

JSR Corporation

MATERIALS INNOVATION

ANNUAL REPORT 2017

For the year ended March 31, 2017



Contents

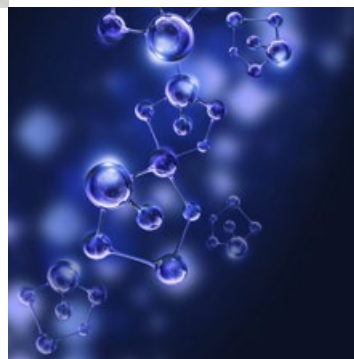


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* In this report, Fiscal Year (FY) means the year ending March 31.
For example, FY2016 means April 1, 2015 – March 31, 2016.

Financial Section (Supplementary Volume)

Forward-Looking Statements

Statements regarding the Company's future plans, strategies, projected performance and outlook are based on information available at the time of writing. Readers are cautioned that economic trends in JSR's target markets and other risks, and factors beyond the Company's control could cause actual results to differ materially from those projected by management.

Overview

PROFILE

JSR Corporation (formerly Japan Synthetic Rubber Co., Ltd.) was established in December 1957 under the Special Measures Law for the Synthetic Rubber Manufacturing Industry with the aim of pioneering synthetic rubber production in Japan. Since that time, the Company has remained among Japan's market share leaders in synthetic rubber and other petrochemical materials. We also apply our polymer technologies in the field of fine chemicals to produce semiconductor materials, display materials, and other products, which command among the highest market shares in the industry.

JSR aims to leverage its stable core businesses of petrochemical products and fine chemical materials, to pursue sustained growth through life sciences business.

CORPORATE MISSION

MATERIALS INNOVATION

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

Overview

BUSINESS OUTLINE

JSR Group aims to create new value through materials and to help in solving social problems.

1960s

PRODUCTION OF SYNTHETIC RUBBER IN JAPAN

Petrochemicals played a vital role as industrial raw materials during Japan's postwar recovery and reconstruction phase. There was an urgent need to establish synthetic rubber manufacturing in Japan because reliance on imports left Japan vulnerable to a tight supply-demand environment.

1980s

CHANGES IN THE INDUSTRIAL STRUCTURE

Electronic materials were vital to the emergence of the new computer industry and products such as electronically controlled appliances with embedded microchips, and digital communications devices.

2000s

SOCIAL PRIORITIES FOR THE FUTURE

Awareness of environmental problems is reflected in the need to create environmentally responsible living. Another major social priority in Japan, which is at the head of the pack in the global trend toward super-aging societies, is the development of medical services.

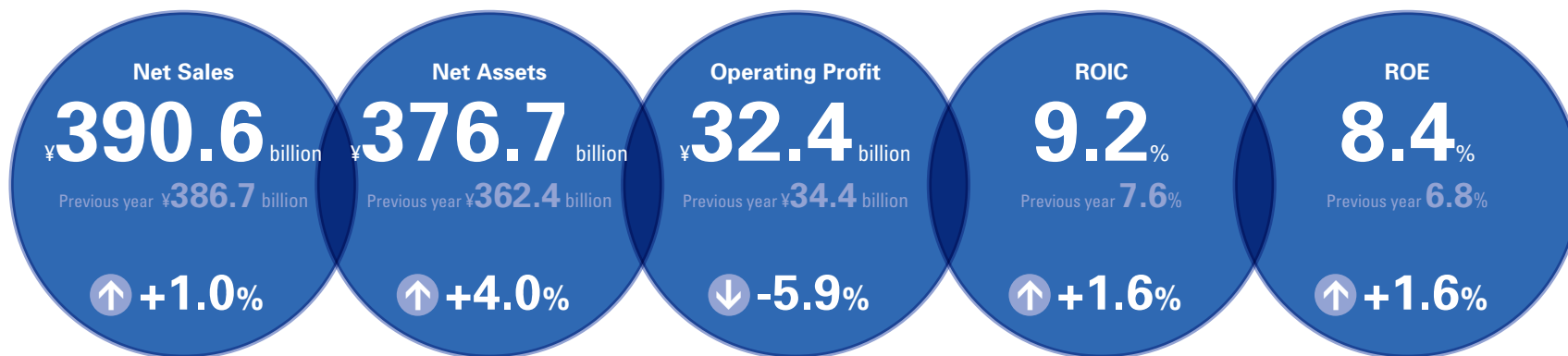
Social Priorities

Our Businesses



Overview CONSOLIDATED FINANCIAL HIGHLIGHTS

In the FY ended March 31, 2017 (FY 2016), consolidated operating profit declined year on year due to factors such as a stronger yen but substantially outpaced our initial FY 2016 forecast owing to the market recovery in the Petrochemical Products Business.



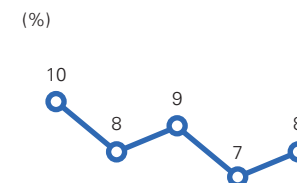
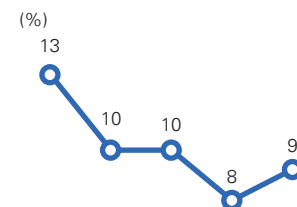
Consolidated net sales rose year on year on sales growth at the life sciences business as well as a second-half market price recovery and higher sales volumes at the elastomers business.

Consolidated net assets grew year on year on a ¥6.5 billion increase in shareholders' equity and a ¥6.1 billion increase in non-controlling interests. The equity ratio was 62.7%.

Consolidated operating profit fell year on year amid a stronger yen overall against the year-earlier level. In the plastics business, margin erosion reflected weaker product prices on lower raw materials prices, and in the display materials business, stiffer competition depressed product prices.

ROIC increased by 1.6 percentage point on factors such as an increase in profit attributable to owners of parent, despite continuing investment to capture growth opportunities.

ROE increased by 1.6 percentage point on factors such as an increase in profit attributable to owners of parent.



Note: FY means year ended March 31

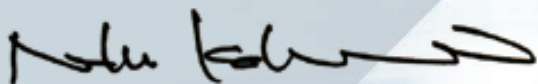
(FY) 2013 2014 2015 2016 2017

(FY) 2013 2014 2015 2016 2017

Our Strategy

A COURSE CHANGE TO REALIZE THE BUSINESS VISION

In a difficult business environment, JSR has identified growth opportunities in each business. We are examining and selecting areas for allocation of enterprise resources. Nevertheless, our business vision is unchanged, and we will steadily invest in growth opportunities to realize the vision.



MITSUBU (Nobu) KOSHIBA
Representative Director and President



Our Strategy

THE JSR VISION

The trends toward diversification and the formation of a multipolar world are expected to accelerate.

We see these environmental changes as opportunities to expand our corporate value through initiatives based on our business philosophy.

We will achieve sustainable growth to fulfill our responsibility to all our shareholders

JSR20i3
Phase I

Results of JSR 20i3

- Clarification of the strategy toward growth
- Decision of resource investment

JSR20i6
Phase II

Results of JSR 20i6

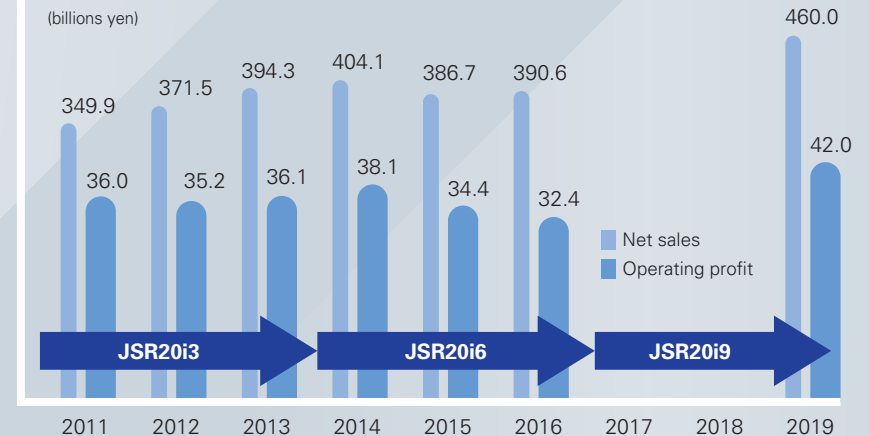
- Progress of globalization
- Restructuring of the Strategic Business and focusing on the Life Sciences Business

JSR20i9
Phase III

Strengthening Competitiveness for the Future

Mission of JSR 20i9

- Solid earnings growth by SSBR, semiconductors materials and the Life Sciences Business



* The "i" in "JSR20i6" (twenty-sixteen) emphasizes "Innovation" to realize materials innovation, which is the heart of our corporate mission.

Our Strategy TO OUR SHAREHOLDERS

Why did sales grow and operating profit decline at the consolidated level in FY 2016?

Sales growth at the elastomers business and life science business contributed to the increase in consolidated net sales. Margin erosion at the plastics business led to a decline in consolidated operating profit due to the impact of a stronger yen at the fine chemicals business and price declines on fiercer competition in display materials.

Key trends in FY ended March 31, 2017 in the JSR Group's main customer industries were as follows. While global production of automobiles and automobile tires were up slightly year on year, domestic tire production declined year on year. Semiconductor market demand grew, and panel production for the display market was robust. In foreign exchange, the yen strengthened against the year-earlier level.

In this business environment, net sales in the Petrochemical Products Business segment remained unchanged from previous year. At the elastomers business, an increase in exports and sharp volume growth in sales of Solution Polymerization Styrene-Butadiene Rubber (SSBR) for fuel-efficient tires supported year-on-year sales growth despite a sluggish elastomer products market, where there was no improvement in the supply-demand balance owing to elastomers oversupply in East Asia in the first half. In contrast, at the plastics business, sales fell year on year owing to the large impact of declines in product prices attendant with lower raw materials prices. Operating profit at the Petrochemical Products Business segment, by contrast, fell year on year. At the elastomers business, despite margin erosion in the first half on softer markets and a stronger yen, operating profit rose year on year on higher sales volumes and improved margins on rebounding markets in the second half. Yet operating profit fell year on year at the plastics business in response to the impact of margin erosion on product price declines stemming from lower raw materials prices.

At the Fine Chemicals and Other Products Business segment, sales volumes of semiconductor materials and display materials rose against the previous year on brisk demand trends in the semiconductor and display markets. In contrast, sales fell year on year at the



Our Strategy TO OUR SHAREHOLDERS

fine chemicals business owing to price declines on stiffer competition in some parts of the display materials market and a stronger yen. Yet, with sales increasing substantially at the life sciences business which is a new business mainstay of the JSR Group, net sales at the segment increased year on year. Operating profit at the segment fell from the previous year owing to the large impact of the sales decline at the fine chemicals business. Ordinary profit increased compared to the previous year owing mainly to a decrease in foreign exchange losses recorded at Group companies in the previous fiscal year. Profit attributable to owners of parent rose year on year due to the non-reoccurrence of impairment losses at Group companies recorded in the previous fiscal year as well as gains on the sale of investment securities and other factors.

For FY ended March 31, 2017, we reported net sales of ¥390,599 million (up 1.0% year on year), operating profit of ¥32,370 million (down 5.9% year on year), ordinary profit of ¥36,264 million (up 7.8% year on year) and profit attributable to owners of parent of ¥30,078 million (up 25.0% year on year).

What benefits were derived from JSR20i6?

The measures adopted at each business produced some results, although JSR20i6 targets were not attained.

We unfortunately failed to achieve the earnings targets in the JSR20i6 medium-term business plan.

At the elastomers business, the main reasons were delays in constructing a new SSBR plant in Thailand for fuel-efficient tires and margin erosion on weak market prices. Weak sales of general-use elastomers due to the shrinking domestic tire market also had a negative impact. At the display materials business, the main reasons were a decline in market share owing to fiercer competition in some parts of the market and a marked erosion in business profitability owing to product price declines.

The measures in each business, however, produced some results. At the elastomers business, the first-phase facility at the Thai SSBR plant continues to operate at a high utilization rate, and the second-phase facility began operations from October 2016 to respond

Our Strategy TO OUR SHAREHOLDERS

to further demand growth in the future. With the launch of operations at a plant under construction in Hungary scheduled for 2018, initiatives to construct a global production system have moved forward. In the plastics business, the JSR Group decided to partner with other companies and merge its resin businesses with theirs. The semiconductor materials business gained high shares in leading-edge materials for 14nm and 16nm processes, and JSR has set up a joint venture in Belgium to manufacture EUV resists which is expected to be used for commercial production of next-generation 7nm and sub-7nm processes. The display materials business is focusing on China, where production of LCD panels is growing, and JSR Micro (Changshu) Co., Ltd., set up as a local joint venture to manufacture LCD materials, is expected to commence operations in FY ending March 31, 2018.

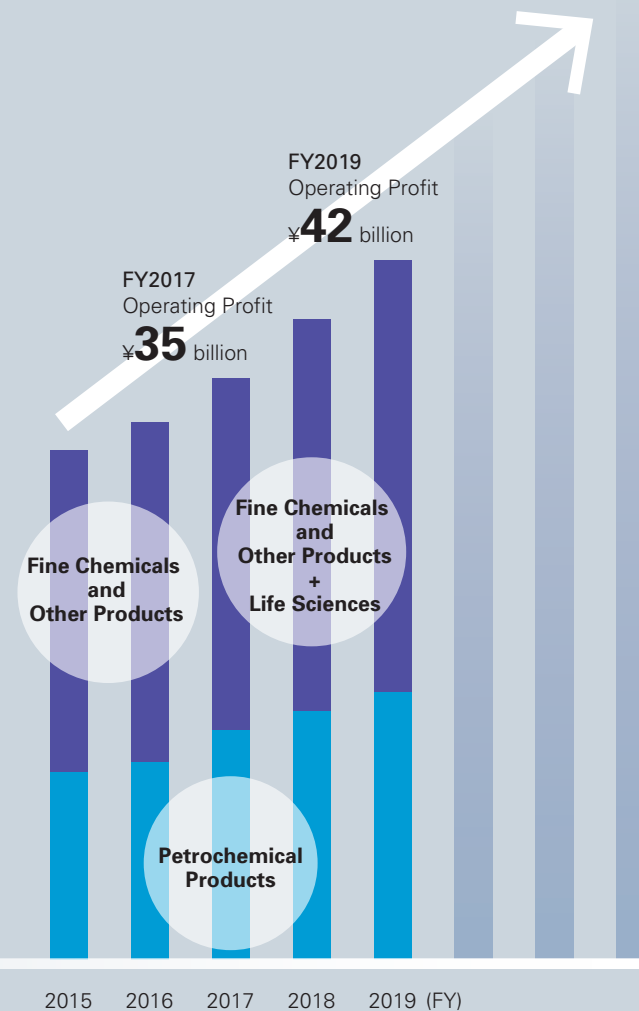
The life sciences business has expanded its business scale by consolidating US-based KBI Biopharma, Inc., a contract manufacturer that develops production processes for biopharmaceuticals, and Medical & Biological Laboratories Co., Ltd. as subsidiaries. Moreover, the JSR-Keio University Medical and Chemical Innovation Center (JKIC), under construction for a planned October 2017 opening, is to lead efforts at discovering future business themes.

How will JSR expand profits under JSR20i9, the new medium-term business plan?

Under JSR20i9, we expect three profit drivers, SSBR, the semiconductor materials business, and the life sciences business, to propel expansion.

We are strengthening our competitiveness for the future with the launch of JSR20i9, our new medium-term business plan in April 2017. The plan sets targets for sales of ¥460 billion, operating profit of ¥42 billion, and ROE of 8% or higher (the effect of merger of our plastics business with those of other resin makers is still a work in progress, and is not included in our earnings targets).

For the elastomers business, we will expand SSBR sales in the global market. The plastics business will seek to expand sales overseas based on a merger of our resin business with those of partners. The semiconductor materials business will look to maintain its high share in cutting-edge lithographic materials and expand sales by broadening its



Our Strategy TO OUR SHAREHOLDERS

product portfolio to include peripherals such as CMP materials, packaging materials, and cleaning solutions. The display materials business will seek to increase sales in China, where demand has risen considerably. The life sciences business will expand its operations, especially in fields relating to antibody drugs, which is expected to be a source of future growth.

As ways to harness digitalization, we strive to make large labor productivity gains by improving manufacturing efficiency via the adoption of ICT technologies such as IoT devices at plants and by substantially improving R&D efficiency via the deployment of artificial intelligence (AI) and robots. Looking ahead to the post-2020 era, we aim to further improve operational efficiency. At the same time, we will consider ways to build new business models and advance efforts to develop capable human resources that can move business models forward.

What is management's view on returning profits to shareholders?

We will continue to properly return profits to shareholders while balancing this against allocations to growth investments.

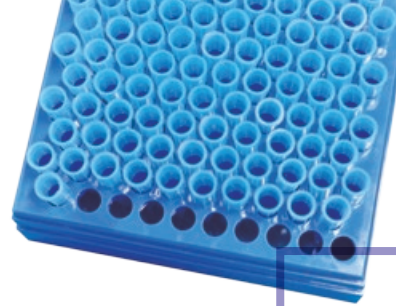
The JSR Group is working to strengthen R&D from a long-term perspective and strengthen its competitiveness by developing new businesses, reflecting our conviction that improving our earnings over the long haul is the most important issue for the Group. Regarding dividends, we take into account our earnings and medium- and long-term demand for funds, while paying continuous, stable cash dividends based on a consideration of how to balance returning profits to shareholders with retaining sufficient earnings for investments into the Group's future growth. Keeping in mind factors such as stock market conditions, the Group will consider share repurchases from an overall perspective as a way to return profits to shareholders. The Group allocates earnings it retains to a variety of investments linked to future growth businesses, contributing to increasing corporate value.

I request the continued support of our shareholders and investors in the years to come.



Creating Corporate Value

The three strategic domains for JSR Group are petrochemical products, fine chemicals, and life sciences. In each of these areas, we are developing business activities based on medium- and long-term perspectives.

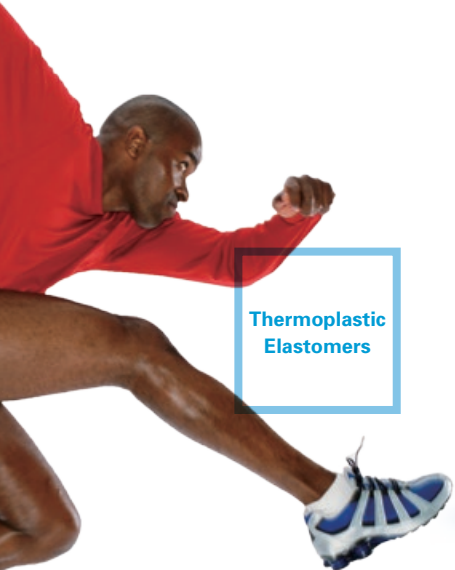


Bioprocess Materials

Display Materials



In Vitro Diagnostics and Life Science Research

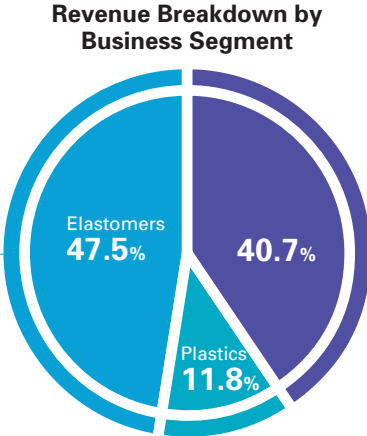


Thermoplastic Elastomers



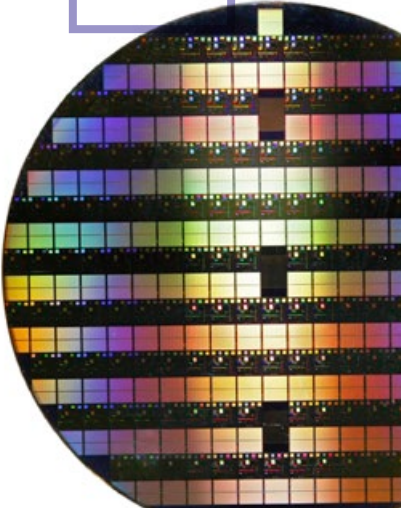
Elastomers

Petrochemical Products Business



Fine Chemicals and Other Products Business

Semiconductor Materials



Optical Materials

Plastics

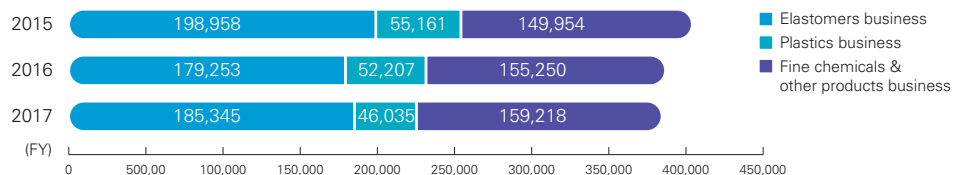


Emulsions



Creating Corporate Value AT A GLANCE

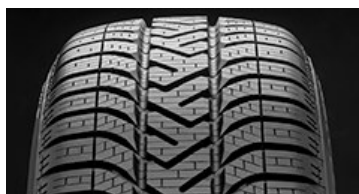
Sales at segments and key businesses (Millions of yen)



* Note: FY means year ended March 31

Petrochemical Products Business

Elastomers



General-Purpose Synthetic Rubbers

- Solution Polymerization Styrene-Butadiene Rubber (SSBR), Emulsion polymerization Styrene-Butadiene Rubber (ESBR)
- Polybutadiene Rubber (BR)

Special-Purpose Synthetic Rubbers

- Nitride Rubber (NBR), Butyl Rubber (IIR)
- Ethylene-Propylene Rubber (EPM/EPDM)

Thermoplastic Elastomers (TPEs)

- Syndiotactic 1, 2-Polybutadiene "JSR RB™"
- Hydrogenated polymer "JSR DYNARON™"
- Styrene-butadiene thermoplastic elastomers "JSR TR™"
- Styrene-isoprene thermoplastic elastomers "JSR SIS™," etc.

