

CORPORATE GOVERNANCE SYSTEM

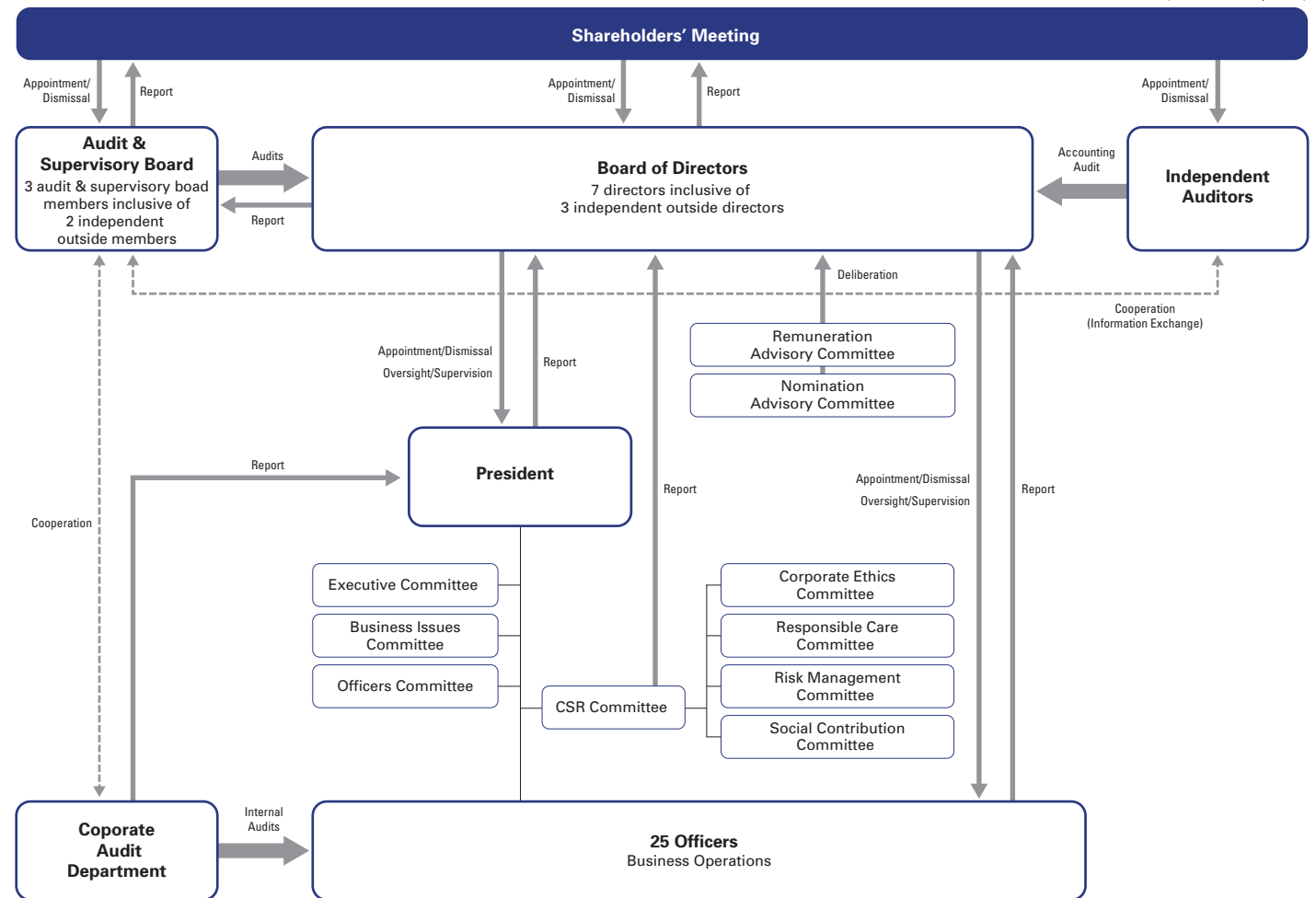
Aiming to Maintain a Trusted, Appealing Corporate Structure

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, 2017 – March 31, 2018

Corporate Governance Structure Diagram

(As of June 15, 2018)



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Basic Views and Policies on Corporate Governance of JSR**1. Basic policy**

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

2. Corporate governance structure

- (1) As a company with audit & supervisory board members, JSR principally monitors and oversees the execution of duties by directors and the management through its Board of Directors and audit & supervisory board members.
- (2) JSR has continuously strengthened the function of management supervision, improved efficiency in decision making and execution of business duties, and

enhanced the transparency and soundness of business management through the introduction of an officer system and the appointment of outside directors and audit & supervisory board members, who are independent from the Company and have extensive business experience and a high level of expertise.

