been continuously serving as Director, Executive Officer, Audit & Supervisory Board Member, employee or in any position similar thereto (hereinafter collectively to be referred to as the "Position") of the Company or its subsidiary during the Restricted Period. Upon expiration of the Restricted Period, the Company, in principle, shall acquire the Allotted Shares without paying any consideration for the Allotted Shares for which the Transfer Restriction is not removed.

(3) Treatment of Allotted Shares upon retirement etc.

If an Eligible Director retires from any Position before the Restricted Period expires, the Company shall automatically acquire the relevant Allotted Shares without paying any consideration unless there is any due reason as determined by the Board of Directors such as expiration of their term of office or the death of the Eligible Director. If there is any due reason as determined by the Board of Directors such as expiration of their term of office or the death of the Eligible Director, the Company shall make reasonable adjustments to the number of the Allotted Shares for which the Transfer Restriction is removed and the time of removal of the Transfer Restriction as necessary.

(4) Treatment of Allotted Shares upon reorganization etc.

During the Restricted Period, if any matter concerning reorganization of the Company is decided, including a merger agreement under which the Company shall be a disappearing company, a share exchange agreement or a plan for a transfer of shares under which the Company shall be a wholly-owned subsidiary, the Company shall make reasonable adjustments to the number of the Allotted Shares for which the Transfer Restriction is removed and the time of removal of the Transfer Restriction as necessary.

(5) Other matters to be decided by the Board of Directors

Details of the matters mentioned above and other matters related to the Plan and the method of amendment of the Allotment Agreement shall be decided by the Board of Directors and set forth therein.

The Remuneration Advisory Committee has approved the content of this proposal.

**<<Reference>>**

## (2) Policies for Determining Amount of Remuneration for Directors and Audit & Supervisory Board Members or the Method of Calculation thereof

(**New policies effective from June 18, 2019 subject to relevant approvals at this general meeting**)

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

The Company therefore has been and will continue focusing on the enhancement of corporate governance as an important management challenge. Based upon the understanding that remuneration for Directors is one of the significant pillars that support corporate governance of the Company and in accordance with the basic policies, remuneration governance, remuneration framework and procedures for determining the remuneration, the Company determines the remuneration for its Directors upon resolution of the Board of Directors (hereinafter referred to as "BOD" in this reference) subject to the scope approved at its ordinary general meeting of shareholders.

### １. Principles on remuneration for Directors and Audit & Supervisory Board Members

The Company has set forth the following basic policies in order to ensure continuous and sustainable growth and medium to long term improvement in corporate value by steadily pursuing its management plans and business strategies while maintaining transparency and accountability to its shareholders.

(1) Attract, secure, and reward diverse and excellent personnel regardless of nationality for the purpose of further enhancing and improving its competitive advantage and global management;
(2) Encourage the management to demonstrate healthy entrepreneurial spirits by motivating them to achieve the objectives of business strategies aiming at continuous growth while addressing the incentives reflecting the latent risks therein;
(3) Promote medium to long term improvement in corporate value by sharing the benefit between the Management and shareholders via reinforcement of stock ownership during his/her term of office as Directors

### 2. Remuneration Governance

(1) Procedures for determining remuneration, etc.

The BOD deliberates and determines, in relation to remuneration for its Directors, the policies, remuneration framework, and amount of remuneration for individual directors (*).
In order to ensure independence and objectivity during deliberation and decision-making processes at the BOD mentioned above and to enhance monitoring function and accountability of the BOD, the Company established the Remuneration Advisory Committee as an advisory body for the BOD in order

* As an exception, annual Bonuses for Directors other than those for the CEO, Chairperson, and President partially include a portion linked to the evaluation of individual performances subject to the review and determination by CEO and the President, of which details are described in 4 (2) 8) in page 33 of this Notice. On the other hand, the annual bonuses for the CEO, Chairperson, and the President are determined solely by the BOD as described in 4 (2) 6) for the CEO and in 4 (2) 7) for the Chairperson and the President respectively in page 33 of this notice

(2) Items for deliberation and reports by the Remuneration Advisory Committee (the "RAC")

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

Eligible persons for remuneration:

Inside Directors (including representative directors and directors with special assignments), Outside Directors, Audit & Supervisory Board Members, Officers, Executive Advisors, Senior Advisors, and other important employees

Items for deliberation

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

(3) Composition of the RAC and attributes of Chairperson

The RAC consists of at least 3 committee members, and more than half of the members shall be Independent Outside Directors, of which chairperson shall be elected from Independent Outside Directors by resolution of the BOD in order to ensure independence, objectivity, and accountability as well as effectiveness of the RAC. In addition, a third party consultant, specialist in this field, and staff members for the committee also attend the RAC meetings as observers.

The composition of the RAC members and the summary of activities will be described in a similar manner to those in *"(3) Amount of remuneration for Directors and Audit & Supervisory Board Members"* in the Business Report on page 58 of this Notice.

**3. Remuneration framework of the Company**

(1) Remuneration Structure

Remuneration for directors consists of a) basic remuneration as fixed remuneration, b) annual bonuses linked to the level of achievement of the annual performance target of the Company, c) Mid-term Performance-linked bonuses that are linked to the level of achievement of the medium to long term performance target of the Company and d) remuneration for issuing Restricted Stock Shares designed to facilitate earlier sharing of values between Directors and the shareholders. However, remuneration for Independent Outside Directors and Audit & Supervisory Board Members, in the light of their roles, consists only of basic remuneration.

(2) Appropriateness of the remuneration level of the Company

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

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

(3) Remuneration composition for Directors (excluding Outside Directors)

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

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

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

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

## 4. Outline of each remuneration and its determination method

(1) Basic remuneration

1) It is resolved at the 74th ordinary general meeting of shareholders held on June 18, 2019 that the maximum amount of basic remuneration for Directors is JPY 60 million per month (inclusive of JPY 10 million per month for Outside Directors).
2) It is resolved at the 60th ordinary general meeting of shareholders held on June 17, 2005 that the maximum amount of basic remuneration for Audit & Supervisory Board Members is JPY 10 million per month.
3) The amount of remuneration for audit & supervisory board members is determined through consultation with audit & supervisory board members.

(2) Annual bonuses

1) It is resolved at the74th ordinary general meeting of shareholders held on June 18, 2019 that the Company may pay, in accordance with the resolution of the BOD based on review and deliberation of the RAC, annual bonuses to its Directors excluding Outside Directors subject to the maximum annual amount for JPY432 million and to variable payout ratio from 0% to 200% at maximum reflecting the degree of the achievement of the annual targets set forth at the beginning of each fiscal year.
2) The ratio of standard amount of annual bonuses against the basic remunerations for a) the Director serving as CEO concurrently in charge of businesses in North America, b) Directors serving as the Chairperson or the President, and c) directors concurrently serving as Executive Managing Officer and Managing Officer are 100%, 30% and 25% respectively.
3) The Company uses consolidated revenue and consolidated operating profit as the performance evaluation indices on 50/50 basis for annual bonuses linked to the annual performance of the Company, as the former represents a source of its corporate activities while the latter represents the quality of its core business activities.
4) The Company calculates a payout ratio reflecting the level of achievement relative to its target set at the beginning of each fiscal year, which varies within the range between 0% and 200% as shown in the table below.
At the beginning of each fiscal year, the BOD determines the annual performance targets based upon verification of the appropriateness of the targets by the RAC.
At the end of each fiscal year, the RAC calculates and evaluates the amount of payment, and the BOD determines the standard amount of the payment for each position.

The range of performance targets and payout ratio of annual bonuses for FY2019

(in JPY billions)

| | Range of payout ratio corresponding to the level of achievement relative to performance target | | |
|---|---|---|---|
| Payout ratio | 0% | 100% (target) | 200% |
| Consolidated Revenue | 471.9 or less | 508.0 | 544.1 or more |
| Consolidated Operating Profit | 29.1 or less | 44.5 | 59.9 or more |

Note: The payout ratio is calculated proportionately within the range of 0% - 200% by comparing the actual results with the figures in the above table.

5) When the RAC deliberates amount for annual bonuses after calculating the payout ratio, it reviews degree of achievement of performance targets by using the annual management activities report submitted by the CEO and the President as a reference and deliberates whether or not there were factors which materially affected the performance of the Company and which were unforeseeable at the beginning of the year when the annual performance targets were determined. The RAC will recommend to the BOD to consider qualitative adjustment to the achievement rate of the performance evaluation indices when it deems necessary.

6) The annual bonuses for the CEO are determined by the payout ratio relative to the consolidated performance of the Company as in the above 4) multiplied by the Life Sciences Business performance factor ranging from 0.75 to 1.25 consisting of revenue and operating profit of the business in question on 50/50basis as the CEO concurrently serves as the President of JSR North America Holdings, Inc. that oversees the Life Sciences Businesses and assumes the responsibility of the businesses in North America as well. Payout ratio of annual bonuses for the CEO has been set within the range between 0% and 200% which is the maximum rate regardless of the calculated payout ratio.

   As a result, annual bonuses to the CEO does not include any portion linked to individual performance which is subject to evaluation and determination by the CEO and the President

7) The annual bonuses for the Chairperson and the President are determined solely by the payout ratio relative to the consolidated performance of the Company as described in the above 4) and do not include any part linked to the evaluation result on individual performances.

8) The annual bonuses for Directors other than the CEO, the Chairperson, and the President consist of the part linked to the performance of the entire company (80%) and the other part linked to the individual performance (20%). The part linked to the performance of the entire company is determined in accordance with the formula described in 4) above. As for the part linked to the individual performance, the RAC deliberates the pattern of payment amount by evaluation in advance, and the BOD determines its standard amount. The CEO and President finalize the result of 5 levels of evaluation for the part linked to the individual performance, which has already been deliberated and confirmed by the RAC. The amount of payment linked to the individual performance is determined within the rage of 0%-200% by reflecting the result of the evaluation.

(3) Mid-term Performance-linked Bonuses

1) It is resolved at the74th ordinary general meeting of shareholders held on June 18, 2019 that the Company may pay, in accordance with the resolution of the BOD based on review and deliberation of the RAC, Mid-term Performance-linked Bonuses to its Directors excluding Outside Directors subject to the maximum annual amount for JPY540 million and to the variable payout ratio from 0% to 150% corresponding to the degree of achievement of three year average ROE target for the following 3 fiscal years set at the beginning of three-year period every fiscal year

2) The ratio of standard amount of Mid-term Performance-linked Bonuses against respective basic remunerations for a) the Director serving as the CEO concurrently in charge of businesses in North America, b) Directors serving as the Chairperson or the President, and c) Directors concurrently serving as Executive Managing Officer and Managing Officer are 133%, 50% and 30% respectively. The payout ratio varies in the range of 0%-150% of the standard amount for a single fiscal year

3) The Company uses, as the performance evaluation index for Mid-term Performance-linked Bonuses, a three-year average of consolidated ROE (Return on Equity) which the Company sets a target in its mid-term business plan as one of the key indices the Company values for assessing management efficiency.

The Company set, as performance target, an average of consolidated ROE for the previous 3 years at 10% upon resolution of the BOD based on recommendation from RAC as the Company set “a minimum ROE of 8%” as its target for FY2019 in its mid-term plan, JSR20i9 and as the Company aims to achieve a minimum ROE of 10% as its mid- to long-term target.

4) Every time a three-year evaluation period ends, actual ROEs for the past three years are calculated. The RAC calculates and evaluates a payout ratio and the amount of payment according to the level of achievement of the target as described in the table below. Then, the BOD determines the payout ratio and the amount of payment. .

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

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

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

(4) Remuneration for issuing Restricted Stock Shares

1) It is resolved at the74th ordinary general meeting of shareholders held on June 18, 2019 that the Company may pay, in accordance with the resolution of the BOD based on review and deliberation of the RAC, remuneration for issuing Restricted Stock Shares to its Directors excluding outside ones subject to the maximum annual amount for JPY200 million, to the maximum annual number of 200,000 ordinary shares of the Company and to a restriction period for 3 years in principle.
2) The ratio of standard amount of remuneration for issuing the CEO concurrently in charge of businesses in North America, b) Directors serving as the Chairperson or the President, and c) Directors concurrently serving as Executive Managing Officer and Managing Officer are 67%, 25%, and 15% respectively.
3) The remuneration for issuing Restricted Stock Shares has been designed to facilitate earlier sharing of values between Directors and the shareholders. In order to promote retention of restricted stocks while they serve as Directors, and also to raise their awareness towards enhancement of corporate value in the medium to long term, the three-year restriction on stock transfer has been set.
4) The amount to be paid in per restricted stock share will be a reasonable amount equal to the closing price of the Company’s common shares on the Tokyo Stock Exchange for the last business day preceding the day of the resolution by the BOD or other appropriate price which would not be specially favorable to eligible Directors

(5) Disclosure of Directors’ remuneration

The outlines and policies to determine each type of remuneration are as described above. The Company discloses the total amount of each type of remuneration, the payout ratio of performance-linked remuneration, the targets and outcomes of each performance evaluation indices in the following section of its Business Report : “ Amount of Remuneration, etc. for of Directors and Audit & Supervisory Board Members.”

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**Reminders for Exercising Voting Rights via Internet**

Dear shareholders,

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

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

■ Remarks on the Password

1. Please securely keep your Password until the close of the Ordinary General Shareholders Meeting as the Password can prove your legitimacy as a shareholder of the Company. In addition, we will be unable to answer any inquiries relating to the Password by phone etc.

2. The access to the web site for online voting will be locked if you enter wrong Password a certain times, in such an event, please follow the instructions to be provided on the screen.

■ System Requirements for Online Voting

1. The following system environments are required for accessing our web site for online voting;
   (1) The resolution rate of the screen shall be higher than 800 (horizontal) x 600 (vertical) (SVGA)
   (2) Microsoft Windows 7, 8.1 or 10, Microsoft Internet Explorer 11 and Adobe Reader XI or Adobe Acrobat Reader DC must be installed in your PC.

2. You, as a user of online voting system, will have to bear all of the costs related to connecting to your Internet provider, as well as communication charges for accessing the web site for online voting.

3. It is possible for you to vote with mobiles including smartphone on full browser function, but you may not be able to do with some models.

■ Contact point for inquiries relating to how to operate your PCs, etc.

1. Inquiries relating to operation of your PCs for exercising your voting rights via Internet:
   "Web Support" (dedicated phone line) , Stock Transfer Agency,
   Sumitomo Mitsui Trust Bank, Limited.
   Tel: 0120-652-031 (free dial)
   accessible from 9:00-21:00

2. Inquiries relating to your registered address, number of shares owned, or other:
   Operating Center, Stock Transfer Agency,
   Sumitomo Mitsui Trust Bank, Limited.
   Tel: 0120-782-031 (free dial)
   accessible from 9:00-17:00 only on weekdays (excluding national holidays)

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

**(Appendix to the Notice of the 74th Ordinary General Meeting of Shareholders)**

**Business Report**

For the period from April 1, 2018 to March 31, 2019 ("the current fiscal year)

## 1. Items Relating to the Current Status of the JSR Group

### (1) Business Developments and Results

In FY ended March 2019 (April 1, 2018 to March 31, 2019), among the JSR Group's main customer industries, global automobile production fell from the previous fiscal year, reflecting a slowdown in China and other factors. Automobile tire production, however, remained unchanged despite the impact of lower automobile production. Demand in the semiconductor market grew over the previous fiscal year as a whole, but it has become sluggish since October 2018. Production of LCD panels in the display market was robust. The exchange rate remained almost unchanged from the previous fiscal year.

Amid these circumstances, in the Elastomers Business of the JSR Group, revenue rose over the previous fiscal year, chiefly due to growth in the sales volume of solution styrene-butadiene rubber (SSBR) for highly functionalized tires such as fuel-efficient tires. Because of the stagnant market conditions, delay in improvement in spreads between the prices of major raw materials and the products, and increased fixed costs, operating profit fell in the current fiscal year compared with the previous fiscal year when the operating profit was much higher reflecting favorable conditions.

In the Plastics Business, the JSR Group recorded significantly higher revenue and operating profit compared to the previous fiscal year, mainly because of establishment of Techno-UMG Co., Ltd. in April, 2018, a joint venture between Techno Polymer Co., Ltd., a JSR Group company, and UMG ABS, Ltd., a company equally owned by Mitsubishi Chemical Corporation and Ube Industries, Ltd.

In the Digital Solutions Business, the Semiconductor Materials Business recorded higher revenue over the previous fiscal year due to sales volume growth, especially most advanced cutting-edge photoresists. The Display Materials Business was adversely affected by declines in pigment dispersed resist sales and lower product prices brought on by intensified competition. Despite these factors, revenue suffered only a slight decline, benefiting from growth in sales volume, especially in China. Consequently, the Digital Solutions Business posted overall gains in both revenue and operating profit.

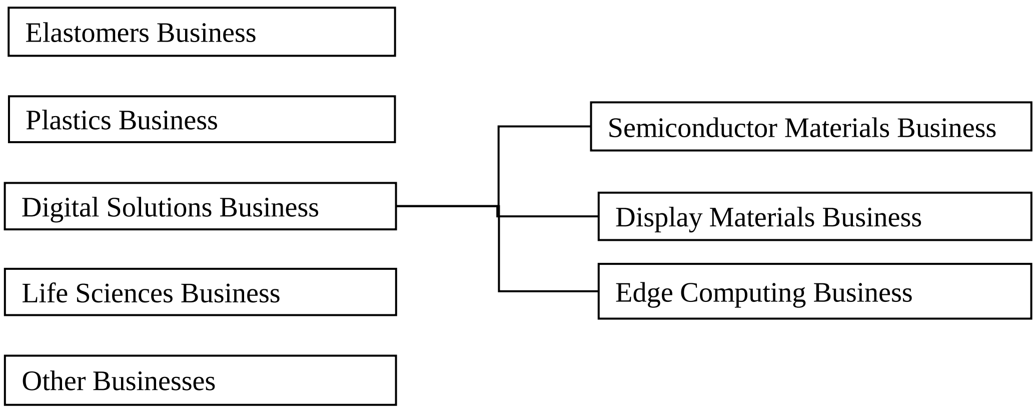
Revenue in the Life Sciences Business, positioned as the JSR Group's third core business, jumped considerably from the previous fiscal year, and the segment's operating profit moved into the black. These gains reflected an increase in contract development received by KBI Biopharma Inc. ("KBI") and the inclusion of Crown Bioscience International ("Crown Bio") as a consolidated subsidiary.

As a result, the Group reported revenue of JPY 496,746 million (up 17.7% year-on-year), operating profit of JPY 43,030 million (down 1.2% year-on-year), and profit attributable to owners of parent of JPY 31,116 million (down 6.4% year-on-year).