Emulsion Products

- Paper coating latex, SB latex, Acrylic emulsions, etc.

Performance Chemicals

- High-functional dispersant "DYNAFLOW™"
- Organic/Inorganic hybrid coating materials "GLASCA™"
- Battery materials
- Thermal management materials

Plastics



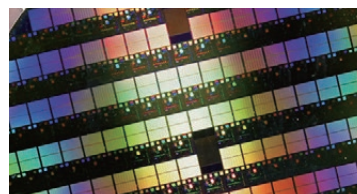
Styrenic Resins

- Acrylonitrile-Butadiene-Styrene (ABS) plastic
- Acrylonitrile-Ethylene-Propylene-Styrene (AES) plastic

Fine Chemicals and Other Products Business

Fine Chemicals

Semiconductor Materials



Lithography Materials

- Photoresists, multilayer materials, etc.

CMP (Chemical Mechanical Planarization) Materials

- CMP slurries and pads

Packaging Materials

- Thick-film photoresists, photosensitive insulation materials, etc.

Display Materials



LCD Materials

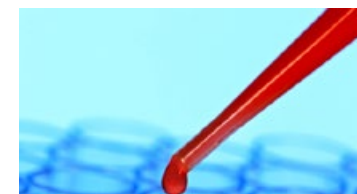
- Alignment films, protective coatings, color pigment dispersed resists, photosensitive spacers, etc.

New FPD Materials

- Optical coatings, OLED, etc.

Life Sciences and Others

Life Sciences Materials



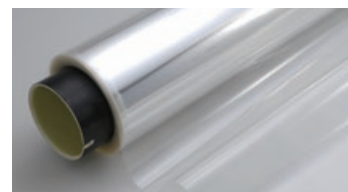
in-vitro Diagnostic and Research Reagents

- Beads for clinical diagnostics
- Research reagents
- Magnetic beads
- Size standard beads

Bioprocess Materials

- Protein A affinity material
- Ion-exchange material

Optical Materials



Precision Materials and Processing Business

- Heat-resistant transparent resin "ARTON™"
- ARTON™ optical films, etc.

Optical Materials

- High-performance UV curable resins, etc.

Lithium Ion Capacitors



Cells

- Laminate cell
- Prismatic cell

Modules

- Laminate cell module
- Prismatic cell module

Creating Corporate Value

Elastomers

Performance Overview

Net Sales

¥ **185.3** billion

↑ **+3.4%**

Operating Profit

¥ **8.3** billion

↑ **+11.3%**

- While automobile tire and automobile production grew mildly year on year at the global level, domestic automobile tire production fell against the previous year.
- Total elastomer sales volume increased year on year.
- Total elastomer sales also rose against the previous year on a large increase in SSBR sales volume reflecting export growth and a high operating rate at the first-phase plant producing SSBR at JSR BST Elastomer Co., Ltd. (JBE), the Thai joint venture.
- Despite tighter margins on a stronger yen and deterioration of market conditions in the first half, operating profit rose year on year on higher sales volumes and improved margins on the second-half market recovery.

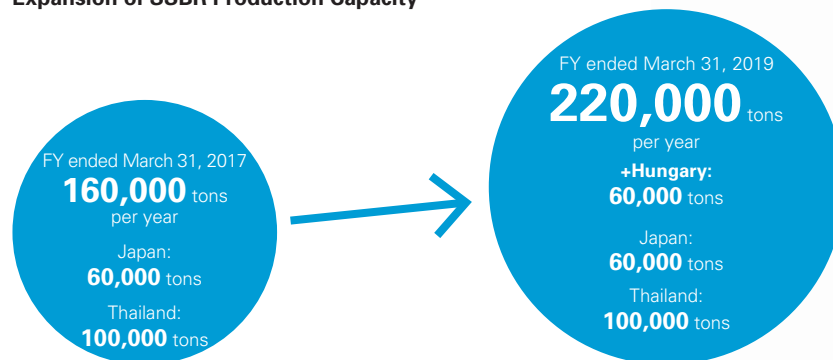
PETROCHEMICAL PRODUCTS BUSINESS

The SSBR Business Strategy

We expect annual average growth in global SSBR sales volume to be 6%-8% attendant with expanding demand for fuel-efficient tires due to growing environmental awareness. JSR's aggregate SSBR production capacity in Thailand and Japan is 160,000 tons at present. Moreover, a new plant in Hungary is to commence production in 2018, increasing JSR's capacity to 220,000 tons. Utilizing this capacity, we aim to expand sales volumes at over 10% per annum, outpacing overall market growth.

Also, we established JSR Elastomer Europe GmbH in Germany to reinforce the Group's sales bases in Europe, where SSBR demand will increase, and built a Tianjin technical center in China, where market needs exist. Although we are now introducing fourth-generation SSBR, we are also establishing the technology for a fifth-generation product. In addition, we are working to introduce a product for the high-volume segment with the aim of increasing JSR's global market share for SSBR.

Expansion of SSBR Production Capacity



Creating Corporate Value

PETROCHEMICAL PRODUCTS BUSINESS

Plastics

Performance Overview

Net Sales

¥46.0 billion

↓ -11.8%

Operating Profit

¥3.8 billion

↓ -26.2%

- Against a backdrop of steady global automobile production, total plastics sales volume grew year on year with sales volume for automobile applications increasing.
- Total plastics sales, however, fell year on year reflecting the large impact of product price declines due to a stronger yen and lower raw materials prices.
- Operating profit also plunged year on year on margin erosion reflecting the large impact of lower product prices.

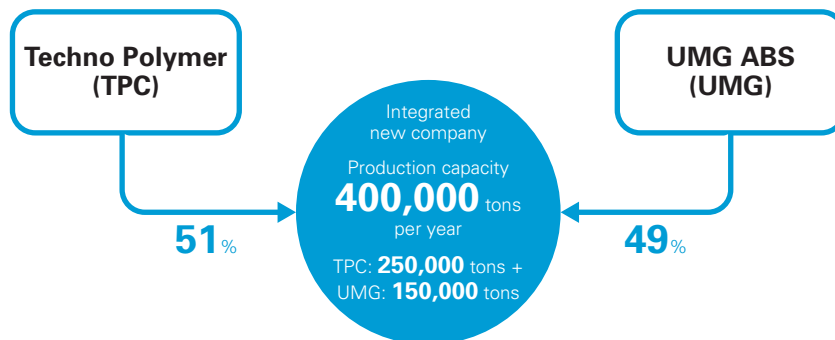
Preparing for a Leap Forward in Plastics

JSR, Ube Industries, and Mitsubishi Chemical are proceeding with integration of the ABS resin businesses of their respective resins subsidiaries through the merger of Techno Polymer, a wholly-owned subsidiary of JSR, and UMG ABS, in which Ube Industries and Mitsubishi Chemical each holds a 50% equity interest.

On March 30, 2017, the three companies signed an agreement to integrate the ABS resin businesses of Techno Polymer and UMG ABS and are to jointly operate the newly integrated company, with a scheduled effective date of October 1, 2017. Annual production capacity at the integrated new company will be 400,000 tons. In addition to improving manufacturing efficiencies and securing cost competitiveness so as to provide a stable product supply in Japan, the integrated new company will strive to expand sales in high-end markets overseas.



Overview of New Company



Creating Corporate Value

Performance Overview

Net Sales

¥ **159.2** billion
 ↑ +2.6%

Operating Profit

¥ **20.3** billion
 ↓ -7.1%

- Sales rose and operating profit decreased on price declines stemming from a stronger yen and fiercer competition in display materials.
- Sales at the life sciences business, a new business pillar, grew sharply.

Semiconductor Materials

Performance Overview

Net Sales

¥ **62.1** billion
 ↓ -0.7%

- Semiconductor demand grew steadily.
- Total semiconductor materials sales volume expanded, driven mainly by leading-edge photoresists.
- With the stronger yen having a large impact, total semiconductor materials sales declined year on year.

FINE CHEMICALS AND OTHER PRODUCTS BUSINESS

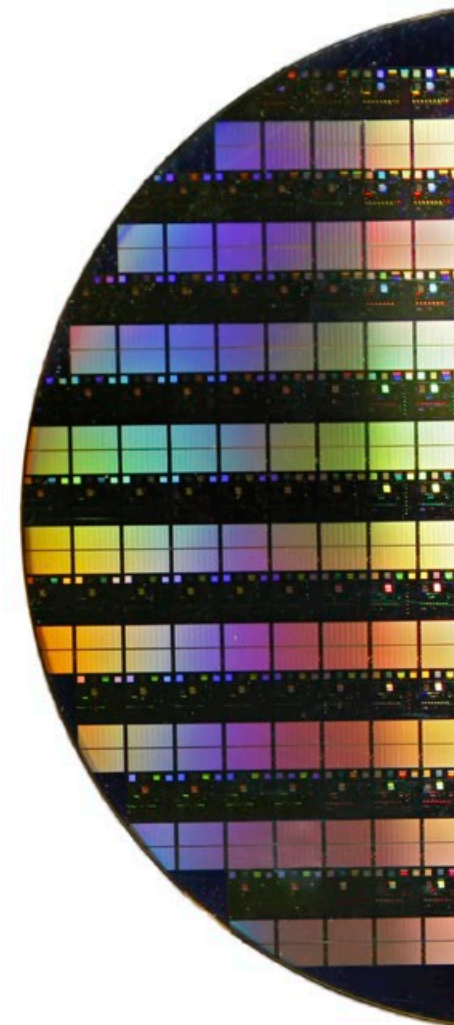
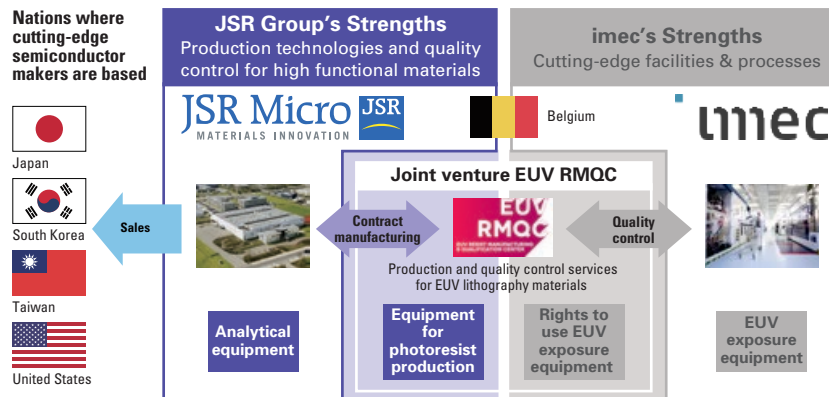
Preparing for Commercialization of EUV Resists

While remaining the market share leader in leading-edge lithography materials for 14nm and 16nm processes, JSR aims to secure commercial rights for 10nm generation patterns. Moreover, JSR seeks to be the first to mass produce EUV lithography materials for next-generation sub-7nm processes in an ongoing effort to expand sales as the industry frontrunner.

In March 2017, the EUV Resist Manufacturing & Qualification Center NV (EUV RMQC), a joint venture between JSR Micro NV, a leading materials company, and imec, the world-leading research and innovation hub in nanoelectronics and digital technology, announced the completion of a new manufacturing facility in Belgium, enabling manufacturing and quality control of EUV photoresists for the semiconductor industry. The new facility is equipped with four sizes of vessels in its clean-room environment and is run by a team of trained staff.

We are also working to expand sales of semiconductor peripheral materials such as CMP materials, cleaning solutions, and packaging materials, and with both lithography and peripheral materials, we strive to expand sales of a wide-range of semiconductor materials.

EUV Joint Venture: EUV Resist Manufacturing & Qualification Center N.V. (EUV RMQC)



Creating Corporate Value

FINE CHEMICALS AND OTHER PRODUCTS BUSINESS

Display Materials

Performance Overview

Net Sales

¥56.8 billion

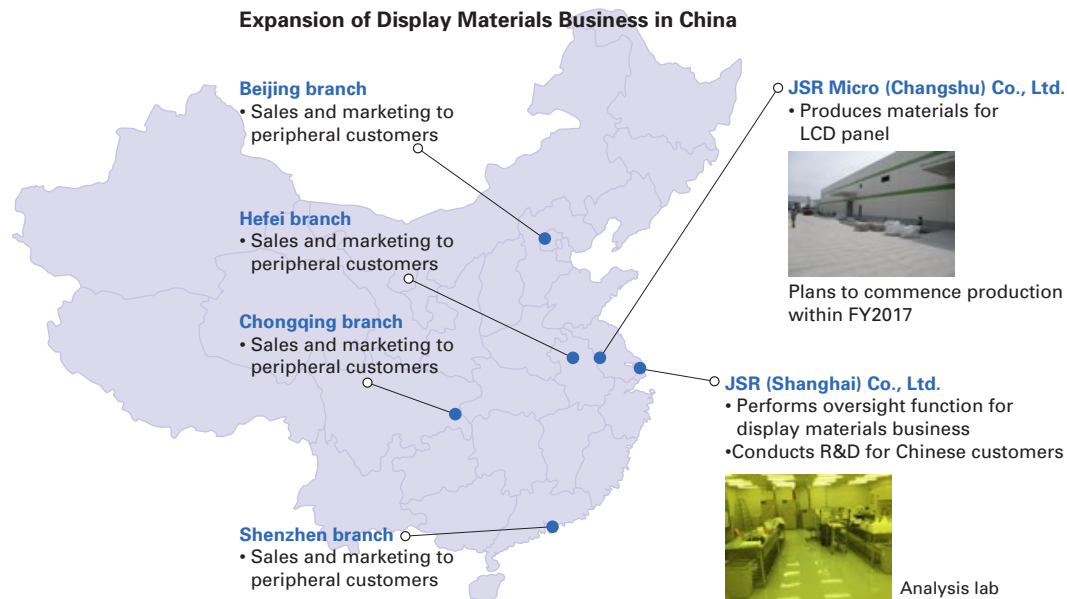
↓ -8.7%

- The trend in panel production was steady.
- Total display materials sales fell year on year on a stronger yen and selling price declines on stiffer materials market competition.

Development of the Display Business in the Chinese Market

JSR entered the Chinese market, where continued high growth is expected, ahead of competitors and will proceed steadily with sales expansion in China. Specifically, we are constructing a plant at JSR Micro (Changshu) Co., Ltd. (JMCH), a joint venture established in China to manufacture display materials, and plan to start operation in 2017. In response to the commoditization of liquid crystal panels, we are working to secure business profit through operational reforms and are pursuing expansion of the product line related to mobile products, from which continued growth can be expected. Furthermore, we will work to maintain profit from the business overall through drastic structural reform of operations at each production site and aim to continuously expand the product portfolio.

Expansion of Display Materials Business in China



Creating Corporate Value

Life Sciences Businesses

Performance Overview

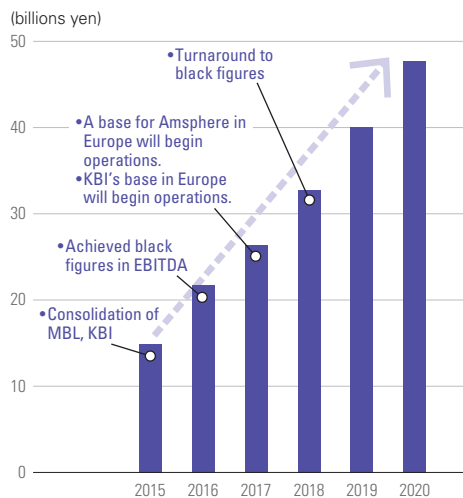
Net Sales


 ¥ **40.2** billion
+32.2%

- Sales grew sharply on sales growth at KBI Biopharma Inc. (KBI) and the conversion of MBL* into a consolidated subsidiary from second half of FY 2015.

* MEDICAL & BIOLOGICAL LABORATORIES CO., LTD.

Forecast of sales in the Life Science business



FINE CHEMICALS AND OTHER PRODUCTS BUSINESS

Life Sciences as a New Business Pillar

The Company will reposition its activities in the life sciences area, which has been positioned as a strategic business in the Fine Chemicals and Other Products Business segment, as a new pillar of the business portfolio comparable to the Fine Chemicals business. We focus on two fields: bioprocess fields and diagnostic and research reagent fields.

In the area of bioprocess materials, the Group will make efforts to increase KBI's contract development and manufacturing of biopharmaceuticals for which demand is growing year by year, in Europe as well as the United States. KBI invested \$30 million to expand its biopharmaceutical manufacturing capacity and capabilities, and it plans to commence commercial manufacturing in 2017. KBI's strong development capabilities and track record of success in clinical bulk drug substance manufacturing are the foundation for its expansion into commercial manufacturing. With these efforts, KBI is able to respond to a wide-range of customer needs from clinical tests to commercial production. KBI also plans to expand in Europe with the opening of an analytical services laboratory at JSR's subsidiary, JSR Micro NV, in Leuven, Belgium in the first quarter of 2018. This expansion will allow KBI to serve the European market with the high value analytical characterization and cGMP testing services which remain at the heart of KBI's business.

Also, we expanded production capacity of Amsphere A3 protein-A chromatography resin at JSR Micro NV to meet growing market demand. This expansion will effectively increase its production capacity by six times by the end of 2019.

The diagnostic intermediates business of J&W Beijing Biotech Co., Ltd. (J&W), a joint venture in China, is also progressing steadily.

In Japan, we are proceeding with construction of JSR-Keio University Medical and Chemical Innovation Center (JKiC), a joint research facility with Keio which is to open in October 2017. Through joint research conducted with Keio University School of Medicine and Keio University Hospital, where JKiC is sited, JSR will work to develop groundbreaking materials and products to support new medical fields.



Creating Corporate Value

R&D Structure



R&D POLICY AND ORGANIZATION

With deep expertise in its core polymer and precision manufacturing technologies, the JSR Group has widened the scope of its technological domains by integrating technologies from disparate fields such as photochemistry, inorganic chemistry, precision processing, and biotechnologies. On this basis, the Group has advanced R&D activities, and its accumulated efforts have enabled it to develop unique strengths relative to chemical companies worldwide, which is our driving force to expand superior materials and technologies globally.

The JSR Group's main R&D centers are located at Yokkaichi City in Mie Prefecture and Tsukuba City in Ibaraki Prefecture. There we carry out R&D activities aimed at tracking swiftly evolving societal needs such as the changes that are emanating from the digital revolution.

Our R&D mission can be broadly divided into three categories: "support research" for business domains we are developing; "next-generation technology research" such as novel and application research for peripheral fields; and "seeds research" such as R&D for cutting-edge materials that will be necessary in the future. In promoting research, we highly value the close linkages in the Group's value chain from market development to process development and manufacturing technology development, extending out to manufacturing, sales, and distribution. In our "support research", we bring together our businesses and R&D in ways that enable our researchers to directly contact customers to delve deeper into customers' needs. Moreover, we are enhancing technical services in a number of countries and constructing a system capable of providing global and timely support for customer's businesses promotion.

For next-generation technology and seed research, it is necessary for R&D to anticipate latent market needs. Particularly in the case of new R&D fields, we promote open innovation such as joint research with universities and research institutions in Japan and overseas. We have established the JSR-Keio University Medical and Chemical Innovation Center (JKiC), a joint research facility on Keio University's Shinanomachi campus, which is to open in October 2017.

We will create innovation through investigating the wholly novel concept of fusing medicine and chemistry, which will lead to establish practical technologies that contribute to global society with people living long and healthy lives.