- (3) The Board of Directors has established JSR's corporate mission and makes important decisions including those of the Company's business strategies.
- (4) The Board of Directors has developed an environment where management can take appropriate risks and demonstrate entrepreneurship through the introduction of a performance-based director remuneration scheme.
- (5) The Board of Directors supervises directors and management through the assessment of business performance and appointment of directors.
- (6) The current Board of Directors consists of seven (7) directors, three (3) of whom are independent outside directors with vast experience and extensive expertise in management of corporations and businesses. In the future, the Company will elect two (2) or more independent outside directors with similar expertise in order to increase corporate value and oversee business management.

- (7) The current Audit & Supervisory Board consists of three (3) audit & supervisory board members, two (2) of whom are independent outside audit & supervisory board members with extensive and sophisticated expertise (one is a lawyer and the other is a certified public accountant qualified as a certified public tax accountant as well). In the future, the Company will elect two independent outside audit & supervisory board members with vast experience and extensive and sophisticated expertise in such fields as law, accounting, and etc., to effectively audit the execution of duties by directors and the management.
- (8) JSR has established the Remuneration Advisory Committee of which majority members are independent outside directors and the chair of which is an independent director in order to ensure the objectivity and transparency of its directors' remuneration scheme. The committee deliberates the basic policy of remuneration, the remuneration structure, the mechanism of a performance-based remuneration, the setting of targets, and assessment of performance, and submits its findings to the Board of Directors.

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(9) JSR has set basic policies on remuneration of directors as follows: the remuneration scheme should increase corporate value over the mid- and long-term, attract diverse and superior personnel, be linked to short-term, mid-term and long-term business performance, have management and shareholders share profits, and ensure high transparency. Remuneration for directors consists of a fixed basic remuneration, an annual bonus linked to the attainment level of business performance in each fiscal year, a mid-term business performance-based bonus linked to the attainment level of the mid- and long-term business performance, and restricted stock shares as remuneration designed to facilitate earlier sharing of corporate values between directors and the shareholders of the Company. In light of their roles, remuneration for outside directors and audit and supervisory board members consists of basic remuneration only.

(10) JSR has established the Nomination Advisory Committee of which majority members are independent outside directors and the chair of which is an independent director to ensure the transparency of the policy and procedures of nominating candidates

for directors. The committee deliberates criteria for the size, diversity in breadth of knowledge, experience, and capability necessary for the Board of Directors as well as criteria and procedures for nominating and/or identifying candidates for future appointment as president, directors, officers with directorship status (including senior officers), and audit & supervisory board members, and submits its findings to the Board of Directors.

3. Relationship with stakeholders

- (1) JSR has set "Responsibility to Our Stakeholders" (responsibility to customers, business partners, employees, society, and shareholders) as one of the important pillars of its management policies in order to express its commitment to its stakeholders.
- (2) JSR has appropriately responded to issues related to sustainability, such as social and environmental issues and also promoted measures to secure diversity including those for encouraging greater participation of female employees. For details of JSR Group's CSR report, please visit the following site: http://www.jsr.co.jp/jsr_e/csr/
- (3) To fulfill its commitment to its stakeholders as stated in its "Responsibility to Our Stakeholders", JSR Group has

established "the JSR Group Principles of Corporate Ethics" as a code of conduct for its directors and employees and endeavored to ensure the code is thoroughly communicated to, and understood and observed by all directors and employees.

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

http://www.jsr.co.jp/jsr_e/csr/2016/management/compliance.shtml

PDF file :

http://www.jsr.co.jp/csr/pdf/CoC_en.pdf

4. Securing the rights and equal and equitable treatment of shareholders

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

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platform for institutional investors; enhancing contents of the convocation notice; and translating the convocation notice into English, etc.

