

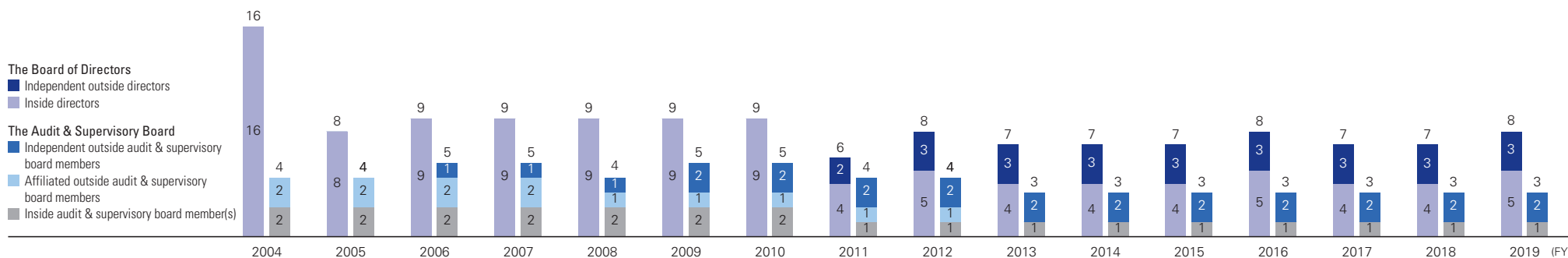
# CORPORATE GOVERNANCE

## Strengthening Corporate Governance for Sustainable Growth

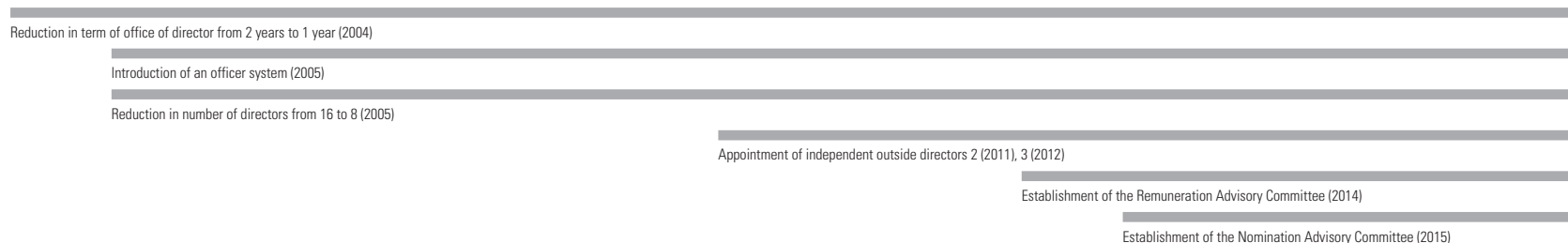
The Company, by enhancing its corporate governance, endeavors to realize its corporate mission, achieve its business plan, and increase corporate value over the medium to long-term

The Company is constantly improving its corporate governance with the aim of obtaining the trust of shareholders and all other stakeholders and building an appealing corporate structure. Even before the Corporate Governance Code was established, the Company had been focusing on the enhancement of corporate governance by, for example, appointing several independent outside directors and establishing the Remuneration Advisory Committee. The Company will continuously strive to strengthen and enhance its corporate governance to ensure transparent and sound management based on rational and prompt management decisions.

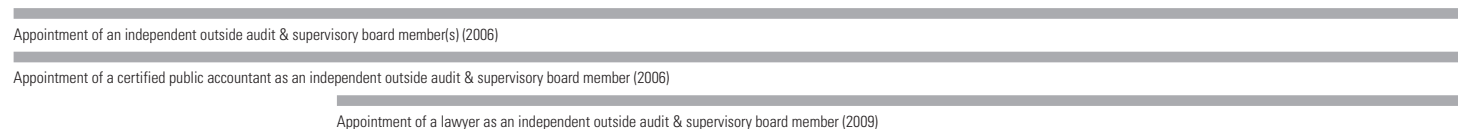
### Governance history since 2004



### The Board of Directors



### The Audit & Supervisory Board



### Corporate Audit Department



### Basic Views and Policies on Corporate Governance of JSR

#### 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.

# CORPORATE GOVERNANCE

## Four Characteristics of JSR's Corporate Governance Structure

The Company, by enhancing its corporate governance, endeavors to realize its corporate mission, achieve its business plan, and increase corporate value over the medium to long-term.

