

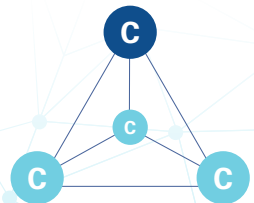
# Human Resources

## Philosophy

JSR Group drives its organization and personnel based upon the following measures:

- 1 Develop mechanisms and a corporate culture with a healthy balance of 'Freedom' and 'Discipline,' guided by the Course of Action's 4Cs to enable managers and junior staff to grow together, help all employees accurately perceive and solve issues in order to foster a JSR that not only maintains its organizational capacity, but ensures its future growth.
- 2 Promote the globalization of JSR corporation employees while developing a globalized workforce within JSR Group as well as train and manage the Group's human resources on a global level.
- 3 Generate synergies which take full advantage of the increasing range of diversity (in terms of nationality, culture, gender, values, etc.) throughout JSR Group's vast human resource pool.

### Course of Action: 4C



<b>Challenge</b>	All employees of JSR Group should share a common, global focus and desire to succeed. Employees should feel confident to autonomously take on new challenges, learning from successes while viewing setbacks as opportunities to learn, grow and improve.
<b>Communication</b>	All employees should feel comfortable and confident maintaining open lines of bi-directional communication at all levels within JSR Group. Employees should strive for organizational transparency through direct conversations as the best means to share value and achieve common goals, especially in the face of growth and diversification.
<b>Collaboration</b>	Employees will work together in the spirit of cooperation valuing common corporate goals over internal or departmental barriers. Employees will also be encouraged to actively collaborate with external resources and not be bound to conventional ideas.
<b>Cultivation</b>	All employees will cultivate an environment that supports bi-directional communication between managers and subordinates and provides opportunities to develop together as individuals and as members of productive, supportive teams.

## Diversity, Equity and Inclusion

JSR Group's new management policy delineates JSR's vision for employee sustainability as follows: "We respect the values of diversity, equity and inclusion, and strive for all employees to reach their maximum potential. We will evolve to meet changing employee needs and maximize employee engagement."

The Group aims to be a resilient organization that can flexibly respond to various changes in the business environment. To that end, we believe it is important to recruit and promote diverse human resources, respect each employee's values, ways of thinking, and ideas, accept and challenge one another, and explore and be ready to pursue all possibilities.

In addition to enhancing various HR systems, we are working to foster a corporate culture that values

employees' individuality, making use of various working styles and managing each employee so that they can reach their potential and contribute to the performance and competitive strengths of the organization.

## Work-style Innovation (WSI) Activities

At JSR, the Company and its employees have been focusing on Work-style Innovation (WSI) activities since 2017, with the goal of boosting competitiveness and achieving sustainable growth.

The Company is promoting the active participation of diverse employees, making improvements to the working environment, various systems, and IT infrastructure to enable flexible working styles while valuing employee autonomy and striving to increase employee engagement and productivity. Each department is putting systems in

place to realize the ideal organization and encourage employees to work in a healthy and positive manner that balances work and lifestyle. We are leveraging the power of advanced digital technology to analyze our business processes and thoroughly revise approaches to work, implementing actions to enable diverse working styles while drastically increasing productivity.

## Actions to Increase Employee Engagement

We are taking steps to analyze the factors that affect employee engagement and reflect these in our HR systems, WSI activities, and diversity, equity and inclusion initiatives, while also identifying issues specific to each department and group companies. Through these efforts, we are striving to evolve into an organization that can maximize employee engagement, thereby boosting our competitiveness and building corporate value.

### Participant in the United Nations Global Compact

JSR Group became a participant in the United Nations Global Compact in April 2009. As such, we will more proactively fulfill our corporate social responsibilities with recognition that businesses operating on a global level must make a greater commitment to human rights, labor, the environment and anti-corruption, as expressed in The Ten Principles of the United Nations Global Compact.



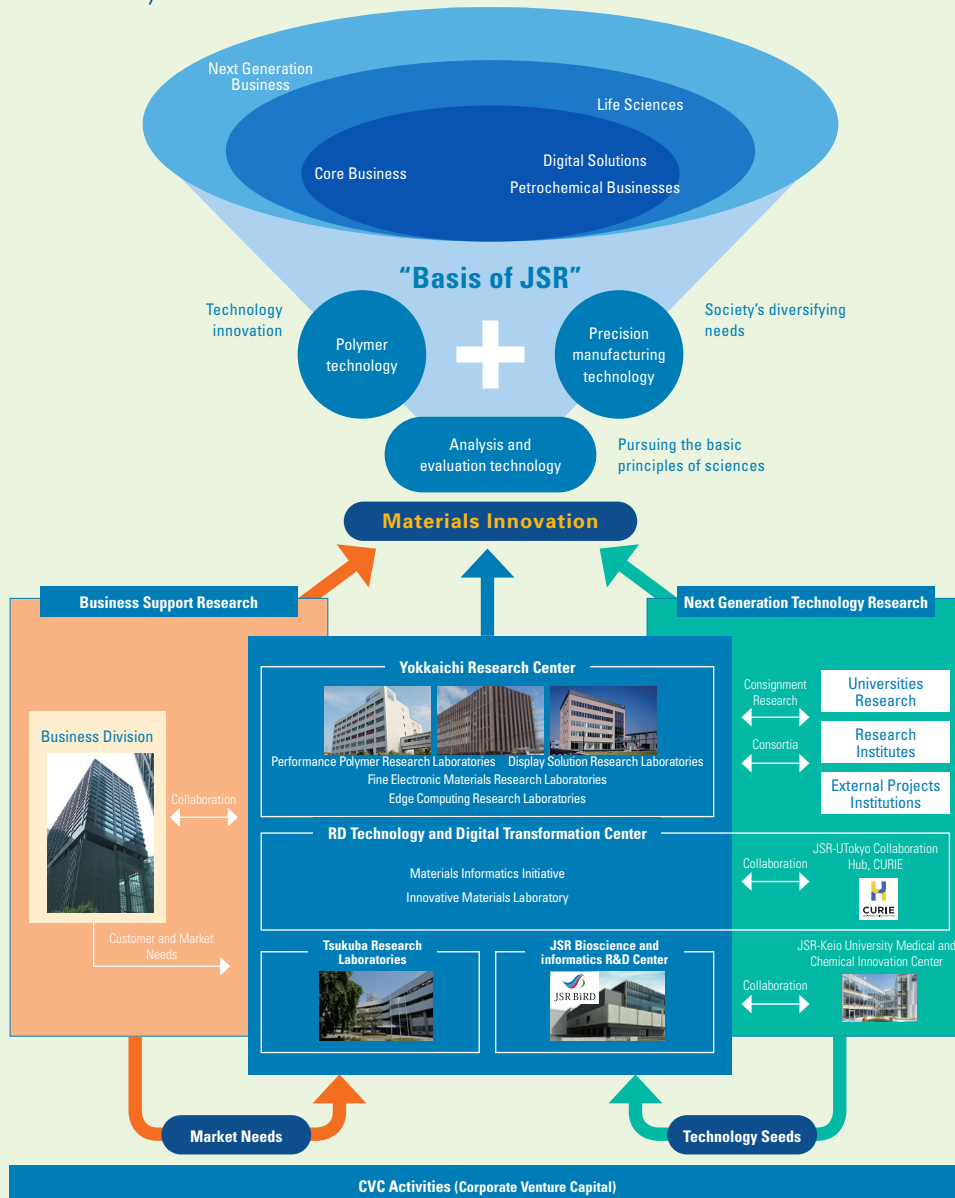
Representative Director, CEO  
Eric Johnson

### The Ten Principles of the United Nations Global Compact

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. make sure that they are not complicit in human rights abuses.
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. the elimination of all forms of forced and compulsory labor;
5. the effective abolition of child labor; and
6. the elimination of discrimination in respect of employment and occupation.
7. Businesses should support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.
10. Businesses should work against corruption in all its forms, including extortion and bribery.