Creating Sustainable Value

JSR aims to become a corporate group that is essential to a wide range of stakeholders from its ability to create useful new value through its business activities. We will achieve this by integrating management based on our business philosophy with CSR as an indicator of the appropriateness of our business activities.



Corporate Mission and CSR

By integrating business management with CSR, we will generate profit for society and JSR Group.

We will also contribute to the creation of a sustainable society.

Corporate Mission

Materials Innovation

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

Management Policies

—Fundamental Pillars of Management

- Continuous creation of businesses
- Enhancement of corporate culture
- Increase in corporate value

Management Policies

—Responsibility to our Stakeholders

- Responsibility to our customers / business partners
- Responsibility to our employees
- Responsibility to society
- Responsibility to shareholders

Course of Action (4Cs)

- Challenge
- Communication
- Collaboration
- Cultivation

Key Social Priorities and Issues

Energy, resources, water, food, biodiversity, disaster prevention and safety, aging society, climate change, human rights, U.N. Global Compact, U.N. Sustainable Development Goals (SDGs)

Business Strategy

JSR 20i9
Materials Innovation

To respond to social priorities through business activities based on our corporate philosophy, management policies and medium-term management plan (April 2017–March 2020)

JSR 20i6
Materials Innovation

We will base our business activities on specific priorities leading to the realization of our vision for 2020.

Business Base

A business base is essential to the realization of our strategies and corporate management.

Defensive CSR

A foundation for sustainable business activities

Proactive CSR

We aim to respond to society's needs through our business activities.

Petrochemical Products Business

We will globally market products that offer new value in response to the needs of society and markets, such as Solution Polymerization SBR (SSBR).

Fine Chemicals Business

By taking JSR's advanced technologies global, we will help support the further growth of digital industries while contributing to the quality of the IT society and social convenience.

Life Science Business

The environment and aging are both major areas of social concern. By combining its materials and technologies to create solutions for these problems, JSR aims to contribute to the creation of a society in which people can enjoy healthy, fulfilling lives while using energy in environmentally responsible ways.

Supply Chain Management

We work to improve value across entire supply chains by establishing standards for CSR initiatives and other actions by suppliers, as part of our efforts to ensure that our customers are reliably supplied with quality products.

Voluntary Environmental, Health and Safety Activities (Responsible Care)

Initiatives by chemical manufacturers to protect the environment and the safety and health of all stakeholders

Compliance

We will maintain our status as a trusted company by complying with rules and moral standards.

Governance

The aim of our management policies is to maintain the value of JSR for society and a wide spectrum of stakeholders.

Human Rights

As a company with a presence in society, we will always consider and respect the individuality of all stakeholders.

E2 Initiative™
Keeping them foremost in mind to qualify our products for environmental labeling

CONTRIBUTING TO SOCIETY THROUGH MATERIALS INNOVATION

JSR Group practices a unique brand of CSR. For us, what CSR means is becoming a company that continuously grows while contributing to society through the provision of essential materials and that discharges its responsibilities to stakeholders in accordance with the Corporate Mission.

CSR Management

CSR Advancement Structure

JSR promotes CSR through a system of committees and the CSR Department, established to reinforce CSR-related initiatives. There are four committees that function under the supervision of the CSR Committee: the Corporate Ethics Committee, which implements corporate ethics standards and works to prevent improper actions throughout the Group; the Responsible Care Committee, which works to realize a sustainable society through the implementation of initiatives that safeguard the environment, health, and safety; the Risk Management Committee, which seeks to further strengthen the Group's risk management system; and the Social Contribution Committee, which devises and promotes activities to help the Group make a contribution to society.

Compliance

JSR Group's concept of legal compliance is grounded in the principle of ethical action based on compliance with the law. The Corporate Ethics Committee promotes activities to encourage employees to maintain high ethical standards and act with fairness and integrity. We conduct a Corporate Ethics Awareness Survey at business sites in Japan and overseas to ascertain the state of awareness of corporate ethics among employees and identify issues and we prepare a follow-up plan to address any issues identified in the survey. To strengthen compliance, in April 2013 we prepared the Compliance Handbook containing key points concerning laws and regulations to be observed and distributed to all employees in Japan. JSR has

issued compliance handbooks based on regulations in South Korea and China and distributed to JSR Group companies in South Korea and China. Our compliance with South Korean and Chinese rules and regulations is comprehensive and rigorous.

Risk Management

JSR Group considers preventing major crises from occurring and minimizing the effects of crises on business activities as an important management priority and engages in risk management activities. Using an independently developed system, each division and Group company periodically identifies, assesses, and formulates countermeasures against a wide range of risks, including explosion, fire, major earthquake, and pandemic outbreak. We designate particularly serious risks as "major company-wide risks," and the Risk Management Committee and the CSR Committee manage improvement in risk management. JSR holds crisis management training once a year, and in the event of an emergency, our president directs the emergency headquarters. In FY ended March 2017, the annual crisis management training was held assuming that a Tonankai earthquake (a large-scale earthquake centered on the Nankai Trough) occurred and caused big damage in the Chukyo area where JSR's Yokkaichi Plant is located. We also held our first-ever information security training event as a crisis management exercise premised on an accident caused by an information leak. JSR will continue to prepare through various forms of training to ensure safety, reduce damage and keep our businesses running in the event of a serious crisis.

Creating Sustainable Value

CONTRIBUTING TO SOCIETY THROUGH MATERIALS INNOVATION

Responsibility to Our Stakeholders

JSR's Group's essential elements include values to be shared among all JSR employees for them to act responsibly with confidence towards all stakeholders. For JSR, the term "stakeholder" refers to all customers and business partners, employees, society, and shareholders.

Responsibility to Customers and Business Partners

We believe that JSR Group's most important role is to offer innovative materials and excellent products that meet customer needs and contribute to a better society. We devote effort to initiatives to ensure the quality and safety of our products so that our customers can use them in relief. These efforts have been recognized, and we have received top-rank supplier awards from global customers.

Responsibility to Our Employees

JSR Group develops mechanisms and fosters a corporate culture that enables all employees to accurately recognize and solve issues and maintains and enhances organizational capabilities. Moreover, we encourage whole new ways of working and are directing our energies into initiatives to improve labor productivity. On a different front, we have put the JSR Group global personnel system into place and pursue personnel development and management at the Group and global levels. Throughout JSR Group, synergies are generated through the contributions of a diverse workforce.

Responsibility to Society

JSR Group engages in responsible care management including the creation of highly trustworthy business sites and initiatives to reduce environmental impacts. We also engage in activities that contribute to the development of a sustainable society, such as

promoting biodiversity, factoring in natural capital considerations, and supporting socially beneficial activities.

Responsibility to Shareholders

Through investor relations activities, we strive to promptly and accurately communicate to shareholders and investors information about the business situation and our corporate policies. We hold the Ordinary General Meeting of Shareholders at an early date, promptly send the notice of convocation to shareholders, enable the exercise of voting rights via the internet, and take other measures to ensure smooth exercise of voting rights by shareholders. We hold quarterly results briefings, seminars for institutional investors and analysts, and technical seminars (JSR Tech Seminars) and promote wide-ranging, two-way communication.

Aiming to increase corporate value by creating business opportunities through materials

- Constantly enhancing its management efficiencies
- Inspiring trust by being highly transparent and conducting sound corporate management practices
- In April 2009, JSR Group became a participant in the United Nations Global Compact. Amid growing calls for corporate social responsibility, the Global Compact enables companies that operate on a worldwide level to declare their commitment to observing the Compact's ten principles. The principles include human rights, labor, the environment, and anti-corruption. Having declared its participation in the Global Compact and its commitment to act responsibly as a member of the international community, JSR Group will work even harder to actively fulfill its social responsibilities.

Creating Sustainable Value

CONTRIBUTING TO SOCIETY THROUGH MATERIALS INNOVATION

JSR Recognized Internationally for Inclusions in Socially Responsible Investment Approaches

JSR has been selected for inclusion in international indices and investment universes for socially responsible investment (SRI).

Our selection proves that our corporate activities are highly valued around the world, and is a testament to our value.

JSR has also been selected for inclusion in the Global Compact 100.

In 2016, JSR was named one of the top 100 sustainable companies in Asia, according to the Channel NewsAsia 2016 Sustainability Ranking by the Asian television news channel and its partners.

Recognition for Socially Responsible Investment

**FTSE4Good (U.K.)**

We have been listed in the FTSE4Good Index Series since 2004.

**EURONEXT Vigeo Eiris World 120 (France)**

We were selected as one of the top 120 global companies included in the Euronext Vigeo Eiris World 120 Index.

**ETHIBEL PIONEER & EXCELLENCE Investment Registers (Belgium)**

We have been reconferred for inclusion in the Ethibel Pioneer & Excellence Investment Registers since June 2017.

**MS-SRI (Japan)***
(January 4, 2017)

We have been selected as a member of the Morningstar Socially Responsible Investment Index, Japan's major SRI index, since 2009.

**SNAM Sustainability Index (Japan)**

We were selected for inclusion in the SNAM Sustainability Investment Fund as a company that Sompo Japan Nipponkoa Asset Management (SNAM) evaluates highly on environment, social and governance (ESG).

**NADESHIKO Brand (Japan)**

We were selected for a second successive year for excellence in promoting women's workplace success in a program organized by the Japanese Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange.

**Next Generation Certification Mark "Kurumin" (Japan)**

The Kurumin logo is an accreditation for raising the next generation awarded by the Ministry of Health, Labour and Welfare (MHLW) to companies that support parenting.

**Health and Productivity Management program 2017 "White 500" (Japan)**

We were recognized as a company demonstrating outstanding health and productivity management by the Ministry of Economy, Trade and Industry (METI) and Nippon Kenko Kaigi.

* The Morningstar Socially Responsible Investment Index comprises 150 companies selected from among listed companies in Japan by assessing their social responsibility. This index does not guarantee future performance, accuracy, completeness, etc. Morningstar Japan K.K. and Morningstar, Inc. shall not bear any responsibility for damage that might result from use of the index. Copyright and all other rights rest with Morningstar Japan K.K. and Morningstar, Inc. Copies, reproductions, and citations without permission are prohibited.

Creating Sustainable Value

CORPORATE GOVERNANCE SYSTEM

Aiming to Maintain a Trusted, Appealing Corporate Structure

JSR is constantly improving its system of corporate governance with the aim of obtaining the trust of shareholders and all other stakeholders and building an appealing corporate structure. We will strengthen and enhance our corporate governance to ensure that management processes are implemented fairly, transparently and promptly, by implementing initiatives targeting each of the items required under the corporate governance code.

Target Period: April 1, 2016—March 31, 2017
(Some parts include activities and initiatives conducted since April 2017)

Strengthening Corporate Governance

2011

- Appointment of two independent outside directors to its Board of Directors consisting of six directors in total

2012

- Appointment of three independent outside directors to its Board of Directors consisting of eight directors in total
- Establishment of the Remuneration Advisory Committee, with participation by independent outside directors

2014

- Appointment of three independent outside directors to its Board of Directors, consisting of seven directors in total and appointment of two independent outside Audit & Supervisory Board (ASB) members to its Audit & Supervisory Board, consisting of three members in total

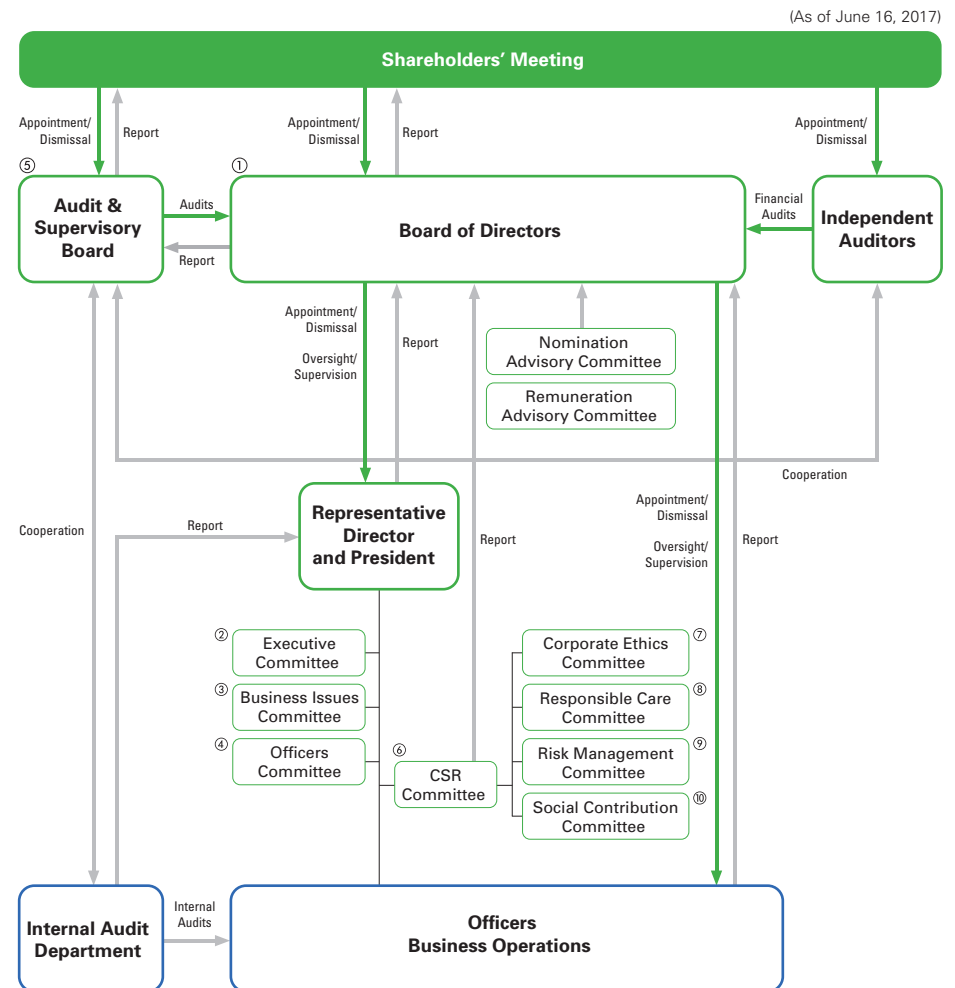
2015

- Establishment of Nomination Advisory Committee, of which a majority of members are independent outside directors and of which the chair is an independent outside director to ensure the transparency of the policies and procedures for nominating candidates for directors and Audit & Supervisory Board members.

- Enhancement of functions of Remuneration Advisory Committee of which a majority of members are independent outside directors and of which the chair is an independent outside director to further ensure the objectivity and transparency of the remuneration scheme for directors, ASB members and officers.
- Introduction of medium-term performance-based bonuses by using three years average of the consolidated ROE as performance evaluation reference.
- Disclosure of policies for cross shareholding, policies and procedures for nominating candidates for directors and Audit & Supervisory Board members, policies and procedures to determine remuneration for directors, and JSR's own criteria for judging independence for outside directors and Audit & Supervisory Board members

2016

- Implementation of an evaluation of effectiveness of the Board of Directors, with assistance from an external consultant. The Company acknowledged that the Board of Directors is managed in an effective and appropriate manner after reviewing the size, composition, and specific operating policies etc. thereof.



Directors and Audit & Supervisory Board Member

(As of March 31, 2017)

Chairman of the Board

Hozumi Sato

Representative Director and President

Mitsunobu Koshiba

Representative Director

Kouichi Kawasaki

Director

Nobuo Kawahashi

Takao Shimizu

Standing Audit & Supervisory

Board Member

Atsushi Kumano

Independent Outside Director

Kazunori Yagi

Yuzuru Matsuda

Shiro Sugata

Independent Outside Audit & Supervisory

Board Member

Hiroichi Uekusa

Hisako Kato

Officer System

Clear segregation of the management and business execution functions

JSR has introduced an officer system to separate company-wide management monitoring by directors and business execution by officers. The system accelerates decision-making from the functions of business execution by directors and officers, respectively, and also strengthens the supervisory function of directors and clarifies roles and responsibilities.

Audit System

Enhancement of the management monitoring function and assurance of transparency

Under the Company's audit system, business execution audits and account audits make significant contributions to fair, transparent, and timely management. Business audits cover the execution of duties by directors, and account audits cover financial statements submitted at Ordinary General Meetings of Shareholders. In order to further enhance monitoring and checking functions of its Audit & Supervisory Board, the Company appoints independent attorney and certified public accountant as independent outside Audit & Supervisory Board member.

Internal Control System

Efforts to ensure the effectiveness of and improve internal controls
In accordance with the Companies Act of Japan, JSR Group has established a basic policy governing its internal control system. Guided by this policy, the Company works to strengthen and augment its internal controls. The Internal Audit Department systematically audits business execution and compliance systems in each division and Group company, and confirms that rigorous legal compliance is observed throughout the Group.

(1) Board of Directors

Management decisions that reflect outside opinions

The Board of Directors discusses and makes decisions on important business matters, and also supervises directors and officers' execution of business duties. The Board holds meetings monthly, in principle. It also includes three independent outside directors who, together with three Audit & Supervisory Board members (including two independent outside ones), engage in robust exchanges of opinions at Board meetings. By introducing independent and neutral outside directors with extensive business experience, we seek to reinforce the appropriateness of judgments made by management and monitor the legality of their execution of duties.

Independent Outside Directors (As of March 31, 2017)

The Company has appointed three independent outside directors in order to further reinforce the monitoring function of the Board of Directors. By welcoming independent outside directors with extensive experience and highly impartial, neutral perspectives, we ensure more appropriate management decision-making and reinforce our ability to monitor the legality of business execution.

Kazunori Yagi

Mr. Kazunori Yagi served as Director and Executive Managing Officer at Yokogawa Electric Corporation, and subsequently also served as advisor at the same company. He has vast experience in the corporate management of global companies especially in the field of control systems and measurement devices, and possesses the independent perspectives as outside personnel. He has contributed his experiences and independent viewpoints to help the Company in making crucial decisions, to supervise the Company at the Board level, and to strengthen the Company's fair corporate governance through enhancing fair and reasonable business judgment and transparent and sound management. He is therefore nominated again for the year starting from June 17, 2016.

**Major activities in the year under review**

Mr. Yagi participated in all 17 meetings of the Board of Directors held during the year under review, at which he contributed amply to fair and reasonable management decisions and transparent and sound management by addressing the Board as appropriate concerning matters under discussion. Mr. Yagi brought to the Board an independent outside perspective based on his extensive experience in the management of a company that operates an international business in control systems and measurement instruments.

Yuzuru Matsuda

Mr. Yuzuru Matsuda served as the President and Chief Officer of KYOWA HAKKO KOGYO CO., LTD. and Kyowa Hakko Kirin, Co., Ltd. He has vast experience in corporate management for global companies especially in the field of medical products and biochemical. He also possesses an independent perspective as a non-employee. He has utilized his experiences and independent viewpoints to help the Company in making crucial decisions, to supervise the Company at the Board level, and to strengthen the Company's fair corporate governance through enhancing fair and reasonable business judgment and transparent and sound management. He is therefore nominated again as a candidate for Independent Outside Director.

**Major activities in the year under review**

Mr. Matsuda participated in all 17 meetings of the Board of Directors held during the year under review. Mr. Matsuda draws on his vast experience as a corporate executive responsible for international operations in prescription drugs and biochemicals as well as his independent outside perspective to address the Board as appropriate concerning matters under discussion, and by ensuring fair and reasonable judgment is brought to bear in the service of transparent and sound management, he contributes to continuous improvement of corporate value.

Shiro Sugata

Mr. Shiro Sugata served as the Representative Director and President of USHIO INC., where he currently serves as the Director and Advisor. He also serves as Vice Chairman, Executive Director at the Japan Association of Corporate Executives. He has vast experience in the corporate management of global companies especially in the field of optical



application products and industrial machineries and also has experience obtained through activities in the business community, and possesses the perspectives as an independent outside personnel. He has utilized his experiences and independent viewpoints to help the Company in making crucial decisions, to supervise the Company at the Board level, and to strengthen the Company's fair corporate governance through enhancing the fair and reasonable business judgment and transparent and sound management. He is therefore nominated as a candidate for Independent Outside Director.

Major activities in the year under review

Mr. Sugata participated in all 13 meetings of the Board of Directors held after his appointment as director. Mr. Sugata draws on his vast experience as a corporate executive responsible for international operations in optical application devices, industrial-use machinery and other areas and as a corporate representative at industry organizations as well as his independent outside perspective to address the Board as appropriate concerning matters under discussion, and by ensuring fair and reasonable judgment is brought to bear in the service of transparent and sound management, he contributes to continuous improvement of corporate value.

