



June 9, 2023
JSR Corporation

Results of Evaluation of the Effectiveness of the Board of Directors

We conduct an evaluation of the effectiveness of our company's Board of Directors every year and maximize our corporate value by enhancing its effectiveness. The following is the summary of the results of the effectiveness evaluation in FY2022.

1. Summary of Evaluation Results

1) Evaluation Process

We conducted a questionnaire survey targeting all the nine directors of our company (four of them are independent outside directors) as well as all the three audit & supervisory board members (two of them are independent outside audit & supervisory board members). We also interviewed all of those respondents and had discussions about the results of the questionnaire survey as well as the interviews multiple times, and evaluated those results. To evaluate the results of the FY2022 survey, we have hired a third party agency that has expertise in the entire evaluation processes mentioned above.

2) Details of Evaluation

We confirmed mainly the following points through the analysis / evaluation processes as well as the discussions that took place at board meetings and came to the conclusion that our company's board of directors was functioning effectively.

- The board of directors has the right composition in terms of diversity (e.g. nationality, gender, etc.) and expertise. In addition to high-value added advice given by the board, the board of directors has lively and candid discussions to increase the company's value in the mid-to-long term.
- The board of directors fully plays roles and functions as a meeting structure. It oversees business execution from different stakeholders' perspectives and asks the management team to make improvements if necessary.
- The Nomination and Remuneration Advisory Committees are chaired by the independent outside director, and the majority of the committee members are independent outside directors. Both committees help strengthen the supervisory function of the board by properly submitting a report to the board while ensuring transparency and objectivity.

2. Challenges and future activities

When we conducted the board effectiveness evaluation in the last fiscal year, some of the respondents pointed out that we had to consider the specific way the monitoring board should be and the size and composition of the board as well as the qualities of the board members and board diversity, etc., so we can reinforce the monitoring functions of the board. Given this point, at this year's board meetings, the board of directors discussed and organized the way the board should be as well as the challenges associated with the transition to the monitoring board and then reached consensus on the monitoring board that JSR's board of directors strives to become.

(The board of directors that JSR's board strives to become)

- Besides approving strategies and overseeing business execution (monitoring function) from a multi-stakeholder perspective, the board also gives advice (advisory function), so it can contribute to maximizing the value of the company.
- The board proactively supports corporate management that embodies Materials Innovation by extensively transferring its decision-making authority over important business execution matters to business execution teams, trusting those business execution teams, and focusing solely on the functions defined above.

As for challenges to realizing the monitoring board that JSR's board strives to become, we received the following feedback when conducting this year's board effectiveness evaluation. We will continue to tackle these points going forward.

(Challenges that the respondents pointed out)

- Although the board is functioning effectively at the moment, we need to clarify the definition and details of its supervision as well as the supervisory standards. In this way, both supervisory team and business execution teams can reaffirm their respective roles and responsibilities. To enhance the monitoring function of the board, we need to proceed with activities toward the most appropriate board composition.
- The board has been discussing important management issues, but to realize highly effective supervision, the board needs to more accurately grasp the company's strategies and business execution status after the divestment of the elastomers business. To focus on deliberating on the company's mid-to-long-term direction as well as its strategies, the board needs to further narrow down important agenda items that it deliberates on, set specific target levels and goals, and carry out supervisory activities after decisions are made according to the standard.
- The composition and roles of the Nomination Advisory Committee are appropriate, but there are still some challenges in terms of securing sufficient time and information for practical discussions on succession plan. Therefore, we need to make sure that the committee members have sufficient time and information to deliberate on the succession plan.
- Although the current supervisory system and function are functioning effectively, we need to continue to enhance JSR Group's unified global audit system as we expand our business globally so that the board will be fully aware of significant risks.

3. Evaluation Method

1) Overview of the Evaluation (details)

The following is an overview of how we have conducted the evaluation of the effectiveness of the board of directors. For the FY2022 evaluation, we have conducted a questionnaire and interviews and also hired a third-party agency, which has an expertise in the relevant field, in the entire evaluation processes such as reporting the results of the evaluation to the board.

(1) We distributed a questionnaire to all the board members and the audit & supervisory board members from November to December 2022.

1. We conducted individual interviews with all the board members and the audit & supervisory board members from December 2022 to January 2023.

2. Given the results of the above questionnaire and interviews, the board had discussions on the results of the survey at the board meetings held in February, March and April 2023 and analyzed and evaluated the effectiveness of the board. In addition, besides those board meetings, we had discussion sessions several times to summarize the board members' thoughts and confirmed the effectiveness of the board.

2) Evaluation Items

The questionnaire consists of the questions in the following categories as well as the open-ended questions.

- (1) Roles and functions of the board of directors
- (2) Size and composition of the board of directors
- (3) Operational status and challenges of the board of directors
- (4) Composition and roles of the Nomination Advisory Committee
- (5) Operational status of the Nomination Advisory Committee
- (6) Composition and roles of the Remuneration Advisory Committee
- (7) Operational status of the Remuneration Advisory Committee
- (8) Support system for outside directors
- (9) Roles of the audit & supervisory board members and expectations for them
- (10) Relationship with investors and shareholders
- (11) Overall effectiveness of our company' governance system and board of directors
- (12) Following up on items that have been approved by the board of directors