**Business Segment Overview**

The JSR Group's business is classified into four reporting segments: Businesses of Elastomers, Plastics, Digital Solutions and Life Sciences as shown below;

:




**<Elastomers Business Segment>**

The production of automobile tires, one of the segment's main customer industries, remained flat globally, reflecting lower automobile production in China, Europe, and elsewhere despite an increase over the previous fiscal year in Japan.

Amid these circumstances, the segment's revenue rose from the previous fiscal year, as expansion in sales volume of SSBR, positioned as a strategic product, and improvement in sales prices offset an overall decline in sales volume. Operating profit tumbled, as a result of lower spread between the prices of raw materials and those of products reflecting sluggish market conditions and of increase in fixed cost primarily due to startup costs for the SSBR plant in Hungary, compared with the previous fiscal year when the Company recorded hither profit attributable to the wider spread driven by a temporary favorable turn in market conditions.

As a result, the Elastomers Business segment posted an operating profit of JPY 7,421 million (down 50.1% year-on-year) on revenue of JPY 200,736 million (up 2.6% year-on-year).

**<Plastics Business Segment>**

In the Plastics Business segment, a steep rise in both revenue and operating profit were witnessed over the previous fiscal year, mainly because of the establishment in April of the joint venture Techno-UMG Co. Ltd.

Consequently, the Plastics Business segment posted an operating profit of JPY 9,214 million (up 65.2% year-on-year) on revenue of JPY 105,446 million (up 95.8% year-on-year).

**<Digital Solutions Business Segment>**

Both revenue and operating profit in the Digital Solutions Business segment improved from the previous fiscal year.

In the Semiconductor Materials Business, revenue and operating profit increased on the back of sound growth in semiconductor demand, reflecting increased sales volume of lithography materials, particularly most advanced cutting-edge photoresists, and expansion in sales volume of CMP materials, cleaning solutions, and packaging materials.

The Display Materials Business was hit by declines in product prices caused by intensified competition pressures and lower pigment dispersed resist sales. Nevertheless, the drop in revenue was small, thanks to robust panel production that spurred growth in sales volume particularly for the Company's competitive alignment films and insulating films destined for the China market.

As a result, the Digital Solutions Business segment posted an operating profit of JPY 32,663 million (up 6.4% year-on-year) on revenue of JPY142, 216 million (up 1.3% year-on-year).

**<Life Sciences Business Segment>**

In the Life Sciences Business segment a sharp jump in revenue from the previous fiscal year was made, chiefly due to the consolidation of Crown Bio as a wholly owned subsidiary after its acquisition completed at the end of May 2018, the expansion in contract development businesses received by KBI, a Group company, and favorable growth in sales of the Company's bioprocess materials (Amsphere™ A3) as well as diagnostic reagents and intermediates. The expanded revenue turned the previous fiscal year's operating loss into an operating profit.

Consequently, the Life Sciences Business segment posted an operating profit of JPY 781 million, versus an operating loss of JPY 1,803 million in the previous fiscal year, on revenue of JPY 43,872 million (up 66.0% year-on-year).

### (2) Capital Expenditure

The JSR Group's capital expenditure totaled JPY 36.0 billion in the current fiscal year including those for the construction of a production plant for SSBR at JSR MOL Synthetic Rubber Ltd ("JMSR"), its subsidiary in Hungary, construction of a new building for R&D in Yokkaichi, and other items.

### (3) Financing

In the current fiscal year, the JSR Group did not procure funds through capital increases or issuance of corporate bonds. The total amount of loans payable by the JSR Group at the end of the current fiscal year was increased to JPY 84.3 billion reflecting the fund necessary for the construction of a production plant for SSBR at JMSR, construction of a new building for R&D in Yokkaichi, and other items.

### (4) Issues to be addressed for the JSR Group

**<Progress under the JSR20i9 Mid-Term Business Plan>**

"Strengthening competitiveness for the future" is the mission of the JSR20i9, the JSR Group's three-year mid- term business plan from FY ended March 2018 through FY ending March 2020, which is the third phase of its series of mid-term business plans to achieve the Company's 2020 vision formulated through global trend analysis towards 2030. Under JSR20i9, the JSR Group has been striving to continue its innovation.
The JSR Group attained the earnings targets set for the current fiscal year, the second year of JSR20i9, as it made in the previous fiscal year.

The Elastomers Business segment is witnessing steadily rising global demand for fuel-efficient tires and other types of high-performance tires. At JSR BST Elastomer Co., Ltd. ("JBE") — a joint venture in Thailand that supplies solution styrene-butadiene rubber (SSBR) for fuel efficient or other high-performance tires — the first-phase and second-phase facilities are operating satisfactorily and are approaching their full capacities. To cope with further demand growth, the Group has established JSR MOL Synthetic Rubber Ltd. ("JMSR"), a joint venture in Hungary, where operations are scheduled to launch in fiscal year 2019.

In the Plastics Business segment, the JSR Group established Techno-UMG Co. Ltd. ("Techno-UMG") in April 2018 through the merger of Techno Polymer Co. Ltd., a wholly-owned subsidiary of the Company, and UMG ABS, Ltd., a company equally owned by Mitsubishi Chemical Corporation and Ube Industries, Ltd. Techno-UMG has moved ahead with consolidating sales, development, and manufacturing operations and building a solid organizational framework. The merger's aim is to further strengthen the segment's competitiveness and expand business. This will be accomplished by improving manufacturing efficiencies and cost competitiveness, diversifying the company's differentiated product lines, and enlarging sales of specialty products in overseas markets.

The segment's semiconductor materials business is holding its global competitiveness in cutting-edge lithography materials for 7 to 10 nm generation processes. EUV Resist Manufacturing & Qualification Center N.V. ("EUV RMQC") — a joint venture providing manufacturing and quality control services that was set up in Belgium with imec, a world-leading research institute in cutting-edge nanoelectronics technology — has started full-scale manufacturing of extreme ultraviolet ("EUV") lithography materials, which are forecast to be a key technology for the 7 nm and subsequent generation processes. At the same time, the JSR Group is broadening sales of semiconductor peripheral materials, such as packaging materials, cleaning solutions, and CMP materials.

The display materials business is experiencing intensifying competition driven by the ongoing trend of commoditization of display materials while continued robust growth in the LC panel market is expected. In response, the Group is endeavoring to expand sales of display materials for wide-screen LC panels, especially its competitive alignment films and insulating films in the China market, where favorable growth is forecast.

The JSR Group in May 2018 made Crown Bioscience International ("Crown Bio") — a provider of preclinical drug discovery and development services — a wholly-owned subsidiary under the Life Sciences Business segment, complementing KBI Biopharma, Inc. ("KBI"), MEDICAL & BIOLOGICAL LABORATORIES CO., LTD. ("MBL"), and Selexis S.A. ("Selexis"). The addition of Crown Bio completes a framework that provides end-to-end process support, from antibody drug discovery to commercial production. The Life Sciences Business companies will pursue synergies to drive greater business expansion.

In the area of next-generation research, the JSR Group opened the JSR-Keio University Medical and Chemical Innovation Center ("JKiC") in October 2017 — a joint research facility with Keio University's School of Medicine and the Keio University Hospital. JKiC is spearheading the development of innovative materials and products that will underpin the advancement of new medical fields. The JSR Group also plans to open a new research building in the Tonomachi District of Kawasaki in 2021 to coordinate next-generation research. The research facilities will lay the groundwork for future Life Sciences Business expansion.

**Elastomers Business**

Steady growth is anticipated on the global market in the production of automobiles and tires, the segment's main customer industry. Global demand for SSBR for fuel-efficient tires is increasing on the back of rising demand for high performance tires such as electric vehicle tires and all-season tires. The Group will enlarge its SSBR supply capacity to meet demand increases by launching operations at JMSR in Hungary in fiscal year 2019, as the first-phase and second-phase facilities at JBE in Thailand are nearing full output.

The JSR Group is taking further steps to ensure the Elastomers Business segment captures global growth in SSBR demand and expands sales. For example, the global marketing network has been enhanced by the addition of JSR Elastomer India Private Limited (India), which commenced operations in April 2018 and JSR Elastomer America, Inc. (U.S.), which started operations in October 2018. The two companies join JSR Elastomer Europe GmbH (Germany), JSR Elastomer Korea Co., Ltd. (South Korea), and JSR (Shanghai) Co., Ltd. (China). Moreover, the Tianjin Technical Center provides direct technical support to local customers in China, where significant growth in high-performance tire demand is expected.

**Plastics Business**

Techno-UMG Co. Ltd., which was formed through a merger in April 2018, has been integrating its sales, development, and manufacturing operations. The company has been transferring production items among its plants in order to boost production efficiencies while tightly controlling the investments for capacity increase. It has also consolidated overseas subsidiaries and optimized sales systems. The company aims to benefit from the merger's synergies, by taking advantage of the accumulated production capacities, R & D capabilities and those for marketing, of the two former companies in order to improve cost competitiveness, product development, and manufacturing efficiencies, and by introducing more differentiated products and enlarging sales of specialty products in overseas markets.

**Digital Solutions Business**

The semiconductor materials business is maintaining its competitiveness while solidifying relations with leading global clients in the cutting-edge lithography materials market, which encompasses state-of-the-art 7 to 10 nm generation processes, amid expectations for heightened semiconductor demand driven by faster communication speeds and increased data capacities. The JSR Group is also promoting evaluations of EUV lithography by leading clients toward early implementation of the technology for the 7 nm and subsequent generation processes. EUV RMQC, a joint venture with Belgium's imec, is moving toward becoming one of the world's first mass producers of EUV lithography materials and expanding their sales.

Furthermore, the JSR Group is working to enlarge sales of semiconductor peripheral materials, especially packaging materials, cleaning solutions, and CMP materials used in state-of-the-art production lines.

In the display materials business, intensifying competition in materials due to LC and OEL panel commoditization remains a concern, but forecasts call for robust growth in demand for both panel technologies. The Group is taking steps to expand sales, and to secure and grow revenue, of display materials for wide-screen LC panels, especially its competitive alignment films and insulating films as well as OEL materials in the China market, where favorable growth is anticipated.

**Life Sciences Business**

The Life Sciences Business — the JSR Group's third core business segment — provides highly functional materials, a Company strength, to the life sciences market. The segment has also engaged in proactive M&As to form a business offering end-to-end drug discovery, manufacturing process development, and contract manufacturing for antibody drugs and other biopharmaceuticals, which are expected to see significant growth in the near future. Crown Bio, a provider of drug discovery services, was made a consolidated subsidiary in May 2018.

The JSR Group is committed to further expand the scope of the Life Sciences Businesses by closely collaborating with other Group companies such as KBI and Selexis. KBI increased the capacity of its biopharmaceutical manufacturing facilities, and JSR Micro N.V. ("NV") — a Group company located in Belgium — set up a new analytics services center on its premises.

The JSR Group is also focused on ramping up production capacity and expanding sales of Amsphere™ A3 — a purification resin for antibody drug production processes where demand growth is expected — by building new Amsphere™ A3 production facilities at NV.

**Next-Generation Research**

The JSR-Keio University Medical and Chemical Innovation Center ("JKiC") — a joint research facility with Keio University's School of Medicine and the Keio University Hospital — engages in the development of innovative materials and products. By bringing together medical insight and materials development expertise, JKiC is spearheading research in four strategic fields: 1) precision medicine, 2) stem cell biology and cell-based medicine, 3) microbiomes, and 4) advanced medical devices.

The JSR Group is planning a new research building in the Tonomachi District of Kawasaki with a target opening date of 2021. The new research building will guide the extension of JKiC research results toward social implementation. It will also carry on investing in next-generation research eying the 2020s and beyond. Examples include implementing materials informatics and open innovation projects that apply cutting-edge digital technologies to materials technology development in attempts to forge new business fields and models.

**<Environmental, Social, and Governance (ESG)>**

Under its corporate mission, the JSR Group aims to build good relations with all stakeholders and become a trusted and indispensable corporate citizen. To this end, the JSR Group works to resolve important social issues by integrating corporate social responsibility (CSR) with its management that executes the corporate mission.

The JSR Group divides its priority issues into three areas: *social issues the JSR Group can help solve*, *social issues attributable to JSR Group corporate activities,* and *basic issues in JSR Group corporate activities*. The CSR Committee promotes CSR by managing four activity areas: corporate ethics, promotion of responsible care (RC), risk management, and social contributions.

In September 2015, the United Nations adopted the 2030 Development Agenda titled "Transforming Our World: The 2030 Agenda for Sustainable Development" and the agenda's Sustainable Development Goals (SDGs). The Group believes many aspects of the agenda are well-aligned with its corporate mission and its aim to achieve a sustainable society. The 17 SDGs, and associated 169 targets, to be achieved by 2030 have been correlated with the Group's priority areas and, through its corporate activities, the Group is working to help fulfill the SDGs, which are regarded as *social issues attributable to JSR Group corporate activities* and *social issues the JSR Group can help solve*.

**Environmental (E)**

The JSR Group contributes to *social issues the JSR Group can help solve*, one of the priority areas for the Group, through eco-friendly products with enormous potential to solve business and environmental problems. Examples include SSBR, a material for fuel-efficient tires that is environmentally friendly and ensures safe braking performance, and products that facilitate microfabrication, a means of lowering the power consumption of semiconductors, which is a pressing concern for the electronics industry.

As for *social issues attributable to JSR Group corporate activities*, the Group has crafted an environmental safety management policy, under which it pursues responsible care (RC) initiatives and initiatives to lower environmental impacts, such as reducing greenhouse gas emissions in its supply chains and achieving the target of zero landfill waste.

**Social (S)**

The JSR Group contributes to *social issues the JSR Group can help solve*, one of the priority areas for the Group by means of, for example, Life Sciences Business products and services that are necessary to ensure a healthy population with a long lifespan. As for *social issues attributable to JSR Group corporate activities*, the Group promotes occupational health and safety initiatives for the reconstitution of its safety infrastructure and safety culture, based on the belief that safety is of utmost importance to everyone working in manufacturing and the bedrock of business activities. The Group also pushes for stronger compliance and risk management to address *basic issues in JSR Group corporate activities*.

Personnel development is the top challenge for corporate competitiveness and sustained corporate development. The JSR Group encourages self-directed actions by individuals and organizations that share the Group's vision and values, based on an HR policy that emphasizes employees' independent growth. In parallel with disseminating the corporate philosophical system and pressing ahead with culture reforms, the JSR Group continually invests in measures to develop global-level professionals to bolster organizational capacity. The Group actively promotes workforce diversity in many ways, exemplified by the Diversity Promotion Office established in fiscal year 2015.

The JSR Group promotes working arrangement reforms and higher corporate competitiveness through *work-style innovation activities* enshrined in the JSR20i9 mid-term business plan. These are long-practiced work-life management activities aiming for environments conducive to a diverse workforce and higher labor productivity. Moreover, a prerequisite of labor productivity gains is that employees can work in good health, which is another reason why the Group actively promotes employee health. Thanks to these initiatives, the Group was included for the third consecutive year since fiscal year 2016 in the White 500 compilation of listed corporations practicing exceptional health management selected by Japan's Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi.

**Governance (G)**

To address *basic issues in JSR Group corporate activities*, one of the priority areas for the Group, the JSR Group continually strives to enhance and expand its corporate governance systems. And as a company with audit and supervisory board members, the JSR Group has instituted a framework to monitor and oversee the execution of duties by the Board of Directors and audit and supervisory board members.
The JSR Board of Directors consists of four internal directors and three independent outside directors with vast experience and extensive expertise in corporate management and financial operations. One standing audit & supervisory board member and two independent outside audit & supervisory board members one of whom is an expert in legal affairs and one of whom is female expert in financing, accounting and taxation participate in the meetings of the Board of Directors.

The JSR Group undertook the following measures in fiscal year 2018, including those corresponding to the revision of the Corporate Governance Code.

Reduction of Cross-Shareholdings

The Board of Directors reviewed the status and the policies for holding individual cross-shareholdings — taking such factors into consideration as the purpose of holding the shares, potential risk and expected return, and cost of capital required to hold individual shares — actively endeavored to reduce cross-shareholdings.

Assurance of Diversity on the Board of Directors and Succession of the Group's Management Structure

The Board of Directors reviewed its diversity in terms of capacities, experience, gender, and other factors necessary to ensure the Board of Directors is capable of addressing rapid transformations in the business landscape, such as globalization, IT, and digitalization and, in addition, selected the candidate for the CEO (Chief Executive Officer) in accordance with the succession plan that had been under discussion for several years based on findings from the

Nomination Advisory Committee, where independent outside directors constitute a majority of the members and whose chair is also an independent outside director, In addition the Company.

The Nomination Advisory Committee, which was established in fiscal year 2015, consists of three independent outside directors (one of whom is the chair) and the Representative Director and President. The committee has been carrying out objective and long-term examinations of nomination and removal /dismissal of the president, the Group's management structure, and succession plans for management duties and execution.

Assurance of Transparency and Objectivity in the Directors' Remuneration Scheme

As it has become necessary to form a new remuneration framework to attract and compensate high-caliber professionals capable of leading the Company in a globally competitive manner, the Board of Directors has defined composition and levels of remuneration for the new director / CEO subject to relevant approvals at the general meeting and the Board of the Directors based on deliberation and recommendation from the Remuneration Advisory Committee of which majority consists of independent outside directors and of which chair is also an independent outside director. In addition, the Board of Directors, in order to secure transparency and accountability, determined to disclose more information relating to remunerations for Directors of the Company more in detail from this fiscal year onward.

JSR established the Remuneration Advisory Committee in fiscal year 2014, which consists of three independent outside directors (one of whom is the chair) and the Representative Director and President. The committee, consulting data and recommendations from outside organizations and taking each fiscal year's business performance and other factors into consideration, deliberates and recommends fair and transparent on remuneration framework and remuneration amounts systems to the Board of Directors. .

Evaluation of the Effectiveness of the Board of Directors

Continuing from last year, the Board of Directors conducted an assessment of the Board of Directors' effectiveness. The assessment again confirmed the Board of Directors, the Nomination Advisory Committee and the Remuneration Advisory Committee, and the Audit & Supervisory Board were operating appropriately. The assessment also included a follow-up review of M&As and other large-scale investments. The JSR Group will strive to further bolster the Board's effectiveness as an endeavor to enhance corporate governance and continually raise corporate value.

The JSR Group is committed to tackling and making progress on the issues outlined above.