(2) Executive Committee

Rapid response to changes in the business environment

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

This committee is made up of the president, officers with directorship status, and officers appointed by the president, and responds to important business execution with the aim to expedite decision-making and improve the efficiency of such operations. As a rule, this committee meets once a week, and is chaired by the

president. The standing Audit & Supervisory Board member also attends these committee meetings.

(3) Business Issues Committee

Review of policies and strategies for individual projects

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

(4) Officers Committee

Sharing of information on business conditions and issues

The Officers Committee is held in order to share information from all departments concerning the execution of business activities, to ensure members' thorough understanding of important business matters and to enhance their communications. This committee consists of the president, senior officers, officers and a standing Audit & Supervisory Board member, except overseas representatives. As a rule, this committee meets twice a month and is chaired by the president.

(5) Audit & Supervisory Board

Auditing by specialists in an independent position

The Audit & Supervisory Board meets every month as stipulated in the regulations governing this body. The Audit & Supervisory Board receive reports on important matters, hold discussions, and make decisions.

In accordance with standards for audits by the Audit & Supervisory Board members of the Company, the Audit & Supervisory Board members attend meetings of the Board of Directors, and the standing corporate auditor attends the Executive Committee and other important committee meetings to monitor how important decisions are reached and business activities

Creating Sustainable Value

CORPORATE GOVERNANCE SYSTEM

are executed. The Audit & Supervisory Board members also receive reports from the independent auditors, directors, and others. Through these activities, the Audit & Supervisory Board holds deliberations in order to form auditing opinions.

Independent Outside Audit & Supervisory Board Members

To ensure the fairness and transparency of management, the Company appoints one standing Audit & Supervisory Board member, as well as two independent outside Audit & Supervisory Board members. The independent outside Audit & Supervisory Board members have no personal, financial, or business interests in the Company. They are called upon to ensure the sound governance of the Company while drawing on their respective careers.

Hiroichi Uekusa

Hiroichi Uekusa has vast experience as a lawyer and does not concurrently hold the position of director in another company. Mr. Uekusa contributes to ensuring reasonable judgments by management, as well as management transparency and soundness by auditing the Company from a position of independence while drawing on the extensive knowledge and experience in legal matters he possesses as an attorney.



Major activities in the year under review

Mr. Uekusa attended all 17 meetings of the Board of Directors and all 17 meetings of the Audit & Supervisory Board held during the year under review. He contributed amply to the auditing of the Company and to fair and reasonable management decisions and transparent and sound management by addressing the Board of Directors and the Audit & Supervisory Board as appropriate concerning matters under discussion. Mr. Uekusa brought to both boards an independent outside perspective based on his extensive experience as an attorney at law and his expert knowledge in a broad range of legal matters.

Hisako Kato

Hisako Kato as a Certified Public Accountant both in Japan and U.S. and a Certified Tax Accountant greatly contributes to further enhance its corporate governance by providing fair and reasonable judgment for and accountable and sound management of the businesses of the Company through utilization of her range of professional knowledge and vast experience on accounting and tax matters, as well as independent and neutral view point as an independent outside member.



Major activities in the year under review

Ms. Kato attended all 17 meetings of the Board of Directors and all 17 meetings of the Audit & Supervisory Board held during the year under review. She contributed amply to the auditing of the Company and to fair and reasonable management decisions and transparent and sound management by addressing the Board of Directors and the Audit & Supervisory Board as appropriate concerning matters under discussion. Ms. Kato brought to both boards an independent outside perspective based on her extensive experience as a certified public accountant, certified public tax accountant and her expert knowledge in a broad range of finance and accounting.

(6) CSR Committee

Implementation of CSR activities and rigorous compliance

The CSR Committee was established to ensure that JSR fulfills its responsibilities to society and complies with laws and regulations. Under the CSR Committee, four committees were established: the Corporate Ethics Committee, the Responsible Care Committee, the Risk Management Committee, and the Social Contribution Committee. The CSR Committee integrates and guides the activities of the above four committees and meets four times each year along with special meetings as necessary to further strengthen the

Company's CSR efforts.

The CSR Committee is chaired by the officer responsible for CSR and consists of officers responsible for manufacturing, manufacturing technology, environment & safety, R&D, human resources development, accounting & financing, corporate planning, corporate communication, legal, general affairs, petrochemicals businesses, fine businesses and life sciences businesses and secretaries of the four committees listed above also attend meetings of the CSR Committee. The Committee clarifies the Company's stance toward CSR and works to strengthen CSR efforts at JSR.

(7) Corporate Ethics Committee

Promotion of ethical business activities group-wide

The Corporate Ethics Committee, chaired by the officer in charge of general affairs, was established under the CSR Committee to implement corporate ethics standards and prevent improper actions throughout JSR Group. JSR Group Principles of Corporate Ethics have been prepared to provide a code of conduct for executives and employees. It is also prepared in Traditional Chinese, Thai, and Korean, in addition to English and Simplified Chinese, so that Group employees all over the world can become better acquainted with the principles. As for the reporting system, along with the internal hotline linked to the Corporate Ethics Committee and the external hotline linked to an external attorney, JSR introduced a hotline that is linked to a specialized external agency and is also available in English, Chinese, Korean and Thai.

(8) Responsible Care Committee

Working to enhance safety, the environment, and quality

JSR conducts a responsible care program to fulfill its obligations to achieve sustainable development. The Responsible Care Committee was established under the CSR Committee to ensure that responsible care activities are conducted effectively across the entire company. The committee is chaired by the officer for safety and environmental affairs, demonstrating responsible care

position as a core component of JSR's management. This committee approves responsible care plans, evaluates and verifies results of activities, and helps to maintain and upgrade JSR's programs to eliminate accidents, reduce environmental impact, manage chemical substances, and ensure safety of products. Details and results of responsible care activities are disclosed through the CSR report and responsible care reports prepared by Yokkaichi plant.

The CSR report is audited by a third party to improve the reliability and transparency of the content. Through these activities, the committee is dedicated to winning greater trust from customers and addressing any concerns among residents in the neighborhoods of JSR's facilities.

To make the information widely available, the CSR Report is posted on the JSR website (http://www.jsr.co.jp/jsr_e/csr/).

(9) Risk Management Committee

Further strengthening risk management systems

JSR places strong management priority on preventing serious crises from occurring and on minimizing the impact of crises that do occur on its business activities. To this end, the Company established the Risk Management Committee under the CSR Committee, with the officer responsible for corporate planning as chair. The committee decides policies and plans in response to crises, both present and potential, and promotes continuous improvement.

(10) Social Contribution Committee

Examining and promoting socially beneficial activities

The Social Contribution Committee was established under the CSR Committee and is chaired by the officer responsible for corporate communications. JSR has been involved in many activities that contribute to society at the local level. JSR will expand its activities to cover the whole society and provide more active approaches. The Social Contribution Committee studies the formulation of new programs and pursues initiatives according to its "Basic Approach to Social Contribution," published in January 2009.

Status of Internal Audit, Audits by Audit & Supervisory Board Members and Financial Audits

Management oversight from various perspectives

JSR has adopted the Audit & Supervisory Board member system. There are three Audit & Supervisory Board members, including two from the outside JSR Group. The two outside members are independent. Audits are performed as described in the section concerning the Audit & Supervisory Board.

The Audit & Supervisory Board members work closely with the independent auditors. The Audit & Supervisory Board members receive reports on the financial accountant's audit plan and audit results. Furthermore, the Audit & Supervisory Board members and financial accountants exchange information and opinions as necessary in the course of each fiscal year. The internal audit is conducted by the Internal Audit Department as a specialized internal auditing unit. The Audit & Supervisory Board members receive reports on the audit plan and audit results from the Internal Audit Department regularly, exchange opinions, and enhance the auditing system.

Nomination

Deliberation on nominations for corporate officers by the Nomination Advisory Committee

JSR established the Nomination Advisory Committee of which a majority of members are independent outside directors to ensure the transparency of the policies and procedures for nominating candidates for directors and Audit & Supervisory Board members. The committee deliberates criteria for ensuring the diversity in breadth of knowledge, experience, and capability as well as the size necessary for the Board of Directors, criteria and procedures for nomination, and candidates for future president, directors, officers with directorship status (including senior officers), and Audit & Supervisory Board members, and submits its findings to the Board of Directors.

Remuneration

Deliberation on remuneration for corporate officers by the Remuneration Advisory Committee

Reflecting the remuneration policies of the Company to ensure continuous and sustainable growth towards further improvement in corporate value by motivating its directors while maintaining transparency and accountability vis-a-vis its shareholders, remuneration for Company directors consist of, each being within the maximum amount approved at the General Meeting of Shareholders, basic fixed remuneration, annual bonuses linked to the consolidated annual performance, medium-term performance bonuses linked to the level of achievement of medium-term business targets, and restricted stock shares designed to facilitate sharing of value between directors and the shareholders of the Company.

The remuneration for independent outside directors and Audit & Supervisory Board members are only the basic fixed remunerations in light of their respective rolls.

In FY ended March 31, 2017, the amount of remuneration paid to its directors including those for independent outside directors was ¥316 million in aggregate while those for the Audit & Supervisory Board members amounted for ¥45 million in total.

The Remuneration Advisory Committee, of which a majority of members are independent outside directors and of which the chair is an independent outside director, report to the Board of Directors on policies, structure, appropriateness of the amount for the remuneration in order to secure objectivity, transparency and accountability.

Creating Sustainable Value

DIRECTORS, AUDIT & SUPERVISORY BOARD MEMBERS, AND OFFICERS

(As of June 16, 2017)

Directors and Audit & Supervisory Board Members



Representative Director and President
Mitsunobu Koshiba



Representative Director
Koichi Kawasaki



Director
Nobuo Kawahashi



Director
Takao Shimizu



Standing Audit & Supervisory Board Member
Atsushi Kumano



Outside Director
Yuzuru Matsuda



Outside Director
Shiro Sugata



Outside Director
Tadayuki Seki



Outside Audit & Supervisory Board Member
Hisako Kato



Outside Audit & Supervisory Board Member
Sumio Moriwaki

Officers (*Directors)

Executive Managing Officer
Koichi Kawasaki*
Procurement, Logistics, Manufacturing and Technology, Product Safety & Quality Assurance, Safety and Environment Affairs, General Manager of Manufacturing and Technology Group

Executive Managing Officer
Nobuo Kawahashi*
Research & Development

Managing Officer
Hayato Hirano
Petrochemical Products Sector (including Plastics), General Manager of Petrochemical Products Div., President of Techno Polymer Co., Ltd., President of Japan Butyl Co., Ltd.

Managing Officer
Katsuya Inoue
Business Planning and Investment & Business Development, Fine Chemical Business, General Manager of Investment & Business Development., Fine Chemical, Chairman of JSR Micro (Changshu) Co., Ltd.

Managing Officer
Eric Johnson
Life Science, North America Business, General Manager of Life Science Div., President of JSR Micro, Inc.

Senior Officer
Takatoshi Nagatomo
President of JSR MOL Synthetic Rubber Ltd.

Senior Officer
Takeshi Sugimoto
Electronic Materials Business, General Manager of Electronic Materials Div.

Senior Officer
Takao Shimizu*
Office of President, Accounting, Finance, Corporate Communications, IT Strategy, General Manager of Office of President

Senior Officer
Tsuyoshi Watanabe
China Business, Chairman of JSR (Shanghai) Co., Ltd.

Senior Officer
Kazumasa Yamawaki
Petrochemical Products Sector (deputy), Deputy General Manager of Petrochemical Products Div., General Manager of Business Planning Dept., Petrochemical Products, President of KRATON JSR ELASTOMERS K. K., Director of JSR Elastomer Europe GmbH

Senior Officer
Makoto Doi
Legal, General Affairs, CSR, General Manager of Legal Dept.

Senior Officer
Kiichiro Kamiya
Life Sciences (deputy), Deputy General Manager of Life Sciences Div., President of JSR Life Sciences Corporation, Director of MEDICAL & BIOLOGICAL LABORATORIES CO., LTD., JSR Life Sciences Limited Liability Company Executive Officer

Senior Officer
Yoshikazu Yamaguchi
Corporate Planning, Emerging Business, Group Companies Coordination, General Manager of Corporate Planning, General Manager of Group Companies Coordination Dept.

Officer
Eiichi Kobayashi
Executive Vice President of JSR Micro, Inc.

Officer
Hiroaki Nemoto
Display Solution Business, Representative Director of JSR Micro Korea Co., Ltd.

Officer
Yoichi Mizuno
Edge Computing Business, General Manager of Edge Computing Div.

Officer
Mika Nakayama
General Manager of Intellectual Property Dept.

Officer
Koichi Saeki
Yokkaichi Plant, Yokkaichi Plant Manager

Officer
Kazushi Abe
President of ELASTOMIX CO., LTD., President of ELASTOMIX (FOSHAN) CO., LTD., The Chief Director of JSR Group Corporate Pension Fund

Officer
Seiji Takahashi
Manufacturing and Technology (deputy), General Manager of Yokkaichi Plant Production Dept.III, General Manager of Manufacturing & Technology Group, SSBR Global Manufacturing & Technology Management Dept.

Officer
Yasufumi Fujii
Human Resources, Diversity Development, General Manager of Human Resources Development Dept, General Manager of Diversity Development Office, The Chief Director of JSR Health Insurance Society, The Chief Director of JSR Pension Fund

Officer
Mikio Yamachika
Lithium Ion Capacitors Business, President of JM Energy Corporation

JSR GLOBAL NETWORK

(As of June 30, 2017)



HEAD OFFICE

JSR Corporation

1-9-2, Higashi-Shimbashi, Minato-ku, Tokyo 105-8640, Japan

BRANCH OFFICES

Nagoya Branch

Taiwan Branch

PLANTS

Yokkaichi Plant

100 Kawajiri-cho Yokkaichi, Mie 510-8552, Japan

Chiba Plant

5, Chigusakaigan, Ichihara, Chiba 229-0108, Japan

Kashima Plant

34-1, Tohwada, Kamisu, Ibaraki 314-0102, Japan

LABORATORIES

Yokkaichi Research Center

100 Kawajiri-cho Yokkaichi, Mie 510-8552, Japan

Tsukuba Research Laboratories

25, Miyukigaoka, Tsukuba-shi, Ibaraki 305-0841 Japan

JAPAN

Elastomers Business

ELASTOMIX CO., LTD.

Compounding of crude rubber and sales of compounded products

Japan Butyl Co., Ltd.

Production, processing, and sales of butyl rubber

KRATON JSR ELASTOMERS K. K.

Production, purchase, and sales of thermoplastic rubber

Emulsion Technology Co., Ltd.

Production and sale of acrylic emulsions, latex processed products including CL, adhesives, and cement admixture

Plastics Business

Techno Polymer Co., Ltd.

Production, sales, and R&D of synthetic resin

JAPAN COLORING CO., LTD.

Coloring of synthetic resin and sales of colored products

Fine Chemicals and Other Products Business

D-MEC LTD.

Commissioned generation of 3D models, sales of solid modeling systems, and optically-hardened resins, and commissioned analysis by CAE

JSR Micro Kyushu Co., Ltd.

Production of photoresist, semiconductors, and materials for displays.

JAPAN FINE COATINGS Co., Ltd.

Sales of coating materials for fiber-optic cables reinforced by ultraviolet or electron radiation and for other apparatus

JM Energy Corporation

Development, manufacturing, and sales of lithium ion capacitors and modules

JSR Life Sciences Corporation

Production and sales of life science related materials

MEDICAL & BIOLOGICAL LABORATORIES CO., LTD.

Research, development, manufacturing, and sales of diagnostic and research reagents

Business in Other Fields

JSR Trading Co., Ltd.

Export, import, purchase, and sales of the following: various chemicals, machinery, equipment, physical distribution materials, living necessities, foodstuffs, beverages, and non-life insurance

JEY-TRANS CO., LTD.

Freight forwarding, warehousing, and delivery management

JSR Logistics & Customer Center Co., Ltd.

Customer service agent and logistics management

JSR ENGINEERING CO., LTD.

Engineering and consultation for chemical engineering equipment

JSR Business Services Co., Ltd.

Performs general affairs, accounting, payroll calculation, and welfare

JN System Partners Co., Ltd.

Computer system design, programming and system operation, and maintenance

CMIC JSR Biologics Co., Ltd.

Developing design and manufacturing processes for next-generation antibodies

OVERSEAS

Elastomers Business

Kumho Polychem Co., Ltd.

Production and sales of ethylene-propylene rubber (EPR)

ELASTOMIX (THAILAND) CO., LTD.

Compounding of crude rubber and sales of compounded products

PT.ELASTOMIX INDONESIA

Compounding of crude rubber and sales of compounded products

ELASTOMIX (FOSHAN) CO., LTD.

Compounding of crude rubber and sales of compounded products

ELASTOMIX MEXICO S.A. de C.V.

Production and sales of rubber carbon master batch

Tianjin Kuo Cheng Rubber Industry Co., Ltd.

Compounding of crude rubber and sales of compounded products

JSR BST Elastomer Co., Ltd.

Sales and manufacturing of SSBR (Solution Polymerization Styrene-Butadiene Rubber)

JSR MOL Synthetic Rubber, Ltd.

Sales and manufacturing of Solution Polymerization Styrene-Butadiene Rubber (SSBR).

JSR Elastomer Korea Co., Ltd.

Sales agency of products such as synthetic rubber

JSR Elastomer Europe GmbH

Sales agency of products such as synthetic rubber

Plastics Business

Techno Polymer Hong Kong Co., Ltd.

Sales and technical services of synthetic resin in Hong Kong and neighboring regions

Techno Polymer (Thailand) Co., Ltd.

Sales and technical services of synthetic resin in ASEAN region

Techno Europe N.V.

Sales and technical services of synthetic resin in Europe

Techno Polymer (Shanghai) Co., Ltd.

Sales and technical services of synthetic resin in China.

Techno Polymer Shanghai Technical Development Co., Ltd.

Production and processing of plastics and technical services related to plastics in China

Techno Polymer Guangzhou Co., Ltd.

Sales and technical services of synthetic resin in Guangzhou and neighboring regions

TECHNO POLYMER AMERICA, INC.

Sales of plastics and technical services related to plastics in North America

Fine Chemicals and Other Products Business

JSR Micro N.V.

Production and sales of semiconductor materials

JSR Micro, Inc.

Production and sales of semiconductor materials

JSR Micro Korea Co., Ltd.

Production, development, and sales of display materials and semiconductor materials

JSR Electronic Materials Korea Co., Ltd.

Sales agent for semiconductor materials

JSR Micro (Changshu) Co., Ltd.

Production of display materials

JSR Micro Taiwan Co., Ltd.

Production, development, and sales of display materials

EUV Resist Manufacturing & Qualification Center N.V.

EUV resist manufacturing (production & quality control)

JSR (Shanghai) Co., Ltd.

Sales agency of products such as synthetic rubber, semiconductor materials, liquid crystal display materials, and performance chemicals

J&W Beijing Biotech Co., Ltd.

Development, manufacturing and sale of latex reagent intermediates and chemiluminescent reagent intermediates

MBL Beijing Biotech Co., Ltd.

Sales of in-vitro diagnostic reagents, basic research reagents, IVD reagent materials and bioprocess materials, sales and contract manufacturing of gene diagnostic materials and synthetic DNA, RNA products

MBL International Corporation

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

KBI Biopharma, Inc.

Biopharmaceutical contract development and manufacturing services

Selexis SA

Cell-line development services.

JSR Trading, Inc.

Purchases and sales of synthetic rubber

JSR Trading (Shanghai) Co., Ltd.

Export, import, and purchases of industrial-use chemical products

JSR Trading Bangkok Co., Ltd.

Exports and imports, purchase and sales of chemicals and testing machinery

JSRT Mexico S.A. de C.V.

Sales of synthetic rubber, steel box, materials and market development

CORPORATE DATA

(As of March 31, 2017)

JSR Corporation

Established

December 10, 1957

Capital (Common Stock)

¥23,320 million

Employees

6,790

Closing date

JSR books are closed on March 31, each year.