# A Growing Network of People and Technology

## R&D Policy and Structure



JSR Group is promoting R&D activities to prepare for rapidly changing social needs, such as changes stemming from digital transformation, growing pressure for a carbon-free society, and increasing interest in personalized medicine and healthy longevity. There are two primary missions in the research division: to conduct Business Support Research in fields that are currently being developed and new or applied research in peripheral areas, and to conduct Next-generation Technology Research such as seed research where future growth is expected.

Our priority in Business Support Research is cooperating with the value chain within JSR Group, from development to manufacturing, sales, and logistics. In addition to promoting the integration of R&D activities with business operations, such as emphasizing direct dialogue with customers so that researchers can delve into their needs, we are building an ecosystem that can provide global and timely support for customers' business promotion by enhancing technical services in each country in which we operate.

Regarding Next-generation Technology Research, we are engaged in R&D that anticipates the potential needs of the market. In June 2020, we reorganized related R&D divisions into the RD Technology and Digital Transformation Center to accelerate the transformation of our research approach. In addition to in-house research, we are promoting open innovation such as joint research with universities and research institutes in Japan and abroad, bringing in outside knowledge and technologies to overcome problems and create groundbreaking innovation. Through academic collaboration and drawing on the expertise the Group has cultivated over many years in its materials business, we are exploring possibilities for developing businesses in new fields and commercializing leading-edge research in areas that are new to us.

Materials informatics and the practical application of data-driven R&D methods have been another focus of the Group. The new data infrastructure for this requires digitalization and the construction of theoretical models, as well as new methods such as AI and quantum computing. JSR Group is moving forward with development from both angles. When the data infrastructure and new methods are ready for practical application, we are confident that it will enable us to carry out many conventional laboratory experiments on computers, leading to much shorter research and development periods.

# Raising up Digital Transformation Professionals and Next-Generation Basic Technology

We will translate new research methods into future competitiveness.

## Engagement with Enthought

—Initiatives to train in-house data scientists and construct databases—

**Q** What do digitalization and digital transformation mean to JSR, and what are you doing in these areas?

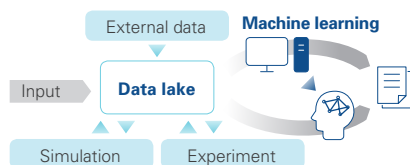
**A** We want to bring about R&D-driven corporate transformation, so we are working to acquire highly innovative technologies such as AI and quantum computing. The core technological elements of materials development include collecting and systematically organizing data generated by experiments and calculations, and then analyzing and visualizing this data. JSR is striving to lay the groundwork for new research and development methods by seamlessly connecting the whole data flow digitally. Our partner, Enthought, is supporting our efforts to incorporate this digitalization into the Group's businesses.

**Q** What kind of company is Enthought?

**A** Enthought, Inc. is a US-based company that supports corporate digital transformation. They are a group of experts in Python, the latest programming language, which has recently undergone advancements in AI technology, and in the development of Python-based services. But Enthought is not simply a provider of technology and services. They also analyze clients' business processes and seek to provide experiences that have real value. In terms of specific actions, JSR is sending researchers to Enthought. They bring with them real issues their departments are facing and use these as case studies in learning the basics of Python programming and Agile development methodologies. Those researchers will come back equipped to identify areas where the application of digital technologies can uncover value and bring what they have learned to bear on projects that involve their entire departments.

**Q** Do you sense that JSR Group has any expectations for digitalization?

**A** There are limits to the application of any technology or service. For example, when we started working with Enthought in 2017, AI wasn't really on JSR's radar yet. But through our engagement with Enthought and various other opportunities, the Group now has a better idea of what AI can make possible for us. Looking ahead, we will expand the scope of collaboration, going after more efficient development and the development of more high-precision materials as we seek to create new value.



Materials Informatics Initiative  
RD Technology and Digital  
Transformation Center  
**Yoshio Takimoto**

## The Institute of Statistical Mathematics, Research Organization of Information and Systems

—Basic technology research activities for materials informatics and other data-driven materials research—

**Q** Please tell us about the main role of the Institute of Statistical Mathematics (ISM).

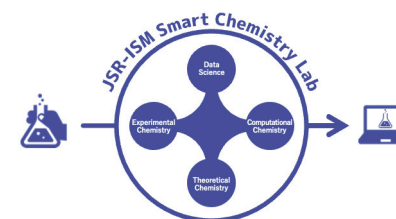
**A** ISM is the only research institute in Japan that specializes in statistical mathematics. The JSR-ISM Smart Chemistry Lab we established with ISM is developing algorithms to enable new materials development methods using data science. With the new algorithms, we aim to solve problems of materials development that conventional data science has not been able to address.

**Q** How is what you are doing different from the conventional use of data?

**A** Until now, data has mainly been used to examine the causes of material defects by analyzing the data after the fact. Whereas the effective use of data science will not only improve the accuracy of such post hoc analysis but also predict the results of experiments to some extent. This can reduce the number of experiments needed and can save a lot of time and money.

**Q** What role is this initiative playing in carrying forward the new R&D approach called Materials Informatics?

**A** To use a cooking analogy, the ISM's endeavors can be said to be at the stage of making new cooking utensils. Even if we're given ingredients that are hard to work with, which is data that until now was impossible to process well, the new utensils make it possible to process the data with a high degree of accuracy. Highly accurate data processing for R&D is like really tasty cooking, but new tools have to be learned. JSR is actively cultivating a pool of researchers who regularly participate in ISM's personnel development programs.



Materials Informatics Initiative  
RD Technology and Digital  
Transformation Center  
**Yu-ya Ohnishi**

## Joint Research across Disciplines

JSR Group is making use of quantum computers and AI in new approaches across various fields including R&D.

### IBM Quantum Network

—Targeting implementation of research through shared use of quantum computers—

**Q** What kind of initiative is the IBM Quantum Network?

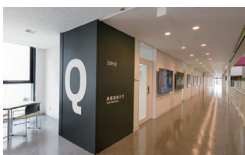
**A** IBM Quantum Network is a global community of members who want to make use of the quantum computers provided by IBM. As part of this community, JSR has been participating in the IBM Q Network Hub @ Keio University, which was established in 2018. Here, we are carrying out joint research using the university's quantum computer and developing new algorithms with numerous other member companies. Even though quantum computers are still under development, they are capable of computation that is simply impossible for conventional computers. JSR is able to draw on its strengths as a chemistry expert to raise questions about the kind of problems that should be solved using quantum computers.

**Q** Tell us about the future possibilities of quantum computing.

**A** We are currently using simulations in materials development, and we can expect to extend that to a broader range of applications. Also, I think down the road we will be able to solve the problem of massive power consumption, which is an issue in machine learning at the moment. This will allow us to do large-scale data processing at lower cost. We hope this will serve to replace much of the actual experimentation in JSR's research and development flow, making it cheaper and faster to get results than through actual experiments. It will also be possible to study areas that were previously difficult because the experiments were dangerous or for other reasons.