## (5) Development of Assets and Business Results

1) IFRS

Financial Outlook for the next fiscal year

| Category | | FY ended March 2017 | FY ended March 2018 | FY ended March 2019 | FY ending March 2020 |
|---|---|---|---|---|---|
| Revenue | (JPY million) | 388,455 | 421,930 | 496,746 | 508,000 |
| Operating profit | (JPY million) | 35,943 | 43,569 | 43,030 | 44,500 |
| Profit attributable to owners of parent | (JPY million) | 30,243 | 33,230 | 31,116 | 31,000 |
| Basic earnings per share | (JPY) | 135.17 | 149.32 | 140.62 | 140.63 |
| Total Assets | (JPY million) | 578,484 | 647,699 | 691,435 | |
| Total Equity | (JPY million) | 376,364 | 411,615 | 440,360 | |

(Notes)

1. In the FY ended March 2017, both revenue and profit attributable to owners of parent increased
2. In the FY ended March 2018, both revenue and profit attributable to owners of parent decreased.
3. Results for the FY ended March 2019 are as shown in the "Business Developments and Results" in (1) above.

The JSR Group has prepared its consolidated financial statement from FY ended March 2018 onward in accordance with the International Financial Reporting Standards ("IFRS") pursuant to the provisions of Article 120-1 of the Ordinance of Companies Accounting.
The Company also prepared its financial statements for FY ended March 2017 in accordance with IFRS for reference.

(Note)
Financial Outlook provided in the table left hand side is based on information available at the time of writing and assumptions deemed reasonable, however, actual results may differ materially depending upon various factors.

1) Japanese GAAP

| Category | unit | FY ended March 2016 | FY ended March 2017 |
|---|---|---|---|
| Net sales | (JPY million) | 386,709 | 390,599 |
| Operating profit | (JPY million) | 34,408 | 32,370 |
| Profit attributable to owners of parent | (JPY million) | 24,068 | 30,078 |
| Net profit per share | (JPY) | 105.87 | 134.43 |
| Total Assets | (JPY million) | 516,359 | 576,016 |

**(6) Principal Subsidiaries and Affiliates (as of March 31, 2019)**

**1) Principal Subsidiaries**

| Company Name | Capital | Shareholding ratio (%) | Main business |
|---|---|---|---|
| ELASTOMIX Co., Ltd. | JPY 416 million | 98.5 | Production and sale of carbon master batches and rubber compounds |
| ELASTOMIX (THAILAND) CO., LTD. | TBH 75 million | 90 (65) | Production and sale of carbon master batches and rubber compounds |
| JSR BST Elastomer Co., Ltd. | THB 5,220 million | 51 | Production and sale of solution polymerized SBR (SSBR) |
| JSR MOL Synthetic Rubber Ltd. | EUR 18 thousand | 51 | Production and sale of solution polymerized SBR (S-SBR) |
| Emulsion Technology Co., Ltd. | JPY 168 million | 100 | Production and sale of latex compounds |
| Techno-UMG Co., Ltd. | JPY 3,000 million | 51 | Production, processing and sale of plastics |
| JAPAN COLORING CO., LTD. | JPY 280 million | 100 (25) | Production and sale of plastics color compounds |
| JSR Micro N.V. | EUR 11,155 thousand | 100 | Production and sale of semiconductor materials, production and sale of life sciences products |
| JSR Micro, Inc. | USD 34,638 thousand | 100 (100) | Production and sale of semiconductor materials, sale of life sciences products |
| JSR Micro Korea Co., Ltd. | KRW 2,000 million | 100 | Research, development, production and sale of display materials |
| JSR Micro Taiwan Co., Ltd. | NTD 200 million | 100 | Research, development, production and sale of display materials |
| MEDICAL & BIOLOGICAL LABORATORIES CO., LTD. | JPY 4,483 million | 50.8 | Research, development, manufacturing, import, export and sale of reagents for medical and biological applications |
| KBI Biopharma, Inc. | USD 49,867 thousand | 90 | Contract development and manufacturing of biopharmaceuticals |
| Selexis S.A. | CHF 288 thousand | 100 | Contract development and generation of cell-lines |
| Crown Bioscience International | USD 44,812 thousand | 100 | Services to support drug development in pre-clinical phases, |
| JM Energy Corporation | JPY 300 million | 100 | Development, manufacture and sale of lithium ion capacitors and modules |
| JSR Trading Co., Ltd. | JPY 480 million | 100 | Procurement, sale and import and export of chemicals, etc., casualties insurance agency and life insurance solicitation |

(Notes)

1. Among the consolidated subsidiaries of the Company both in Japan and overseas, only major subsidiaries are disclosed in the list above considering business forms and/or the amount of sales, etc.
2. Figures in the above “Capital” column are rounded to the unit numbers indicated in each column.
3. Figures in the above “Shareholding ratio” column, rounded to one decimal place, represent shareholding

ratio owned by the Company and its subsidiary as a whole while those in the brackets in the right hand side indicate the ratio owned by subsidiary of the Company.

4. Techno-UMG Co., Ltd. was included in the above table as the Company completed integration of its ABS businesses on April 1, 2018 in the form of an absorption type split with UMG ABS Co., Ltd. as absorbed company and Techno Polymer Co., Ltd. a wholly owned its subsidiary as the successor company and renamed as Techno-UMG Co., Ltd.
5. Crown Bioscience International was included in the above table as the Company completed its acquisition on May 31, 2018.

**2) Principal Affiliates**

| Company Name | Capital | Shareholding ratio (%) | Main business |
|---|---|---|---|
| Japan Butyl Co., Ltd. | JPY 3,168 million | 50 | Production and sale of butyl rubber |
| Kumho Polychem Co., Ltd. | KRW 21,500 million | 50 | Production, purchasing and sale of ethylene propylene rubber (EPDM) |
| KRATON JSR ELASTOMERS K.K. | JPY 1,500 million | 50 | Production and sale of thermoplastic elastomers (TPE) |

(Notes)

1. Among the non-consolidated affiliates of JSR in Japan and overseas, only major affiliates are disclosed in the list above considering the light of business forms and/or the amount of sales, etc.
2. Figures in the above “Capital” column are rounded to the unit numbers indicated in each column.

## (7) Major Business Activities (as of March 31, 2019)

Manufacturing and sales of the following products

| Business Segments | | Products / Materials |
|---|---|---|
| Elastomers Business | Synthetic Rubbers | Synthetic rubber such as styrene butadiene rubber, polybutadiene rubber, ethylene propylene rubber, etc. and carbon master batches and rubber compounds |
| | TPEs | Thermoplastic elastomers and processed products |
| | Emulsions | Paper coating latex, general purpose industrial latex, acrylic emulsion, latex compounds, etc. |
| | Functional Chemicals | Highly functional coating materials, high performance dispersants, functional particles for industrial use, latent heat storage materials, materials for heat resistant paint, battery materials, etc. |
| | Others | Chemical products such as butadiene monomer |
| Plastics Business | | ABS resin, AES resin, AS resin, ASA resin, etc. |
| Digital Solutions Business | Semiconductor Materials | Lithography materials (photoresists, multi-layered materials), packaging materials, cleaning solution CMP materials, etc. |
| | Display Materials | Color liquid crystal display ( LCD) materials, functional coating materials, etc. |
| | Edge Computing | Heat-resistant transparent resin and functional film, high-performance UV curable resin, stereolithography, etc. |
| Life Sciences Business | | Life Sciences (in vitro reagents for diagnostics and/or research, raw materials for such reagents, bioprocess materials, contract development and manufacturing of biopharmaceuticals) , services to support drug development in pre-clinical phases, etc. |
| Other Business | | Lithium ion capacitors |

## (8) Sales Offices, Plants, and other facilities (as of March 31, 2019)

### 1) The Company

<table>
<tr><td>Head Office</td><td colspan="3">1-9-2, Higashi-Shinbashi, Minato-ku, Tokyo</td></tr>
<tr><td>Business & Sales Office</td><td colspan="2">Nagoya Branch</td><td>Nagoya, Aichi</td></tr>
<tr><td rowspan="3">Plants</td><td colspan="2">Yokkaichi Plant</td><td>Yokkaichi, Mie</td></tr>
<tr><td colspan="2">Chiba Plant</td><td>Ichihara, Chiba</td></tr>
<tr><td colspan="2">Kashima, Plant</td><td>Kamisu, Ibaraki</td></tr>
<tr><td rowspan="7">Research Institutes</td><td rowspan="5">Yokkaichi Research Center</td><td>Performance Polymer Research Laboratories</td><td>Yokkaichi, Mie</td></tr>
<tr><td>Display Solution Research Laboratories</td><td>Yokkaichi, Mie</td></tr>
<tr><td>Fine Electronic Materials Research Laboratories</td><td>Yokkaichi, Mie</td></tr>
<tr><td>Advanced Materials Research Laboratories</td><td>Yokkaichi, Mie</td></tr>
<tr><td>Edge Computing Research Laboratories</td><td>Yokkaichi, Mie</td></tr>
<tr><td colspan="2">Tsukuba Research Laboratories</td><td>Tsukuba, Ibaraki</td></tr>
<tr><td colspan="2">JSR-Keio University Medical and Chemical Innovation Center</td><td>Shinjuku-ku, Tokyo</td></tr>
<tr><td>Branch Offices</td><td colspan="2">Taiwan Branch</td><td>Taiwan</td></tr>
</table>

### 2) Principal Subsidiaries and Affiliates

| Business Segments | Company | Location of Head Office |
|---|---|---|
| Elastomers Business | ELASTOMIX Co., Ltd. | Yokkaichi, Mie |
| | ELASTOMIX (THAILAND) CO., LTD. | Thailand |
| | JSR BST Elastomer Co., Ltd. | Thailand |
| | JSR MOL Synthetic Rubber Ltd. | Hungary |
| | Japan Butyl Co., Ltd.* | Kawasaki, Kanagawa |
| | Kumho Polychem Co., Ltd.* | South Korea |
| | KRATON JSR ELASTOMERS K.K.* | Minato-ku, Tokyo |
| | Emulsion Technology Co., Ltd. | Yokkaichi, Mie |
| Plastic Business | Techno-UMG Co., Ltd. | Minato-ku, Tokyo |
| | JAPAN COLORING CO., LTD. | Yokkaichi, Mie |
| Digital Solutions Business | JSR Micro N.V. | Belgium |
| | JSR Micro, Inc. | United States |
| | JSR Micro Korea Co., Ltd. | South Korea |
| | JSR Micro Taiwan Co., Ltd. | Taiwan |
| Life Sciences Business | MEDICAL & BIOLOGICAL LABORATORIES CO., LTD.* | Nagoya, Aichi |
| | KBI Biopharma, Inc. | United States |
| | Selexis S.A. | Switzerland |
| | Crown Bioscience International | United States |
| Other Business | JM Energy Corporation | Hokuto, Yamanashi |
| | JSR Trading Co., Ltd. | Minato-ku, Tokyo |

(Notes)
1. * denotes principal affiliates
2. Techno Polymer Co., Ltd., upon completion of integration of its ABS businesses with UMG ABS Co., Ltd, renamed as Techno-UMG Co. Ltd. on April 1, 2018.

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## (9) Employees (as of March 31, 2019)

| Number of employees | Increase/decrease from previous term |
|---|---|
| 8,748 | Increase by 1,545 |

## (10) Major Lenders (as of March 31, 2019)

| Lenders | Outstanding amount of loans |
|---|---|
| Mizuho Bank, Ltd. | JPY 44.5 billion |
| MUFG Bank, Ltd. | JPY 25.1 billion |
| Sumitomo Mitsui Banking Corporation | JPY 8.1 billion |

(Note) 1. The above are the JSR Group's major lenders.
2. The amount from MUFG Bank, Ltd. includes that from its subsidiaries.

## (11) Significant Transfer or Acquisition of Business, Business Integration through Absorption Type Split, Acquisition or Disposal of Shares of Other Companies

1) The Company, effective from April 1, 2018, integrated ABS business in the form of an absorption type split with UMG ABS Co., Ltd. (equally owned by Mitsubishi Chemical Corporation and Ube Industries Limited.) as absorbed company and Techno Polymer Co., Ltd. a wholly owned its subsidiary as the successor company. Techno Polymer, upon completion of integration, renamed as Techno-UMG Co., Ltd.

2) The Company acquired 100% ownership of Crown Bioscience International, a contract research organization providing services to pharmaceutical companies to support drug development in pre-clinical phases on May 31, 2018.

## 2. Shares of the Company (as of March 31, 2019)

| | | |
|---|---|---|
| (1) | Total number of shares authorized to be issued | 696,061,000 shares |
| (2) | Total number of issued shares | 226,126,145 shares |
| (3) | One unit of shares | 100 |
| (4) | Number of shareholders | 17,678 |

(5) Major Shareholders

| Name of shareholder | Investments in the Company | |
|---|---|---|
| | Number of shares held (thousand shares) | Shareholding Ratio (%) |
| Bridgestone Corporation | 22,366 | 10.15 |
| The Master Trust Bank of Japan, Ltd. (trust account) | 15,811 | 7.17 |
| Japan Trustee Services Bank, Ltd. (trust account) | 15,017 | 6.81 |
| Japan Trustee Services Bank, Ltd. (trust account 9) | 7,793 | 3.54 |
| BNYMSAMV AS AGENT/CLIENTS LUX UCITS NON TREATY 1 | 6,524 | 2.96 |
| Japan Trustee Services Bank, Ltd. (trust account 5) | 3,864 | 1.75 |
| Nippon Life Insurance Company | 3,717 | 1.69 |
| Meiji Yasuda Life Insurance Company | 3,631 | 1.65 |
| SSBTC CLIENT OMNIBUS ACCOUNT | 3,496 | 1.59 |
| Mizuho Bank, Ltd. | 3,325 | 1.51 |

(Notes)

1. The numbers in the columns under “Number of shares held” are rounded to thousands of shares.
2. The shareholding ratio is calculated by using 220,431,196 shares (calculated by deducting number of treasury shares (5,694,949 shares) from Total number of issued shares (226,126,145 shares) and rounded to two decimal places.
3. The Company acquired 2,350,900 treasury shares upon resolution of the Board of Directors on July 30, 2018.

## 3. Matters Related to Stock Acquisition Rights (subscription rights to shares) of the Company (as of March 31, 2019)

### (1) Stock Acquisition Rights Held by the Directors and Audit & Supervisory Board Members of the Company (as of March 31, 2019)

**1) Directors**

| Description | Name of stock acquisition rights (issuing date) | The number of stock acquisition rights | Class and number of shares to be issued upon exercising the rights | Amount to be paid per share for exercising the rights | Period for exercising stock acquisition rights | Number of holders |
|---|---|---|---|---|---|---|
| Directors | JSR Corporation Stock acquisition rights for 2005 (June 17, 2005) | 37 units | Ordinary shares 3,700 shares | JPY 1 | From June 18, 2005 to June 17, 2025 | 2 |
| | JSR Corporation Stock acquisition rights for 2006 (for Directors) (August 1, 2006) | 23 units | Ordinary shares 2,300 shares | JPY 1 | From August 2, 2006 to June 16, 2026 | 1 |
| | JSR Corporation Stock acquisition rights for 2006 (for Officers) (August 1, 2006) | 8 units | Ordinary shares 800 shares | JPY 1 | From August 2, 2006 to June 16, 2026 | 1 |
| | JSR Corporation Stock acquisition rights for 2007 (July 10, 2007) | 46 units | Ordinary shares 4,600 shares | JPY 1 | From July 11, 2007 to July 10, 2027 | 2 |
| | JSR Corporation Stock acquisition rights for 2008 (July 15, 2008) | 96 units | Ordinary shares 9,600 shares | JPY 1 | From July 16, 2008 to July 15, 2028 | 3 |
| | JSR Corporation Stock acquisition rights for 2009 (July 14, 2009) | 167 units | Ordinary shares 16,700 shares | JPY 1 | From July 15, 2009 to July 14, 2029 | 3 |
| | JSR Corporation Stock acquisition rights for 2010 (July 13, 2010) | 175 units | Ordinary shares 17,500shares | JPY 1 | From July 14, 2010 to July 13, 2030 | 3 |
| | JSR Corporation Stock acquisition rights for 2011 (July 12, 2011) | 202units | Ordinary shares 20,200 shares | JPY 1 | From July 13, 2011 to July 12, 2031 | 3 |
| | JSR Corporation Stock acquisition rights for 2012 (July 10, 2012) | 245 units | Ordinary shares 24,500shares | JPY 1 | From July 11, 2012 to July 10, 2032 | 3 |
| | JSR Corporation Stock acquisition rights for 2013 (July 16, 2013) | 120 units | Ordinary shares 12,000 shares | JPY 1 | From July 17, 2013 to July 16, 2033 | 2 |
| | JSR Corporation Stock acquisition rights for 2014 (July 30, 2014) | 140 units | Ordinary shares 14,000 shares | JPY 1 | From July 31, 2014 to July 30, 2034 | 2 |

| Description | Name of stock acquisition rights (issuing date) | The number of stock acquisition rights | Class and number of shares to be issued upon exercising the rights | Amount to be paid per share for exercising the rights | Period for exercising stock acquisition rights | Number of holders |
|---|---|---|---|---|---|---|
| | JSR Corporation Stock acquisition rights for 2015 (July 28, 2015) | 128 units | Ordinary shares 12,800 shares | JPY 1 | From July 29, 2015 to July 28, 2020 | 2 |
| | JSR Corporation Stock acquisition rights for 2016 (July 27, 2016) | 201 units | Ordinary shares 20,100 shares | JPY 1 | From July 28, 2016 to July 27, 2021 | 3 |

**2) Audit & Supervisory Board Members**

| Description | Name of stock acquisition rights (issuing date) | The number of stock acquisition rights | Class and number of shares to be issued upon exercising the rights | Amount to be paid per share for exercising the rights | Period for exercising stock acquisition rights | Number of holders |
|---|---|---|---|---|---|---|
| Audit & Supervisory Board Member | JSR Corporation Stock acquisition rights for 2010 (July 13, 2010) | 34 units | Ordinary shares 3,400shares | JPY 1 | From July 14, 2010 to July 13, 2030 | 1 |
| | JSR Corporation Stock acquisition rights for 2011 (July 12, 2011) | 33 units | Ordinary shares 3,300 shares | JPY 1 | From July 13, 2011 to July 12, 2031 | 1 |
| | JSR Corporation Stock acquisition rights for 2012 (July 10, 2012) | 39 units | Ordinary shares 3,900shares | JPY 1 | From July 11, 2012 to July 10, 2032 | 1 |

**(Note)**

1. The Company has not issued stock acquisition rights either to its Audit & Supervisory Board Members or Outside Directors as remuneration for exercising their respective duties.
2. Stock Option held by the above Audit & Supervisory Board Member is those issued to him when he served as an Officer of the Company.