### All three outside directors have experience in corporate management

Ratio of independent outside directors with experience in management of corporations:

100%



The current Board of Directors consists of eight (8) 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 1/3 (one third) or more independent outside directors with similar experience and expertise in order to enhance corporate value and oversee business management.

### Independent outside audit & supervisory board members that are legal and accounting specialists

Ratio of Business Specialists

100%



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. 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, etc., to effectively audit the execution of duties by directors and management.

### A lead independent outside director chairs the Nomination Advisory Committee and the Remuneration Advisory Committee

Nomination Advisory Committee Chair



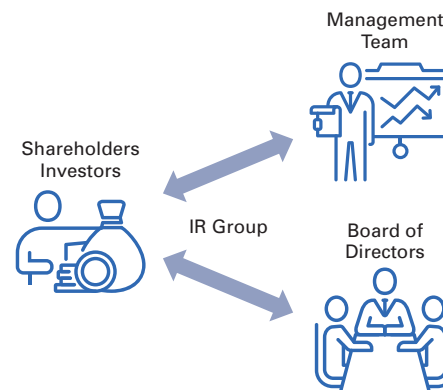
Remuneration Advisory Committee Chair



The Company established the Nomination Advisory Committee of which majority of members are independent outside directors and the chair of which is a lead independent outside 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 capabilities necessary for the Board of Directors as well as criteria and procedures for nominating and/or identifying candidates for future appointment as CEO and/or president, directors, officers with directorship status (including senior officers), and audit & supervisory board members, and submits its findings to the Board of Directors.

The Company also established the Remuneration Advisory Committee of which a majority of members are independent outside directors and the chair of which is a lead independent outside director in order to ensure the objectivity and transparency of its directors' remuneration framework. 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.

### The Company is keen to reflect the voices of investors and/or analysts in its management



The Company appoints an officer in charge of IR. The CEO, the president or the officer in charge of IR explains, at the explanatory meetings for business results and mid-term business plan for institutional investors and/or market analysts, the business performance, financial positions, and the details and progress of the mid-term business plan.

In addition, the CEO, the president or the officer in charge of IR also holds face-to-face meetings with institutional investors, both in Japan and overseas, to explain the above mentioned business results and progress of the mid-term business plan.

In dialogues with the investors and/or analysts, the Company has strived to appropriately treat insider information and feed back to management and board of directors the opinions and questions expressed by the investors and/or analysts during such dialogues.

# CORPORATE GOVERNANCE

## Corporate Governance Structure

- (1) As a company with audit & supervisory board members, the Company principally monitors and oversees the execution of duties by directors and the management through its Board of Directors and audit & supervisory board members.
- (2) The Company 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 outside 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 framework.

- (5) The Board of Directors supervises directors and the management through the assessment of business performance and appointment of directors.

Management system is outlined below.

### 1. Board of Directors

The Board of directors consists of eight (8) directors, and three (3) of whom are independent outside directors with independence and extensive experience of business and management and hold 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 for the purpose of securing corporate governance by distinguishing the rolls of CEO, and the president and COO of the Company, from that 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) independent outside audit & supervisory board members regularly attend the Board of Directors meetings to state their opinions.

### 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 in 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 CEO, 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 either the CEO or the president. The standing audit & supervisory board member also attends these committee meetings.