**Q** Are you training professionals who can handle quantum computing?

**A** Quantum technology and the programs used are totally different from conventional thinking and approaches, so it takes time to train researchers with solid knowledge of quantum computing. JSR is working to raise up what we call "quantum natives," mostly young researchers who will be instrumental in applying this technology in the future.



A view of IBM Q Network Hub @ Keio University



Materials Informatics Initiative  
RD Technology and Digital  
Transformation Center

Yu-ya Ohnishi

### IBM Research Frontiers Institute (RFI)

—Joint research for technology implementation in the AI field—

**Q** What does the IBM Research Frontiers Institute do?

**A** The Frontiers Institute is an open innovation AI-related research consortium centered on IBM Research labs. The research concept consists of three pillars: creating and collecting data, reimagining computing with a view to AI utilization, and providing a new experience of data for users. We aim to bring about digital transformation by incorporating IBM's deep knowledge of AI into our businesses in the chemical industry.

**Q** What kind of changes can we expect from the practical application of AI?

**A** In a nutshell, I think AI represents a break away from empirical materials development through collaboration between AI and chemists. Of course, materials development in the past hasn't been based solely on experimental methods – at times, what we would call "tacit knowledge" has inspired ideas and sudden shifts in thinking that have led to tremendous breakthroughs. These eureka moments depend on the individual and no one knows when they will happen. The ultimate hope is that AI will provide this mechanically. Looking ahead to such a future, our immediate goal is to develop an AI system that efficiently elicits good ideas from materials developers. We are implementing this kind of system within JSR and have already begun to see results.

**Q** Will it be difficult to set JSR apart from other companies if this new technology becomes commonplace?

**A** Good innovative technology can change the business environment in a blink of an eye, so I feel our first priority is to keep pursuing cutting-edge technology through projects like the Frontiers Institute. When we put innovative technology into practice, we can become the first to benefit from it and I think it's easier to secure a leading position in that field. On top of that, another crucial thing is the variety of human resources. It goes without saying that we need digital professionals, but I don't feel that they alone can achieve transformation. I hope that people from a variety of backgrounds will be allocated to the organization and that out of the lively interaction between people working in seemingly different fields new technologies and business ideas will be born.



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Materials Informatics Initiative  
RD Technology and Digital  
Transformation Center

Yoshio Takimoto

## Joint Research across Disciplines

JSR will deliver new technologies to society through various collaborations.

### JSR-UTokyo Collaboration Hub, CURIE

—A comprehensive collaboration between industry and academia transcending the boundaries between chemistry and physics—

**Q** What are you hoping to achieve with this effort?

**A** JSR-UTokyo Collaboration Hub, CURIE, started out as part of our push for collaboration between industry and academia. It is a comprehensive collaboration hub established jointly by the Department of Physics in the University of Tokyo's Graduate School of Science, which is at the forefront of the physics field in Japan, and JSR, a chemical company. The fusion of academia and industry will enable JSR to bring new high-performance materials to society. Meanwhile, the Department of Physics will deepen its understanding of the functions of various materials that have become an essential part of society, uncover universal truths, and open up new fields of study. JSR is also offering a fellowship to support the research activities of excellent students.

**Q** Why is it important to collaborate with the field of physics?

**A** Physics and chemistry are similar in that they both deal with substances. The difference is that when a substance causes a phenomenon, chemistry focuses on the phenomenon, whereas physics focuses on why the phenomenon occurred. Through collaboration with the Department of Physics, which engages in cutting-edge physics research, we are aiming to develop new materials.

**Q** What's next for this initiative going forward?

**A** Going forward, I hope that the connection that has started with the Department of Physics will expand to other parts of academia. I also take pride in the fact that, through this collaboration, both parties can take the results of their latest research and make an immediate positive impact on society. Down the road, we will continue to explore new possibilities through collaboration that transcends the barriers between companies and fields.



JSR-UTokyo  
Collaboration Hub, CURIE  
General Manager  
**Itti Rittaporn**

### JSR Bioscience and informatics R&D Center (JSR BiRD)

—An open innovation hub in the field of life sciences—

**Q** Can you describe what kind of facility JSR BiRD is?

**A** JSR BiRD is a research facility in the field of life sciences where we are conducting research focusing on the field of microorganisms that exist in the human body called bacterial flora (microbiomes). Informatics researchers based at the facility are also working to strengthen their R&D capabilities by cultivating cutting-edge simulation and deep learning technologies. JSR BiRD also serves as an open innovation hub, setting aside dedicated space and creating a platform for innovation.

**Q** What are the greatest strengths of JSR's Life Sciences Business?

**A** JSR has a strong technological advantage in synthesizing polymers, which we honed in the Elastomers and Digital Solutions businesses. I myself came to JSR with a background in the pharmaceutical industry, and I was surprised to find such a high level of technology. One example is the technology needed to make uniform particle sizes. JSR has already commercialized in vitro diagnostic reagents and antibody refining materials using this technology, gaining a large customer base. Drawing on JSR's advanced polymer technology, we should be able to expect to increase drug efficacy, for example, by making the coating on the surface of the drug more uniform. In addition, although the field of microbiomes is attracting attention as a new modality, many pharmaceutical manufacturers hesitate to enter this field due to the difficulties involved. We would like to tackle various issues, including unmet medical needs\*, from a variety of angles through research into the superior technologies and new modalities I talked about earlier.

\* Unmet medical needs: Medical needs for diseases for which a cure has not been found.

**Q** What is the significance of encouraging open innovation at JSR BiRD?

**A** People with diverse backgrounds are already actively engaged in the Life Sciences Business. On top of this, JSR BiRD brings together top-notch researchers from both inside and outside the company and gives them space to devote themselves fully to their everyday research. This kind of diversity makes it easier for innovation to happen, and we are aiming to provide value that is only possible through open innovation that is centered on a chemical company like JSR, rather than a pharmaceutical manufacturer.



JSR BiRD



Head of JSR Bioscience  
and informatics  
R&D Center (JSR BiRD)  
**Hideo Hashimoto**





Please refer to our Sustainability Report 2021 (due out in October) for a detailed explanation and data. The link will be updated after it is published. For FY2019 results, please see the Sustainability Report 2020.

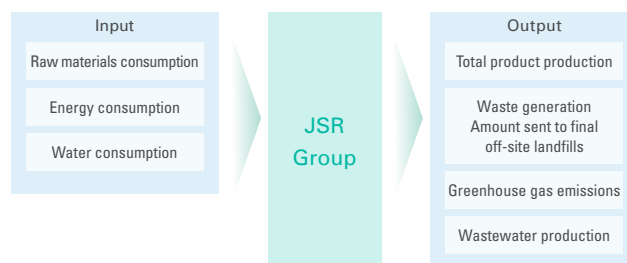
## Philosophy

As a company that deals in chemical substances, JSR Group recognizes that it has a duty to help bring about a sustainable global environment and society.

Consequently, JSR considers reducing the environmental impact of business activities and managing chemical substances to be top priorities and strives to properly manage waste and greenhouse gas emissions arising from energy consumption. Climate change in particular is expected to have a major impact on businesses due to the growing frequency of natural disasters and risks associated with future environmental regulations. For this reason, JSR has positioned the reduction of greenhouse gas emissions as a medium- to long-term management issue.