**(2) Stock acquisition rights issued to employees during the current fiscal year**

The Company ceased to grant stock acquisition rights either to its Directors or Officers from the current fiscal year and instead granted restricted stock shares to them from July 2017 upon resolution of the 72nd ordinary general meeting of shareholders held on June 16, 2017.

## 4. Matters Related to Directors and Audit & Supervisory Board Members

### (1) Directors and Audit & Supervisory Board Members of the Company (as of March 31, 2019)

| Position | Name | Title and Responsibilities as Officers and Important concurrent positions held, etc. |
|---|---|---|
| Representative Director and President | Mitsunobu Koshiba | |
| Representative Director | Koichi Kawasaki | Executive Managing Officer responsible for Manufacturing and Technology, Product Safety & Quality Assurance, Procurement, Logistics, and Safety and Environment Affairs, and<br>President of Japan Butyl Co., Ltd. |
| Director | Nobuo Kawahashi | Executive Managing Officer responsible for Research & Development, Human Resources, and<br>Diversity Development |
| Director | Hideki Miyazaki | Managing Officer responsible for Accounting, Finance, and Corporate Communications |
| Director | Yuzuru Matsuda | President of Kato Memorial Bioscience Foundation, a public interest incorporated association,<br>Outside Director, KUBOTA Corporation, and<br>Outside Director, BANDAI NAMCO Holdings Inc. |
| Director | Shiro Sugata | Corporate Advisor USHIO INC.<br>Outside Director, Yokogawa Electric Corporation |
| Director | Tadayuki Seki | Advisory Member, ITOCHU Corporation<br>Outside Director, PARCO CO., LTD.<br>Outside Director, VALQUA, LTD.<br>Outside Audit & Supervisory Member of Asahi Mutual Life Insurance Company |
| Full-time<br>Audit & Supervisory Board Member | Atsushi Kumano | |
| Audit & Supervisory Board Member | Hisako Kato | Certified Public Accountant, Certified Tax Accountant, and Representative, Hisako Kato Accounting Office and<br>Outside Audit & Supervisory Board Member, NTT Urban Development Corporation |
| Audit & Supervisory Board Member | Moriwaki Sumio | Lawyer, Partner, ISHII LAW OFFICE, and<br>Outside Director, Topy Industries Limited |

(Notes)

1. Messrs. Yuzuru Matsuda, Shiro Sugata, and Tadayuki Seki are Outside Directors.
2. Ms. Hisako Kato and Mr. Sumio Moriwaki are Outside Audit & Supervisory Board Members.
3. Ms. Hisako Kato, Audit & Supervisory Board Member, is a certified public accountant both in Japan and US and a certified tax accountant, having sufficient knowledge of financing and accounting.
4. Messrs. Yuzuru Matsuda, Shiro Sugata and Tadayuki Seki, Directors, and Ms. Hisako Kato and Mr. Sumio Moriwaki, Audit & Supervisory Board Members are registered as independent directors/auditors at Tokyo Stock Exchange in accordance with its definitions.
5. The Company has entered into an agreement with each of Outside Directors and Audit & Supervisory Board Members that limits the liabilities under Paragraph 1 of Article 423 of the Companies Act to the maximum amount set forth under Paragraph 1 of Article 425 thereof.
6. The following are the list of Director who retired during the current fiscal year (Titles are stated as of the date of retirement );
   Director: Mr. Takao Shimizu (retired on June 15, 2018)

**（Reference）　: Officers of the Company (as of March 31, 2019)**

| Position | Name | Responsibilities and Title |
|---|---|---|
| Executive Managing Officer | Koichi Kawasaki* | Responsible for Manufacturing and Technology, Product Safety & Quality Assurance, Procurement, Logistics, and Safety and Environment Affairs , and President of Japan Butyl Co., Ltd. |
| Executive Managing Officer | Nobuo Kawahashi* | Responsible for Research & Development, Human Resources, and Diversity Development |
| Managing Officer | Hayato Hirano | Responsible for Elastomer Business and Plastics Business , General Manager of Elastomer Div., and President of Techno-UMG Co., Ltd. |
| Managing Officer | Katsuya Inoue | Responsible for Corporate Planning (including Group Companies Coordination), Business Planning and investment, Digital Solutions Business, General Manager of Corporate Planning Dept., and Chairman of JSR Micro (Changshu) Co., Ltd. |
| Managing Officer | Eric Johnson | Responsible for Life Sciences and North America Business, and General Manager of Life Sciences Div., President, JSR Micro, Inc., President of JSR NORTH AMERICA HOLDINGS, INC., and President of JSR LIFE SCIENCES LLC. |
| Managing Officer | Hideki Miyazaki* | Responsible for Accounting, Finance, Corporate Communications |
| Senior Officer | Takatoshi Nagatomo | President of JSR MOL Synthetic Rubber, Ltd. |
| Senior Officer | Takeshi Sugimoto | Responsible for Elastomer Business (deputy) and Deputy General Manager of Elastomer Div. |
| Senior Officer | Takao Shimizu | Responsible for Office of President, IT Strategy, and Business Process Renovation, and General Manager of Office of President, and General Manager of Office of Business Process Renovation |
| Senior Officer | Tsuyoshi Watanabe | Responsible for China Business and Chairman of JSR (Shanghai) Co., Ltd. |
| Senior Officer | Kazumasa Yamawaki | Responsible for Elastomer Business (deputy), Deputy General Manager of Elastomer Div., General Manager of Business Planning Dept., Elastomer Business, Executive Vice President of KRATON JSR ELASTOMERS K. K., and Director of JSR Elastomer Europe GmbH |
| Senior Officer | Makoto Doi | Responsible for Legal Affairs and General Manager of Legal Dept. |
| Senior Officer | Kiichirou Kamiya | Responsible for Life Sciences (Deputy), Deputy General Manager of Life Sciences Div., Director of MEDICAL & BIOLOGICAL LABORATORIES CO., LTD., and JSR Life Sciences Limited Liability Company Executive Officer |
| Senior Officer | Yoshikazu Yamaguchi | Responsible for Display Solution Business and Representative Director of JSR Micro Korea Co., Ltd |
| Officer | Eiichi Kobayashi | Executive Vice President of JSR Micro, Inc. |
| Officer | Hiroaki Nemoto | Responsible for Emerging Business |
| Officer | Yoichi Mizuno | Responsible for Edge Computing Business and General Manager of Edge Computing Div. |

| Position | Name | Responsibilities and Title |
|---|---|---|
| Officer | Mika Nakayama | General Manager of Intellectual Property Dept. |
| Officer | Kouichi Saeki | Responsible for Yokkaichi Plant and Yokkaichi Plant Manager |
| Officer | Kazushi Abe | President of ELASTOMIX CO., LTD. President of ELASTOMIX（FOSHAN）CO., LTD. and The Chief Director of JSR Group Corporate Pension Fund |
| Officer | Seiji Takahashi | Responsible for Manufacturing and Technology (deputy), General Manager of SSBR Global Manufacturing & Technology Management Dept. , and General Manager of Technology Planning Dept. |
| Officer | Yasufumi Fujii | Responsible for General Affairs, Secretarial Office, and CSR, General Manager of General Affairs Dept., and General Manager of Secretarial Office |
| Officer | Mikio Yamachika | Lithium Ion Capacitors Business and President of JM Energy Corporation |
| Officer | Tim Lowery | Executive Vice President of JSR Micro, Inc., and General Manager of Bioprocess Dept., Life Sciences Div. |
| Officer | Koichi Hara | General Manager of Life Sciences Business Planning Dept. and Director of MEDICAL & BIOLOGICAL LABORATORIES CO., LTD. |
| Officer | Junichi Takahashi | Responsible for Electronic Materials Business, General Manager of Electronic Materials Div. and General Manager of Taiwan Branch., Electronic Materials Div. |

(Note) [*] denotes Officers concurrently serving as Directors

The followings are the changes in responsibilities and/or title of the Officers after the organizational reform on April 1, 2019

| Position | Name | Responsibilities and Title |
|---|---|---|
| Managing Officer | Katsuya Inoue | Responsible for Corporate Planning, Business Planning and Investment, Digital Solutions Business, and Emerging Business, General Manager of Corporate Planning Div., and Chairman of JSR Micro (Changshu) Co., Ltd. |
| Managing Officer | Eric Johnson | Responsible for Life Sciences and North America Business, General Manager of Life Sciences Div., President of JSR NORTH AMERICA HOLDINGS, INC., and President of JSR LIFE SCIENCES LLC. |
| Senior Officer | Takeshi Sugimoto | Representative Vice President of Kumho Polychem Co., Ltd. |
| Officer | Eiichi Kobayashi | Executive Vice President of JSR NORTH AMERICA HOLDINGS, INC. |
| Officer | Hiroaki Nemoto | President of JSR Micro Taiwan Co., Ltd |
| Officer | Seiji Takahashi | Responsible for Manufacturing and Technology (deputy) and General Manager of SSBR Global Manufacturing & Technology Management Dept. |
| Officer | Tim Lowery | Senior Vice President of JSR LIFE SCIENCES, LLC and General Manager of Bioprocess Dept., Life Sciences Div. |

## (2) Policies for Determining the Amount of Remuneration for Directors and Audit & Supervisory Board Members of the Company or the Method of Calculation thereof

### 1) Principles on remuneration for Directors and Audit & Supervisory Board Members

The Company has set forth the following basic policies in order to ensure continuous and sustainable growth and medium to long term improvement in corporate value by steadily pursuing its management plans and business strategies while maintaining transparency and accountability to its shareholders;

Remuneration framework should:

i. attract, secure, and reward diverse and excellent personnel for the purpose of further enhancing and improving its competitive advantages;

ii. encourage the management to demonstrate healthy entrepreneurial spirits by motivating them to achieve the objectives of business strategies aiming at continuous growth while addressing the incentives reflecting the latent risks therein;

iii. promote medium to long term improvement in corporate value by sharing the benefit between management and shareholders via the reinforcement of stock ownership during his/her term of office as Directors; and

iv. be subject to deliberation of the remuneration advisory committee of which majority members are Independent Outside Directors (hereinafter to be referred to as “Remuneration Advisory Committee”), and therefore be objective and transparent especially in the determination process and method thereof

### 2) Remuneration structure

i. Remuneration for Directors of the Company consists of a) Basic Remuneration as a fixed remuneration, b) Annual Bonuses linked to the annual business performance of the Company, c) Restricted Stock Shares as remuneration for Directors designed to facilitate earlier sharing of values between Directors and the shareholders, and d) Mid-term Performance-linked Bonuses that are linked to the level of achievement of medium to long term business results.

However, remuneration for Independent Outside Directors and Audit & Supervisory Board Members, in the light of their roles, consists only of basic remuneration.

ii. The standard amount of Annual Bonuses is around 25-30% of the basic remuneration depending upon the position; the annual amount of Restricted Stock Shares as remuneration to Directors is around 15-25% of the basic remuneration depending upon the position; and the standard annual amount of the Mid-term Performance-linked Bonuses is around 30-50% of the basic remuneration depending upon the position respectively.

iii. The Company recommends the reinforcement of stock ownership while in office via the exercise of Restricted Stock Shares as remuneration for Directors.

### 3) Performance-linked structure

i. Annual Bonuses are determined based on the evaluation of business performance in terms of annual consolidated business results and individual evaluation including the achievement level of assigned segments and duties.

The Company uses both consolidated sales revenue and consolidated operating profit as performance evaluation references and the level of achievement relative to their respective targets set at the beginning of the fiscal year will be reflected in the pay-out ratio which may vary from 0-200% with 100% being standard for 100% level of achievement.

ii. Mid-term Performance-linked Bonuses are determined based on the evaluation of business performance in terms of mid- to long-term consolidated business results.

The Company uses 3 year average of the consolidated ROE (return on equity ratio) as performance evaluation reference and the level of achievement relative to its target set at the beginning of each period will be reflected in the pay-out ratio which may vary from 0-150% with 100% being standard for 100% level of achievement.

The targets used in the above respective evaluations of business performance are determined by the Board of Directors based on deliberation of the Remuneration Advisory Committee.

**4) Method to determine remuneration level**

i. The Company determines the level of remuneration to its Directors by referring to directors' remuneration survey from an outside specialist institution, and by annual benchmarking companies similar to the Company in business scope, industry and business category, and considering latent risks related to the achievement of business targets.

ii. The determination of remuneration levels is subject to deliberation by the Remuneration Advisory Committee.

**5) Process to determine remuneration**

i. For the purpose of ensuring objectivity, transparency and accountability during the course of monitoring and reviewing remuneration structures, the Company has set up the Remuneration Advisory Committee, which deliberates and reports to the Board of Directors in a timely fashion the basic remuneration policy, remuneration structure, method for reflecting business performances, determination of targets and evaluation of business performance.

ii. In the Remuneration Committee, in order to ensure the appropriate commitment and advices from the Independent Outside Directors in deliberation of the remuneration structure, the Company provides them with sufficient information in advance such as annual committee schedule, possible agendas, and advices attained from outside specialists.

iii. The Remuneration for Audit & Supervisory Board Member is determined through consultation among the Audit & Supervisory Board Members.

## (3) Amount of Remuneration for Directors and Audit & Supervisory Board Members

**(for fiscal 2018 ended in March 2019)**

| Classification | Director | | Audit & Supervisory Board Member | |
|---|---|---|---|---|
| | Number (people) | Amount (JPY million /year) | Number (people) | Amount (JPY million /year) |
| Basic Remuneration based on resolution of the general meeting of shareholders | 8<br>(3) | 228<br>(42) | 3<br>(2) | 49<br>(20) |
| Annual Bonuses to Directors for this fiscal term | 4<br>(-) | 50<br>(-) | -<br>(-) | -<br>(-) |
| Mid-term Performance-linked Bonuses | 4<br>(-) | 25<br>(-) | -<br>(-) | -<br>(-) |
| Restricted Stock Shares as Remuneration to Directors | 5<br>(-) | 37<br>(-) | -<br>(-) | -<br>(-) |
| Total | 8<br>(3) | 340<br>(42) | 3<br>(2) | 49<br>(20) |

(Notes)
1. The numbers of the Directors and Audit & Supervisory Board Members and the amount of remunerations thereto in the table above include one (1) Director who retired during the current fiscal year.
2. The above figures do not include the salaries for the employee portion of the Directors who concurrently serve as employees.
3. The above figures are rounded to JPY1 million.
4. The figures in ( ) are those for Outside Directors and Outside Audit & Supervisory Board Members included in the total number/amount shown above without brackets.

### 1) Annual Bonuses

Performance evaluation reference consists of consolidated annual revenue and operating income on 50/50 basis and respective targets, results and payout ratio thereof are described in the tables below:
Consolidated Revenue and Consolidated Operating Income in the tables below are expressed in JPY billion.

| | Performance Evaluation Reference | | |
|---|---|---|---|
| | Target | Result | Payout Ratio |
| Consolidated Revenue | 490.0 | 496.7 | 111.9% |
| Consolidated Operating income | 48.0 | 43.0 | 77.0% |

| | Range of Payout Ratio corresponding to the result of the Performance Evaluation Reference | | |
|---|---|---|---|
| Payout Ratio | 0% | 100% (Target) | 200% |
| Consolidated Revenue | 433.3 or less | 490.0 | 546.7 or more |
| Consolidated Operating income | 32.1 or less | 48.0 | 63.9 or more |

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

As the consolidated operating income was affected by the extraordinary losses etc., the Company set the payout ratio relating thereto at 77.0% by re-calculating consolidated operating income after excluding such temporary factors in accordance with the suggestion by the Remuneration Advisory Committee.

As a result, the payout ratio for Annual Bonuses was about 94.4% by averaging those from consolidated annual sales and operating profit respectively.

### 2) Mid-term Performance-linked bonuses

The Company paid to its Directors Mid-tem Performance-linked bonuses for three year period starting from FY ended in March 2016.

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

| | Target | Actual result | Payout Ratio |
|---|---|---|---|
| ROE 3 year average | 10.0% | 8.0% | 50% |
| FY ended Mar 2016 | | 6.8% | |
| FY ended Mar 2017 | | 8.4% | |
| FY ended Mar 2018 | | 8.8% | |

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

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

### 3) Activities of Remuneration Advisory Committee

i) Composition (from April 1, 2018 to March 31, 2019)

| | |
|---|---|
| Chairman (Independent Outside Director) | Mr. Yuzuru Matsuda |
| Member (Independent Outside Director): | Messrs. Shiro Sugata, Tadayuki Seki |
| Member (Representative Director, President) | Mr. Mutsunobu Koshiba |

ii) Activities

The Committee held 4 meeting in FY ended in March 2019 (April, June and November in 2018 and February in 2019). The chairman and other all members attended the all of the meetings

| | April, 2018 | June, 2018 | November,2018 | February, 2019 |
|---|---|---|---|---|
| Items for deliberation | Performance evaluation for 1) annual bonuses for FY Mar 2018 and 2) Mid-term Performance-linked bonuses for 3years period from FY Mar 2016 through FY Mar2018 | Decision on 1) Formula for annual bonuses , 2)Mid-term Performance linked bonuses, and 3) remuneration package for the FY ends in Mar 2019 | 1) Acknowledgement of the report on circumstances relating to remuneration for management 2) Review on level and composition of current remuneration 3) Acknowledgement of current issues | Study on new management framework after AGM in June 2019 and remuneration package necessary to ensure such framework |