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

- 2) JSR will study measures to deal with institutional investors, etc. who hold the Company's shares under the names of trust banks and who desire to participate in an ordinary general meeting of shareholders of the Company.
- (2) JSR will explain its basic idea on its capital policies to shareholders. Especially in the case of those policies that may undermine the interests of existing shareholders, such as introducing takeover defense measures, MBO, and increase in capital stock, etc., the Company is determined to sufficiently examine their necessity and rationality and to take appropriate procedures to ensure sufficient explanation to shareholders.
- (3) JSR has maintained cross-shareholdings by comprehensively considering the rationality of both business management strategies and economics of holding cross-shareholdings. The Board of Directors will periodically review the status and the policies for maintaining cross-shareholdings. When exercising voting rights of cross-shareholdings, the Company, respecting the judgment of the management of companies in question in principle, comprehensively determines to vote for or against their proposals after reviewing whether or not their corporate governance system and proposals will contribute to the improvement of their corporate value over the mid- and long-term.

5.Capital policy

- (1) While prioritizing growth investment in its Elastomers, Plastics, Digital Solutions and Life Sciences Businesses to continuously create corporate value, JSR has been aiming at providing appropriate returns to shareholders, including combination of dividends and treasury stock acquisitions, by taking into account its business performance and mid- and long-term capital requirements.
- (2) JSR has been continuously endeavoring to improve capital efficiency indices, such as ROE and ROIC.

6.Dialogue with shareholders

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

- (2) In dialogues with shareholders, JSR has strived to appropriately treat insider information.

7.Information disclosure policy

- (1) JSR has set its information disclosure policy and prepared organizations and systems for information disclosure. The Company has strived to ensure prompt, accurate, active and fair disclosure

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of information by establishing a company-wide cooperative framework to improve the quality of information disclosure.

(2) With the aim of actively providing company information to shareholders and investors, JSR posts the information mentioned below on its website: corporation information including business performance, financial position, and details of main businesses, CSR information including efforts to conserve the environment and responsible care (RC), and research and development (R&D) activities.

Management System

1. Board of Directors

The Board of directors consists of seven (7) directors three (3) of whom are independent outside directors with independence and extensive experience of business and management) and holds meetings once monthly, in principle. The Board discusses and makes decisions on important business matters, including the direction of the Company's business strategy, and also supervises directors' and officers' execution of their business duties.

The Board of Directors is chaired by the chairman in principle. However, in the

absence of the chairman, a representative director other than the president is currently serving as the chairman for the purpose of securing corporate governance by distinguishing the rolls of president, the chief executive officer of the Company, from those of chairman of the Board of Directors responsible for monitoring and overseeing the execution of the Company's operations. In addition, all three (3) audit & supervisory board members including two (2) outside audit & supervisory board members regularly attend the Board of Directors meetings to state their opinions.

JSR has established the Remuneration Advisory Committee and Nomination Advisory Committee as an advisory organization to Board of Directors. For details of the committees, please refer to "Basic Views and Policies on Corporate Governance of JSR 2.(8), (10)".

2. Executive Committee

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

Directors for further discussion.

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

3. Business Issues Committee

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

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4.Officers Committee

This committee consists of the president and all officers (except for those of overseas officers who attend the committee meeting at least annually) and aims to ensure members' thorough understanding of management conditions and important management issues. As a rule, this committee, which meets once a month, is chaired by the president and the standing audit & supervisory board member is also present.

5.Audit & Supervisory Board and audit & supervisory board members

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

In accordance with standards for audits by audit & supervisory board members, the audit & supervisory board members attend meetings of the Board of Directors, and other important meetings

including Executive Committee meetings to monitor how important decisions are reached and business activities are executed. The audit & supervisory board members also receive reports from the independent auditors, directors, and employees. Through these activities, audit & supervisory board members holds deliberations in order to form auditing opinions.

6.Outline of Audit by Audit & Supervisory Board Members, Internal Audit, and Independent Auditors

(1)Audit by audit & supervisory board members

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

(2) Internal Audit

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

(3) Independent Auditors

JSR's independent auditor is KPMG AZSA LLC. The audit & supervisory board members work closely with the independent auditors. The audit & supervisory board members interview the independent auditors about the audit plan and receive reports on the audit results. Furthermore, the audit & supervisory board members and independent auditors exchange information and opinions as necessary in the course of each fiscal year.