## Reducing Environmental Impact: Material Balance

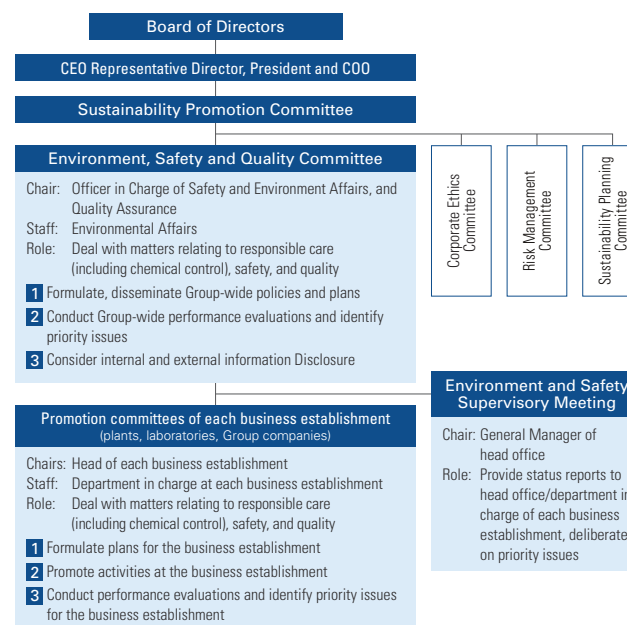
JSR Group strives to reduce its environmental impact in a comprehensive, efficient way by quantitatively ascertaining and closely analyzing the consumption of energy and resources in its business activities (input) as well as its product production, emissions into the environment, waste production, and other data (output).



## Approach to the Environment

JSR Group sets environmental targets based on its Environmental Safety Management Policy with the aim of integrating responsible care activities into corporate management. The Environmental Supervisory Department formulates initial targets, which are reviewed and approved by the Environment, Safety and Quality Committee chaired by the officer in charge of Safety and Environment Affairs, and Quality Assurance, and reported to the Sustainability Promotion Committee. The environmental affairs departments of each business play a central role in meeting established targets through responsible care activities in compliance with ISO 14001 environmental management system standards. JSR is also taking proactive responsible care measures such as the introduction of state-of-the-art equipment and technological development.

### Environmental Management System Promotion Framework



## Various Initiatives

JSR Group is engaged in the following initiatives.

	Initiatives
Climate Change Mitigation	We regard climate change as one of our most pressing issues, and are vigorously engaged in activities to reduce greenhouse gas emissions. To this end, we view the TCFD* Recommendations as contributing to the development of a sustainable society transitioning toward a low-carbon economy, and expressed our support for these recommendations in October 2020. The management policy announced in March 2021 also commits us to actively take on the challenge of achieving "net zero" greenhouse gas emissions by 2050. We will work to deepen our understanding of the opportunities and risks inherent in our corporate activities, act accordingly, and proactively disclose our efforts.
Conserve Water	Aside from drinking water, water resources are used as a raw material and coolant in manufacturing processes. In addition to striving to recycle water resources in our processes, after use, we appropriately purify water before discharging it into rivers.
Waste Reduction	We are working to reduce our environmental impact, focusing on the 3Rs of waste management (reduce, reuse, recycle). We are also promoting a circular economy that efficiently uses resources throughout the product life cycle, from procurement of raw materials to manufacturing, and contributing value to customers and to related SDGs initiatives through our business activities.
Chemical Management	Globally, regulations of chemical substances are growing more stringent. From the perspective of ensuring product safety, we develop products in line with trends in chemical risk evaluations of each country from the design stage onward. In addition, we are smoothly responding to legislation requiring existing substances to be registered along with safety data, in collaboration with local subsidiaries, according to the nature of the business.

\*TCFD: The Task Force on Climate-related Financial Disclosures, established by the Financial Stability Board (FSB). In June 2017, the TCFD presented recommendations for the disclosure of the effects that climate change risk has on financial institutions, companies, and governments in financial reports.

# Corporate Governance



Please refer to our Sustainability Report 2021 (due out in October) for a detailed explanation and data. The link will be updated after it is published. For FY2019 results, please see the Sustainability Report 2020.

## Philosophy

JSR Group's goal is 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 value with the hope of becoming an attractive corporation that can earn the trust of and satisfy the interests of all our stakeholders. 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. The Company continuously has strengthened the function of management supervision, improved efficiency in decision making and business duties execution, and enhanced the transparency and soundness of its business management to raise corporate value over the medium to long term. To that end, it has implemented measures, such as introduction of an officer system, appointment of outside directors and audit & supervisory board members who are independent from the Company and have extensive business experience and expertise, establishment of the Remuneration Advisory Committee and the Nomination Advisory Committee each of which majority members are independent outside directors and the chair of which is a lead independent outside director respectively, and the introduction of three types of performance-based remuneration for directors other than outside directors covering the short, medium and long term.

## Governance Highlights

### Governance Framework Drawing on Outside Strengths

The three current audit & supervisory board members include an attorney and a certified public accountant with licensed tax accountant certification, both of whom are independent and possess advanced expertise and vast experience.

In addition, the Board of Directors includes outside directors in fields where JSR Group expects to grow.

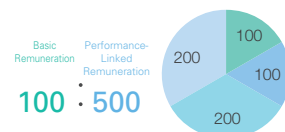
Ratio of outside directors | **44%**

Ratio of outside audit & supervisory board members | **66%**

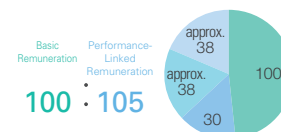
## Performance-Linked Director Remuneration

Director remuneration in the Group is made up of several components: fixed basic remuneration, an annual bonus linked in part to the degree of achievement of Group-wide performance for the year, performance-linked stock remuneration (performance share unit) delivered post hoc, and remuneration in the form of restricted shares awarded as an incentive for sharing immediate value with shareholders. The proportion of each remuneration component, assuming basic remuneration at 100 (with standard performance-linked remuneration for 100% achievement of target) is as follows.

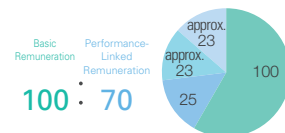
### CEO



### President



Concurrently serve as Executive Managing Officer / Managing Officer/ Senior Officer



■ Basic Remuneration  
■ Annual Bonus  
■ Performance Share Unit  
■ Restricted Stock Share