### (4) Matters related to Outside Directors and Outside Audit & Supervisory Board Members

### 1) Major activities during the current fiscal year

| Name | Position | Major activities |
|---|---|---|
| Yuzuru Matsuda | Outside Director | Mr. Matsuda participated in all 17 meetings of the Board of Directors held during the current fiscal year.<br>Mr. Matsuda has been greatly contributing to continuous improvement of the corporate values through ensuring reasonable judgment for, and accountable and sound management of, the businesses of the Company, by utilizing range of his knowledge and vast experience on management of the company that pursues major global businesses of medical products and biochemical, and by actively participating and providing necessary appropriate advices, as well as neutral and independent view point, at the Board of Directors meetings etc. |
| Shiro Sugata | Outside Director | Mr. Sugata participated in all 17 meetings of the Board of Directors held during the current fiscal year.<br>Mr. Sugata has been greatly contributing to continuous improvement of the corporate values through ensuring reasonable judgment for, and accountable and sound management of, the businesses of the Company, by utilizing range of his knowledge and vast experience on management of the company that pursues major global businesses of optical application products and on business communities, and by actively participating and providing necessary appropriate advices, as well as neutral and independent view point, at the Board of Directors meetings etc. |
| Tadayuki Seki | Outside Director | Mr. Seki participated in all 17 meetings of the Board of Directors held during the current fiscal year.<br>Mr. Seki has been greatly contributing to continuous improvement of the corporate values through ensuring reasonable judgment for, and accountable and sound management of, the businesses of the Company, by utilizing range of his knowledge and vast experience on management of a general trading company which operates a global trading business as well as extensive knowledge in financing and accounting matters as a CFO, and by actively participating and providing necessary appropriate advices, as well as neutral and independent view point, at the Board of Directors meetings etc. |
| Hisako Kato | Outside Audit & Supervisory Board Member | Ms. Kato participated in all 17meetings of the Board of Directors and in all 18 meetings of the Audit & Supervisory Board respectively held during the current fiscal year.<br>Ms. Kato has been effectively performing the audit of the Company and greatly contributing to ensure and reasonable judgment for, and accountable and sound management of, the businesses of the Company, by utilizing range of her professional knowledge and vast experience on financing and accounting matters as a Certified Public Accountant both in Japan and US and a Certified Tax Accountant by actively participating and providing necessary and appropriate advices, as well as neutral and independent view point, at the Board of Directors meetings etc. |
| Sumio Moriwaki | Outside Audit & Supervisory Board Member | Mr. Moriwaki participated in all 17 meetings of the Board of Directors and in all 18 meetings of the Audit & Supervisory Board respectively held during the current fiscal year.<br>Mr. Moriwaki has been effectively performing the audit of the Company and greatly contributing to ensure reasonable judgment for, and accountable and sound management of, the businesses of the Company by utilizing range of his professional knowledge and vast experience on legal matters as a Lawyer and by actively participating and providing necessary and appropriate advices, as well as neutral and independent view point, at the Board of Directors meetings etc. |

**2) Relationship between the Company and organizations where outside directors and outside audit & supervisory board members hold concurrent important positions**

i. No conflict of interest exists between the Company and Kato Memorial Bioscience Foundation, a public interest incorporated association, KUBOTA Corporation and BANDAI NAMCO Holdings Inc., where Mr. Yuzuru Matsuda, Outside Director, has important concurrent positions.
ii. No conflict of interest exists between the Company and USHIO Inc. where Mr. Shiro Sugata, Outside Director, has concurrent important positions. The Company has business transactions with Yokogawa Electric Corporation ("YEC") involving purchase of control systems.
iii. The Company has business transactions with ITOCHU Corporation, where Mr. Tadayuki Seki, Outside Director, has important concurrent positions involving the sales and purchase of synthetic rubber and plastics between the respective group companies. The Company has No conflict of interest exists between the Company and each of PARCO CO., LTD, VALQUA, LTD. and Asahi Mutual Life Insurance Company.
iv. No conflict of interest exists between the Company and either Hisako Kato Accounting Office or NTT Urban Development Corporation where Ms. Hisako Kato, Outside Audit & Supervisory Board Members, has important concurrent positions.
v. No conflict of interest exists between the Company and either ISHII LAW OFFICE or Topy Industries Limited where Mr. Sumio Moriwaki, Outside Audit & Supervisory Board Members, has important concurrent positions.

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## 5. Accounting Auditors

**(1) Name** KPMG AZSA LLC

### (2) Amount of Remuneration for Accounting Auditors for the Current Fiscal Year

1) Amount of remuneration as Accounting Auditors of the Company
Amount of remuneration for services under Paragraph 1, Article 2 of the Certified Public Accountant Act; JPY 73 million

2) Total amount of remuneration to be paid by the Company and its subsidiaries; JPY 87 million

(Notes)
1. The Audit & Supervisory Board of the Company has made its consent to the remuneration for Accounting Auditors of the Company under Paragraph 1 and 2, Article 399 of the Companies Act by judging it appropriate after reviewing the performance by the Accounting Auditors until the previous fiscal year, the transition of the amount of remuneration until now, and the audit plan and the calculation basis of the quotation for the current fiscal year.
2. In the contract for auditing services between the Company and the Accounting Auditors, no apparent distinction is made between the remunerations of audits under the Companies Act and those under the Securities and Exchange Law. Since it is virtually impossible to make a distinction between the two, the figure for remunerations paid in 1) above includes that under the Securities and Exchange Act.
3. The Company entrusted to its Accounting Auditors for voluntary auditing services relating to certifying salaries for overseas expatriate employees as non-auditing services other than audit certification services set forth under Article 2.1 of Public Accountant Act.
4. Among principle subsidiaries and affiliates of the Company, accounting firms other than Accounting Auditors of the Company have been performing audits for overseas subsidiaries and affiliates.

### (3) Polices for determining dismissal or non-reappointment of Accounting Auditors

The Audit & Supervisory Board of the Company will dismiss the Accounting Auditor upon the consent of all the Audit & Supervisory Board Members if such Accounting Auditor is deemed to have fallen under any of the items in Paragraph 1, Article 340 of the Companies Act. In the event that the Audit & Supervisory Board decides to propose dismissal or non-reappointment any of Accounting Auditors at a general meeting of shareholders considering performance of executing duties and audit qualities thereof, the Board of Directors will, upon request from Audit & Supervisory Board, present such proposals at the general meeting of shareholders.

## 6. Structures to Ensure Propriety of Business Conduct and Outline of Operating Status of Systems for Ensuring the Propriety of Business Conduct

### 1. Structures to Ensure Propriety of Business Conduct

The Board of Directors of the Company made the resolution at its meeting on the "Policies for establishing an internal control system" with regard to the structures to ensure propriety of business conduct of the Company as detailed below;

### (1) Basic policies for management

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

**Corporate Mission:**

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

**Fundamental Pillars of Management**
**Management Policies**:
- ✓ Continuous Creation of Businesses
- ✓ Enhancement of Corporate Culture
- ✓ Increase Corporate Value

**Responsibility to its Stakeholders**
- ✓ Responsibility to its Customers /Business Partners
- ✓ Responsibility to its Employees
- ✓ Responsibility to Society
- ✓ Responsibility to its Shareholders

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

1) Under the rules of the Board of Directors and other relevant rules, the Board of Directors of the Company inclusive of independent Outside Directors supervises the execution of duties of Directors and Officers (herein after inclusive of Executive Officers and Senior Officers) of the Company, as well as makes decisions on material management matters of the Company and on fundamental management matters of JSR Group. As for supervising the execution of duties of the directors and employees of the "Group Companies" (which hereinafter means companies that belong to JSR Group but other than the Company), an Officer in charge of a Group Company as specified under "the Code of Group Companies Management" is responsible for such monitoring and direction respectively.
2) The Company has established CSR Committee chaired by the Officer in charge of CSR (Corporate Social Responsibility) and consisting of four committees such as Corporate Ethics Committee, Responsible Care Promotion Committee, Risk Management Committee and Social Contribution Committee, which directs and supervises the activities to ensure and promote CSR of e JSR Group including compliance with laws, ordinances and other rules..
3) The Company has established CSR Committee chaired by the Officer in charge of CSR (Corporate Social Responsibility) and consisting of four committees such as Corporate Ethics Committee, Responsible Care Promotion Committee, Risk Management Committee and Social Contribution Committee, which directs and supervises the activities to ensure and promote CSR of e JSR Group including compliance with laws, ordinances and other rules.
4) The Company has, in accordance with the Financial Instruments and Exchange Act, established and been managing and maintaining the internal control system to ensure appropriateness of financial report of JSR Group.
5) The Company has established an organization specialized in internal auditing independent from the business execution divisions ("Internal Auditing Office") in order to monitor and internally audit the effectiveness of the internal control system of JSR Group.

6) The Company has established hotline reporting channels for whistle blowing. When any directors and employees of JSR Group become aware of internal actions that violate or are likely to violate the compliance rules, they can report either directly to the Corporate Ethics Committee of the respective companies of respective Group Companies to which they belong or of the Company, or to outside attorneys or a third party organization specialized in this field through designated external hotline channels which may be done anonymously. Any report made through external hotlines will be automatically and simultaneously transferred to and shared by Full time Audit and Supervisory Member in order to ensure independence of the hotlines from the management.
7) The JSR Group's basic principle against the anti-social forces is to cut off all relationships including but not limited to any business transactions with such forces. The management and the entire organization of the Company or, as the case may be, of respective Group Companies shall resolutely and firmly reject any claims or requirements made by anti-social forces in collaboration with external expert entities such as the police forces.

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

1) At the Company,
   i. the Board of Directors holds regular meetings on monthly basis in principle and ad hoc meetings if required in order to deliberate and resolve important matters relating to the execution of businesses and to monitor and direct the execution of duties of Directors and Officers. Executive Committee consisting of President, Executive Managing Officers, Managing Officers, and Senior Officers and/or Officers designated by President and Full time Audit & Supervisory Board Member holds meetings on weekly basis in principle in order to deliberate, direct and/or receive reports on fundamental policies, management policies, management plans of JSR Group and/or major business execution issues from business divisions. After review and deliberation by the Executive Committee, major issues will be brought up to the Board of Directors for resolution while the rest will be determined by the President. In addition, Business Issue Committee consisting of President, Executive Officers holds meetings twice a month in principle in order to, through discussion and sharing information and views, clarify and determine the direction of the key issues relating to fundamental policies and/or management policies and the fundamental policies or changes in business strategy behind the individual business decisions well in advance, which will be further reviewed and discussed at the meetings of Board of Directors or Executive Committee.
   ii. the officer system has been adopted in order to clearly distinguish decision-making and monitoring functions of the management from those of business execution and to enhance respective functions. Officers Committee consisting of President and all of the Officers other than those reside abroad holds meetings when appropriate for the purpose of sharing common and thorough understanding on the status and major issues relating to the management and the performance of the Company
   iii. by establishing the rules for decision making authorities at the Company and Group Companies, the JSR Group has specified the bodies and ways for decision making in accordance with the importance of such decisions and in order to ensure the appropriateness and effectiveness of the execution of the businesses.
   iv. "the Code of Group Companies Management" for the management of Group Companies has been established. An Officer in charge of a Group Company is responsible for administration and management thereof, while other departments with corporate functions such as safety and environmental affairs, accounting, finance, general affairs, legal affairs and CSR, provide supports and services to Group Companies.

2) Group Companies;
   i. at the Group Companies in Japan with the board of directors, the board of directors regularly held, and the executive committee established in a similar to the Company if necessary deliberate and decide the important business matters in accordance with the relevant internal rules and regulations.
   ii. at the Group Companies in Japan without the board of directors, executive committee of the company consisting of the president, other key management personnel, and audit & supervisory board members of the Company, and the Officer in charge of the relevant Group Company and/or his/her staff holds meetings on regular basis and deliberates and decides important business matters in accordance with the relevant internal rules and regulations.
   iii. At overseas Group Companies, the board of directors holds meetings on regular basis and deliberates and decides important business matters in accordance with the relevant internal rules and regulations
   iv. The Company has, considering the location of the market and major business premises, established a holding company in north America (hereinafter referred to as "NAHQ") responsible for overseeing the global Group Companies involved in life sciences business in order to accelerate decision making processes and enhance

internal control of these companies. With regard to the decision making authority over the above Group Companies, the President of the Company transfers his authority, which is to decide upon deliberation at the executive committee, to the president of the above holding company as long as the decision is made upon deliberation at the executive committee of the above holding company.
Note: Provisions under iv above are effective from April 1, 2019 onward.

3) The JSR Group has established its mid-term business plan "JSR 20i9" considering possible changes in business environment in the future, of which implementation plans were broken down into corporate annual targets and budget of JSR Group as a whole. Each of the companies of JSR Group and the business divisions thereof will set up and implement its action plans to achieve the objectives.

4) The tenure of office of directors of JSR Group is one year so that JSR Group can quickly cope with the ever-changing business environment.

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

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

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

The Company has, in accordance with the relevant laws and "Rules for Documents and Information Management", been properly maintaining the relevant documents and/or those in electromagnetic forms in relation to the execution of duties of Directors and Officers such as minutes of meetings of the shareholders, the Board of Directors, Executive Committee and Business Issues Committee and authorization documents so as to make such documents easily accessible by the Directors and Audit & Supervisory Board Members of the Company.

**(6) Structures for reporting the execution of duties by directors and/or employees of the Group Companies to the Company**

1) An Officer responsible for the relevant Group Company reports business results and financial statements of the company to Executive Committee and the Board of Directors on regular basis.
2) The Audit & Supervisory Board Member of a Group Company on regular basis reports to Audit & Supervisory Board Members and Internal Audit Office of the Company the results of the audit made at the Group Company.
3) Department in charge of internal audit of NAHQ will perform internal audit of the Group Companies in life sciences businesses and report its findings to the President and manager of Internal Audit Department of the Company. (**)
Note: Provisions under 3) above are effective from April 1, 2019 onward

**(7) Matters related to audit by Audit & Supervisory Board Members**

1) Matters related to employees assisting Audit & Supervisory Board Members and ensuring his/her independence
The Company has appointed a personnel whose responsibilities are to assist Audit & Supervisory Board Member ("the Assistant"). Any personnel decisions on the Assistant are subject to prior consultation and

approval by the Audit & Supervisory Board. In addition, solely Audit & Supervisory Board Member is responsible for evaluating the performance of the assistant.

2) Matters related to effectiveness of command by an Audit & Supervisory Board Member to its Assistant
The Assistant shall follow instructions and command solely made by the Audit & supervisory Board Member.

3) Structures to report to Audit & Supervisory Board Members of the Company from Directors and employees of the Company, from directors and employees of the Group Companies or from those who received reports from them.
   i. Audit & Supervisory Board Members ensures that they can review important decisions on the execution of duties through participation to the meetings of the Board of Directors, Executive Committee, and Officer Committee and the circulation of major authorization documents after approval by the relevant personnel.
   ii. Such corporate administrative department including general affairs, legal and CSR as designated by Audit & Supervisory Board Members regularly, or upon request, report to Audit & Supervisory Board Members on the progress and operating status of internal control system such as compliance with rules and regulations and risk management.
   iii. Internal Auditing Office regularly, or upon request, reports the results of internal auditing on JSR Group to Audit & Supervisory Board Members.
   iv. Directors and employees of the Company promptly and effectively report to Audit & Supervisory Board Members such items, but not limited to, as the facts that might cause material damages to the Company and/or the JSR Group, and/or materially violate the laws and/or articles of incorporation of the Company, or as specified in advance in accordance with the prior agreement with the Audit & Supervisory Board Members.
   v. Directors and/or employees of JSR Group promptly report to Audit & Supervisory Board Members relating to execution of businesses.

4) Structures to ensure that persons who report to Audit & Supervisory Board Members do not suffer disadvantageous treatment as a result of such report.
The JSR Group prohibits disadvantageous treatment against its directors and employees solely because they had reported to Audit & Supervisory Board Members.

5) Matters on policies related to procedures for advance payment or pay back of audit expenses and handling of audit expenses and others
The Company bears all the expenses incurred in relation to execution of duties of Audit & Supervisory Board Members unless such expenses are deemed unnecessary

6) Other structures to ensure effectiveness of auditing by Audit & Supervisory Board Members
The Audit & Supervisory Board Members maintain cooperation and communication from time to time with relevant parties such as Internal Auditing Office, the Accounting Auditors, and Audit & Supervisory Board Members of the Group Companies.

**(8) Policies for establishing an internal control system for a Listed Subsidiary Group of the Company**

Policies for establishing an internal control system for the “Listed Subsidiary Group” (which means a corporate group consisting of companies whose parent company under the Companies Act is a listed subsidiary of the Company) are as detailed below:

1) In order to respect the independence of the Listed Subsidiary Group, the matters described above under “(3) Structures to ensure the efficient execution of duties of the Directors of the JSR Group” are not applied to the Listed Subsidiary Group, and the policies for establishing an internal control system for the Listed Subsidiary Group are respected.

2) However, with the aim of ensuring the propriety of the business conduct of the JSR Group as a whole including the Listed Subsidiary Group, the following measures are taken.
   i. Significant decision-making in the Listed Subsidiary Group is conducted by decision-making bodies such as the Board of Directors or the Management Committee, etc., of a listed subsidiary. It is not required to obtain a prior approval from decision-making bodies such as the Board of Directors or the Management Committee, etc., of the Company.
   ii. A listed subsidiary submits the minutes of its Board of Directors and/or the Management Committee along with attachments to the relevant Officers in charge of the company and the Audit & Supervisory Board Members.
   iii. The relevant Officer in charge of such group company review the minutes and report the contents to the

Board of Directors and/or the Management Committee of the Company in accordance with designated criteria. Thereby, the Company confirms that the propriety of the business conduct of the Listed Subsidiary Group has been ensured at the Board of Directors and/or the Management Committee of the Company.

iv. In accordance with "the Code of Group Companies Management," the relevant Officer in charge of such Group Company supervise and advise on the management of the respective Listed Subsidiary Group, while other management divisions such as safety and environmental affairs, accounting, finance, general affairs, legal affairs, and CSR, provide support and services to the listed subsidiaries.

v. The Internal Auditing Office of the Company audits the effectiveness of the internal control systems in order to ensure the appropriateness of the financial report by the Listed Subsidiary Group in accordance with the Financial Instruments and Exchange Act, as well as the effectiveness of the internal control systems, in order to ensure the propriety of the business conduct of the Listed Subsidiary Group.

vi. The Audit & Supervisory Board Members of the Company review the minutes prescribed in ii) above and receive reports as prescribed in iii) above at the Board of Directors and/or the Management Committee, in order to ensure the propriety of the business conduct of the Listed Subsidiary Group.

vii. While respecting the independence of the Listed Subsidiary Group, the Company endeavors to establish a unified and effective internal control system for the JSR Group from now on.

## 2. Outline of Operating Status of Systems for Ensuring the Propriety of Business Conduct

The Company and the Group Companies establish and appropriately operate internal control systems pursuant to the policies detailed above. Key measures taken by the JSR Group during the current fiscal year that are deemed important for the internal control are outlined below:

### (1) Compliance measures

1) Corporate ethics:

The Company made efforts to disseminate the principles of corporate ethics throughout the JSR Group not only by providing employees of the JSR Group with regular training/education at work places and e-learning sessions but also by issuing Group Principles of Corporate Ethics in Indonesian language JSR additionally to the existing Japanese, English, Korean, Chinese and Thai versions.

In addition, the JSR Group has been conducting corporate ethics awareness surveys every year targeting JSR Group companies both in Japan and overseas, in order to acknowledge the status of conformity with laws and regulations as well as the JSR Group Principles of Corporate Ethics and the status of corporate ethics activities. While reporting the survey results to the Officer Committee, feedback is provided to each of the Group Companies and is reflected in the following year's corporate ethics promotion activities of the JSR Group as a whole and each of the Group companies.

The JSR Group has been endeavoring to establish a global system to ensure adherence to laws and regulations by establishing internal regulations and by vigorously pursuing annual review on the status of compliance with laws and regulations at JSR Group companies both in Japan and overseas.