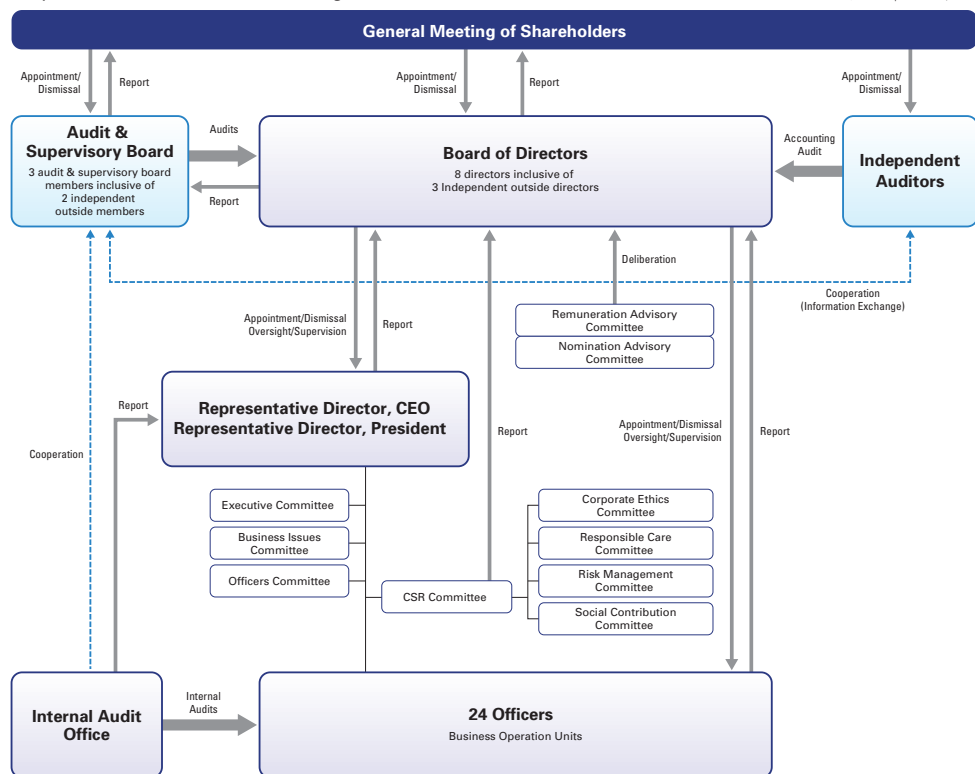
### 3. Business Issues Committee

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 in principle, consists of the CEO, the president and officers with directorship status, and is chaired by CEO or the president.

### 4. Officers Committee

This committee consists of the CEO, the president and all officers and aims to ensure members' thorough understanding of business conditions and important business matters.

Corporate Governance Structure Diagram (As of September 5, 2019)



# CORPORATE GOVERNANCE

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

The Audit & Supervisory Board, consisting of a total 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, a lawyer and a certified public accountant qualified as a certified public tax accountant, and conduct audits from a standpoint independent from the Company 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 conducted by the 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 the JSR Group's internal control systems. In accordance with the internal audit plan, the Corporate Audit Department regularly conducts internal audits, such as compliance audits and business operation audits, at its divisions and departments as well as its Group companies both in Japan and overseas and reports the audit results to CEO, 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 throughout the course of each fiscal year.

## Directors and Audit & Supervisory Board Members (As of September 5, 2019)



Representative Director,  
CEO

### Eric Johnson

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



Representative Director, President,  
COO, and CTO

### Nobuo Kawahashi

Research & Development



Representative Director,  
Chairman of the Board

### Mitsunobu Koshiba



Director,  
Executive Managing Officer

### Koichi Kawasaki

Procurement, Logistics, Manufacturing and  
Technology, Product Safety & Quality  
Assurance, Safety and Environment Affairs,  
Human Resources, Diversity Development  
President of Japan Butyl Co., Ltd.



Director, Managing Officer

### Hideki Miyazaki

Accounting, Finance, Corporate  
Communications



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

# CORPORATE GOVERNANCE

## 7. CSR Committee

Through the 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) Promotion 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 the Company's CSR and proceed CSR activities.

## Independent Outside Directors (As of September 5, 2019)

The Company has appointed 3 independent outside directors to further strengthen the functions of the Board of Directors to supervise management and make decisions in a timely and appropriate manner.

By appointing independent outside directors with a broad range of corporate management experiences and an independent perspective as outside personnel, the Company ensures fair and reasonable business judgement and transparent and sound management.