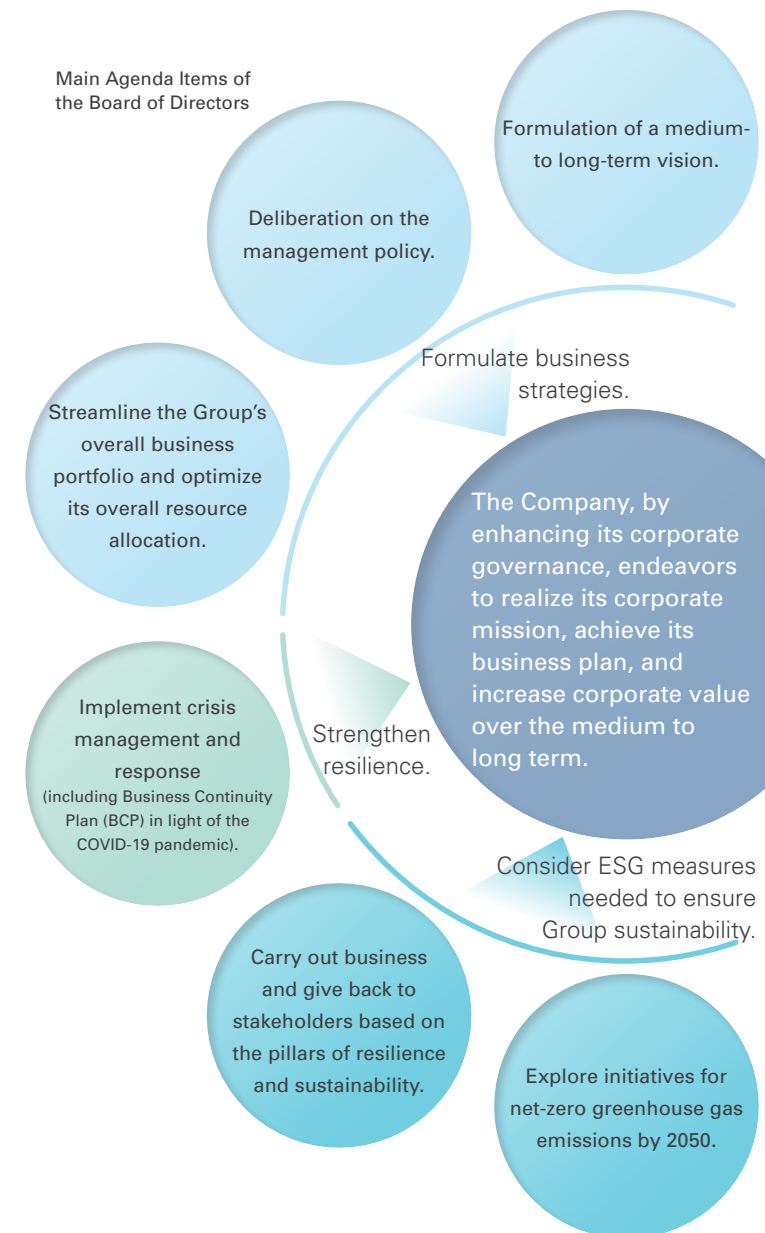
## Board Members with Diverse Skill Sets

To respond to the challenges of globalization, IT, digitalization, and other rapid changes in the business environment, the Company's first non-Japanese CEO was appointed in FY2019. In June 2020, the Company's first female director was appointed. A non-Japanese outside director was appointed in FY2021. We are working to further expand the diversity of the Board.

Female directors | **1 person**

Non-Japanese directors | **2 persons**

## Main Agenda Items of the Board of Directors



## Governance

### 1. Board of Directors

The Board of Director 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. In addition, all three audit & supervisory board members including two independent outside audit & supervisory board members regularly attend the Board of Directors meetings to state their opinions.

Going forward, based on the findings of the Nomination Advisory Committee, the Company will ensure the diversity of knowledge, experience, and abilities required for the Board of Directors in light of current business strategies, and seek to maintain the optimal Board composition within a 12 member limit.

### 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. This committee is comprised of the CEO, the president, officers with directorship status, and officers or General Managers appointed by the chair and responds to important business execution with the aim of expediting decision making and improving the efficiency of operations.

### 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.

### 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. This committee 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 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.

### 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 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 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 the CEO, the president, related departments, and audit & supervisory board members.

#### (3) Independent Auditors

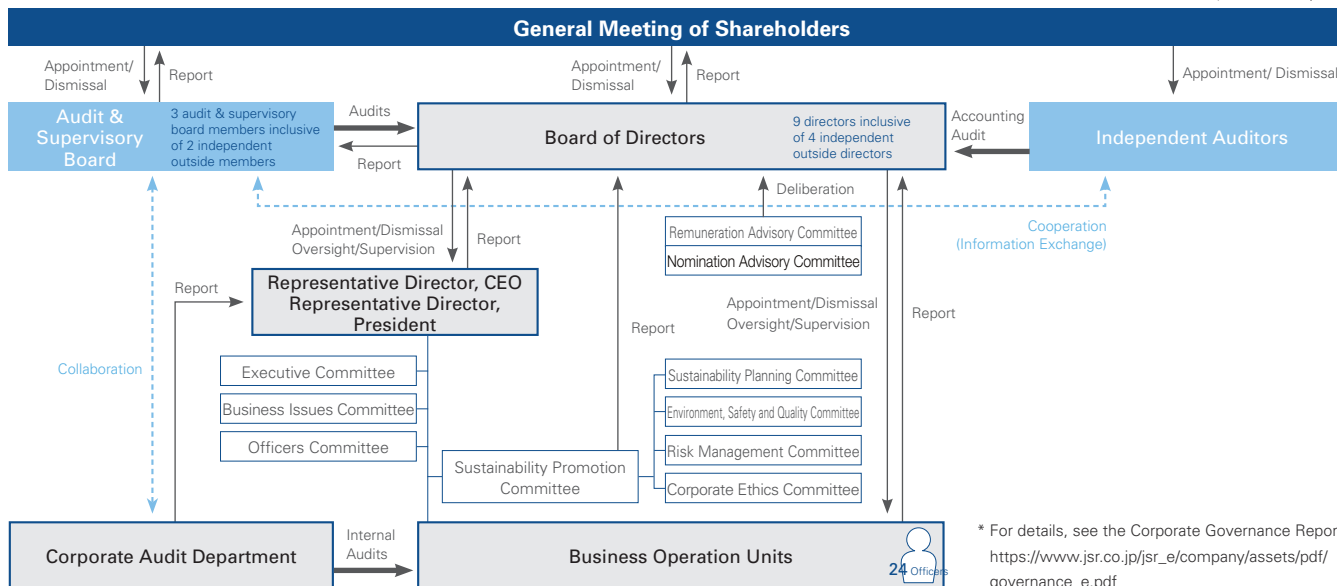
The audit & supervisory board members work closely with the independent auditors. The audit & supervisory board members interview the independent auditors about the audit plan and receive reports on the audit results. Furthermore, the audit & supervisory board members and independent auditors exchange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

### 7. Sustainability Promotion Committee

In order to establish good relationships with various stakeholders and to become a company that is trustworthy and indispensable, JSR Group has established the Sustainability Promotion Committee with the purpose of shifting its focus from CSR (Corporate Social Responsibility) activities to Sustainability activities that contribute to all stakeholders by creating value through corporate activities. The Company has set up the following four committees under the Sustainability Promotion Committee: the Sustainability Planning Committee, the Environment, Safety and Quality Committee, the Risk Management Committee, and the Corporate Ethics Committee.

Corporate Governance Structure Diagram

(As of June 17, 2021)



\* For details, see the Corporate Governance Report: [https://www.jsr.co.jp/jsr\\_e/company/assets/pdf/governance\\_e.pdf](https://www.jsr.co.jp/jsr_e/company/assets/pdf/governance_e.pdf)



## Concerning the Summary of Results of Evaluation of the Effectiveness of the Company's Board of Directors

The Board of Directors of the Company has been conducting an evaluation in order to maximize corporate value of the Company by enhancing its effectiveness. The FY2020 effectiveness evaluation findings reached the conclusion that the JSR Board of Directors is functioning effectively. Effectiveness evaluations will continue to be performed moving forward.

## Summary and Results of Board of Directors Effectiveness Evaluation for FY2020

### Evaluation process

The Board of Directors has conducted a questionnaire survey targeting our company's 9 directors (including three independent outside directors) as well as three audit & supervisory board members (including two independent outside auditors). The Board of Directors has evaluated and analyzed the results of the evaluation by setting up discussion sessions at the Board of Directors meetings several times to discuss the results of the questionnaire as well as the comments expressed in the questionnaire. To improve objectivity in the FY2020 evaluation process, The Board of Directors has hired a third party that has expertise in the fields of interviewing the Representative Director, CEO and the Representative Director, COO, analyzing and evaluating the results of the questionnaire as well as reporting those results to the Board of Directors.