7.CSR Committee

Through JSR Group's Corporate Social Responsibility (CSR) policy, the Company is committed to behave faithfully as a good corporate citizen and meet the expectations of our stakeholders. It has established the CSR Committee to promote CSR. Under the CSR Committee, there are the following four committees: the Corporate Ethics Committee, the Responsible Care (RC) 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 management of the Company's CSR and proceed CSR activities.

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Directors and Audit & Supervisory Board Member

(As of March 31, 2018)

Representative Director and President

Mitsunobu Koshiba

Representative Director

Koichi Kawasaki

Director

Nobuo Kawahashi**Hideki Miyazaki**

Standing Audit & Supervisory Board Member

Atsushi Kumano

Independent Outside Director

Yuzuru Matsuda**Shiro Sugata****Tadayuki Seki**

Independent Outside Audit & Supervisory Board Member

Hisako Kato**Sumio Moriwaki****Independent Outside Directors**

(As of March 31, 2017)

The Company has appointed three independent outside directors in order to further reinforce the Board of Directors' monitoring functions as well as the important decision-making functions in an appropriate and timely manner. By welcoming independent outside directors with extensive experience in management of companies and businesses with highly independent and neutral perspectives, the Company ensures reasonable judgement for, and transparent and sound management of, the businesses of the Company.

Yuzuru Matsuda

Mr. Yuzuru Matsuda served as the President and Chief Officer of KYOWA HAKKO KOGYO CO., LTD and Kyowa



Hakko Kirin, Co., Ltd. and the Advisor of Kyowa Hakko Kirin Co., Ltd. He has vast experience in corporate management for global companies especially in the field of medical and biochemical products and pharmaceuticals. He also possesses an independent perspective as outside personnel. He has utilized his experiences and independent viewpoints to help the Company

in making crucial decisions, to supervise the performance of duty at the BOD level, and to strengthen the Company's fair corporate governance through enhancement of fair and reasonable business judgment and transparent and sound management, thereby continually contributing further to the enhancement of JSR Group's corporate value.

[Major activities in the year under review]

Mr. Matsuda participated in all 17 meetings of the Board of Directors held during the current fiscal year. Mr. Matsuda has been greatly contributing to ensuring reasonable judgment for, and transparent and sound management of, the businesses of the Company, by providing necessary appropriate advices at the meetings of the Board of Directors as well as attending Nomination Advisory Committee and Remuneration Advisory Committee.

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Shiro Sugata

Mr. Shiro Sugata served as the Representative Director and President of USHIO INC., where he currently serves as



Advisor. He also served as Vice Chairman, Executive Director at the Japan Association of Corporate Executives. He has vast experience in the corporate management of global companies especially in the field of optical application products and industrial machineries. He also has experience obtained through activities in the business community and possesses the perspective of independent outside personnel.

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

[Major activities in the year under review]

Mr. Sugata participated in all 17 meetings of the Board of Directors held during the current fiscal year. Mr. Sugata has been greatly contributing to ensuring reasonable judgment for, and transparent and sound management of, the businesses of the Company, by providing necessary appropriate advices at the meetings of the Board of Directors as well as attending Nomination Advisory Committee and Remuneration Advisory Committee.

Tadayuki Seki

Mr. Tadayuki Seki served as the Representative Director and Executive Vice President and there-



after as an Advisory Member at ITOCHU Corporation. He has vast experience in the corporate management of a general trading company which operates a global trading business, as well as extensive experience in financing and accounting matters cultivated during his service as CFO, and possesses the perspectives of independent outside personnel.

He has utilized his experiences and independent viewpoints to help the Company in making crucial decisions,

to supervise the performance of duty at the BOD level, and to strengthen the Company's fair corporate governance through enhancement of fair and reasonable business judgment and transparent and sound management, thereby continually contributing further to the enhancement of JSR Group's corporate value.

[Major activities in the year under review]

Mr. Seki participated in all 13 meetings of the Board of Directors held after his appointment as a Director. Mr. Seki has been greatly contributing to ensuring reasonable judgment for, and transparent and sound management of, the businesses of the Company, by providing necessary appropriate advices at the meetings of the Board of Directors as well as attending Nomination Advisory Committee and Remuneration Advisory Committee.