Shareholders Information (As of March 31, 2017)

Stock Listing

Tokyo Stock Exchange

Number of Shares Issued

226,074,545 shares

Number of Shareholders

16,586

Major Shareholders

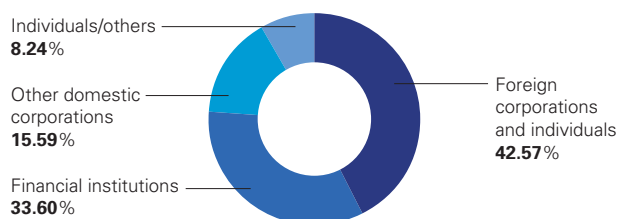
Name of shareholder	Percentage of shares held (%)	Number of shares held (thousands)
Bridgestone Corporation	10.05	22,366
Japan Trustee Services Bank, Ltd. (trust account)	4.22	9,391
The Master Trust Bank of Japan, Ltd. (trust account)	4.12	9,175
BNYMSAMV AS AGENT/CLIENTS LUX UCITS NON TREATY 1	3.90	8,685
STATE STREET BANK CLIENT OMNIBUS OM04	3.04	6,779
Japan Trustee Services Bank, Ltd. (trust account 9)	2.79	6,213
JP MORGAN CHASE BANK 385632	2.24	4,993
Mizuho Bank, Ltd.	1.89	4,225
HSBC BANK PLC A/C CLIENTS 1	1.88	4,191
Japan Trustee Services Bank, Ltd. (trust account 9)	1.73	3,867

* 3,560,532 shares of treasury stock held by the Company are not included in the above breakdown of major shareholders.

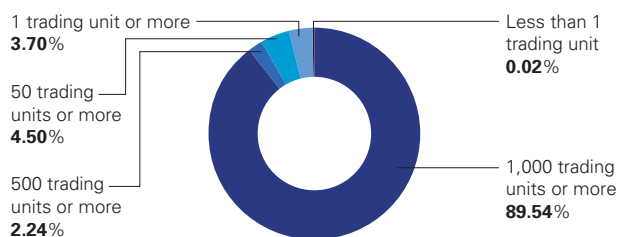
Composition of Shareholders

	Shareholders	Shares held (thousands)
Individuals and others	15,704	18,635
Foreign corporations and individuals	533	96,235
Other domestic corporations	229	35,238
Financial institutions	87	73,517
Securities companies	33	2,450
Total	16,586	226,075

By Type of Shareholders



By Number of Shares Held



Ordinary General Meeting of Shareholders

The annual General Meeting of Shareholders is held in June each year. The 2017 annual General Meeting was held on June 16, 2017.

Transfer Agent and Register

The Chuo Mitsui Trust and Banking Co., Ltd.

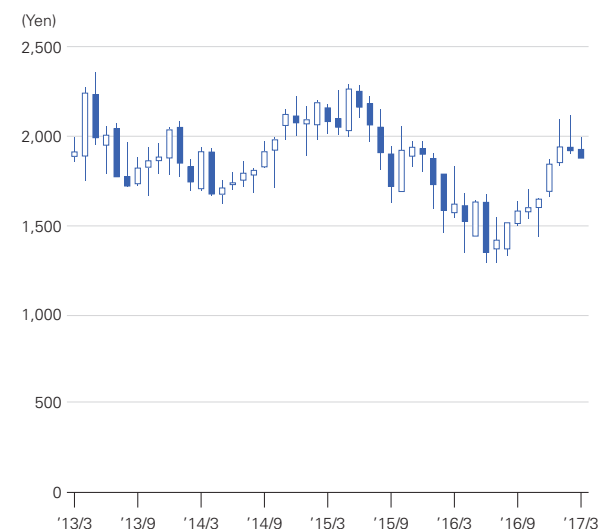
Auditors

KPMG AZSA & Co.

Common stock price range

(Yen/share: Tokyo Stock Exchange)

		1st Q	2nd Q	3rd Q	4th Q
FY2006	High	3,710	2,930	3,170	3,240
	Low	2,535	2,280	2,505	2,530
FY2007	High	2,985	3,120	3,020	2,875
	Low	2,540	2,445	2,465	1,886
FY2008	High	2,460	2,180	1,397	1,312
	Low	2,000	1,246	795	990
FY2009	High	1,687	1,960	1,959	1,974
	Low	1,162	1,561	1,545	1,714
FY2010	High	1,999	1,666	1,543	1,875
	Low	1,436	1,201	1,341	1,183
FY2011	High	1,724	1,655	1,582	1,790
	Low	1,413	1,221	1,218	1,408
FY2012	High	1,695	1,455	1,644	1,994
	Low	1,255	1,274	1,224	1,670
FY2013	High	2,360	2,073	2,049	2,085
	Low	1,748	1,713	1,663	1,694
FY2014	High	1,933	1,975	2,229	2,171
	Low	1,622	1,681	1,711	1,893
FY2015	High	2,296	2,227	2,054	1,903
	Low	1,998	1,626	1,688	1,455
FY2016	High	1,682	1,635	1,872	2,115
	Low	1,292	1,287	1,437	1,835



FINANCIAL SECTION 2017

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- 01 Ten-Year Summary
- 03 Management's Discussion and Analysis
- 05 Risk Information
- 07 Consolidated Financial Statements:
 - 07 Consolidated Balance Sheets
 - 09 Consolidated Statements of Income
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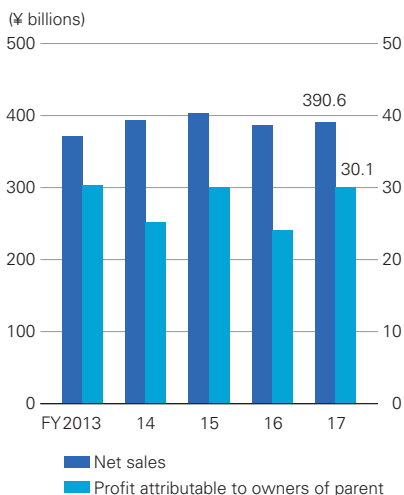


TEN-YEAR SUMMARY

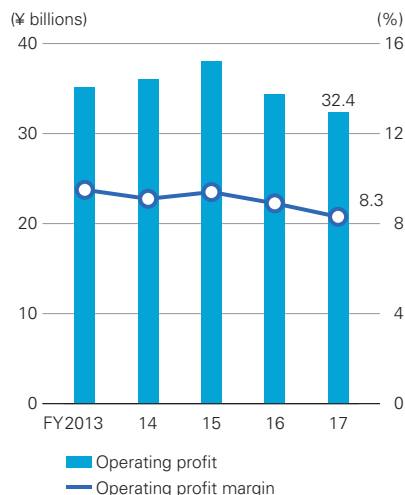
Fiscal Years ended March 31	2008	2009	2010	2011
Results for the year				
Net sales	¥ 406,968	¥ 352,503	¥ 310,184	¥ 340,666
Costs and expenses	346,958	322,155	289,954	301,571
Operating profit	60,010	30,348	20,230	39,095
Interest and dividends income	1,309	1,230	568	626
Interest expenses	(256)	(271)	(172)	(146)
Profit before income taxes	54,867	20,803	19,458	40,674
Profit attributable to owners of parent	36,994	13,981	13,645	27,571
Capital expenditures	29,076	19,081	17,707	11,801
Depreciation	21,180	24,833	22,380	19,245
Year-end financial position				
Total assets	416,951	339,498	373,566	390,591
Long-term loans payable	1,525	1,500	1,500	1,028
Total liabilities	159,288	97,512	122,865	126,475
Equity	252,539	240,896	249,440	262,679
Current ratio (times)	1.9	2.5	2.3	2.4
Return on assets (%)	8.9	4.1	3.7	7.1
Return on equity (%)	15.2	5.7	5.6	10.8
Equity ratio (%)	60.6	71.0	66.8	67.3
Per share of common stock (Yen and U.S. Dollars)				
Profit attributable to owners of parent	¥ 147.26	¥ 56.36	¥ 55.87	¥ 113.07
Cash dividends	32.00	32.00	26.00	32.00
Equity	1,009.27	986.33	1,021.31	1,088.87

Note: U.S. dollar amounts are translated from yen, for convenience only, at a rate of \$1=¥112.19; the exchange rate prevailing at March 31, 2017.

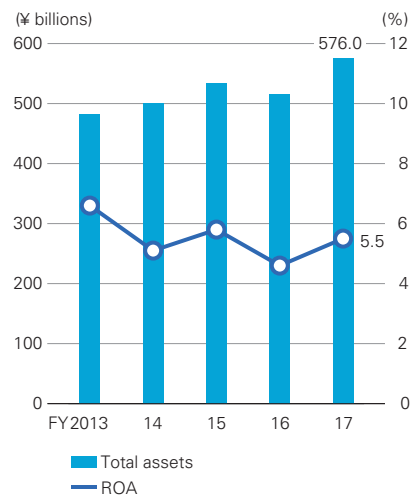
Net Sales/ Profit attributable to owners of parent



Operating Profit/ Operating Profit Margin

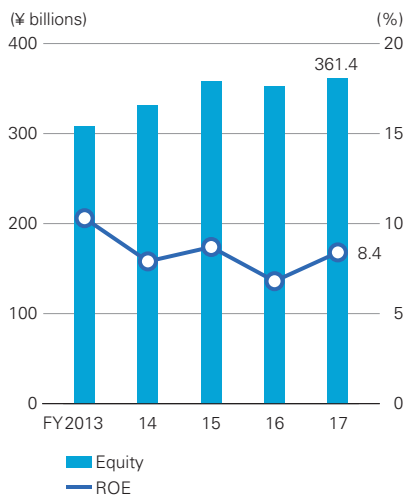


Total Assets/ROA

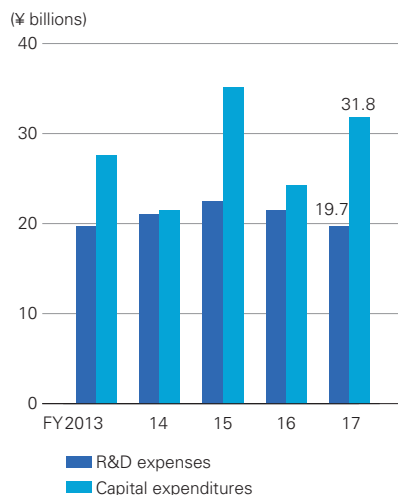


					Millions of yen	Thousands of U.S. dollars
2012	2013	2014	2015	2016	2017	2017
¥ 349,947	¥ 371,487	¥ 394,309	¥ 404,073	¥ 386,709	¥ 390,599	\$ 3,481,580
313,982	336,281	358,247	366,005	352,301	358,228	3,193,051
35,964	35,206	36,062	38,068	34,408	32,370	288,530
634	809	916	1,390	1,380	1,369	12,204
(147)	(126)	(142)	(345)	(527)	(699)	(6,227)
41,245	42,847	36,956	41,069	27,367	38,327	341,630
26,407	30,278	25,173	29,919	24,069	30,078	268,100
19,728	27,608	21,499	35,157	24,276	31,785	283,315
17,784	19,145	18,096	17,407	18,508	14,676	130,811
430,693	482,935	501,320	534,592	516,360	576,016	5,134,294
500	6,626	11,069	20,387	22,249	38,381	342,107
148,335	167,202	164,060	169,918	154,006	199,302	1,776,468
280,955	308,641	331,284	358,303	353,145	361,394	3,221,267
2.3	2.3	2.5	2.5	2.7	2.5	2.5
6.4	6.6	5.1	5.8	4.6	5.5	5.5
9.7	10.3	7.9	8.7	6.8	8.4	8.4
65.2	63.9	66.1	67.0	68.4	62.7	62.7
¥ 109.46	¥ 126.13	¥ 106.10	¥ 128.19	¥ 105.87	¥ 134.43	\$ 1.20
32.00	34.00	38.00	40.00	50.00	50.00	0.45
1,164.63	1,299.77	1,409.06	1,557.08	1,565.45	1,624.14	14.48

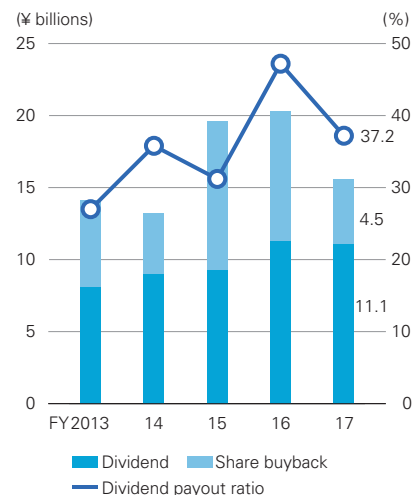
Equity/ROE



**R&D Expenses/
Capital Expenditures**



**Shareholder Return/
Dividend Payout Ratio**



MANAGEMENT'S DISCUSSION AND ANALYSIS

Analysis of Operating Results

Overview of FY ended March 2017 (April 1, 2016 to March 31, 2017)

In FY ended March 2017, among the JSR Group's main customer industries, automobile tire production and automobile production rose slightly above the previous year's level globally. However, despite returning to the previous year's level in the latter half of the year, domestic tire production declined from the previous year level due to sluggish production in the first half of the year. Demand in the semiconductor grew, and production in the flat panel display (FPD) market was robust. The exchange rate had a stronger yen compared to the previous year.

Amid these circumstances, the Petrochemicals Business of the JSR Group saw net sales rise in the Elastomers Business over the previous year due to an increase in exports and significant growth in sales of Solution Styrene-Butadiene Rubber (SSBR) for fuel-efficient tires. This was despite a sluggish elastomer products market, where there was no improvement in the supply-and-demand balance due to excessive supply of elastomers in East Asia in the first half of the year. On the other hand, the Plastics Business saw sales fall below the previous year's level, being significantly affected by a drop in product prices on the back of a fall in raw material prices. Thus, sales of the Petrochemicals Business as a whole remained unchanged from the previous year. Meanwhile, operating profit of the Petrochemicals Business decreased from the previous year. Operating profit of the Elastomers Business saw worsened profitability due to a strong yen and deteriorating market conditions in the first half of the year; however, improved profitability and an increase in sales volume attributable to a market recovery in the latter half drove operating profit above the previous year's level. At the same time, operating profit of the Plastics Business fell below the previous year as a result of worsening profitability arising from a drop in product prices associated with a fall in raw material prices.

The Fine Chemicals and Other Products Business saw the sales volume of semiconductor materials and display materials increase

above the previous year's levels due to improving demand in both the semiconductor market and FPD market. On the other hand, net sales of the Fine Chemicals Business fell below the previous year's level as a result of a strong yen and a drop in prices resulting from intensifying competition in display materials. Net sales of the Life Sciences Business, which is a new business mainstay of the JSR Group, had a notable increase, and net sales of the Fine Chemicals and Other Products Business increased compared to the previous year. Operating profit of the Fine Chemicals and Other Products Business fell below the previous year's level, as it was significantly affected by the drop in sales of the Fine Chemicals Business.

Ordinary profit increased compared to the previous year due to a reduction in the exchange losses in Group companies that occurred in the previous year among other factors.

Profit attributable to owners of parent rose above the previous year's level due to the fact that impairment losses in Group companies of the previous year did not apply to this fiscal year, profit from sales of deposits and securities, and other factors.

In the fiscal year ended March 31, 2017, we reported net sales of ¥390,599 million (up 1.0% year-on-year), operating profit of ¥32,370 million (down 5.9% year-on-year), ordinary profit of ¥36,264 million (up 7.8% year-on-year), and profit attributable to owners of parent of ¥30,078 million (up 25.0% year-on-year).

Review of Operations

Elastomers Business Segment

The production of automobile tires, one of the segment's main customer industries, increased from the previous year in North America, China, and Europe, while it fell below the previous year's level in Japan.

Under such circumstances, the Elastomers Business's net sales increased above the previous year's level. This was achieved despite sluggish sales for domestic tires due to a significant increase in the sales volume of SSBR, which came in part from

Segment Sales/Operating Profit (¥ millions)

Years ended March 31	2013	2014	2015	2016	2017
Elastomers Business	¥195,797	¥203,478	¥198,958	¥179,253	¥185,345
Operating profit	17,923	17,330	10,736	7,492	8,340
Plastics Business	51,759	57,764	55,161	52,207	46,035
Operating profit	2,962	3,919	2,842	5,114	3,773
Fine Chemicals and Other Products Business	123,931	133,067	149,954	155,250	159,218
Operating profit	14,321	14,813	24,490	21,803	20,257
Net Sales	371,487	394,309	404,073	386,709	390,599
Operating profit	¥ 35,206	¥ 36,062	¥ 38,068	¥ 34,409	¥ 32,370

growing exports and the attainment of high-level operations by the first phase facilities for SBR for fuel-efficient tires at JSR BST Elastomer Co., Ltd. (JBE), a joint venture in Thailand. Operating profit also increased above the previous year's level, despite a sluggish elastomer products market resulting from excessive supply in the first half of the year and a worsening of margins (the difference between the selling price and major raw material prices), as profitability improved in the second half of the year due to rising product prices on the back of rising prices for butadiene, which is a raw material, and sales volume expanded.

As a result, the Elastomers Business segment posted operating profit of ¥8,340 million (up 11.3% year-on-year) on net sales of ¥185,345 million (up 3.4% year-on-year).

Plastics Business Segment

The sales volume of plastics increased from the previous year owing to growing sales volume for automobiles, which came on the back of globally robust production of automobile tires, one of the segment's main customer industries. Net sales declined from the previous year, as they were significantly affected by a strong yen and a fall in product prices owing to the drop in raw material costs. Operating profit also declined from the previous year due to worsened profitability that was largely a result of a drop in product prices.

As a result, the Plastics Business segment posted operating profit of ¥3,773 million (down 26.2% year-on-year) on net sales of ¥46,035 million (down 11.8% year-on-year).

Fine Chemicals and Other Products Business Segment

Net sales rose from the previous year, but operating profit fell below that of the previous year in the Fine Chemicals and Other Products Business segment as a whole.

In the semiconductor materials business, although sales volume grew particularly for cutting-edge photoresists due to healthy growth in demand for semiconductors, net sales decreased from the previous sales, largely as a result of a strong yen. In the display materials business, sales volume increased from the previous year, supported by robust panel production; however, net sales decreased from the previous year due to intensified competition in the materials market and a strong yen. Net sales of the Life Sciences Business grew significantly owing to the JSR Group's making MEDICAL & BIOLOGICAL LABORATORIES CO., LTD. (MBL) a consolidated subsidiary in the latter half of the previous year and increased sales by KBI Biopharma, Inc. (KBI). Operating profit fell below the previous year's level, as it was significantly affected by a drop in sales by the Fine Chemicals Business.

As a result, the Fine Chemicals and Other Products Business segment posted operating profit of ¥20,257 million (down 7.1% year-on-year) on net sales of ¥159,218 million (up 2.6% year-on-year).

Business Outlook

The following is the outlook of our main customer industries at a

time of uncertainty in global economic trends. JSR forecasts that the production of automobile tires and automobiles in Japan will remain unchanged from the 2016 level, but will grow globally, particularly in China and other Asian countries. The semiconductor market will see growing new demand for cutting-edge semiconductor chips for smartphones, data centers, and the like. The FPD market will also likely see increased production in China as panel production becomes more robust.

In the Elastomers Business, although there is some uncertainty about whether the market recovery that began in the second half of the previous year will stabilize and continue, JSR forecasts growing global demand for the medium and long term. As part of this, we anticipate that demand for SBR will grow steadily in line with growth in the fuel-efficient tire market. Under such circumstances, we will strive to expand sales globally by adding the newly launched second phase facilities at JBE in Thailand to the first phase facilities, which have attained high-level operations.

In the Fine Chemicals and Other Products Business, our semiconductor materials business will endeavor to increase sales of various semiconductor materials, such as cutting-edge lithography materials, packaging materials, detergents, and CMP materials, amid the expected full-scale mass production of the 10 nm (nanometer) generation, a cutting-edge process. Moreover, we will move toward mass production of EUV (extreme ultraviolet) lithography materials for the 7 nm generation, which will become the next generation, at EUV Resist Manufacturing & Qualification Center N.V. (EUV RMQC), a company that provides manufacturing and quality control services that we established as a joint-venture with imec, an advanced research institute for nanoelectronics in Belgium. We will also strive to increase sales of display materials by starting operations at JSR Micro (Changshu) Co., Ltd., a joint venture manufacturing company in the Chinese market, where growth is particularly expected, while simultaneously proceeding with business reforms to secure business revenues as materials become more generalized and competition intensifies. In the Life Sciences Business, we will expand KBI's contract development and manufacturing business for biopharmaceuticals, and focus on expanding sales of AmsphereTMA3, a carrier for antibody purification expected to see growing demand in the future. We will also strive to expand global sales of in vitro diagnostics and research drugs at MBL.

For FY ending March 2018, JSR forecasts consolidated sales revenue of ¥405,000 million, operating profit of ¥35,000 million, and profit for the year attributable to owners of parent of ¥26,500 million. These forecasts assume an exchange rate of ¥110 per U.S. dollar and a naphtha price of ¥40,000 per kiloliter.

The consolidated performance forecasts for FY ending March 2018 are calculated based on the International Financial Reporting Standards (IFRS), which the JSR Group decided to voluntarily adopt beginning with first three months of FY ending March 2018. Accordingly, rates of change from the performance values of FY ended March 2017, for which Japanese standards were used, are not provided here.