### Conclusions

The Board of Directors has drawn the conclusion that "The Board of the Directors of the Company is functioning effectively."

### Reasons for Evaluation

- Our company's Board of Directors comprises inside and outside directors as well as audit & supervisory board members. The board has the right composition in terms of diversity (e.g., nationality, gender, etc.). The Board of Directors is functioning as a meeting structure to encourage discussions on improving the medium- to long-term corporate value as well as the supervision of operations execution while the members of the board are making use of their experiences and knowledge, respectively.
- To run the Board of Directors, significant management challenges, risks, etc., are brought up for discussion in a timely manner, and sufficient information is provided to outside board members prior to board meetings so that they can participate in free and lively discussions that will take place during the board meetings.
- The Nomination Advisory Committee and the Remuneration Advisory Committee have an adequate composition, respectively, and the members of these committees adequately report the results of their discussions to the board after having sufficient discussions while ensuring independence and objectivity. By doing so, these two committees reinforce the supervisory functions of the Board of Directors.
- The Board of Directors considers that communicating with investors and shareholders is their significant role and responsibility. The board strives to reflect capital market expectations in the company's operations as well as the performance of their duties and to maximize corporate value by having discussions on the status of their activities every quarter and talking directly with shareholders and investors.

### Issues Requiring Improvement

- (1) To further promote digital transformation across the entire JSR Group, we need a person who has expertise in the IT and digital fields. It is preferable to appoint someone who has management experience in the

relevant fields as outside director. It is also preferable for us to continue discussions on the composition of the board, for example changing its composition so that the board will have more outside directors (= a higher percentage of outside directors).

- (2) To further deepen discussions in board meetings, we need to reinforce our support system for outside directors by giving them more opportunities for training, education, and provision of information on JSR Group's businesses.
- (3) It is desirable that the Remuneration Advisory Committee continuously review and revise the remuneration system from a global standpoint.
- (4) Since the Board of Directors deeply realizes the importance of sustainability management, they need to further discuss specifically what types of activities they should promote to support the sustainability management.

### Future Activities

Key management issues reconfirmed in the process of evaluating the effectiveness of the Board of Directors included: (1) establishing a resilient business structure and reinforcing the management framework to respond to changes in the business environment; (2) implementing growth strategies for the Group's core Semiconductor Materials and Life Sciences businesses; (3) carrying out structural reforms in the Elastomers Business; (4) addressing challenges to achieving sustainable business growth, such as carbon neutrality; and (5) progress of ongoing investment in innovation including digital transformation. The Board also discussed changes in the external environment (environmental problems and geopolitical risks such as U.S.-China relations, etc.) that could impact these management issues going forward. While monitoring the progress of initiatives that have been put in place, we will also identify changes in roles and qualities demanded of the Board and continuously revise the Board's composition and its topics of discussion.

## Principles on Remuneration for Directors and Audit & Supervisory Board Members

In order to maintain the competitive advantages of JSR Group as a global company, the Company has established principles on remuneration for directors and audit & supervisory board members which enable the Company to develop and recruit internationally competitive and diverse human resources capable of managing the businesses, and to provide short-, medium- and long-term incentives for its directors that are aligned with the benefit of its shareholders, and to encourage and motivate its management, while maintaining the transparency and accountability, to accomplish the management strategies and business strategies of the Company. The remuneration framework should:

- (1) attract, secure, and reward diverse and excellent personnel regardless of nationality for the purpose of further enhancing and improving its competitive advantages and global management;
- (2) encourage the management to demonstrate healthy entrepreneurial spirit by motivating them to achieve the objectives of business strategies aiming at continuous growth; and
- (3) promote medium- to long-term improvement in corporate value by sharing the benefit between management and shareholders via the reinforcement of stock ownership during his/her term of office as director.

## Remuneration Governance

- (1) Procedures for determining remuneration, etc.  
In relation to remuneration for the directors, the Board of Directors (referred to as "BOD" in this section) deliberates and determines the policies of remuneration for directors, remuneration framework, and amount of remuneration for individual directors. In order to ensure

independence and objectivity during deliberation and decision making processes at the BOD mentioned previously and to enhance the monitoring function and accountability of the BOD, the Company established the Remuneration Advisory Committee as an advisory body for the BOD.

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

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

Persons eligible: Inside directors (including representative directors and executive directors), outside directors, audit & supervisory board members, officers, executive advisors, senior advisors, chairman emeritus and other important employees

Items for deliberation: Establishment of the remuneration policies, designing the remuneration framework, setting performance targets, reviewing rationale of incentive remunerations, appropriateness of the level and

composition of the remunerations, and determination of the amount of remuneration of each position based on the remuneration framework and others

- (3) Composition of the Remuneration Advisory Committee and attributes of Chairperson

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

## Remuneration Framework of the Company

- (1) Remuneration Structure

In the past, our company's executive compensation consisted of basic compensation as fixed compensation,

[After revision] after June 17, 2021

	Remuneration Structure	Time of Payment or Granting	Summary of AGM Approval
Fixed Salary	Basic Remuneration	Monthly Payment	The maximum amount for directors is JPY 60 million per month (inclusive of JPY 10 million per month for outside directors). (74th AGM on June 18, 2019) The maximum amount of basic remuneration for audit & supervisory board members is JPY 10 million per month. (60th AGM on June 17, 2005)
Performance-Linked Remuneration	Annual Bonus	Payment at a fixed time every year	The maximum annual amount for directors excluding outside directors is JPY 432 million (74th AGM on June 18, 2019)
	Performance-linked Remuneration	In principle, units shall be granted in FY2021, and shares and money shall be provided in a lump sum after the end of the Performance Evaluation Period.	<ul style="list-style-type: none"> <li>• Maximum amount of monetary compensation claims and total amount of money: Number of fixed share units 800,000 x share price at delivery for target period</li> <li>• Maximum number of shares to be granted: 400,000 shares for target period (76th AGM June 17, 2021)</li> </ul>
	Remuneration for granting Restricted Stock Shares	Payment at a fixed time every year	<ul style="list-style-type: none"> <li>• Up to 400 million yen per year and up to 400,000 shares per year</li> <li>• The lifting of the transfer restriction is a period of up to 3 ~ 30 years determined in advance by the Board of Directors. In addition, if resignation, etc., occurs for justifiable reasons determined by the Board of Directors during the transfer restriction period. (76th AGM June 17, 2021)</li> </ul>

annual bonuses that are linked to the level of company-wide performance in a single year, medium-term performance-linked bonuses that are linked to the level of company-wide performance in the medium-term, and compensation for the granting of restricted shares to promote the sharing of value with shareholders at an early stage. In FY2021, however, the medium-term performance-linked bonuses will be abolished and a performance-linked stock compensation plan (Performance share units:) will be introduced. With respect to medium-term performance-linked bonuses, except for bonuses for which the Performance Evaluation Period has already started, no money will be paid based on the provisions of the remuneration in the future. In addition, regarding remuneration for granting restricted shares, the period for lifting the restriction on transfer and the maximum amount and the maximum number of shares are revised. The purpose of these revisions of executive compensation is as follows. Remuneration for Outside Directors and Audit & Supervisory Board Members is only basic remuneration in light of their roles.