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Independent Outside Audit & Supervisory Board Members

The Company appoints one standing Audit & Supervisory Board member and two independent outside ones (but not standing) in order to further enhance management monitoring functions of the Audit & Supervisory Board and its members. By appointing certified public accountants and lawyers with respective highly professional knowledge and vast experience in their field with highly independent and neutral perspective, the Company ensures reasonable judgement for, and transparent and sound management of, the businesses of the Company.

Hisako Kato

Ms. Hisako Kato has a vast financial and accounting expertise and experience as as a Certified Public Account both in Japan and US and as a Certified Tax Accountant . She has utilized her vast experience, knowledge, and sophisticated expertise as well as her viewpoint as an independent outsider to audit the Directors' decision-making and execution of operation, and to commit to enhancing fair and reasonable judgment for, and accountable and sound management of, the businesses of the Company.

**[Major activities in the year under review]**

Ms. Kato participated in all 17 meetings of the Board of Directors and in all 19 meetings of the Audit & Supervisory Board respectively held during the current fiscal year. Ms. Kato has been greatly contributing to ensuring reasonable judgment for, and transparent and sound management of, the businesses of the Company, by providing necessary and appropriate advices at the meetings of the Board of Directors and Audit & Supervisory Board.

Sumio Moriwaki

Mr. Sumio Moriwaki has a vast legal expertise and experience as a lawyer. He has utilized his vast experience, knowledge, and sophisticated expertise as well as his viewpoint as an independent outsider to audit the Directors' decision-making and execution of operations and has been greatly contributing to ensuring reasonable judgment for, and transparent and sound management of, the businesses of the Company.

**[Major activities in the year under review]**

Mr. Moriwaki participated in all 13 meetings of the Board of Directors and in all 14 meetings of the Audit & Supervisory Board respectively held after his appointment as an Audit & Supervisory Board Member. Mr. Moriwaki has been greatly contributing to ensuring reasonable judgment for, and transparent and sound management of, the businesses of the Company, by providing necessary and appropriate advices at the meetings of the Board of Directors and Audit & Supervisory Board.

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Directors and Audit & Supervisory Board Members



Representative Director
and President
Mitsunobu Koshiba



Representative Director
Koichi Kawasaki



Director
Nobuo Kawahashi



Director
Hideki Miyazaki



Outside Director
Yuzuru Matsuda



Outside Director
Shiro Sugata



Outside Audit &
Supervisory Board Member
Hisako Kato



Outside Audit &
Supervisory Board Member
Sumio Moriwaki

Officers (*Directors)

Representative Director and
Executive Managing Officer
Koichi Kawasaki*
Procurement, Logistics, Manufacturing
and Technology, Product Safety & Quality
Assurance, Safety and Environment Affairs
President of Japan Butyl Co., Ltd.

Director and Executive Managing Officer
Nobuo Kawahashi*
Research & Development, Human
Resources, Diversity Development

Managing Officer
Hayato Hirano
Elastomer Business, Plastics Business
General Manager of Elastomer Div.
President of Techno-UMG Co., Ltd.

Managing Officer
Katsuya Inoue
Corporate Planning, Business Planning
and Investment & Development, Digital
Solutions Business
General Manager of Corporate Planning Div.
Chairman of JSR Micro (Changshu) Co., Ltd.

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

Director and Managing Officer
Hideki Miyazaki*
Accounting, Finance, Corporate
Communications

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 the President, IT
Strategy, Business Process Renovation
General Manager of Office of the President
General Manager of Office of Business
Process Renovation

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

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

Senior Officer
Makoto Doi
Legal General Manager of Legal Dept.

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

Senior Officer
Yoshikazu Yamaguchi
Display Solution Business Representative
Director of JSR Micro Korea Co., Ltd.

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

Officer
Hiroaki Nemoto
Emerging Business

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 SSSR Global
Manufacturing & Technology Management
Dept.

Officer
Yasufumi Fujii
General Affairs, Secretarial Office, CSR
General Manager of General Affairs Dept.
General Manager of Secretarial Office

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

Officer
Tim Lowery
Executive Vice President of JSR Micro, Inc.
General Manager of Bioprocess Dept., Life
Sciences Div.

Officer
Koichi Hara
General Manager of Life Sciences Business
Planning Dept. Director of MEDICAL &
BIOLOGICAL LABORATORIES CO., LTD.