Analysis of Financial Position

Analysis of Assets, Liabilities, and Net Assets

Total assets as of March 31, 2017 amounted to ¥576,016 million, up ¥59,657 million from a year earlier.

Current assets totaled ¥348,212 million, up ¥47,680 million, due to an increase in cash and deposits and notes and accounts receivable-trade, despite a decrease in securities.

Non-current assets totaled ¥227,805 million, up ¥11,977 million, due to an increase in property, plant and equipment.

Total liabilities amounted to ¥199,302 million, up ¥45,296 million from a year earlier, due to an increase in notes and accounts payable-trade and long-term loans payable.

In net assets, shareholders' equity amounted to ¥335,940 million, up ¥6,519 million. Accumulated other comprehensive income increased by ¥1,730 million to ¥25,454 million. Consequently, total net assets (the total of shareholders' equity, accumulated other comprehensive income, subscription rights to shares, and non-controlling interests) amounted to ¥376,715 million, up ¥14,361 million from a year earlier.

Analysis of Cash Flows

Cash and cash equivalents ("funds") as of March 31, 2017 stood at

¥97,416 million, up ¥8,021 million from a year earlier.

Net cash provided by operating activities amounted to ¥47,506 million, down ¥622 million from the previous year. The main factors included profit before income taxes of ¥38,327 million, an increase in notes and accounts payable—trade of ¥21,407 million, depreciation and amortization of ¥14,676 million, and increase in notes and accounts receivable—trade of ¥13,068 million.

Net cash used in investing activities totaled ¥41,807 million, up ¥22,769 million from the previous year. The main factors were ¥33,727 million in the purchase of non-current assets, ¥19,714 million in expenditures purchases from an increase in time deposits, and ¥5,417 million in proceeds from sales of investment securities.

Net cash used in financing activities totaled ¥3,510 million, down ¥12,750 million from the previous year. The main factors were ¥24,034 million in proceeds from long-term loans payable, ¥11,200 million in cash dividends paid, ¥8,098 million in expenditure from payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation, and ¥5,285 million in expenditure from repayment of long-term loans payable.

Basic Policy on Profit Allocation and Dividends for the Fiscal Year ended March 31, 2017 and the Fiscal Year ending March 31, 2018

With respect to profit appropriation, the Company regards business growth over the long term as its top priority. To generate sustainable long-term growth, JSR strives to increase its competitiveness by developing new businesses through the reinforcement of research and development activities.

The Company will appropriate profits by taking into account business performance and medium- and long-term demand for funds, while paying continuous, stable cash dividends based on consideration of a balance between appropriating profits and retaining earnings necessary for future business advancement. Carefully considering the stock market environment and other factors, JSR will comprehensively study purchases

of treasury shares as a measure to return profits to shareholders. JSR allocates retained earnings to a variety of investments linked to future growth businesses, contributing to the enhancement of corporate value.

As already announced, we have decided to pay a year-end dividend of ¥25.00 per share, the same amount as the interim dividend. Including the interim dividend already paid, the total annual dividend for FY ended March 2017 will be ¥50.00 per share.

With regard to the dividend for the next fiscal year (FY ending March 2018), JSR plans to pay ¥50.00 annually (an interim dividend of ¥25.00 and a year-end dividend of ¥25.00), taking into account the business outlook.

Risk Information

JSR Group is exposed to the following risks that may impact on operating results, financial position, cash flows and other aspects of performance. Forward-looking statements in this discussion are based on JSR's judgments as of March 31, 2016. Risks at JSR include, but are not limited to, the following items:

(1) Changes in Demand due to Economic Trends

In the major industries where JSR Group's products are sold, such as automobiles and electronics, demand is influenced by the economic climate in a country or region. An economic slowdown could reduce demand in an industry and adversely affect JSR Group's operating results.

(2) Fluctuation in Prices for Crude Oil, Naphtha and Other Major Raw Materials

Higher prices for crude oil and naphtha, or changes in the markets for JSR's major raw materials, could raise prices of raw materials and adversely affect JSR Group's operating results, especially in the petrochemical products sector of elastomers, emulsions and plastics.

(3) Fluctuation in Exchange Rates

As JSR Group undertakes product exports in foreign currencies and imports goods such as raw materials, the Company takes measures to reduce risks such as entering into forward exchange contracts; however, fluctuation in exchange rates could give rise to adverse

outcomes. In addition, operating results of consolidated subsidiaries and equity-method affiliates located overseas are converted into Japanese yen amounts for the purposes of preparing the consolidated financial statements. However, due to the yen's appreciation, JSR Group's business results could be adversely affected.

(4) Procurement of Raw Materials

JSR Group works to ensure a stable supply of raw materials by procuring materials from a number of sources. However, an interruption to the supply of raw materials due to an accident, bankruptcy or quality problem at a supplier could adversely affect production activities and JSR Group's operating results.

(5) Development of New Products

Rapid technological progress is constantly taking place in the electronics industry, which is the primary source of demand for semiconductor manufacturing materials, FPD materials and optical materials, the major products of JSR Group's fine chemicals and other products business. JSR is constantly working on developing state-of-the-art materials in line with this progress. However, unforeseen changes in the industry or market could prevent the timely development of new products and adversely affect JSR Group's operating results.

(6) R&D Involving Next-Stage Growth Businesses

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

(7) Protection of Intellectual Property

Protection of intellectual property is extremely important for JSR Group's business activities. JSR has established a system for protecting its intellectual property and takes various actions as required. However, a dispute about intellectual property with another company or an infringement on JSR's intellectual property by another company could adversely affect JSR Group's operating results.

(8) Product Quality Assurance and Product Liability

JSR Group has a product quality assurance system and product liability insurance. However, damage or injury caused by a product manufactured by JSR Group could adversely affect JSR Group's operating results.

(9) Natural Disasters and Accidents

To minimize the negative effect on its business activities of any disruption to manufacturing activities, all JSR Group manufacturing facilities have established countermeasures based on the identification of all potential sources of a crisis and conducts periodic inspections of facilities. The Group also works constantly on safety measures with regard to earthquakes and other natural disasters. However, a major natural disaster or accident that damages a production facility or disrupts manufacturing could adversely affect

JSR Group's operating results.

JSR's main production facility, the Yokkaichi Plant, houses private power generation equipment, and the Kashima Plant is able to access electric power from shared power generation facilities when necessary. In the event that electric power shortages become severe due to natural disasters and the like, however, JSR Group's operating results could be affected.

(10) Environmental Issues

Positioning environmental protection as an important element of its operations, JSR Group complies with all laws and regulations concerning the environment. The Group also takes actions aimed at reducing its environmental impact, lowering and eliminating waste materials, and cutting energy and resource consumption. The Group has taken many actions to prevent the external release of all types of chemicals.

However, in the event that a spill occurs or that environmental regulations become stricter, the Group's business activities could be restricted, the Group may have to pay compensation and other expenses, or the Group may have to make substantial capital expenditures. Any of these events could adversely affect JSR Group's operating results.

(11) Overseas Operations

JSR Group is aggressively expanding operations on a global scale, conducting manufacturing, sales and other activities in countries and regions in the North America, Europe, Asia and other parts of the world. Overseas operations are exposed to a number of risks that include, but are not limited to, an unfavorable political environment or economic trends; labor disputes and other problems due to differences in labor laws and other working conditions; difficulty in recruiting and retaining employees; an adverse impact on business activities due to an inadequate social infrastructure; and the impact of wars, terrorism and other social instability. Any of these events could adversely affect JSR Group's operating results.

(12) Laws and Regulations

In the countries where it operates, JSR Group is subject to various laws and regulations involving business and investment permits, export and import activities, trade, labor relations, intellectual property, taxes, foreign exchange and other items. The Group has established a clear compliance policy in order to ensure strict observance of laws and regulations as well as ethical standards. In the event that a law or regulation is violated, or a law or regulation becomes stricter or is significantly altered, there could be limitations to the Group's business activities or additional compliance costs. Any of these events could adversely affect JSR Group's operating results.

(13) Litigation

In conjunction with its business activities in Japan and overseas, JSR Group may be sued or be involved in other litigation concerning a dispute with a supplier, customer or other external party. The outcome of significant litigation could adversely affect JSR Group's operating results.

CONSOLIDATED BALANCE SHEETS

JSR Corporation and Consolidated Subsidiaries
As at March 31, 2016 and 2017

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2017	2017
Current assets:			
Cash and deposits (Notes 3, 5 and 7)	¥ 52,081	¥ 98,933	\$ 881,835
Notes and accounts receivable—trade, net (Notes 4, 5 and 7)	77,878	90,695	808,401
Short-term investment securities (Notes 3, 5 and 6)	60,010	42,000	374,365
Inventories (Note 7)	77,458	81,918	730,169
Other (Notes 3, 7 and 9)	33,104	34,667	308,998
Total current assets	300,532	348,212	3,103,768
Non-current assets:			
Property, plant and equipment:			
Buildings and structures, net (Note 7)	34,810	33,903	302,193
Machinery, equipment and vehicles, net (Note 7)	37,058	53,507	476,931
Land (Note 7)	17,136	15,734	140,245
Construction in progress	17,944	18,804	167,610
Other, net (Note 7)	5,746	8,212	73,198
Total property, plant and equipment	112,694	130,160	1,160,176
Intangible assets			
Goodwill	9,788	8,817	78,591
Other (Note 7)	6,875	8,369	74,594
Total intangible assets	16,663	17,186	153,186
Investments and other assets			
Investment securities (Notes 5 and 6)	67,878	61,684	549,820
Net defined benefit asset (Note 8)	—	373	3,324
Other, net (Notes 4, 5, 7 and 9)	18,592	18,401	164,020
Total investments and other assets	86,470	80,459	717,164
Total non-current assets	215,827	227,805	2,030,526
Total assets	¥ 516,360	¥ 576,016	\$ 5,134,294

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2017	2017
Current liabilities:			
Notes and accounts payable—trade (Note 5)	¥ 53,836	¥ 75,026	\$ 668,743
Short-term loans payable (Notes 5 and 7)	20,840	23,740	211,609
Income taxes payable	1,916	8,360	74,513
Other (Note 9)	32,730	32,536	290,011
Total current liabilities	109,322	139,663	1,244,877
Non-current liabilities:			
Long-term loans payable (Notes 5 and 7)	22,249	38,381	342,107
Net defined benefit liability (Note 8)	15,180	13,904	123,932
Other (Note 9)	7,254	7,354	65,553
Total non-current liabilities	44,684	59,639	531,592
Total liabilities	154,006	199,302	1,776,468
Contingent liabilities (Note 19)			
Net assets (Note 12)			
Shareholders' equity			
Common stock:			
Authorized —696,061,000 shares			
Issued —226,074,545 shares in 2016 and 2017	23,320	23,320	207,863
Capital surplus (Note 18)	25,179	17,469	155,708
Retained earnings	281,878	300,547	2,678,907
Treasury stock			
488,223 shares in 2016 and 3,560,532 shares in 2017	(957)	(5,396)	(48,096)
Accumulated other comprehensive income			
Unrealized gains on securities, net of taxes	15,231	17,311	154,299
Foreign currency translation adjustment	9,307	7,231	64,451
Remeasurements of defined benefit plans (Note 8)	(815)	913	8,136
Subscription rights to shares (Note 13)	930	912	8,126
Non-controlling interests	8,279	14,409	128,433
Total net assets	362,354	376,715	3,357,826
Total liabilities and net assets	¥ 516,360	¥ 576,016	\$ 5,134,294

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2017	2017
Net sales (Note 16)	¥ 386,709	¥ 390,599	\$ 3,481,580
Costs and expenses:			
Cost of sales	280,176	274,614	2,447,757
Selling, general and administrative expenses (Note 15)	72,125	83,615	745,294
	352,301	358,228	3,193,051
Operating profit (Note 16)	34,408	32,370	288,530
Other income (expenses):			
Dividends income	1,143	1,143	10,189
Interest expenses	(527)	(699)	(6,227)
Foreign exchange gains (losses)	(3,036)	1,676	14,938
Share of profit of entities accounted for using equity method	1,849	714	6,365
Gain on investments in partnership	322	1,188	10,586
Loss on abandonment of non-current assets	(254)	(283)	(2,520)
Gain on sales of non-current assets	—	630	5,612
Gain on sales of investment securities	634	2,868	25,568
Gain on sales of shares of subsidiaries and associates	—	939	8,372
Gain on transfer of business	—	749	6,680
Gain on step acquisitions	1,758	—	—
Loss on valuation of shares of subsidiaries and associates	—	(598)	(5,327)
Loss on valuation of investment securities	(53)	(415)	(3,700)
Impairment loss (Note 10)	(7,539)	(2,111)	(18,817)
Other, net	(1,337)	155	1,381
	(7,042)	5,957	53,101
Profit before income taxes	27,367	38,327	341,630
Income taxes (Note 9):			
Current	5,073	9,938	88,583
Deferred	(37)	(1,901)	(16,947)
	5,036	8,037	71,636
Profit	22,330	30,291	269,994
Profit (Loss) attributable to non-controlling interests	(1,738)	213	1,894
Profit attributable to owners of parent	¥ 24,069	¥ 30,078	\$ 268,100

	Yen		U.S. dollars (Note 1)
	2016	2017	2017
Per share of common stock:			
Profit attributable to owners of parent	¥ 105.87	¥ 134.43	\$ 1.20
Diluted profit attributable to owners of parent	105.60	134.04	1.19
Cash dividends applicable to the year	50.00	50.00	0.45

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2017	2017
Profit	¥ 22,330	¥ 30,291	\$ 269,994
Other comprehensive income			
Unrealized gains on securities, net of taxes	(3,990)	2,058	18,344
Foreign currency translation adjustment	(4,320)	(730)	(6,509)
Remeasurements of defined benefit plans, net of tax (Note 8)	(907)	1,676	14,938
Share of other comprehensive income of entities accounted for using equity method	(1,187)	(1,130)	(10,069)
Other comprehensive income (Note 11)	(10,405)	1,874	16,704
Comprehensive income	¥ 11,926	¥ 32,165	\$ 286,698
Comprehensive income attributable to:			
Owners of parent	¥ 14,043	¥ 32,330	\$ 288,168
Non-controlling interests	(2,117)	(165)	(1,470)

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2016 and 2017

	Millions of yen									
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains on securities, net of taxes	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Subscription rights to shares	Non-controlling interests
Balance at April 1, 2015	237,973	¥ 23,320	¥ 25,179	¥ 291,151	¥ (15,329)	¥ 19,257	¥ 14,576	¥ 149	¥ 852	¥ 5,519
Changes of items during the period										
Dividends of surplus	—	—	—	(10,242)	—	—	—	—	—	—
Profit attributable to owners of parent	—	—	—	24,069	—	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	(8,998)	—	—	—	—	—
Disposal of treasury stock	—	—	—	(25)	52	—	—	—	—	—
Retirement of treasury stock	(11,899)	—	—	(23,319)	23,319	—	—	—	—	—
Change of scope of consolidation	—	—	—	243	—	—	—	—	—	—
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	—	—	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	(4,026)	(5,268)	(963)	78	2,760
Total changes of items during the period	(11,899)	—	—	(9,274)	14,373	(4,026)	(5,268)	(963)	78	2,760
Balance at March 31, 2016	226,074	¥ 23,320	¥ 25,179	¥ 281,878	¥ (957)	¥ 15,231	¥ 9,307	¥ (815)	¥ 930	¥ 8,279
Changes of items during the period										
Dividends of surplus	—	—	—	(11,202)	—	—	—	—	—	—
Profit attributable to owners of parent	—	—	—	30,078	—	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	(4,526)	—	—	—	—	—
Disposal of treasury stock	—	—	8	—	87	—	—	—	—	—
Change of scope of consolidation	—	—	—	(207)	—	—	—	—	—	—
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	(7,718)	—	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	2,079	(2,077)	1,727	(18)	6,130
Total changes of items during the period	—	—	(7,711)	18,669	(4,439)	2,079	(2,077)	1,727	(18)	6,130
Balance at March 31, 2017	226,074	¥ 23,320	¥ 17,469	¥ 300,547	¥ (5,396)	¥ 17,311	¥ 7,231	¥ 913	¥ 912	¥ 14,409

	Thousands of U.S. dollars (Note 1)									
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains on securities, net of taxes	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Subscription rights to shares	Non-controlling interests
Balance at April 1, 2016	226,074	\$ 207,863	\$ 224,435	\$ 2,512,502	\$ (8,528)	\$ 135,764	\$ 82,961	\$ (7,260)	\$ 8,290	\$ 73,793
Changes of items during the period										
Dividends of surplus	—	—	—	(99,845)	—	—	—	—	—	—
Profit attributable to owners of parent	—	—	—	268,100	—	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	(40,340)	—	—	—	—	—
Disposal of treasury stock	—	—	68	—	772	—	—	—	—	—
Change of scope of consolidation	—	—	—	(1,849)	—	—	—	—	—	—
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	(68,796)	—	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	18,535	(18,510)	15,396	(164)	54,639
Total changes of items during the period	—	—	(68,727)	166,405	(39,568)	18,535	(18,510)	15,396	(164)	54,639
Balance at March 31, 2017	226,074	\$ 207,863	\$ 155,708	\$ 2,678,907	\$ (48,096)	\$ 154,299	\$ 64,451	\$ 8,136	\$ 8,126	\$ 128,433

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2017	2017
Cash flows from operating activities:			
Profit before income taxes	¥ 27,367	¥ 38,327	\$ 341,630
Adjustments to reconcile profit before income taxes to cash provided by operating activities:			
Depreciation and amortization			
Interest and dividends income	18,508	14,676	130,811
Interest expenses	(1,380)	(1,369)	(12,204)
Share of (profit) loss of entities accounted for using equity method	527	699	6,227
Loss (gain) on step acquisitions	(1,849)	(714)	(6,365)
Loss (gain) on investments in partnership	(1,758)	—	—
Impairment loss	(323)	(1,188)	(10,586)
Loss (gain) on sales of investment securities	7,539	2,111	18,817
Changes in operating assets and liabilities—net:	(634)	(2,868)	(25,568)
Decrease (increase) in notes and accounts receivable—trade	4,831	(13,068)	(116,484)
Decrease (increase) in inventories	1,677	(4,558)	(40,626)
Increase (decrease) in notes and accounts payable—trade	(17,160)	21,407	190,815
Other, net	19,370	(5,302)	(47,258)
Subtotal	56,717	48,153	429,209
Interest and dividends income received	1,962	2,127	18,963
Interest expenses paid	(342)	(531)	(4,734)
Income taxes paid	(10,210)	(4,100)	(36,548)
Income taxes refund	—	1,858	16,557
Net cash provided by (used in) operating activities	48,128	47,506	423,447
Cash flows from investing activities:			
Decrease(increase) in time deposits	7,998	(19,714)	(175,718)
Net decrease (increase) in short-term investment securities	3,500	4,500	40,111
Purchase of non-current assets	(27,052)	(33,727)	(300,622)
Proceeds from sales of non-current assets	51	1,368	12,193
Proceeds from transfer of business	—	772	6,880
Purchase of investment securities	(930)	(1,766)	(15,745)
Proceeds from sales of investment securities	1,285	5,417	48,282
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	3,954	—	—
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	(98)	(875)
Purchase of shares of subsidiaries and associates	(6,025)	(1,140)	(10,160)
Proceeds from sales of shares of subsidiaries and associates	779	1,249	11,131
Payments for investments in capital of subsidiaries and associates	(1,273)	—	—
Payments of loans receivable	(5,266)	(294)	(2,619)
Collection of loans receivable	3,113	1,549	13,809
Other, net	828	77	687
Net cash provided by (used in) investing activities	(19,038)	(41,807)	(372,645)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(2,768)	952	8,485
Repayment of long-term loans payable	(2,788)	(5,285)	(47,103)
Proceeds from long-term loans payable	7,373	24,034	214,222
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(8,098)	(72,182)
Proceeds from share issuance to non-controlling shareholders	1,434	1,141	10,170
Purchase of treasury stock	(8,998)	(4,526)	(40,340)
Cash dividends paid	(10,242)	(11,200)	(99,829)
Dividends paid to non-controlling interests	(35)	(81)	(721)
Other, net	(236)	(448)	(3,990)
Net cash provided by (used in) financing activities	(16,260)	(3,510)	(31,289)
Effect of exchange rate change on cash and cash equivalents	(1,342)	(1,755)	(15,640)
Net increase (decrease) in cash and cash equivalents	11,489	434	3,873
Cash and cash equivalents at the beginning of year	77,906	89,395	796,816
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	7,587	67,626
Cash and cash equivalents at the end of year (Note 3)	¥ 89,395	¥ 97,416	\$ 868,315

See accompanying notes.