#### Reason for the Revision

- The directors of the Company will be given an incentive to steadily implement the Medium-Term Management Policy ending in FY2024 and business structure reforms, and to achieve sustainable enhancement of corporate value. At the same time, the directors will further share value with shareholders.
- In order to raise awareness among our company's directors about creating value for all stakeholders in order to achieve sustainable growth from a longer-term perspective.
- Aiming to become a truly global company, we aim to create an appropriate level and structure of remuneration

to secure excellent management personnel regardless of nationality.

#### (2) Appropriateness of the remuneration level of the Company

When considering the above-mentioned remuneration structure and composition thereof, the Remuneration Advisory Committee verifies the appropriateness of the level of remuneration through an annual benchmarking study by using the remuneration database possessed by a third party consultant specialized in remuneration for executives and by comparing with the companies whose size, type, and line of business are similar to those of the Company. In addition, when determining the composition of performance-linked remuneration and other remuneration for the director who is responsible for overseeing and managing the Company's international businesses, the Remuneration Advisory Committee verifies the appropriateness of the remuneration level for such director through another annual benchmarking study using a method similar to the one described above and using the survey data on remuneration prevailing in the region where such director is responsible for as well as considering each director's job responsibilities and the magnitude of impact on management of the JSR Group.

#### (3) Remuneration composition for directors (excluding outside directors)

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

Amount of Remuneration for Directors and Audit & Supervisory Board Members (FY2020)

Classification	Director		Audit & Supervisory Board Member	
	Number (people)	Amount (JPY million/year)	Number (people)	Amount (JPY million/year)
Basic Remuneration	9	289	4	50
(for outside directors or outside audit & supervisory board members)	(3)	(43)	(2)	(22)
Annual Bonuses to Directors for the Fiscal Year under Consideration	6	182	–	–
(for outside directors or outside audit & supervisory board members)	(–)	(–)	(–)	(–)
Mid-term Performance-linked Bonuses	6	0	–	–
(for outside directors or outside audit & supervisory board members)	(–)	(–)	(–)	(–)
Restricted Stock Shares as Remuneration to Directors	6	124	–	–
(for outside directors or outside audit & supervisory board members)	(–)	(–)	(–)	(–)

#### (Notes)

1. The numbers of the Directors and Audit & Supervisory Board Members and the amount of remunerations thereto in the table above include one Director who retired during the fiscal year.
2. The above figures do not include the salaries for the employee portion of the Directors who concurrently serve as employees.
3. The above figures are rounded to JPY1 million.
4. The amount of Restricted Stock Shares in the table above is calculated based on the closing price of common stock of the Company on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution of the Board of Directors held on July 8, 2019, at ¥1,706 per share, and the closing price of common stock of the Company on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution of the Board of Directors held on July 13, 2020, at ¥2,110 per share.

## Succession and Evaluation of the Group's Management Structure (Initiatives by the Nomination Advisory Committee)

The Nomination Advisory Committee was established in FY2015. Currently, the Committee consists of four independent outside directors (one of whom is the chair), as well as the CEO and the President and COO. The Committee carries out objective and long-term examinations of appointments and dismissals of the CEO and President, the Board of Directors' composition and elections, the Group's management structure, and succession plans for vital management posts.

In FY2020, the CEO and President submit annual management activity reports to the Committee, which deliberates on the nomination and removal/dismissal of top management and makes recommendations to the Board of Directors.

### Nomination Advisory Committee

JSR established the Nomination Advisory Committee to ensure the transparency of the policy and procedures of appointing candidates for directors, audit & supervisory board members and officers with directorship status (including senior officers). A majority of Committee members are independent outside directors and the chair is also an independent outside director. The Committee deliberates the standard for the diversity in breadth of knowledge, experience, and capability necessary for the Board of Directors, criteria and procedures for the nomination, and candidates for future appointment as CEO, the president, directors, officers with directorship status (including senior officers), and audit & supervisory board members, and reports its findings to the Board of Directors.

In addition, the CEO and/or the president submit to the Committee an annual report on a broad range of strategic management activities. Based on the report, the Committee assesses the business result and performance of the CEO and/or the president and advises the Board of Directors whether or not improvement in management quality is necessary.

### Dismissal of Directors

The Committee will deliberate and report to the Board of Directors in a timely fashion when the Committee judges there arises a reason that necessitates dismissal of directors including the CEO. In order to ensure transparency of the deliberation, the Committee takes necessary measures such as deliberation solely among outside independent directors for the agenda relating to appointment/reappointment or dismissal of CEO. Upon receipt of the aforementioned annual management activities report and based on the business result and performance evaluation of the CEO and/or the president as well as business circumstances and economic outlook, etc., the Committee annually deliberates and judges appropriateness of the appointment, dismissal of the CEO and/or the president and terms of office.

### Criteria for Appointing Candidates for Directors

When nominating candidates for directors, JSR makes it a rule to ensure an appropriate balance among diversity in breadth of knowledge, experience, and capability essential to the Board of Directors and the size thereof in order to make important management decisions and oversee the execution of duties in an appropriate and timely fashion. JSR appoints persons who are mentally and physically sound and have an exceptional personality and popularity, and high principles and ethical view. In light of these considerations, JSR appoints as candidates for inside directors persons who have extensive knowledge, experience, and high capability with a superior track record in such fields as business management (including international), R&D, manufacturing, manufacturing technology, human resources, and finance and accounting, etc. JSR appoints as candidates for outside directors persons who have independence, vast experience and extensive expertise of management of the major companies in various fields and of business management both in Japan and overseas as well as the capability to actively express opinions and raise issues on growth strategy and enhancement of governance from a broad perspective.

### Criteria for Appointing Candidates for Audit & Supervisory Board Member

From the perspective of ensuring the transparency and soundness of business management through auditing the process of directors' decision making and execution of duties in accordance with laws and regulations, such as the Companies Act, the articles of incorporation and internal rules, JSR appoints persons with vast experience and extensive and sophisticated expertise necessary for audit (including one person with sufficient knowledge of finance and accounting) among those who are mentally and physically sound and have an exceptional personality and popularity, and high principles and ethical view. Regarding candidates for outside audit & supervisory board members, in particular, JSR nominates persons who have independence and extensive experience and knowledge of laws and accounting.

### Policy for Training Directors and Audit & Supervisory Board Members

JSR conducts introductory seminars and plant and laboratory tours and other opportunities for newly elected officers, given their potential as future director candidates, to deepen their understanding of the Company and its businesses. Moreover, when a Board of Directors meeting is held, JSR picks up key issues closely related to its businesses as Specific Themes for Review and Discussion and thereby provides an opportunity to exchange opinions on such themes. This opportunity helps directors and audit & supervisory board members not only deepen their understanding of the Company's business challenges but also promotes communication between board members. Furthermore, JSR holds regular seminars by outside lecturers prior to the ordinary general meeting of shareholders to review the status of corporate governance in general and legal reforms.

## Succession Plan

The Committee systematically develops and selects candidates for the successor to the CEO and/or the president in an objective and transparent manner by providing the pool of candidates with necessary training and coaching to enhance skills and leadership and by actively participating in the selection process through interviews, etc.