In April 2018, the Company published the revised version of the "Compliance Handbook" for the JSR Group in Japanese (corresponding to Japanese laws) reflecting changes in laws in Japan as well as improper and deplorable incidents at the other companies.

2) Hotline reporting channels:

The JSR Group has introduced a "Corporate Ethics Hotline" as an internal reporting system. Specifically, issues can be reported to the Corporate Ethics Committee of the Company and of the respective Group Companies via an internal hotline, or to external attorneys or specialized organizations via an external hotline. The external hotline, which is operated by outside specialized organizations, offers services in Japanese, English, Korean, Chinese and Thai, making it easy for overseas offices to use the services. The Company altered the reporting line of the external hotline so that any issues reported via external hotline would reach Full time Audit & Supervisory Board Member simultaneously in addition to the office of Corporate Ethics Committee in accordance with the requirement from Corporate Governance Code to ensure to establish hotlines independent from the management of the Company.

In FY ended March 2019, 17 matters were reported to the hotline. The reported matters are investigated, a summary of the results is regularly reported to the Corporate Ethics Committee, the CSR Committee, the Internal Auditing Office, the Audit & Supervisory Board Members, and the President, and feedback is provided to the persons who made such reports. There was no report through the suppliers' hotline, in FY ended March 2019.

**(2) Risk management measures**

1) Identification and management of key risks:
At the JSR Group, the Risk Management Committee of the Company specifies key risks (risks other than business risks) in accordance with the degree of impact and frequency of occurrence, and promotes activities to reduce such risks by designating the divisions in charge. As a part of BCM (Bushiness Continuity Management) activities, the Company establishes the system and reviews its operational status to minimize the impact of the business interruption to the businesses of the JSR Group

2) Crisis management training:
The JSR Group has been endeavoring to minimize the impact and to enhance the capability of business continuity in an event of a crisis by conducting crisis management drills on regular basis at each plants and offices in anticipation of damages by large-scale earthquake or serious accidents.
In FY ended March, 2019, the Company conducted crisis management drills at the head quarter of the Company based on the assumptions of mega-earthquake directly hitting Metropolitan Tokyo Area while major members of Anti-Disaster Headquarters are away. The Company also conducted the crisis management drills at its plants and research laboratories on the hypothesis of disasters.

**(3) Internal audit measures**

1) The Corporate Audit Department, the department in charge of internal auditing at the Company, assessed the status of establishment of internal control systems and their operational status for financial reporting in accordance with the criteria prescribed by the Financial Services Agency, targeting 15 group companies in Japan and overseas including the Company, and confirmed that the status of establishment of internal control systems and their operational status have been functioning effectively.
2) In order to confirm the effective functioning of internal control systems of the JSR Group, the Corporate Audit Department conducts operational audits (including compliance audits) of the JSR Group as a whole, including overseas Group Companies. Operational audits are aimed at confirming the status of internal control with a focus on key operational processes (purchasing, production, sales, IT security control, etc.).
3) Members of the Corporate Audit Department concurrently serve as Audit & Supervisory Board Members of major subsidiaries in Japan and overseas. They attend the Management Committee of each subsidiary, monitor and direct the execution of duties of Directors of each subsidiary, and conduct audits on earnings, etc.

**(4) Audits by Audit & Supervisory Board Members**

Audit & Supervisory Board Members attended important meetings including the Board of Directors' Meeting, the Management Committee, etc., performed on-site audits on plants and Group Companies, and conducted half-yearly interviews with administration divisions while reviewing important documents such as authorization documents, etc. In addition to holding liaison meetings for Audit & Supervisory Board Members of the JSR Group, which comprise Audit & Supervisory Board Members of the Company and of Group companies, in order to promote information sharing, information and opinions were exchanged with the Corporate Audit Department and Accounting Auditors regularly and as required, with the aim of reinforcing collaboration and enhancing the effectiveness of audits

**(5) Status of amendments to basic policies for establishing an internal control system**

In FY ended March 2019, the Company made the following revisions;

i. addition of provisions due to establishment of Techno UMG Co., Ltd on April 1, 2018,
ii. altering the provisions reflecting changes in members, frequency, minutes to be made in relation to Executive Committee, Business Issues Committee and/or Officer Committee, and
iii. clarifying the rolls the holding company in north American from April 1, 2019 onward in terms of internal control system

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

## Consolidated Statement of Financial Position

(as of March 31, 2019)

(in millions of yen)

| Items | Current Fiscal Year | Previous Fiscal Year (Reference) | Items | Current Fiscal Year | Previous Fiscal Year (Reference) |
|---|---|---|---|---|---|
| | Amount | Amount | | Amount | Amount |
| **Assets** | | | **Liabilities** | | |
| **Current Assets** | **338,983** | **357,908** | **Current Liabilities** | **172,455** | **154,019** |
| Cash and cash equivalents | 70,785 | 124,956 | Trade and other payables | 118,053 | 110,303 |
| Trade and other receivables | 135,280 | 122,476 | Borrowings | 33,519 | 25,947 |
| Inventories | 117,046 | 87,567 | Income taxes payable | 5,598 | 4,520 |
| Other financial assets | 5,002 | 13,776 | Other financial liabilities | 532 | 641 |
| Other current assets | 10,870 | 9,134 | Other current liabilities | 14,752 | 12,607 |
| **Non-current Assets** | **352,452** | **289,791** | **Non-current Liabilities** | **78,620** | **82,064** |
| Property, plant and equipment | 183,457 | 159,834 | Borrowings | 50,777 | 53,456 |
| Goodwill | 59,066 | 19,389 | Retirement benefit liability | 15,870 | 14,500 |
| Other intangible assets | 14,205 | 10,403 | Other financial liabilities | 1,675 | 1,674 |
| Investments accounted for using equity method | 24,269 | 24,777 | Other non-current liabilities | 2,733 | 2,480 |
| Retirement benefit asset | 1,503 | 1,003 | Deferred tax liabilities | 7,565 | 9,955 |
| Other financial assets | 58,895 | 64,970 | | | |
| Other non-current assets | 2,305 | 1,862 | **Total Liabilities** | **251,075** | **236,084** |
| Deferred tax assets | 8,751 | 7,552 | **Equity** | | |
| | | | **Equity attributable to owners of parent** | **401,998** | **393,499** |
| | | | Share capital | 23,370 | 23,370 |
| | | | Capital surplus | 18,436 | 18,502 |
| | | | Retained earnings | 351,476 | 331,913 |
| | | | Treasury shares | (10,042) | (5,358) |
| | | | Other components of equity | 18,758 | 25,071 |
| | | | **Non-controlling interests** | **38,361** | **18,116** |
| | | | **Total Equity** | **440,360** | **411,615** |
| **Total Assets** | **691,435** | **647,699** | **Total Liabilities and Equity** | **691,435** | **647,699** |

(Note) Amounts are rounded to the nearest millions of yen.

**Consolidated Statement of Profit or Loss**
(from April 1, 2018 to March 31, 2019)

(in millions of yen)

| Items | **Current Fiscal Year** | Previous Fiscal Year (Reference) |
|---|---|---|
| | Amount | Amount |
| **Revenue** | **496,746** | **421,930** |
| Cost of sales | (349,998) | (291,796) |
| **Gross profit** | **146,748** | **130,134** |
| Selling, general and administrative expenses | (103,080) | (86,977) |
| Other operating income | 1,723 | 2,262 |
| Other operating expenses | (2,895) | (2,187) |
| Share of profit of investments accounted for using equity method | 533 | 338 |
| **Operating profit** | **43,030** | **43,569** |
| Finance income | 2,499 | 3,659 |
| Finance costs | (1,352) | (1,022) |
| **Profit before tax** | **44,176** | **46,206** |
| Income taxes | (10,591) | (11,227) |
| **Profit** | **33,586** | **34,979** |
| Profit attributable to | | |
| Owners of parent | 31,116 | 33,230 |
| Non-controlling interests | 2,470 | 1,749 |
| **Total** | **33,586** | **34,979** |

(Note) Amounts are rounded to the nearest millions of yen.

**Consolidated Statement of Changes in Equity**
(from April 1, 2018 to March 31, 2019)

(in millions of yen)

| | Equity attributable to owners of parent | | | | | | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Other components of equity | Total | | |
| Balance at the beginning of the current fiscal year | 23,370 | 18,502 | 331,913 | (5,358) | 25,071 | 393,499 | 18,116 | 411,615 |
| Profit | | | 31,116 | | | 31,116 | 2,470 | 33,586 |
| Other comprehensive income | | | | | (5,505) | (5,505) | 70 | (5,435) |
| Total comprehensive income | - | - | 31,116 | - | (5,505) | 25,611 | 2,540 | 28,151 |
| Share-based payment transactions | | (202) | | 88 | (1) | (115) | | (115) |
| Dividends | | | (12,175) | | | (12,175) | (623) | (12,798) |
| Changes in treasury shares | | (10) | | (4,772) | | (4,782) | | (4,782) |
| Transfer from other components of equity to retained earnings | | | 689 | | (689) | - | | - |
| Increase by business combination | | 146 | | | (119) | 27 | 17,610 | 17,637 |
| Other movements | | | (67) | | 1 | (67) | 718 | 651 |
| Total transactions with owners, etc. | - | (66) | (11,554) | (4,684) | (808) | (17,111) | 17,705 | 594 |
| Balance at the end of the current fiscal year | 23,370 | 18,436 | 351,476 | (10,042) | 18,758 | 401,998 | 38,361 | 440,360 |

(Note) Amounts are rounded to the nearest millions of yen.

## Notes on Consolidated Financial Statements

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

(1)Standards on the production of consolidated financial statements

JSR Corporation (the "Company") and its subsidiaries (collectively, the "Group") prepares the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") pursuant to the provisions of the Paragraph 1, Article 120 of the Rules of Corporate Accounting. Some disclosure items required under IFRS are omitted pursuant to the provisions of the second sentence of the said Paragraph.

(2) Matters related to the scope of consolidated accounting

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

Number of consolidated subsidiaries: 61 companies

Names of major consolidated subsidiaries:

ELASTOMIX Co., Ltd., ELASTOMIX (THAILAND) CO., LTD.,
JSR BST Elastomer Co., Ltd., JSR MOL Synthetic Rubber Ltd.,
Emulsion Technology Co., Ltd., Techno-UMG Co., Ltd., JAPAN COLORING CO., LTD.,
JSR Micro N.V., JSR Micro, Inc., JSR Micro Korea Co., Ltd., JSR Micro Taiwan Co., Ltd.,
JSR Micro Changshu Co., Ltd., MEDICAL & BIOLOGICAL LABORATORIES Co., LTD.,
KBI Biopharma Inc., Selexis S.A., Crown Bioscience International, JM Energy Corporation,
JSR Trading Co., Ltd.,

2) Increase of subsidiaries

Crown Bioscience International, as it became a subsidiary due to the acquisition of shares, was included in the scope of application of consolidated accounting from the current consolidated fiscal year.

(3) Matters related to the application of the equity method

1) Number of associates and names of major associates to which the equity method is applied

Number of associates to which the equity method is applied: 15 companies

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

Japan Butyl Co., Ltd., Kumho Polychem Co., Ltd., KRATON JSR ELASTOMERS K.K.

2) Increase of major associates to which the equity method is applied

There is no increase of major associates to which the equity method is applied.

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(4) Matters related to accounting standards

1) Standards and methods of valuation applicable to significant assets

Ⅰ Financial Instruments

(i) Financial assets

(a) 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 financial components are initially measured at the transaction price.

i) 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; 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.

ii) 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 which generate, on specified dates, cash flows that are solely payments of principal and interest on the principal amount outstanding and which 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 classified 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.

(b) Subsequent measurement

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

i) Financial assets measured at amortized cost

Measured at amortized cost using the effective interest method.

ii) Financial assets measured at fair value

Measured at fair value on the reporting date.

Any changes in 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 arising 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, any accumulated other comprehensive income or loss is reclassified to retained earnings.

(c) 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.

(ii) Financial Liabilities

(a) 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.

(b) Subsequent measurement

Measured at amortized cost using the effective interest method.

(c) Derecognition

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

(iii) 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; and there is the intent either to settle on a net basis or to realize assets and settle liabilities simultaneously.

Ⅱ Impairment of financial assets

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

If credit risk has not increased materially from initial recognition, the 12-month expected credit loss is recognized as loss allowance. In the case of trade receivables, however, the loss allowance is always measured at lifetime expected credit loss. If credit risk has increased materially from initial recognition, the lifetime expected credit loss is recognized as loss allowance. Judgment as to whether or not a material increase in credit risk has occurred since the initial recognition is based on 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 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 assets 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 and special liquidation.

The Group deducts the loss allowance for financial assets measured at amortized cost from the asset’s total carrying amount, 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.

Ⅲ Derivatives and hedge accounting

Derivatives are initially recognized at fair value at the date in 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 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 changes to the fair value 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 effects 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 a 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 the foreign operations.

Ⅳ 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.

Ⅴ Property, plant and equipment

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, any 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: 15 to 50 years
- Machinery, equipment, and vehicles: 5 to 25 years
- Tools, furniture, and fixtures: 4 to 10 years

Ⅵ 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; the Group has the intention to complete the development and to 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 " Ⅶ Business combinations." The Group does not amortize goodwill, but tests for impairment every fiscal year. Impairment of goodwill is stated in "Ⅷ 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 depreciation and accumulated impairment losses, which are amortized using straight-line method over the estimated useful life of each asset.

(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 major asset is as follows:

- Software: 5 years

Ⅶ Business combinations

The Group accounts for 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 value of the acquired entity's identifiable 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, and other professional fees, consulting fees, and other acquisition-related costs are recognized as expenses in the periods in which such costs were 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 took place, such incomplete items that have not been completed 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 retroactively 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 as profit. 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.

Ⅷ 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 value in use, the estimated future cash flows from the asset are discounted to the present value using a before-tax 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.

2) Methods of depreciation applicable to significant depreciable assets

(i) Property, plant and equipment (excluding lease assets)

The straight-line method is applied.

(ii) Intangible assets (excluding lease assets)

The straight-line method is applied.

(iii) Lease assets

The straight-line method is applied regarding lease period as useful life and up to no residual value.

3) Standards applicable to reporting of significant provisions

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

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

4) Standards of foreign currency translation applicable to significant assets and liabilities in foreign currency

(i) Functional Currency and Presentation Currency

The Group's consolidated financial statements are presented in Japanese yen being 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 in principle, exchange differences are recognized in profit or loss.

(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.

5) Standards of revenue recognition

As from the adoption of IFRS 15, the Group recognizes revenue by applying the following five steps, apart from interest and dividend income based on IFRS 9 — Financial Instruments.

Step 1: Identify the contract with the 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 sales contracts with customers for products and merchandise, the Group recognizes the sale as revenue when the product and merchandise are delivered to the customer, considering that ownership of the products and merchandise is transferred to the customer and the performance obligation is fulfilled. For the rendering of services, the Group recognizes revenue at fixed intervals with fulfillment of performance obligations based on the contract between the Group and customer.

6) Method applicable to reporting of consumption taxes

Consumption taxes the Group receives from its customers and pays to tax authorities are deducted from revenue, cost of sales, and expenses of the consolidated statement of profit or loss.

7) 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 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 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 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 into 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.

(5) Changes in Accounting Policy

The Group has applied the following standard since the current consolidated fiscal year.

| IFRS | Summary of New / Revised Standard |
|---|---|
| IFRS 15 — Revenue from Contracts with Customers | Revision related to recognition of revenue |

The Group has applied IFRS 15 — Revenue from Contracts with Customers (published in May 2014) and Clarifications to IFRS 15 (published in April 2016) (hereafter jointly referred to as “IFRS 15”) from the current consolidated fiscal year. For the adoption of IFRS 15, the Group has employed a method recognizing the cumulative effect of the standard’s application on the application date, which is deemed to be a transitional measure.
As from the adoption of IFRS 15, the Group recognizes revenue by applying the following five steps, apart from interest and dividend income based on IFRS 9 — Financial Instruments.
Step 1: Identify the contract with the 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.
The effect of applying the new accounting standard on the Group’s consolidated financial statements is minor compared to if the previous accounting standard had been applied.

## 2. Notes on the consolidated statement of financial position

(1) Assets pledged and claims related thereto

| | | |
|---|---|---|
| Assets pledged | Current assets | ¥ 12,851 million |
| | Non-current assets | ¥ 22,089 million |
| | Total | ¥ 34,940 million |
| Liabilities related to the above | Borrowings (current liabilities) | ¥ 7,037 million |
| | Borrowings (non-current liabilities) | ¥ 31 million |
| | Total | ¥ 7,068 million |

(2) Loss allowance directly deducted from assets

Current assets: ¥ 618 million
Non-current assets: ¥ 357 million

(3) Accumulated depreciation on property, plant and equipment (including accumulated impairment loss):
¥ 436,648 million

(4) Guarantee obligations

| | |
|---|---|
| CMIC JSR Biologics Co., Ltd. | ¥ 2,764 million |
| ELASTMIX MEXICO S.A de C.V. | ¥ 255 million |
| JEY-TRANS CO., LTD. | ¥ 13 million |
| Total | ¥ 3,032 million |

**3. Notes on the consolidated statement of changes in net assets**

(1) Class and number of issued shares at the end of the current consolidated fiscal year:
226,126,145 ordinary shares

(2) Matters related to dividends from surplus

1) Amount of dividends paid

| Resolution | Class of shares | Total amount of dividends (million yen) | Dividends per share (yen) | Record date | Effective date of dividends |
|---|---|---|---|---|---|
| Ordinary General Meeting of Shareholders on June 15, 2018 | Ordinary shares | 5,565 | 25 | March 31, 2018 | June 18, 2018 |
| Board of Directors Meeting on October 29, 2018 | Ordinary shares | 6,610 | 30 | September 30, 2018 | November 28, 2018 |
| Total | | 12,175 | 55 | | |

2) Dividends of which record dates belong to the current consolidated fiscal year and of which effective dates of dividends fall after the end of the current consolidated fiscal year

The Company will propose, at its ordinary general meeting of shareholders to be convened on June 18, 2019 an agenda for term-end dividends for appropriation of surplus as detailed below.

| Resolution | Class of shares | Total amount of dividends (million yen) | Source of dividends | Dividends per share (yen) | Record date | Effective date of dividends |
|---|---|---|---|---|---|---|
| Ordinary General Meeting of Shareholders on June 18, 2019 | Ordinary shares | 6,613 | Retained Earnings | 30 | March 31, 2019 | June 19, 2019 |

(3) Class and number of shares to be issued or transferred upon exercise of the stock acquisition rights at the end of the current consolidated fiscal year
267,700 ordinary shares

## 4. Notes on business combination

1. Absorption-type split in which a subsidiary is the successor company

(1) Overview of the Business Combination

The Company executed an absorption-type split dated April 1, 2018, with UMG ABS, Ltd., which is equally owned by Ube Industries, Ltd. (50%) and Mitsubishi Chemical Corporation (50%), as the absorbed company and Techno Polymer Co., Ltd. (renamed Techno-UMG Co., Ltd. on April 1, 2018), a wholly-owned subsidiary of the Company, as the successor company.