NOTES TO REGARDING CONSOLIDATED FINANCIAL STATEMENTS

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2016 and 2017

1. Basis of Consolidated Financial Statements

The consolidated financial statements of JSR Corporation (hereinafter called "the Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (Japanese GAAP), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of the Company's overseas subsidiaries and associates are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile and make necessary amendments for consolidated financial statements required by Practical Issues Task Force No.18 issued by ASBJ. The consolidated financial statements have been restructured and translated into English

(with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the consolidated financial statements.

The translation of the amounts in Japanese yen into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate on March 31, 2017, which was ¥112.19 to U.S. \$1.00. The amounts translated should not be construed as representations that the amounts in Japanese yen have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(a) Consolidation—The consolidated financial statements include the accounts of the Company and its significant subsidiaries (43 subsidiaries in 2016 and 2017).

All significant inter-company accounts and transactions have been eliminated in consolidation.

Effective from the current fiscal year, JSR MOL Synthetic Rubber Ltd., PT.ELASTOMIX INDONESIA, and Techno Europe N.V., were included in the scope of consolidation due to increase of their materiality. JSR Optech Tsukuba Co., Ltd. was excluded from the scope of consolidation due to transfer of all shares to an external entity.

(b) Equity method—Investments in associates (all of those 20% to 50% owned and some of those 15% to 20% owned) were accounted for by the equity method (13 associates in 2016 and 12 in 2017). Unconsolidated subsidiaries and the other associates to which the equity method is not applied are stated at cost since their profit attributable to owners of parent and retained earnings in the aggregate are not material compared to consolidated profit attributable to owners of parent and retained earnings, respectively.

(c) Cash and cash equivalents—In preparing the consolidated statement of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(d) Short-term securities and investment securities—The Company and its consolidated subsidiaries (referred to as "the Group") had no trading securities or held-to-maturity debt securities. Equity securities issued by subsidiaries and associates, which are not consolidated or accounted for using the equity method, are stated at moving-average cost.

Available-for-sale securities with available fair market values are stated at fair market value and unrealized gains and losses on these securities are presented, net of applicable income taxes, as a

separate component of net assets via the consolidated statements of comprehensive income.

Realized gains and losses on sale of such securities are computed using moving-average cost.

Available-for-sale securities with no available fair market values are stated at moving-average cost or amortized cost.

(e) Inventories—Inventories are stated at cost, which is determined mainly based on the gross average method (for the value stated on the balance sheet, book value is written down to reflect the lower profitability).

(f) Property, plant and equipment—Property, plant and equipment are stated at cost. The straight-line method is used for depreciation.

(g) Intangible assets—Goodwill is amortized by the straight-line method over the estimated useful lives up to twenty years. Software for its own use is amortized over the estimated useful life (five years) using the straight-line method.

(h) Leased assets—Assets of finance leases are depreciated over the lease term using the straight-line method that residual value is zero.

(i) Allowance for doubtful accounts—Allowance for doubtful accounts is provided in amounts sufficient to cover possible losses on collection. Allowance for doubtful accounts consists of the estimated unrecoverable amount with respect to specific items, and the amount calculated using the actual percentage of losses in the past with respect to other items.

(j) Net defined benefit asset/liability—Employees of the Group are entitled, under most circumstances, to lump-sum severance payments or pension payments upon reaching the mandatory retirement age, or earlier in the case of voluntary or involuntary termination, based on the compensation at the time of severance and years of service.

Net defined benefit asset/liability is presented by deducting

the amount of plan assets from that of retirement benefits obligations based on the projected benefits obligations and plan assets deemed to have accrued at the end of the current fiscal year.

The benefit formula basis is applied as the method for attributing expected retirement benefit to the relevant periods ending at the end of the current fiscal year.

Actuarial gains or losses are recognized as expense in lump sum during the following period.

Unrecognized actuarial gains or losses are, after tax effect adjustment, recorded as remeasurements of defined benefit plans under accumulated other comprehensive income in the net assets section.

(k) Provision for environmental measures—A provision for environmental measures is provided based on estimated costs for the disposal of polychlorinated biphenyl (PCB) as mandated by the Law Concerning Special Measures Against PCB Waste.

(l) Income taxes—The Group provides for income taxes applicable to all items included in the consolidated statement of income regardless of when such taxes are payable. Income taxes based on temporary differences between tax and financial reporting purposes are reflected as deferred income taxes in the consolidated financial statements using the asset and liability method.

(i) Application of consolidated corporate-tax return system

The consolidated corporate-tax return system is applied.

(m) Derivative and hedging activities—The Group uses derivative financial instruments to manage their exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading purposes or speculative purposes. Derivative financial instruments and foreign currency transactions are classified and accounted for as follows:

(i) All derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on these derivative transactions are recognized in the consolidated statement of income.

(ii) The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income as incurred.

(n) Foreign currency transactions—The Group translates assets and liabilities denominated in foreign currencies into Japanese yen at exchange rates prevailing at the balance sheet dates. Resulting exchange gains or losses are credited or charged to income as incurred.

(o) Translation of foreign currency financial statements—Financial statements of overseas subsidiaries are translated into Japanese yen using the respective year-end rate for assets and liabilities, the average rate for revenues and expenses, and the historical rates for shareholders' equity accounts. Foreign currency translation adjustments are contained in accumulated other comprehensive income and non-controlling interests.

(p) Change in accounting policy which is difficult to distinguish from change in accounting estimate

(i) Change in the depreciation method of property, plant and equipment

Effective from the current fiscal year, the Company and some of its consolidated subsidiaries has altered the method of depreciation for property, plant and equipment from the declining balancing method to the straight-line method although they had traditionally adopted the declining balance method for property, plant and equipment excluding lease assets with the exception of adopting the straight-line method for buildings (other than the equipment attached thereto) acquired on or after April 1, 1998.

The Company has been actively pursuing global expansion of its business in accordance with its Mid-Term Business Plan. From the current fiscal year onward, it has and will accelerate overseas investments for establishment of overseas sales and production sites in order to expand overseas production capacity. The Company came to the conclusion, upon changes in the resource allocation and after reviewing the method for depreciation of the JSR Group, that it was appropriate to uniformly adopt the straight-line method for depreciation of the Group's property, plant and equipment due to the following reasons; the straight-line method would more appropriately reflect economic reality of depreciating the property, plant and equipment of the JSR Group which were constructed after establishment of sound technologies and development of the products and which therefore had generally long stable usable life; adoption of the straight-line method would further contribute globalization of the JSR Group as this would enable the Company to compare cost structures among the Group and subsequently to determine an appropriate allocation of resources as well as to make it easier to analyze business performances of multi-national companies operating globally.

As a result of this change, depreciation expense on the straight-line basis incurred in the current fiscal year decreased by ¥3,273 million (\$29,172 thousand) which brought the increase of the same amount on the Group's consolidated operating profit, ordinary profit and profit before income taxes, compared to what they otherwise would have been had the traditional depreciation method been used.

(q) Amounts per share of common stock—The computation of profit attributable to owners of parent per share of common stock is based on the average number of shares outstanding during each fiscal year. Treasury stock has been excluded in the calculation of amounts per share of common stock.

Cash dividends per share represent actual amounts applicable to the respective years.

(r) Reclassifications—Certain prior year amounts have been reclassified and restated to conform to the current year presentation. These reclassifications and restatements had no effect on

previously reported results of operations or retained earnings.

(s) Additional notes

- (i) Application of “Revised Implementation Guidance on Recoverability of Deferred Tax Assets”

The Group applies “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (Implementation Guidance on Accounting Standards, No.26 issued on March 28, 2016) as from the current fiscal year.

- (ii) Change on treatment of research and development expenses

Effective from the current fiscal year, the Company and some of its consolidated subsidiaries post all research and development expenses as general and administrative expenses upon reorganization of research laboratories, which enhances more fundamental and extensive R&D activities of the Group with innovative communication and collaboration. In the past, however, R&D expenses related to product development had been classified as costs of manufacturing since R&D for product development often involved improvement of existing products and were viewed as a part of manufacturing activities, while those related to fundamental research had been classified as administrative expenses.

Research and development expenses which were

included in costs of manufacturing in the previous fiscal year were ¥9,074 million (\$80,876 thousand).

- (iii) Shareholders agreement for integration of ABS resin business On March 30, 2017, Ube Industries, Ltd. (“Ube”), JSR Corporation (“JSR”), and Mitsubishi Rayon Co., Ltd. (“MRC”) signed a shareholders agreement to integrate the ABS resin business of Techno Polymer Co., Ltd., a wholly-owned subsidiary of JSR, and UMG ABS, Ltd. (“UMG ABS), a 50/50 joint venture between Ube and MRC, and to jointly operate the integrated new company scheduled to be effective on October 1, 2017.

The integration will take the form of an absorption-type split, with UMG ABS as the absorbed company and Techno Polymer as the successor company. Upon completing the absorption-type split, Techno Polymer will allocate common shares to UMG ABS so that, on the day that the absorption-type split takes effect, JSR will own 51% and UMG ABS will own 49% of the issued shares of the new company.

This absorption-type split becomes effective only after all procedures regulated by competition laws and other related laws of countries concerned have completed.

3. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2016 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Cash and deposits	¥ 52,081	¥ 98,933	\$ 881,835
Short-term investment securities	60,010	42,000	374,365
Time deposits over three months	(5,825)	(25,542)	(227,664)
Negotiable certificates of deposit over three months	(22,500)	(18,000)	(160,442)
Current assets: Other (repurchase agreement)	5,628	25	221
Cash and cash equivalents	¥ 89,395	¥ 97,416	\$ 868,315

4. Allowance for Doubtful Accounts

Allowance for doubtful accounts as of March 31, 2016 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Allowance for doubtful accounts			
Current assets: Notes and accounts receivable—trade	¥ (418)	¥ (647)	\$ (5,765)
Investments and other assets: Other	(359)	(471)	(4,198)

5. Fair Value of Financial Instruments

The following is a summary of the amount on consolidated balance sheet, fair value and the difference between these two items by major financial instruments as of March 31, 2016 and 2017.

Financial instruments which fair value is extremely difficult to estimate is excluded from the following table.

	Millions of yen		
	Book value	Fair value	Difference
March 31, 2016:			
(1) Cash and deposits	¥ 52,081	¥ 52,081	¥ —
(2) Notes and accounts receivable—trade	78,296	78,296	—
(3) Short-term investment securities and investment securities	94,895	94,895	—
Total assets	¥ 225,273	¥ 225,273	¥ —
(4) Notes and accounts payable—trade	53,836	53,836	—
(5) Short-term loans payable	14,346	14,346	—
(6) Long-term loans payable (included repayment due within one year)	28,744	28,335	(409)
Total liabilities	¥ 96,925	¥ 96,516	¥ (409)
March 31, 2017:			
(1) Cash and deposits	¥ 98,933	¥ 98,933	¥ —
(2) Notes and accounts receivable—trade	91,341	91,341	—
(3) Short-term investment securities and investment securities	77,847	77,847	—
Total assets	¥ 268,121	¥ 268,121	¥ —
(4) Notes and accounts payable—trade	75,026	75,026	—
(5) Short-term loans payable	15,496	15,496	—
(6) Long-term loans payable (included repayment due within one year)	46,626	46,617	(8)
Total liabilities	¥ 137,148	¥ 137,139	¥ (8)
Thousands of U.S. dollars			
March 31, 2017:			
(1) Cash and deposits	\$ 881,835	\$ 881,835	\$ —
(2) Notes and accounts receivable—trade	814,167	814,167	—
(3) Short-term investment securities and investment securities	693,884	693,884	—
Total assets	\$ 2,389,885	\$ 2,389,885	\$ —
(4) Notes and accounts payable—trade	668,743	668,743	—
(5) Short-term loans payable	138,119	138,119	—
(6) Long-term loans payable (included repayment due within one year)	415,597	415,521	(75)
Total liabilities	\$ 1,222,459	\$ 1,222,384	\$ (75)

1. Method to determine the estimated fair values of financial instruments and other matters related to securities and derivative transactions

- (1) Cash and cash equivalents, and time deposits
The book values of cash and cash equivalents, and time deposits approximate fair value because of their short maturities.
- (2) Notes and accounts receivable—trade
The book values of notes and accounts receivable—trade approximate fair value because of their short maturities.
- (3) Short-term investment securities and investment securities
The fair value of securities and investment securities are measured at the quoted market price of the stock exchange for the equity instruments. Negotiable deposit, commercial paper and cash in trust approximate fair value.

(4) Notes and accounts payable—trade

The book values of notes and accounts payable—trade approximate fair values because of their short maturities.

(5) Short-term loans payable

Short-term loans payable approximate fair value.

(6) Long-term loans payable

The fair value of long-term loans payable is measured at the present value by discounting expected repayments of principal and interest in the remaining period using an assumed interest rate on an equivalent new loan.

The fair value of long-term loans payable subject to a special accounting method for interest rate swaps which qualify for hedge accounting meet specific matching criteria is measured at the present value by discounting expected repayments of principal and interest together with the interest rate swaps in the remaining period using an assumed interest rate on an equivalent new loan.

2. Financial instruments for which it is extremely difficult to estimate the fair values were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Non-listed equity securities	¥ 32,993	¥ 25,837	\$ 230,301
Investments in capital	5,784	7,022	62,587

3. Redemptions schedule of monetary claims and securities with fixed maturities were as follows:

	Millions of yen				
	Due Within one year	Due after one year and within five years	Due after five years and within ten years	Due over ten years	Total
March 31, 2016:					
(1) Cash and deposits	¥ 5,825	¥ —	¥ —	¥ —	¥ 5,825
(2) Notes and accounts receivable—trade	78,296	—	—	—	78,296
(3) Short-term investment securities and investment securities					
Available-for-sale securities with fixed maturities					
Other	60,010	—	—	—	60,010
Total	¥ 144,132	¥ —	¥ —	¥ —	¥ 144,132
March 31, 2017:					
(1) Cash and deposits	¥ 25,542	¥ —	¥ —	¥ —	¥ 25,542
(2) Notes and accounts receivable—trade	91,341	—	—	—	91,341
(3) Short-term investment securities and investment securities					
Available-for-sale securities with fixed maturities					
Other	42,000	—	—	—	42,000
Total	¥ 158,883	¥ —	¥ —	¥ —	¥ 158,883

	Thousands of U.S. dollars				Total
	Due Within one year	Due after one year and within five years	Due after five years and within ten years	Due over ten years	
March 31, 2017:					
(1) Cash and deposits	\$ 227,664	\$ —	\$ —	\$ —	\$ 227,664
(2) Notes and accounts receivable—trade	814,167	—	—	—	814,167
(3) Short-term investment securities and investment securities					
Available-for-sale securities with fixed maturities					
Other	374,365	—	—	—	374,365
Total	\$ 1,416,195	\$ —	\$ —	\$ —	\$ 1,416,195

4. See Note 7 for scheduled repayments of long term debt.

6. Short-Term Investment Securities and Investment Securities

(1) The following tables summarize the acquisition cost and book value of available-for-sale securities with available fair value as of March 31, 2016 and 2017:

(a) Securities with book value exceeding acquisition cost

	Millions of yen		
	2016		
	Acquisition cost	Book value	Difference
Equity securities	¥ 12,483	¥ 34,591	¥ 22,108

	Millions of yen		
	2017		
	Acquisition cost	Book value	Difference
Equity securities	¥ 10,041	¥ 35,056	¥ 25,015

	Thousands of U.S. dollars		
	2017		
	Acquisition cost	Book value	Difference
Equity securities	\$ 89,500	\$ 312,473	\$ 222,973

(b) Securities with book value not exceeding acquisition cost

	Millions of yen		
	2016		
	Acquisition cost	Book value	Difference
Equity securities	¥ 2,724	¥ 294	¥ (2,430)

	Millions of yen		
	2017		
	Acquisition cost	Book value	Difference
Equity securities	¥ 2,637	¥ 790	¥ (1,847)

	Thousands of U.S. dollars		
	2017		
	Acquisition cost	Book value	Difference
Equity securities	\$ 23,509	\$ 7,046	\$ (16,463)

(2) Total sales of available-for-sale securities sold and the related gains and losses for the years ended March 31, 2016 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Total sales	¥ 1,285	¥ 5,718	\$ 50,965
Gain	634	2,935	26,158
Loss	—	30	269

7. Short-Term Loans Payable and Long-Term Loans Payable

Short-term loans payable at March 31, 2016 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Short-term loans principally from banks with interest rates 0.9% per annum (weighted average interest rate) at March 31, 2016 and 2017:			
Secured	¥ 1,110	¥ —	\$ —
Unsecured	13,236	15,496	138,119
	¥ 14,346	¥ 15,496	\$ 138,119

Long-term loans payable (including repayment due within one year) at March 31, 2016 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Loans principally from banks and insurance companies due through 2023 with interest rates 2.0% and 1.4% per annum (weighted average interest rate) in 2016 and 2017, respectively:			
Secured	¥ 752	¥ 2,245	\$ 20,009
Unsecured	27,991	44,381	395,588
	28,744	46,626	415,597
Less amount due within one year	6,494	8,245	73,490
	¥ 22,249	¥ 38,381	\$ 342,107

The following assets were pledged as collateral for secured loans at March 31.

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Cash and deposits	¥ 445	¥ 798	\$ 7,115
Notes and accounts receivable—trade, net	3,767	3,467	30,901
Inventories	816	1,940	17,289
Current assets: Other	910	864	7,700
Buildings and structures, net	2,868	2,425	21,619
Machinery, equipment and vehicles, net	1,182	1,939	17,280
Land	4,593	4,466	39,808
Construction in progress	—	223	1,986
Property, plant and equipment: Other, net	114	93	832
Intangible assets: Other	110	172	1,534
Investments and other assets: Other, net	160	956	8,523
Total	¥ 14,964	¥ 17,343	\$ 154,587

The annual maturities of long-term debt at March 31, 2017 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2018	¥ 8,245	\$ 73,490
2019	6,897	61,473
2020	7,164	63,860
2021	8,937	79,661
2022	6,414	57,174
2023 and thereafter	8,968	79,939
	¥ 46,626	\$ 415,597

8. Employees' Severance and Retirement Benefits

The Company and domestic consolidated subsidiaries have the corporate pension fund plan and the lump-sum payment plan as defined benefit plans.

Defined benefit plans

1. Movements in retirement benefit obligation

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Balance at April 1	¥ 50,197	¥ 51,659	\$ 460,463
Current service cost	2,590	2,196	19,571
Interest cost	286	183	1,627
Actuarial loss (gain)	1,292	(980)	(8,737)
Benefits paid	(2,685)	(2,814)	(25,087)
Other	(21)	(119)	(1,060)
Balance at March 31	¥ 51,659	¥ 50,124	\$ 446,777

2. Movements in plan assets

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Balance at April 1	¥ 36,451	¥ 36,479	\$ 325,155
Expected return on plan assets	149	130	1,156
Actuarial loss (gain)	199	342	3,052
Contributions paid by the employer	1,618	1,598	14,241
Benefits paid	(1,909)	(1,882)	(16,773)
Other	(29)	(74)	(663)
Balance at March 31	¥ 36,479	¥ 36,593	\$ 326,169

3. Reconciliation from retirement benefit obligation and plan assets to liability (asset) for retirement benefit

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Funded retirement benefit obligation	¥ 40,002	¥ 38,506	\$ 343,223
Plan assets	(36,479)	(36,593)	(326,169)
	3,523	1,913	17,054
Unfunded retirement benefit obligation	11,657	11,618	103,555
Total net liability (asset) for retirement benefit at March 31	15,180	13,531	120,609
Net defined benefit liability	15,180	13,904	123,932
Net defined benefit asset	—	(373)	(3,324)
Total net liability (asset) for retirement benefit at March 31	¥ 15,180	¥ 13,531	\$ 120,609

4. Retirement benefit cost

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Current service cost	¥ 2,590	¥ 2,196	\$ 19,571
Interest cost	285	181	1,612
Expected return on plan assets	(149)	(130)	(1,156)
Net actuarial loss amortization	(220)	1,093	9,742
Total retirement benefit costs for the fiscal year ended March 31	¥ 2,506	¥ 3,340	\$ 29,769

5. Other comprehensive income on remeasurements of defined benefit plans, before tax

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Actuarial gains and losses	¥ (1,313)	¥ 2,415	\$ 21,530
Total balance at March 31	¥ (1,313)	¥ 2,415	\$ 21,530

6. Accumulated other comprehensive income on remeasurements of defined benefit plans, before tax

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Unrecognized actuarial gains and losses	¥ (1,093)	¥ 1,323	\$ 11,788
Total balance at March 31	¥ (1,093)	¥ 1,323	\$ 11,788

7. Plan assets

(1) Plan assets comprise:

	2016	2017
Bonds	70.1%	64.3%
Equity securities	8.3	7.9
Cash and cash equivalents	2.9	9.3
Alternative investments	18.7	18.5
Total	100.0%	100.0%

(2) Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered to determine long-term expected rate of return.