### Yuzuru Matsuda

Mr. Matsuda served as the President and Chief Operating Officer of KYOWA HAKKO KOGYO CO., LTD and Kyowa Hakko Kirin, Co., Ltd as well as an Advisor to Kyowa Hakko Kirin. 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 outside personnel. He has utilized his experiences and independent viewpoints to help the Company in making crucial decisions, to supervise the performance of duties at the Board of Directors level, and to strengthen the Company's fair corporate governance through enhancement of fair and reasonable business judgment and transparent and sound management, thereby continually contributing further to the enhancement of JSR Group's corporate value. He is therefore appointed again as an outside director.



### Shiro Sugata

Mr. Sugata served as the Representative Director and President of USHIO INC., where he currently serves as an advisor. He also served as Vice Chairman, Executive Director at the Japan Association of Corporate Executives. He has vast experience in 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 performance of duties at the Board of Directors level, and to strengthen the Company's fair corporate governance through enhancement of fair and reasonable business judgment and transparent and sound management, thereby continually contributing further to the enhancement of JSR Group's corporate value. He is therefore appointed again as an outside director.



### Tadayuki Seki

Mr. Seki served as the Representative Director and Executive Vice President and thereafter as an Advisory Member at ITOCHU Corporation. He has vast experience in corporate management of a general trading company which operates a global trading business 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 duties at the Board of Directors level, and to strengthen the Company's fair corporate governance through enhancement of fair and reasonable business judgment and transparent and sound management, thereby continually contributing further to the enhancement of JSR Group's corporate value. He is therefore appointed again as an outside director.



# CORPORATE GOVERNANCE

## Independent Outside Audit & Supervisory Board Members

(As of September 5, 2019)

The Company has appointed 1 standing audit & supervisory board member and 2 independent outside audit & supervisory board members to further strengthen the functions of monitor the management of the audit & supervisory board members as well as the Audit & Supervisory Board.

The Company appoints a certified public accountant and lawyer, both of whom possess a high level of expertise, broad experiences and independent perspectives as outside personnel, as independent outside audit & supervisory board members in order to ensure fair and reasonable business judgement and transparent and sound management.

### Hisako Kato

Ms. Kato has a range of professional knowledge and vast experience in financing and accounting matters as a Certified Public Accountant both in Japan and the US, and a Certified Tax Accountant by providing necessary and appropriate advices. She has been utilizing 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 duties as well as to enhance fair and reasonable judgment for, and accountable and sound management of, the businesses of the Company.



### Sumio Moriwaki

Mr. Moriwaki has vast legal expertise and experience as a lawyer. He has utilized his experience, knowledge, and sophisticated expertise, as well as his viewpoint as an independent outsider, to audit the directors' decision-making and execution of duties, as well as to enhance fair and reasonable judgment for, and accountable and sound management of, the businesses of the Company.



## Officers (excluding those who concurrently serve as directors)

(As of September 5, 2019)

### 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, Digital Solutions Business, Emerging Business, Office of the CEO General Manager of Corporate Planning Div. General Manager of Office of the CEO Chairman of JSR Micro (Changshu) Co., Ltd.

### Managing Officer

#### Tadahiro Suhara

Digital Solutions Business

### Senior Officer

#### Takao Shimizu

Office of the President, IT Strategy, Cyber Security Management, 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. Chairman of JSR Display Technology (Shanghai) Co., Ltd.

### Senior Officer

#### Kazumasa Yamawaki

Elastomer Business (deputy) Deputy General Manager of Elastomer Div. General Manager of Business Management Dept., Elastomer Products 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

#### Yoshikazu Yamaguchi

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

### Senior Officer

#### Kazushi Abe

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

### Officer

#### Eiichi Kobayashi

Executive Vice President of JSR NORTH AMERICA HOLDINGS, INC. JSR Micro, Inc. JSR Life Sciences, LLC

### 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

#### Seiji Takahashi

Manufacturing and Technology (deputy) General Manager of SSBR 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

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

### Officer

#### Koichi Hara

Executive Vice President of JSR North America Holdings, Inc. General Manager of Life Sciences Business Planning Dept.