In keeping with the absorption-type split, Techno-UMG Co., Ltd. issued new common shares so that the Company owns 51 percent of the shares of Techno-UMG Co., Ltd.

1) Name of acquired company and business domain

Name of acquired company: UMG ABS, Ltd.

Business domain: manufacture and sale of ABS resins

2) Date of business combination

April 1, 2018

3) Method for the acquiring company to obtain control over the acquired company

An absorption-type split through the allocation of 58,800 common shares of Techno Polymer Co., Ltd. as the successor company, with UMG ABS, Ltd. as the absorbed company.

(2) Primary Reason for the Business Combination

The conditions surrounding the ABS resin business will become increasingly challenging both in and outside of Japan. The primary purpose of the business combination is to optimize operations, enhance manufacturing efficiencies, and secure cost competitiveness for the ABS resin business, in order to secure the stable supply of products in Japan and expand sales in global markets.

(3) Fair Value of Assets Acquired, Liabilities Assumed, and Goodwill Recognized as of Acquisition Date

1) Fair value of the consideration transferred

Techno-UMG Co., Ltd. common shares 19,350 million yen

2) Share valuation method

The Company calculated the share valuation in consultation with the transaction parties, using as a reference a share valuation report and other materials received from a third-party valuation institution.

3) Assets acquired, liabilities assumed, and goodwill recognized

| | |
|---|---|
| Current assets | |
| Cash and cash equivalents | ¥ 2,617 million |
| Trade and other receivables | ¥ 10,508 million |
| Inventories | ¥ 6,945 million |
| Other | ¥ 736 million |
| Non-current assets | |
| Property, plant and equipment | ¥ 11,356 million |
| Other intangible assets | ¥ 357 million |
| Deferred tax assets | ¥ 992 million |
| Other | ¥ 1,775 million |
| Assets acquired | ¥ 35,287 million |
| | |
| Current liabilities | |
| Trade and other payables | ¥ 13,865 million |
| Borrowings | ¥ 3,450 million |
| Income taxes payable | ¥ 719 million |
| Other | ¥ 910 million |
| Non-current liabilities | |
| Borrowings | ¥ 80 million |
| Retirement benefit liability | ¥ 629 million |
| Others | ¥ 45 million |
| Liabilities assumed | ¥ 19,698 million |

| | |
|---|---|
| Assets acquired and liabilities assumed (net amount) | ¥ 15,589 million |
| Goodwill | ¥ 3,760 million |

Goodwill is primarily composed of synergies with existing businesses expected to arise from the acquisition and excess earning power, which do not individually fulfill the criteria for recognition. Furthermore, the goodwill is not deductible for tax purposes.

The amount of consolidated goodwill in the Consolidated Statement of Financial Position as of the date of business combination was 1,918 million yen because of the change in ownership ratio in Techno-UMG Co., Ltd.

(4)Acquisition-related Costs

Acquisition-related costs pertaining to the business combination were 136 million yen including those incurred prior to the consolidated fiscal year ended March 2019. The amount incurred in the current consolidated fiscal year is accounted for as an expense in the *Selling, general and administrative expenses* on the Consolidated Statement of Profit or Loss.

(5) Effect on the Group

It is difficult to calculate rationally the quantitative effect on the Group during the current consolidated fiscal year, therefore a quantitative statement of the effect on the Group has been omitted.

(6) Effect on Non-Controlling Interests

Non-controlling interests increased by 17,625 million yen due to the decrease in ownership ratio in Techno-UMG Co., Ltd. from 100 percent to 51 percent.

2. Acquisition of Crown Bioscience International

(1) Overview of the Business Combination

1) Name of acquired company and business domain

Name of acquired company: Crown Bioscience International

Business domain: drug discovery and development services

2) Date of Acquisition

May 31, 2018

3) Percentage of voting rights acquired

100 percent

4) Method for the acquiring company to obtain control over the acquired company

Acquisition of shares in exchange for cash payment

5) Primary reason for the business combination

The primary purpose of the business combination is to incorporate a drug discovery and development outsourcing business into the Group’s Life Sciences Business and to provide value to the pharmaceutical industry by seamlessly offering products and services to the customers from drug-discovery processes to GMP manufacturing.

(2) Fair Value of Consideration Transferred and Recognized Value of Assets Acquired and Liabilities

| | |
|---|---|
| Fair value of consideration | ¥ 40,583 million |
| Current assets | |
| Cash and cash equivalents | ¥ 4,398 million |
| Trade and other receivables | ¥ 2,164 million |
| Other | ¥ 429 million |
| Non-current assets | |
| Property, plant and equipment | ¥ 2,412 million |
| Other intangible assets | ¥ 2,438 million |
| Deferred tax assets | ¥ 132 million |
| Other | ¥ 87 million |
| Assets acquired | ¥ 12,060 million |

| | |
|---|---|
| Current liabilities | |
| Trade and other payables | ¥ 1,282 million |
| Other | ¥ 3,941 million |
| Non-current liabilities | |
| Borrowings | ¥ 2,581million |
| Deferred tax liabilities | ¥ 376 million |
| Liabilities assumed | ¥ 8,180 million |
| Non-controlling interests | ¥ 157 million |
| Goodwill | ¥ 36,860 million |

As of March 31, 2019, the allocation of the acquisition value, for the amount of goodwill incurred and the amounts of assets acquired and liabilities assumed on the date of the business combination, has been completed because the identifiable assets and liabilities on the date of the business combination were designated.

Acquisition-related costs pertaining to the business combination were 335 million yen, including those incurred prior to the preceding consolidated fiscal year. The amount incurred in the current consolidated fiscal year is accounted for as an expense in the *Selling, general and administrative expenses* on 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 on the Group

Revenue for 8,380 million yen and profit for 800 million arising from Crown Bioscience International from the acquisition date are respectively included in the Group's Consolidated Statement of Profit or Loss. The effect on the Group in the current consolidated fiscal year would have been minor, when assuming the business combination had been executed at the start of the term.

3. Acquisition of Selexis S.A.

Although the initial accounting was still provisional for the allocation of acquisition value at the end of the previous consolidated fiscal year, it has been settled as of the end of the current consolidated fiscal year.

## 5. Notes on financial instruments

(1) Matters relating to status of financial instruments

The Group focuses on ensuring an appropriate capital and debt structure in relation to economic conditions and current company circumstances, and raises necessary funds for operating capital, capital expenditure, investments and loans and other items.

The Group reduces credit risk on trade and other receivables through credit management based on an internal regulation named "Rules for Receivables Management."

The Group utilizes methods such as foreign exchange forward contracts and currency swap transactions to reduce exchange rate risks on receivables and payables denominated in foreign currency. Interest rate swap transactions are utilized to reduce interest rate risks on certain borrowings. Derivative transactions are conducted only to hedge exchange rate risks and interest rate risks and are not entered into for speculative purposes.

The Group reduces liquidity risks related to procuring funds through borrowings, etc. by maintaining and securing appropriate on-hand liquidity.

Market price risks on equity securities held are reduced by regularly monitoring the market prices and financial conditions of the issuers.

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

There is no significant difference between the carrying value and fair value of financial instruments on the consolidated account closing date.

## 6. Notes on per-share information

| | |
|---|---|
| Equity attributable to owners of parent per share | ¥ 1,823.69 |
| Basic earnings per share | ¥ 140.62 |

## 7. Material Subsequent events

On April 24, 2019, 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 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 total shareholders return ratio while maintaining financial soundness for growth investments, it intends to purchase its own shares.

2. Details of purchase

1) Method of 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 6,250,000 shares (approximately 2.83% of total number of shares issued (excluding treasury stock)
4) Maximum value of buyback: Up to 10,000 million yen

3. Period of purchase: From April 25, 2019, to September 30, 2019 (Japan Standard Time)

(Note) The Group’s consolidated financial statements are presented with amounts rounded to the nearest millions of yen

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

# Balance Sheet

(as of March 31, 2019)

(in millions of yen)

| Items | Current Fiscal Year | Previous Fiscal Year (Reference) | Items | Current Fiscal Year | Previous Fiscal Year (Reference) |
|---|---|---|---|---|---|
| | Amount | Amount | | Amount | Amount |
| **Assets** | | | **Liabilities** | | |
| **Current Assets** | **186,405** | **239,673** | **Current Liabilities** | **100,270** | **107,721** |
| Cash and deposits | 21,603 | 29,484 | Accounts payable-trade | 59,937 | 63,209 |
| Notes receivable | 42 | 42 | Short-term loans payable | 7,800 | 8,420 |
| Accounts receivable-trade, net | 62,774 | 64,824 | Accounts payable-other | 5,736 | 8,841 |
| Short-term investment securities | 15,000 | 66,000 | Accrued expenses | 14,341 | 13,203 |
| Inventories | 59,044 | 47,131 | Income taxes payable | 2,255 | 3,534 |
| Accounts receivable-other | 25,815 | 29,723 | Deposits received from subsidiaries and associates | 9,527 | 9,771 |
| Other | 2,127 | 2,470 | Other | 674 | 743 |
| **Non-current Assets** | **248,648** | **201,072** | **Non-current Liabilities** | **16,711** | **18,783** |
| **Property, plant and equipment** | **66,269** | **64,160** | Long-term loans payable | 500 | 500 |
| Buildings, net | 18,552 | 19,227 | Provision for retirement benefits | 11,653 | 11,210 |
| Structures, net | 4,849 | 4,728 | Deferred tax liabilities | 3,422 | 6,088 |
| Machinery and equipment, net | 22,075 | 20,132 | Other | 1,136 | 985 |
| Vehicles, net | 130 | 46 | | | |
| Tools, furniture and fixtures, net | 6,407 | 5,840 | **Total Liabilities** | **116,982** | **126,504** |
| Land | 13,001 | 13,162 | **Net Assets** | | |
| Construction in progress | 1,254 | 1,026 | **Shareholders’ equity** | **299,512** | **290,231** |
| | | | **Capital stock** | **23,370** | **23,370** |
| **Intangible assets** | **5,537** | **5,047** | **Capital surplus** | **25,250** | **25,242** |
| Software | 1,138 | 1,086 | Legal capital surplus | 25,230 | 25,230 |
| Other | 4,398 | 3,961 | Other capital surplus | 20 | 13 |
| | | | **Retained earnings** | **260,933** | **246,976** |
| **Investments and other assets** | **176,842** | **131,865** | Legal retained earnings | 3,710 | 3,710 |
| Investment securities | 45,090 | 50,047 | Other retained earnings | 257,222 | 243,265 |
| Shares of subsidiaries and associates | 108,083 | 65,213 | Reserve for special depreciation | 3 | 6 |
| Investments in capital of subsidiaries and associates | 5,934 | 5,987 | Reserve for advanced depreciation of non-current assets | 3,800 | 3,740 |
| Long-term loans receivable from subsidiaries and associates, net | 14,541 | 8,371 | General reserve | 42,431 | 42,431 |
| Long-term prepaid expenses | 518 | 559 | Retained earnings brought forward | 210,988 | 197,087 |
| Prepaid pension cost | 1,141 | 505 | **Treasury stock** | **(10,042)** | **(5,358)** |
| Other | 1,535 | 1,183 | | | |
| | | | **Valuation and translation adjustments** | **17,890** | **23,123** |
| | | | Unrealized gains on securities, net of taxes | 17,890 | 23,123 |
| | | | **Subscription rights to shares** | **669** | **888** |
| | | | **Total Net Assets** | **318,071** | **314,242** |
| **Total Assets** | **435,053** | **440,746** | **Total Liabilities and Net Assets** | **435,053** | **440,746** |

(Note) Amounts are rounded to the nearest millions of yen.

**Statement of Income**
(from April 1, 2018 to March 31, 2019)

(in millions of yen)

| Items | Current Fiscal Year | Previous Fiscal Year (Reference) |
|---|---|---|
| | Amount | Amount |
| **Net Sales** | **245,372** | **240,576** |
| **Cost of sales** | **170,076** | **163,538** |
| **Gross profit** | **75,296** | **77,038** |
| **Selling, general and administrative expenses** | **54,447** | **49,582** |
| **Operating income** | **20,848** | **27,456** |
| **Non-operating income** | **13,695** | **15,920** |
| Interest income | 194 | 97 |
| Dividends income | 11,156 | 14,852 |
| Foreign exchange gains | 949 | - |
| Other | 1,395 | 971 |
| **Non-operating expenses** | **1,514** | **1,356** |
| Interest expenses | 44 | 46 |
| Loss on abandonment of non-current assets | 161 | 90 |
| Foreign exchange losses | - | 387 |
| Other | 1,309 | 833 |
| **Ordinary income** | **33,029** | **42,020** |
| **Extraordinary income** | **693** | **733** |
| Reversal of allowance for doubtful accounts | 323 | - |
| Gain on sales of investment securities | 370 | 733 |
| **Extraordinary loss** | **1,901** | **1,526** |
| Provision of allowance for doubtful accounts | 1,339 | 990 |
| Impairment loss | 264 | - |
| Loss on sales of investment securities | - | 536 |
| Other | 299 | - |
| **Income before income taxes** | **31,820** | **41,227** |
| **Income taxes** | **5,688** | **7,900** |
| Income taxes-current | 6,045 | 7,270 |
| Income taxes-deferred | (357) | 629 |
| **Net income** | **26,132** | **33,327** |

(Note) Amounts are rounded to the nearest millions of yen.

## Statements of Changes in Net Assets

(from April 1, 2018 to March 31, 2019)

(in millions of yen)

| | **Shareholders' equity** | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Capital surplus | | | **Retained earnings** | | | | | |
| | | | | | | Other retained earnings | | | | |
| | Capital stock | Legal capital surplus | Other capital surplus | Total capital surplus | Legal retained earnings | Reserve for special depreciation | Reserve for advanced depreciation of non-current assets | General reserve | Retained earnings brought forward | **Total** |
| Balance at the beginning of the current fiscal year | 23,370 | 25,230 | 13 | 25,242 | 3,710 | 6 | 3,740 | 42,431 | 197,087 | **246,976** |
| Changes of items during the current fiscal year | | | | | | | | | | |
| Dividends from surplus | | | | | | | | | (12,175) | **(12,175)** |
| Net income | | | | | | | | | 26,132 | **26,132** |
| Reversal of reserve for special depreciation | | | | | | (3) | | | 3 | - |
| Reversal of reserve for advanced depreciation of non-current assets | | | | | | | (114) | | 114 | - |
| Provision of reserve for advanced depreciation of non-current assets | | | | | | | 174 | | (174) | - |
| Purchase of treasury stock | | | | | | | | | | - |
| Disposal of treasury stock | | | 8 | 8 | | | | | | - |
| Net changes of items other than shareholders' equity | | | | | | | | | | - |
| Total changes of items during the current fiscal year | - | - | 8 | 8 | - | (3) | 60 | - | 13,901 | **13,958** |
| **Balance at the end of the current fiscal year** | **23,370** | **25,230** | **20** | **25,250** | **3,710** | **3** | **3,800** | **42,431** | **210,988** | **260,933** |

| | Shareholders' equity | | Valuation and translation adjustments | Subscription rights to shares | **Total net assets** |
|---|---|---|---|---|---|
| | Treasury stock | **Total shareholders' equity** | Unrealized gains on securities, net of tax | | |
| Balance at the beginning of the current fiscal year | (5,358) | **290,231** | 23,123 | 888 | **314,242** |
| Changes of items during the current fiscal year | | | | | |
| Dividends from surplus | | **(12,175)** | | | **(12,175)** |
| Net income | | **26,132** | | | **26,132** |
| Reversal of reserve for special depreciation | | – | | | – |
| Reversal of reserve for advanced depreciation of non-current assets | | – | | | – |
| Provision of reserve for advanced depreciation of non-current assets | | – | | | – |
| Purchase of treasury stock | (5,001) | **(5,001)** | | | **(5,001)** |
| Disposal of treasury stock | 317 | **325** | | | **325** |
| Net changes of items other than shareholders' equity | | – | (5,232) | (219) | **(5,452)** |
| Total changes of items during the current fiscal year | (4,684) | **9,281** | (5,232) | (219) | **3,830** |
| **Balance at the end of the current fiscal year** | **(10,042)** | **299,512** | **17,890** | **669** | **318,071** |

(Note) Amounts are rounded to the nearest millions of yen.

## Notes on Financial Statements

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

(1) Standards and methods of valuation applicable to assets

1) Securities
Shares of subsidiaries and associates: Stated by cost method based on moving average method.
Available-for-sale securities:

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

2) Derivatives
Valued by market method

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

(2) Methods of depreciation applicable to non-current assets

1) Property, plant and equipment (excluding lease assets)
The straight-line method is applied.

2) Intangible assets (excluding lease assets)
The straight-line method is applied.

The costs of software for the Company's own use are amortized over the estimated useful life (5 years) using the straight-line method.

3) Lease assets
The straight-line method is applied regarding lease period as useful life and up to no residual value.

(3) Standards applicable to reporting of provisions

1) Allowance for doubtful accounts
In order to prepare for loss on claims, allowance is reported and the amount is determined on the basis of actual past losses for general claims, and on the basis of anticipated unrecoverable amounts for specific claims such as those involving the risk of loss.

2) Provision for Directors' bonuses
In order to prepare for payment of Directors' and Audit & Supervisory Board Members' bonuses, the amount that is deemed to have accrued at the close of the current fiscal year is reported on the basis of anticipated amounts.

3) Provision for retirement benefits
In order to prepare for payment of employees' retirement benefits, the amount that is deemed to have accrued at the end of the current fiscal year is reported on the basis of anticipated amounts of retirement benefits obligations and plan assets as of the end of the current fiscal year. The benefit formula standard is applied for the method of attributing expected retirement benefits to the period.
Actuarial gain or loss is recognized as expense in lump sum during the following fiscal year.

4) Provision for environmental measures

The Company has recorded its estimate of the cost of disposing of polychlorinated biphenyl (PCB) and other materials.

5) Allowance for investment loss

The Company has recorded appropriate estimate of possible loss against the investment in subsidiaries and associates considering the financial standings of such subsidiaries and/or associates in question.