8. Actuarial assumptions

Principal actuarial assumptions at March 31

	2016	2017
Discount rate (mainly)	0.40%	0.50%
Long-term expected rate of return (mainly)	0.35	0.40

9. Income Taxes

Income taxes in the consolidated statement of income comprise corporation, enterprise and inhabitants' taxes. The statutory income tax rate was approximately 30.9%.

The following table summarizes the significant differences

between the statutory income tax rate and the Group's effective tax rates for financial statement purposes for the years ended March 31, 2016 and 2017:

	2016	2017
Statutory income tax rate	33.1 %	30.9 %
Tax credit on research and development expenses	(3.5)	(4.8)
Difference in tax rates applied by overseas consolidated subsidiaries	0.1	(1.7)
Valuation allowance	(10.6)	(1.1)
Dividends and other income not taxable	(0.3)	(0.8)
Deductions for special reconstruction district	(0.4)	(0.8)
Other	0.0	(0.7)
Effective tax rate	18.4 %	21.0 %

Significant components of the Group's deferred tax assets and liabilities as of March 31, 2016 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Deferred tax assets:			
Net defined benefit asset and liability	¥ 4,181	¥ 4,083	\$ 36,396
Impairment loss	1,872	2,241	19,974
Unrealized gain on sales of inventories	1,295	1,538	13,705
Loss carried forward	1,132	1,514	13,497
Accrued bonuses	1,294	1,432	12,768
Unrealized gain on sales of non-current assets	850	800	7,129
Loss on valuation of investment securities	430	481	4,291
Research and development expenses	92	475	4,236
Other	3,452	3,476	30,981
Sub-total	14,598	16,041	142,977
Valuation allowance	(2,515)	(2,540)	(22,636)
Total deferred tax assets	12,083	13,501	120,341
Deferred tax liabilities:			
Unrealized gains on securities	(6,716)	(7,637)	(68,069)
Deferred gain on sales of non-current assets	(2,705)	(2,561)	(22,830)
Other	(1,652)	(1,912)	(17,040)
Total deferred tax liabilities	(11,073)	(12,110)	(107,938)
Net deferred tax assets (liabilities)	¥ 1,011	¥ 1,392	\$ 12,403

10. Impairment Loss of Non-Current Assets

The Group recognized impairment losses on the following group of non-current assets for the year ended March 31, 2016 and 2017.

Use	Location	Asset category	Millions of yen
			2016
Assets for fine chemicals and other products business	Hokuto City, Yamanashi Prefecture	Buildings and structures	¥ 2,287
		Machinery, equipment and vehicles	3,471
		Land	118
		Other	264
	Other	Land and buildings and Other	1,398
Total			¥ 7,539

Use	Location	Asset category	Millions of yen
			2017
Assets for fine chemicals and other products business	Tsu City, Mie Prefecture	Land	¥ 2,111
Total			¥ 2,111

Use	Location	Asset category	Thousands of U.S. dollars
			2017
Assets for fine chemicals and other products business	Tsu City, Mie Prefecture	Land	\$ 18,817
Total			\$ 18,817

The Group has grouped their non-current assets into business units. Non-current assets that are idle or not being used for business activities are assessed individually. The book value of non-current asset was written down to its recoverable value.

11. Comprehensive Income

Amounts reclassified to profit in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income were as follows;

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Unrealized gains on securities:			
Occurrence amount	¥ (6,451)	¥ 5,473	\$ 48,787
Recycling	(581)	(2,490)	(22,195)
Before tax effect	(7,032)	2,983	26,592
Tax effect	3,042	(925)	(8,248)
Unrealized gains on securities, net of tax	¥ (3,990)	¥ 2,058	\$ 18,344
Foreign currency translation adjustments			
Occurrence amount	¥ (4,320)	¥ (730)	\$ (6,509)
Foreign currency translation adjustments	¥ (4,320)	¥ (730)	\$ (6,509)
Remeasurements of defined benefit plans:			
Occurrence amount	¥ (1,093)	¥ 1,323	\$ 11,788
Recycling	(220)	1,093	9,742
Before tax effect	(1,313)	2,415	21,530
Tax effect	406	(740)	(6,592)
Remeasurements of defined benefit plans, net of tax	¥ (907)	¥ 1,676	\$ 14,938
Share of other comprehensive income of associates accounted for using equity method			
Occurrence amount	¥ (1,187)	¥ (1,130)	\$ (10,069)
Share of other comprehensive income of associates accounted for using equity method	¥ (1,187)	¥ (1,130)	\$ (10,069)
Total other comprehensive income before tax	¥ (13,852)	¥ 3,539	\$ 31,544
Tax effect	¥ 3,448	¥ (1,665)	\$ (14,840)
Other comprehensive income, net of tax	¥ (10,404)	¥ 1,874	\$ 16,704

12. Net Assets

Under the Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Japanese Corporate Law (hereinafter called "the Law"), in the case where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividends or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the consolidated

balance sheet.

Additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends. The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Japanese laws and regulations.

At the annual shareholders meeting held on June 16, 2017, the shareholders resolved cash dividends amounting to ¥5,562 million (\$49,584 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2017. Such appropriations are recognized in the period in which they are resolved.

13. Stock Option Plans

The shareholders of the Company approved the issuance of stock options to the directors and the executive officers of the Company as follows:

Date of resolution of the general shareholders' meeting	June 17, 2005	June 16, 2006	June 15, 2007
The maximum number of shares to be issued	62,500 shares	39,100 shares	48,500 shares
Exercisable period of stock options	From June 18, 2005 to June 17, 2025	From August 2, 2006 to June 16, 2026	From July 11, 2007 to July 10, 2027
Stock subscription rights which have been vested outstanding as of March 31, 2017	15,900 shares	14,600 shares	25,700 shares
Exercise price per share	¥1 \$0.01	¥1 \$0.01	¥1 \$0.01
Date of resolution of the general shareholders' meeting	June 13, 2008	June 16, 2009	June 18, 2010
The maximum number of shares to be issued	73,900 shares	80,200 shares	84,200 shares
Exercisable period of stock options	From July 16, 2008 to July 15, 2028	From July 15, 2009 to July 14, 2029	From July 14, 2010 to July 13, 2030
Stock subscription rights which have been vested outstanding as of March 31, 2017	40,400 shares	65,100 shares	75,900 shares
Exercise price per share	¥1 \$0.01	¥1 \$0.01	¥1 \$0.01
Date of resolution of the general shareholders' meeting	June 17, 2011	June 15, 2012	June 21, 2013
The maximum number of shares to be issued	81,000 shares	95,200 shares	50,100 shares
Exercisable period of stock options	From July 13, 2011 to July 12, 2031	From July 11, 2012 to July 10, 2032	From July 17, 2013 to July 16, 2033
Stock subscription rights which have been vested outstanding as of March 31, 2017	81,000 shares	95,200 shares	48,500 shares
Exercise price per share	¥1 \$0.01	¥1 \$0.01	¥1 \$0.01
Date of resolution of the general shareholders' meeting	June 17, 2014	June 17, 2015	June 17, 2016
The maximum number of shares to be issued	55,800 shares	51,600 shares	74,200 shares
Exercisable period of stock options	From July 31, 2014 to July 30, 2034	From July 29, 2015 to July 28, 2020	From July 28, 2016 to July 27, 2021
Stock subscription rights which have been vested outstanding as of March 31, 2017	54,000 shares	51,600 shares	74,200 shares
Exercise price per share	¥1 \$0.01	¥1 \$0.01	¥1 \$0.01

The compensation cost recognized for these stock options for the year ended March 31, 2017 was ¥90 million (\$803 thousand), which was ¥90 million in 2016, and was included in selling, general and administrative expenses in the consolidated statement of income.

14. Derivative Transactions

(1) Qualitative disclosure about derivatives

The Group enters into foreign exchange forward contracts and interest rate swap contracts as derivative financial instruments. The Group deals with foreign exchange forward transactions to hedge exchange rate risks of trade receivables and payables denominated in foreign currency. Interest rate swap transactions are made in order to reduce interest rate risks on loans payable.

The Group does not enter into derivatives for speculative transaction purposes. Hedge accounting is used for interest rate swaps in the case where there is a high degree of correlation between the hedging instruments and the hedged items.

Significant conditions surrounding hedging instruments are the same as those for the items hedged, the risks of which will likely

continue to be hedged through hedge transactions.

Foreign exchange forward contracts that the Group entered have risks due to fluctuations in foreign exchange rates. Interest rate swap contracts that the Group entered have risks due to fluctuations in interest rates. Due to the fact that counterparties to the Group represents major financial institutions that have high credit-worthiness, the Group believes that the overall credit risk related to its financial instruments is insignificant.

Derivative transactions are executed and controlled based on the Group's internal rules and are approved by the responsible officials. The balances of such transactions with counterparties are periodically confirmed.

(2) Quantitative disclosure about derivatives

The following contract amounts are only nominal or notional amounts of derivatives, and do not necessarily indicate the magnitude of market risk associated with the derivative transactions.

Contract amounts, market values and recognized gains or losses on the derivative transactions, except those accounted for using hedge accounting, at March 31, 2016 and 2017 were as follows:

(a) Related to currencies

		Millions of yen			
		Contract amount	Over one year	Market value	Recognized gains or losses
March 31, 2016:					
Items not traded on exchanges					
Foreign exchange forward contracts					
	Selling:				
	U.S. Dollars	¥ 1,242	¥ —	¥ 30	¥ 30
	Euro	1,711	—	30	30
	Chinese Yuan	22	—	0	0
	Buying:				
	U.S. Dollars	1,318	—	(3)	(3)
	Euro	384	—	(2)	(2)
	Swiss Franc	0	—	(0)	(0)
	Japanese Yen	672	—	1	1
	Total	¥ —	¥ —	¥ 56	¥ 56

		Millions of yen			
		Contract amount	Over one year	Market value	Recognized gains or losses
March 31, 2017:					
Items not traded on exchanges					
Foreign exchange forward contracts					
	Selling:				
	U.S. Dollars	¥ 6,653	¥ —	¥ (3)	¥ (3)
	Euro	1,922	—	79	79
	Chinese Yuan	98	—	0	0
	Japanese Yen	72	—	(6)	(6)
	Thai Baht	57	—	(1)	(1)
	Buying:				
	U.S. Dollars	3,170	—	5	5
	Euro	35	—	0	0
	Swiss Franc	7	—	0	0
	Total	¥ —	¥ —	¥ 75	¥ 75

		Thousands of U.S. dollars			
		Contract amount	Over one year	Market value	Recognized gains or losses
March 31, 2017:					
Items not traded on exchanges					
Foreign exchange forward contracts					
	Selling:				
	U.S. Dollars	\$ 59,304	\$ —	\$ (24)	\$ (24)
	Euro	17,129	—	705	705
	Chinese Yuan	871	—	1	1
	Japanese Yen	644	—	(54)	(54)
	Thai Baht	504	—	(8)	(8)
	Buying:				
	U.S. Dollars	28,252	—	45	45
	Euro	310	—	1	1
	Swiss Franc	64	—	1	1
Total		\$ —	\$ —	\$ 666	\$ 666

Market values are calculated using foreign exchange forward rates.

(b) Related to interests

		Millions of yen		
		Contract amount	Over one year	Market value
March 31, 2016:				
Special treatment for interest rate swaps				
Interest rate swaps (paid fix / received floating)				
(Hedged item: Long-term loans payable)				
		¥ 16,158	¥ 16,158	¥ (312)
Total		¥ 16,158	¥ 16,158	¥ (312)

		Millions of yen		
		Contract amount	Over one year	Market value
March 31, 2017:				
Special treatment for interest rate swaps				
Interest rate swaps (paid fix / received floating)				
(Hedged item: Long-term loans payable)				
		¥ 15,527	¥ 15,527	¥ (17)
Total		¥ 15,527	¥ 15,527	¥ (17)

		Thousands of U.S. dollars		
		Contract amount	Over one year	Market value
March 31, 2017:				
Special treatment for interest rate swaps				
Interest rate swaps (paid fix / received floating)				
(Hedged item: Long-term loans payable)				
		\$ 138,400	\$ 138,400	\$ (151)
Total		\$ 138,400	\$ 138,400	\$ (151)

15. Research and Development Expenses

Research and development expenses of the Group for the year ended March 31, 2017 were ¥19,463 million (\$173,487 thousand), which was ¥21,260 million in 2016, and included in selling, general and administrative expenses.

16. Segment Information

The Group's business segments are classified into the following three business segments: (1) Elastomers business, (2) Plastics business, and (3) Fine chemicals and other products business.

The summary of net sales, costs and expenses, operating profit, identifiable assets, depreciation, impairment loss and capital expenditures by segment of business activities for the years ended March 31, 2016 and 2017 were as follows:

	Millions of yen					
	Elastomers	Plastics	Fine chemicals and other products	Total	Reconciliation	Consolidated
For 2016:						
Sales to external customers	¥ 179,253	¥ 52,207	¥ 155,250	¥ 386,709	¥ —	¥ 386,709
Inter-segment sales/transfers	3,734	—	—	3,734	(3,734)	—
Sales total	182,987	52,207	155,250	390,443	(3,734)	386,709
Operating profit	¥ 7,492	¥ 5,114	¥ 21,803	¥ 34,408	¥ —	¥ 34,408
Identifiable assets	¥ 221,029	¥ 32,842	¥ 156,413	¥ 410,284	¥ 106,076	¥ 516,360
Depreciation and amortization	7,662	1,051	9,795	18,508	—	18,508
Impairment loss	—	—	7,539	7,539	—	7,539
Capital expenditures	15,278	837	8,161	24,276	—	24,276
Amortization of goodwill	—	45	401	446	—	446
Goodwill	—	585	9,204	9,788	—	9,788

	Millions of yen					
	Elastomers	Plastics	Fine chemicals and other products	Total	Reconciliation	Consolidated
For 2017:						
Sales to external customers	¥ 185,345	¥ 46,035	¥ 159,218	¥ 390,599	¥ —	¥ 390,599
Inter-segment sales/transfers	3,786	—	—	3,786	(3,786)	—
Sales total	189,131	46,035	159,218	394,384	(3,786)	390,599
Operating profit	¥ 8,340	¥ 3,773	¥ 20,257	¥ 32,370	¥ —	¥ 32,370
Identifiable assets	¥ 265,434	¥ 33,644	¥ 166,741	¥ 465,819	¥ 110,198	¥ 576,016
Depreciation and amortization	6,401	669	7,606	14,676	—	14,676
Impairment loss	—	—	2,111	2,111	—	2,111
Capital expenditures	20,709	1,189	9,887	31,785	—	31,785
Amortization of goodwill	—	45	520	565	—	565
Goodwill	—	540	8,278	8,817	—	8,817

	Thousands of U.S. dollars					
	Elastomers	Plastics	Fine chemicals and other products	Total	Reconciliation	Consolidated
For 2017:						
Sales to external customers	\$ 1,652,066	\$ 410,330	\$ 1,419,185	\$ 3,481,580	\$ —	\$ 3,481,580
Inter-segment sales/transfers	33,742	—	—	33,742	(33,742)	—
Sales total	1,685,808	410,330	1,419,185	3,515,322	(33,742)	3,481,580
Operating profit	\$ 74,338	\$ 33,628	\$ 180,564	\$ 288,530	\$ —	\$ 288,530
Identifiable assets	\$ 2,365,930	\$ 299,881	\$ 1,486,240	\$ 4,152,050	\$ 982,244	\$ 5,134,294
Depreciation and amortization	57,054	5,961	67,795	130,811	—	130,811
Impairment loss	—	—	18,817	18,817	—	18,817
Capital expenditures	184,590	10,600	88,125	283,315	—	283,315
Amortization of goodwill	—	401	4,633	5,034	—	5,034
Goodwill	—	4,810	73,782	78,591	—	78,591

Assets in reconciliation are related mainly to Cash, Short-term investment securities and Investment securities of the Company.

Geographical information with respect to net sales for the years ended March 31, 2016 and 2017 were as follows:

	Millions of yen			
	Japan	China	Others	Total
For 2016:	¥ 171,643	¥ 48,156	¥ 166,909	¥ 386,709
For 2017:	¥ 173,735	¥ 47,985	¥ 168,878	¥ 390,599

	Thousands of U.S. dollars			
	Japan	China	Others	Total
For 2017:	\$ 1,548,581	\$ 427,712	\$ 1,505,287	\$ 3,481,580

The geographical information consists of Japan, China and Others. Japan and China are individually presented considering the materiality of the sales. Main countries included in Others were as follows;

South Korea, Taiwan, Thailand, United States, Belgium

Geographical information with respect to property, plant and equipment for the years ended March 31, 2016 and 2017 were as follows:

	Millions of yen				
	Japan	Thailand	Hungary	Others	Total
For 2016:	¥ 72,550	¥ 27,193	¥ —	¥ 12,950	¥ 112,694
For 2017:	¥ 73,466	¥ 27,402	¥ 14,585	¥ 14,707	¥ 130,160

	Thousands of U.S. dollars				
	Japan	Thailand	Hungary	Others	Total
For 2017:	\$ 654,839	\$ 244,249	\$ 130,001	\$ 131,087	\$ 1,160,176

The geographical information consists of Japan, Thailand, Hungary and Others. Japan, Thailand, and Hungary are individually presented considering the materiality of the property, plant and equipment. Main countries included in Others were as follows;

South Korea, China, Taiwan, United States, Belgium

17. Related Parties

Related party transactions

Significant transactions and balances with related parties as of and for the years ended March 31, 2016 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
BRIDGESTONE Corporation (a major shareholder):			
Net Sales	¥ 31,174	¥ 28,135	\$ 250,776
Notes and accounts receivable—trade, net	10,611	10,114	90,147
KRATON JSR Elastomers K.K. (an associate):			
Purchases	9,085	9,187	81,890
Notes and accounts payable—trade	3,233	4,350	38,772
Supply of raw material gas	4,083	3,488	31,094
Accounts receivable—other	1,730	1,886	16,814

18. Business Combinations

Transaction under common control

Additional acquisition of subsidiary's shares

1. Overview of the transaction

With an aim to expand the Group's life sciences business, the Company acquired an additional 39% of the outstanding shares of its consolidated subsidiary KBI Biopharma, Inc., which is involved in biopharmaceutical contract development and manufacturing, from a non-controlling shareholder on November 30, 2016. As a result of this additional share acquisition, the Company's voting rights in KBI Biopharma, Inc. increased from 51.0% to 90.0%.

2. Overview of the implemented accounting process

Based on "Accounting Standard for Business Combinations" and "Guidance on Accounting Standards for Business Combinations and Business Divestitures," this additional share acquisition was treated as a transaction with the non-controlling shareholder under common control.

3. Details on the additional acquisition cost of subsidiary's shares

Acquisition cost of KBI Biopharma, Inc.'s common shares acquired as a transaction in cash: ¥8,098 million (\$72,182 thousand)

4. Details on decrease in capital surplus due to transaction with the non-controlling shareholder

(1) Reason for decrease of capital surplus

Additional acquisition of subsidiary's shares

(2) Amount of decrease in capital surplus due to transaction with the non-controlling shareholder

¥7,660 million (\$68,276 thousand)

19. Contingent Liabilities

At March 31, 2017, the Group was contingently liable as a guarantor for loans of CMIC JSR Biologics Co., Ltd. in the amount of ¥1,674 million (\$14,925 thousand), JSR Micro (Changshu) Co., Ltd. in the amount of ¥588 million (\$5,244 thousand), JEY-TRANS CO., LTD. in the amount of ¥104 million (\$927 thousand), and employees in the amount of ¥1 million (\$6 thousand), respectively.



Independent Auditor's Report

To the Board of Directors of JSR Corporation:

We have audited the accompanying consolidated financial statements of JSR Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2017 and 2016, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and 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 obtain 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 statements present fairly, in all material respects, the financial position of ABC Co., Ltd. and its consolidated subsidiaries as at March 31, 2017 and 2016, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements, from the fiscal year ended March 31, 2017, the Company and some of its consolidated subsidiaries has altered the method of depreciation for property, plant and equipment from the declining balancing method to the straight-line method.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2017 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

KPMG AZSA LLC

June 16, 2017

Tokyo, Japan