### Officer

#### Junichi Takahashi

Electronic Materials Business General Manager of Electronic Materials Div. General Manager of Taiwan Branch., Electronic Materials Div.

### Officer

#### Keisuke Wakiyama

General Manager of Display Solution Business Div.

### Officer

#### Ichiko Tachibana

General Manager of Support Dept., Emerging Business

### Officer

#### Toru Kimura

General Manager of Research & Development

# CORPORATE GOVERNANCE

## Director Remuneration

Based on the understanding that remuneration for directors is one of the important pillars supporting the Company's corporate governance, the Board of Directors deliberates and makes decisions based on the discussions and reports of the Remuneration Advisory Committee within the scope approved by the General Meeting of Shareholders in accordance with the basic policy, remuneration governance, remuneration scheme and decision-making procedures.

### Basic Remuneration Policy

Based on the fulfillment of responsibility to explain to all its shareholders, the Company has established the following basic policy with its aim to firmly execute management plans and business strategies, for the purpose of sustainable development and improving corporate value over the medium to long term.

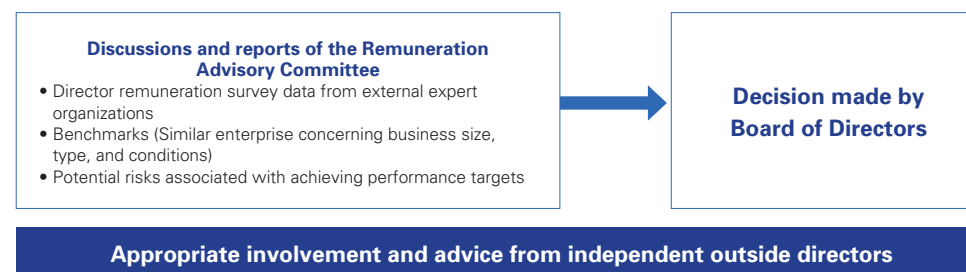
- (1) A remuneration system that can attract, secure, and reward diverse and talented human resources regardless of nationality, in order to build and improve the Company's competitive advantage, and to further promote global management.
- (2) In order to motivate management to achieve business objectives in line with the Company's business strategies with the aim of sustainable development of the Company, the remuneration system shall develop a healthy spirit of entrepreneurship in management through incentives that reflect the potential risks of achieving these objectives.

- (3) A remuneration system that improves corporate value over the medium to long term by actively sharing the interests of shareholders and management through increased shareholdings during the director's tenure.

### Types of Remuneration

The Company's director remuneration is comprised of a basic remuneration as fixed basic remuneration, an annual bonus linked to the attainment of business performance in each fiscal year, a mid-term bonus linked to the attainment of medium and long-term business performance, and a remuneration which grants restricted shares for the purpose of quickly promoting shared value among all shareholders. However, in view of their roles, remuneration for outside directors and Audit & Supervisory Board members is limited to basic remuneration only.

### Remuneration Governance and Remuneration Decision Making Procedures



Audit & Supervisory Board member remuneration is determined through discussions between Audit & Supervisory Board members

### Remuneration System

	Basic Remuneration	Performance-Linked Remuneration			Basic Remuneration Performance-Linked Remuneration	
		Annual Bonus	Mid-Term Business Performance-Linked Bonus	Remuneration which Grants Restricted Shares		
Directors (not including outside directors)	CEO	100	100	approx.133	approx.67	100:300
	Chairman and President	100	30	50	25	100:105
	Executive Managing Officer / serving concurrently as Managing Officer	100	25	30	15	100:70

\*Performance indicators for consolidated company-wide performance use consolidated revenue and consolidated operating profit. Based on the assumption that payout rate is 100% when attained level for targets set at beginning of fiscal year is 100%, payout rates may vary within the range of 0 to 200% depending on the level of attainment for each specific target.

\*\*The average consolidated ROE (return on equity) over three years is used as a performance indicator. Based on the assumption that payout rate is 100% when attained level for targets set at beginning of each fiscal year is 100%, payout rates may vary within the range of 0 to 150% depending on the level of attainment for target.