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

1) Hedge accounting

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

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

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

3) Application of consolidated corporate-tax return system

The consolidated corporate-tax return system is applied.

2. Notes on Changes in Presentation Methods

In accordance with the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018), the Company has adopted the Amendment to the Rules of Corporate Accounting (Ministry of Justice Order No. 5 of 2018, March 26, 2018) from the current fiscal year, for which deferred tax assets is presented under investments and other assets, and deferred tax liabilities is presented under non-current liabilities.

**3. Notes on balance sheet**

(1) Assets pledged and claims related thereto

| | | |
|---|---|---|
| Assets pledged | Property, plant and equipment | ¥ 5,547 million |
| Liabilities related to the above | Long-term loans payable<br>(liabilities arising from bank transactions) | ¥ 1 million |

(2) Allowances directly deducted from assets

1) Allowance for doubtful accounts

| | |
|---|---|
| Current Assets; Accounts receivable-trade, net | ¥ 1 million |
| Investments and other assets; | |
| Long-term loans receivable from subsidiaries and associates, net | ¥ 5,125 million |
| Other | ¥ 37 million |

2) Allowance for investment loss

| | |
|---|---|
| Investments and other assets; Shares of subsidiaries and associates | ¥ 310 million |

(3) Accumulated depreciation on property, plant and equipment (including accumulated impairment loss): ¥ 300,383 million

(4) Claims to/from subsidiaries and associates

| | |
|---|---|
| Short-term monetary claims to associates | ¥ 33,737 million |
| Long-term monetary claims to associates | ¥ 19,666 million |
| Short-term monetary obligations from associates | ¥ 30,918 million |

(5) Export exchange notes discounted: ¥ 230 million

(6) Guarantee obligations

| | |
|---|---|
| JSR MOL Synthetic Rubber Ltd. | ¥ 12,705 million |

| | |
|---|---|
| JSR BST Elastomer Co., Ltd. | ¥ 11,900 million |
| JSR Micro, Inc. | ¥ 7,325 million |
| CMIC JSR Biologics Co., Ltd. | ¥ 2,764 million |
| JSR Micro (Changshu) Co., Ltd. | ¥ 1,159 million |
| Selexis S.A. | ¥ 836 million |
| Crown Bioscience International | ¥ 555 million |
| JEY-TRANS CO., LTD. | ¥ 13 million |
| Total | ¥37,258 million |

**4. Notes on statement of income**

Transactions with subsidiaries and associates:

Operating transaction

| | |
|---|---|
| Sales | ¥ 99,800 million |
| Amount for goods purchased | ¥ 45,101 million |
| Other trade transactions | ¥ 19,932 million |
| Non-operating transactions | ¥ 9,730 million |

**5. Note on statements of changes in net assets**

Class and number of treasury stock at the end of the current fiscal year:
5,694,949 ordinary shares

**6. Note on tax effect accounting**

Unrealized gains on securities, net of taxes and reserve for advanced depreciation of non-current assets were major causes of deferred tax liabilities.

**7. Notes on transactions with related parties**

(1) Subsidiaries, associates, etc.

| Attribute | Name of company | Voting rights ownership rate (%) | Contents of relationship | | Contents of transactions | Transaction amount (million yen) | Item | Balance at the end of the current fiscal year (million yen) |
|---|---|---|---|---|---|---|---|---|
| | | | Directors serving concurrently | Business relationship | | | | |
| Subsidiary | JSR Trading Co., Ltd. | 100 | None | Sale of products of the Company | Sale of products (Note 1) | 34,642 | Accounts receivable -trade | 6,608 |
| Subsidiary | Techno-UMG Co., Ltd. | 51 | None | Supply of raw materials | Supply of raw materials (Note 2) | 17,068 | Accounts receivable -other | 5,109 |
| Subsidiary | JSR Engineering Co., Ltd | 100 | None | Purchase of equipment & facilities | Purchase of equipment & facilities （Note 3） | 9,227 | Accounts payable -other | 3,351 |
| Subsidiary | JM Energy Corporation | 100 | None | Provision of loans | Provision of loans (Note 4) | 1,241 | Long-term loans receivable from subsidiaries and associates | 6,517 |
| Subsidiary | JSR Micro, Inc. | 100 | None | Guarantee obligations | Guarantee obligations of loans payable (Note 5) | 7,325 | — | — |
| Subsidiary | ELASTOMIX Co., Ltd. | 98.5 | None | Deposit from subsidiary | Deposit from subsidiary (Note 5) | 59 | Deposits received from subsidiaries and associates | 5,092 |
| Subsidiary | JSR BST Elastomer Co., Ltd. | 51 | 1 | Guarantee obligations | Guarantee obligations of loans payable | 11,900 | — | — |
| Subsidiary | JSR MOL Synthetic Rubber Ltd. | 51 | None | Guarantee obligations | Guarantee obligations of loans payable | 12,705 | — | — |
| Associate | KRATON JSR ELASTOMERS K. K. | 50 | None | Purchase of products | Purchase of elastomer products (Note 6) | 11,134 | Accounts payable -trade | 6,150 |
| | | | | Supply of raw materials | Supply of raw materials (Note 2) | 5,558 | Accounts receivable -other | 3,013 |

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

(Notes)

1. Terms and conditions for the sale of the products are determined through negotiation upon the desirable

prices offered by the Company considering full cost of the products and market prices.
2. Terms and conditions for the supply of raw materials are determined through negotiation based upon the desirable prices offered by the Company considering market prices.
3. Terms and conditions for the purchase of equipment and facilities are determined through negotiation upon the desirable prices offered by the Company considering the full cost and market prices.
4. Interest rates on loans receivable are determined through negotiation considering prevailing interest rates in financial market. The Company recorded ¥4,413 million in allowance for doubtful accounts for the said loans receivable.
5. Interest rates on deposits are determined through negotiation considering prevailing interest rates in financial market.
6. Terms and conditions for the purchase of the elastomer products are determined through negotiation based upon the desirable prices offered by the Company considering full cost of the products and market prices.
7. Transaction amounts do not include consumption tax, etc. The amounts stated as the balance at the end of the current fiscal year include consumption tax, etc.

(2) Major shareholders

| Attribute | Name of the company | Voting rights ownership rate (%) | Contents of relationship | | Contents of transactions | Transaction amount (million yen) | Item | Balance at the end of the current fiscal year (million yen) |
|---|---|---|---|---|---|---|---|---|
| | | | Directors and/or Audit & Supervisory Board Members serving concurrently | Business relationship | | | | |
| Major shareholder | Bridgestone Corporation | Direct ownership 10.2 | None | Sale of products of the Company | Sale of elastomer products | 30,246 | Accounts receivable -trade | 13,330 |

Terms and conditions of transactions and the policy for determining the terms and conditions
(Notes)
1. Prices and other terms and conditions are determined upon price negotiations considering market prices.
2. The transaction amount does not include consumption tax, etc. The balance at the end of the current fiscal year includes consumption tax, etc.

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

| | |
|---|---|
| Net assets per share | ¥1,439.92 |
| Net income per share | ¥118.10 |

**9. Subsequent events**

On April 24, 2019, 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 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 total shareholders return ratio while maintaining financial soundness for growth investments, it intends to purchase its own shares.

2. Details of purchase
1) Method of 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 6,250,000 shares (approximately 2.83% of total number of shares issued (excluding treasury stock)
4) Maximum value of buyback: Up to 10,000 million yen

3. Period of purchase: From April 25, 2019, to September 30, 2019 (Japan Standard Time)

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

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

May 9, 2019

To: Board of Directors
JSR Corporation

KPMG AZSA LLC

| | | | |
|---|---|---|---|
| Designated Limited Liability Partner Engagement Partner | Certified Public Accountant | Tomoyoshi Inoue | (seal) |
| Designated Limited Liability Partner Engagement Partner | Certified Public Accountant | Sato Masamitsu | (seal) |
| Designated Limited Liability Partner Engagement Partner | Certified Public Accountant | Yukihiro Kase | (seal) |

We have audited the consolidated financial statements, comprising the consolidated statement of financial position, consolidated statement of profit or loss, the consolidated statement of changes in equity and the related notes of JSR Corporation. as at March 31, 2019 and for the year from April 1, 2018 to March 31, 2019 in accordance with Article 444-4 of the Companies Act.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the latter part of Article 120-1 of the Odinance of Companies Acccounting that prescribes some omissions of disclosure items required by Iternational Financial Rporting Standards, , and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as accountng. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to otain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statement referred to above presents fairly, in all material respects, the financial position and the results of operations of JSR Corporation and its consolidated subsidiaries for the period, for which the consolidated financial statements was prepared, in accordance with the latter part of Article 120-1 of the Odinance of Companies Acccounting that prescribes some omissions of disclosure items required by Iternational Financial Rporting Standards.

**Other Matter**

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

**Notes to the Reader of Independent Auditor's Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

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

# Audit Report from Accounting Auditors

## (on Non-Consolidated Financial Statements)

May 9, 2019

To: Board of Directors
JSR Corporation

KPMG AZSA LLC

| | | | |
|---|---|---|---|
| Designated Limited Liability Partner<br>Engagement Partner | Certified Public Accountant | Tomoyoshi Inoue | (seal) |
| Designated Limited Liability Partner<br>Engagement Partner | Certified Public Accountant | Sato Masamitsu | (seal) |
| Designated Limited Liability Partner<br>Engagement Partner | Certified Public Accountant | Kase Yukihiro | (seal) |

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in net assets, the related notes, and the supplementary schedules of JSR Corporation as at March 31, 2019 and for the year from April 1, 2018 to March 31, 2019 in accordance with Article 436-2-1 of the Companies Act.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit as accouting auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to otain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and the results of operations of JSR Corporation for the period, for which the financial statements was prepared, in accordance with accounting principles generally accepted in Japan.

**Other Matter**

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

**Notes to the Reader of Independent Auditor’s Report:**

The Independent Auditor’s Report herein is the English translation of the Independent Auditor’s Report as required by the Companies Act.

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

## Audit Report of the Audit & Supervisory Board

## Audit Report

The Audit & Supervisory Board, with regard to the execution of duties of the Directors during the 74th fiscal term commencing on April 1, 2018 and ending on March 31, 2019, has discussed and prepared its audit report as described below based upon audit reports prepared by each of the Audit & Supervisory Board Members:

### 1. Methods and contents of the audits by Audit & Supervisory Board Members and the Audit & Supervisory Board

(1) The Audit & Supervisory Board has established audit policies, assigned responsibilities to each Audit & Supervisory Board Member for audits, and received reports from each Audit & Supervisory Board Member on the implementation and results of their audits. In addition, the Audit & Supervisory Board has received reports, requesting explanations when necessary, from Directors, other executives and Accounting Auditors (Independent Auditors) concerning the execution of their duties.

(2) Each Audit & Supervisory Board Member has, in accordance with the audit standards for Audit & Supervisory Board Members set forth by the Audit & Supervisory Board and with the relevant audit policies and the assignment of responsibilities, facilitated communication with Directors, the Internal Audit Office, employees and other parties, and has endeavored to collect information and develop an optimum audit environment while conducting audits using the following methods:

1) Each Audit & Supervisory Board Member has attended the Board of Directors meetings and other important meetings, received reports, requesting explanations when necessary from Directors, employees and other parties on the execution of their duties, reviewed important documents evidencing the authenticity of corporate decisions made, and examined the status of business operations as well as the assets at the head office and other major business offices. In addition, with regard to subsidiaries, each Audit & Supervisory Board Member has endeavored to communicate and exchange information with Directors, Audit & Supervisory Board Members and other parties of subsidiaries, and received reports, when necessary, from subsidiaries.

2) Each Audit & Supervisory Board Member has regularly received reports, requested explanations when necessary from Directors, employees and other parties, and express its opinion on (i) the contents of the resolution of the Board of Directors on the establishment of structures and the systems to ensure the compliance of Directors' execution of duties with laws and ordinances and Articles of Incorporation as well as to secure the propriety of the conducting businesses of the group comprising the Company and its subsidiaries as set forth under the Article 100, Paragraph 1 and 3 of the Enforcement Regulations of the Companies Act, and (ii) the status of operational execution and maintenance of such structures and systems (internal control system) established based on such resolutions, which are stated in the Business Report of the Company. In addition, with regard to subsidiaries of the Company, each Audit & Supervisory Board Member has received reports and requested explanations when necessary from Directors, employees and other parties of the subsidiaries with regard to the establishment of structures and systems as well as their operational status and requested explanations from such parties when necessary. Concerning internal control over financial reporting, each Audit & Supervisory Board Member has received reports from Directors, etc., and KPMG AZSA LLC. on the evaluation results and the audit status of these internal controls, and requested explanations from such parties when necessary.

3) Each Audit & Supervisory Board Member has monitored and verified the Accounting Auditors' independence and propriety in implementing their audits and has also received reports, requesting explanations when necessary, on their execution of duties. In addition, each Audit & Supervisory Board Member has received a notice from the Accounting Auditors that ensures that "the system for ensuring Accounting Auditors' appropriate execution of duties" (the terms respectively set forth under each of the paragraphs of Article 131 of the Corporation Accounting Regulations) has been maintained in accordance with the "the Standards on Quality Control Concerning Audit" (established by the Business Accounting Council on October 28, 2005), and

requested explanations when necessary.

Through these methods, each Audit & Supervisory Board Member reviewed the Business Report of the Company and the supplementary statements thereto, non-consolidated financial statements (the balance sheet, the statement of income, the statement of changes in net assets, and notes on non-consolidated financial statements) and the supplementary statements thereto as well as the consolidated financial statements (consolidated financial positions, consolidated statements of profit or loss, consolidated statements of changes in equity, and notes on consolidated financial statements), for the fiscal term under review.

**2. Audit results**

(1) Results of audit on Business Report and other documents

1) We acknowledge that the Business Report and its supplementary statements fairly represent the status of the Company in accordance with the laws and ordinances, and the Articles of Incorporation.
2) With regard to the execution of duties of the Directors, we have found neither misconduct nor material matters in violation of laws and ordinances or the Articles of Incorporation.
3) We acknowledge that the contents of the resolutions of the Board of Directors regarding the structures and systems for internal control are fair and proper. We also have found nothing to be specifically addressed concerning descriptions of the Business Report and the execution of duties of Directors in relation to the structures and systems for internal control. In addition, we have received reports from Directors, etc., and KPMG AZSA LLC stating that there were no material defects to be specifically disclosed concerning internal control over financial reporting at the time of preparing this Audit Report.

(2) Results of audit on non-consolidated financial statements and its supplementary statements
We acknowledge that the methods and the conclusions of the audit by KPMG AZSA LLC are fair and proper.

(3) Results of audit on consolidated financial statements
We acknowledge that the methods and the conclusions of the audit by KPMG AZSA LLC are fair and proper.

May 10, 2019

Audit & Supervisory Board, JSR Corporation

| | | |
|---|---|---|
| Full-time Audit & Supervisory Board Member | Atsushi Kumano | (seal) |
| Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) | Hisako Kato | (seal) |
| Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) | Sumio Moriwaki | (seal) |

## Financial Highlights (Reference)

### 1. Key Consolidated Financial Figures

| Accounting Standard | | Japanese GAAP | | IFRS | | |
|---|---|---|---|---|---|---|
| Fiscal Term | | FY ended Mar 2016 | FY ended Mar 2017 | FY ended Mar 2017 | FY ended Mar 2018 | FY ended Mar 2019 |
| from/to | | Apr 2015 Mar 2016 | Apr 2016 Mar 2017 | Apr 2016 Mar 2017 | Apr 2017 Mar 2018 | Apr 2018 Mar 2019 |
| Revenue (Net Sales) | JPY million | 386,709 | 390,599 | 388,455 | 421,930 | 496,746 |
| Operating Profit | JPY million | 34,408 | 32,370 | 35,943 | 43,569 | 43,030 |
| Profit attributable to owners of parent | JPY million | 24,068 | 30,078 | 30,243 | 33,230 | 31,116 |
| Return on Equity Ratio | | 6.8% | 8.4% | 8.5% | 8.8% | 7.8% |
| Total Asset | JPY million | 516,359 | 576,016 | 578,484 | 647,699 | 691,435 |
| Equity (Net Asset) | JPY million | 362,353 | 376,715 | 376,364 | 411,615 | 440,360 |
| Equity Ratio | | 68.0 | 62.7 | 62.6 | 60.8 | 58.1 |
| | | | | | | |
| Cash Dividends (per share) | JPY/share | 50 | 50 | 50 | 50 | 60 |
| Cash Dividends (amount) | JPY million | 11,279 | 11,125 | 11,125 | 11,129 | 13,223 |
| Dividend Payout Ratio | | 46.9% | 37.0% | 36.8% | 33.5% | 42.7% |
| Purchase of Treasury Share | JPY million | 8,997 | 4,524 | 4,524 | 2 | 5,001 |

(Note)
The Group has adopted IFRS since the fiscal year ended on March 31, 2018 and prepared its financial statements for the previous fiscal year ended on March 31, 2017 in accordance with IFRS for reference.

### 2. Segment Information (IFRS)

| Fiscal Term from / to | | Revenue | | Operating Profit | |
|---|---|---|---|---|---|
| | | FY ended Mar 2018 | FY ended Mar 2019 | FY ended Mar 2018 | FY ended Mar 2019 |
| | | Apr 2017 Mar 2018 | Apr 2018 Mar 2019 | Apr 2017 Mar 2018 | Apr 2018 Mar 2019 |
| Elastomers | JPY million | 195,693 | 200,736 | 14,866 | 7,421 |
| Plastics | JPY million | 53,842 | 105,446 | 5,579 | 9,214 |
| Digital Solutions | JPY million | 140,394 | 142,216 | 30,684 | 32,663 |
| Life Sciences | JPY million | 26,424 | 43,872 | (1,803) | 781 |
| Other | JPY million | 5,256 | 4,475 | (2,240) | (2,097) |
| Adjustment | JPY million | 321 | 1 | (3,517) | (4,953) |
| Total | JPY million | 421,930 | 496,746 | 43,569 | 43,030 |

### 3. Consolidated Cash Flow

| | | FY ended Mar 2018 | FY ended Mar 2019 |
|---|---|---|---|
| Cash and cash equivalent at the beginning the fiscal year | JPY million | 97,416 | 124,956 |
| Net cash provided by operating activities | JPY million | 43,596 | 30,940 |
| Net cash provided by investing activities | JPY million | (20,423) | (66,266) |
| Net cash provided by financing activities | JPY million | 3,860 | (18,966) |
| Effect of exchange rate changes on cash and cash equivalents | JPY million | 506 | 121 |
| Cash and cash equivalent at the end of the fiscal year | JPY million | 124,956 | 70,785 |