## Policy on Constructive Dialogue with Shareholders

To promote constructive dialogue with shareholders and investors, officers responsible for the Finance Department and the Corporate Communications Department take charge of IR activities, and work together to facilitate dialogue. JSR holds an analyst meeting every quarter and a mid-term business plan briefing once every fiscal year. In such meetings, the CEO, the president or an officer in charge of IR, explain business performance, financial position, details and progress of the mid-term business plan to analysts. Every year, the CEO, the president or an officer in charge of IR holds interviews with major institutional investors in Japan and overseas to explain the details and progress of the mid-term business plan. JSR has been endeavoring to provide investors with Company information on its website, such as financial statements, information on mid-term business plans and progress thereof, and details of business performance of main businesses, as well as information on sustainability activities including efforts to conserve the environment and responsible care, and on R&D activities. Opinions and questions that JSR receives from investors through the above-mentioned discussions are fed back to management as IR activity reports. In discussions with shareholders, JSR has appropriately treated insider information (setting moratoriums from the start of a new fiscal year to the day of announcing business results, establishing regulations for preventing insider trading, and conducting employee education seminars).

## Outside Director's Messages



Yuzuru Matsuda

When JSR's Board of Directors meets to decide on announcing financial results, the explanation always starts with stock price movements during the period and differences from market consensus. I think this is quite distinctive compared to typical

Japanese companies and goes to show how seriously JSR takes communication with investors and other stakeholders. As people's values and the structure of society are changing drastically amid the COVID-19 pandemic, the Group is also at a major crossroads in terms of business structural reform. To weather changes in the operating environment, I think the most pressing task we face now is to thoroughly discuss the future vision and growth strategy of the Semiconductor Materials Business segment in the Digital Solutions Business and the Life Sciences Business, which are positioned as the Group's core businesses, and be accountable to each stakeholder.



Shiro Sugata

JSR's Board of Directors is marked by a high degree of diversity. It has appointed non-Japanese and female members, as well as an investor, as directors. Even during the pandemic, we took sufficient measures against infection and as far as possible held in-person

Board meetings, which facilitated lively and substantive discussions. The Remuneration Advisory Committee and Nomination Advisory Committee also exchange frank opinions based on proposals from company directors and other outside sources. Then we summarize the opinions of outside directors and report to the Board. Under this governance framework, we are moving ahead with the most sweeping structural reforms since JSR's founding. To grow as a company that further contributes to society, the biggest challenge going forward is how to add and reallocate management resources to speed the enrichment and expansion of strategic business areas.



Tadayuki Seki

JSR Group has worked to enhance its governance. The Board has a diverse makeup this year, with an outside director ratio of 44%, a female director ratio of 11% (including audit & supervisory board members the female director ratio is 25%), and a non-Japanese director ratio of 22%. The Group has also set up a Nomination

Advisory Committee and Remuneration Advisory Committee, chaired by outside directors. Still, no matter how solid governance is, it is meaningless unless it bears fruit in terms of corporate value. We can only claim that the Company's governance has been effective after the quantitative and qualitative plans announced in FY2020 for the new management policy have been, in fact, achieved. The markets are interested in management that brings about sustainable growth in profit and market capitalization, rather than whether a company's formal governance framework is sufficient. As an outside director, I want to bear in mind my oversight role, and draw on the strengths of our governance framework to closely supervise progress of the management policy.



## Directors and Audit &amp; Supervisory Board Members (As of June 17, 2021)



Representative Director, CEO  
**Eric Johnson**  
North America Business  
President of JSR North America  
Holdings, Inc.



Representative Director,  
President, COO  
**Nobuo Kawahashi**



Director,  
Executive Managing Officer  
**Koichi Kawasaki**  
Human Resources, Diversity  
Development



Director, Managing Officer  
**Hideki Miyazaki**  
Accounting, Finance,  
Corporate Communications,  
IT Strategy, Cyber Security  
Management, Business  
Process Renovation



Director, Senior Officer  
**Mika Nakayama**  
Sustainability Promotion  
General Manager of  
Sustainability Promotion Dept.



Outside Director  
**Yuzuru Matsuda**



Outside Director  
**Shiro Sugata**



Outside Director  
**Tadayuki Seki**



Outside Director  
**David Robert Hale**



Standing Audit & Supervisory  
Board Member  
**Tomoaki Iwabuchi**



Outside Audit & Supervisory  
Board Member  
**Hisako Kato**



Outside Audit & Supervisory  
Board Member  
**Junko Kai**

## Officers (As of June 17, 2021)\*

Managing Officer  
**Hayato Hirano**  
Supervising Elastomers Business (Supervising) Director and  
President of Japan Synthetic Rubber Spin-Off Preparation Co., Ltd.  
President of Japan Butyl Co., Ltd.

Managing Officer  
**Katsuya Inoue**  
Business Transformation  
General Manager of Business Transformation Dept.

Managing Officer  
**Tadahiro Suhara**  
Supervising Digital Solutions Business, Edge Computing Business  
Representative Director of JSR Micro Korea Co., Ltd.

Senior Officer  
**Kazumasa Yamawaki**  
Plastics Business  
President of Techno UMG Co., Ltd.

Senior Officer  
**Makoto Doi**  
Legal, Compliance, General Affairs, Secretarial Office  
General Manager of Legal Dept.

Senior Officer  
**Yoshikazu Yamaguchi**  
Electronic Materials Business  
General Manager of Electronic Materials Div.  
President of Emulsion Technology Co., Ltd.

Senior Officer  
**Kazushi Abe**  
Elastomers Business  
General Manager of Elastomer Div.  
President of ELASTOMIX CO., LTD.  
Director and President of KRATON JSR ELASTOMERS K.K  
President of ELASTOMIX (FOSHAN) CO., LTD.  
Representative Director of JSR Elastomer Europe GmbH

Senior Officer  
**Koichi Saeki**  
Yokkaichi Plant  
Yokkaichi Plant Manager, General Manager of Administration  
Dept. at Yokkaichi Plant

Senior Officer  
**Seiji Takahashi**  
Manufacturing and Technology, Procurement, Logistics

Senior Officer  
**Koichi Hara**  
Corporate Planning  
General Manager of Corporate Planning Dept.

Officer  
**Yasufumi Fujii**  
General Manager of Corporate Audit Dept.

Officer  
**Mikio Yamachika**  
Manufacturing and Technology (deputy), Yokkaichi Plant (deputy)  
Yokkaichi Plant deputy Manager, General Manager of Digital  
Solutions Business DX Planning and Acceleration Dept.

Officer  
**Tim Lowery**  
Life Sciences Business  
General Manager of Life Sciences Div.  
President of JSR Life Sciences, LLC

Officer  
**Junichi Takahashi**  
Product Safety & Quality Assurance, Safety and Environment Affairs  
General Manager of Product Safety & Quality Assurance Dept.

Officer  
**Keisuke Wakiyama**  
Display Solution Business, China Business  
General Manager of Display Solution Business Div.  
Chairman of JSR (Shanghai) Co., Ltd  
Chairman of JSR Micro (Changshu) Co., Ltd.  
Chairman of JSR Display Technology (Shanghai) Co., Ltd.

Officer  
**Ichiko Tachibana**  
Legal Affairs (deputy), Compliance (deputy)  
General Manager of Compliance Dept.

Officer  
**Toru Kimura**  
Research & Development (CTO), Emerging Business  
General Manager of RD Technology Digital Transformation Center  
Executive Officer of JSR Active Innovation Fund, LLC

Officer  
**Yutaka Yoshimoto**  
Office of President, Emerging Business (deputy)  
General Manager of Office of President

Officer  
**Hiroaki Tokuhisa**  
Research & Development (deputy CTO)  
General Manager of Research & Development  
General Manager of Yokkaichi Research Center

Officer  
**Khshayar (Hash) Pakbaz**  
Digital Transformation (CDO)  
General Manager of Global DX Acceleration Dept.

Officer  
**Kenichi Emoto**  
Accounting (deputy), Finance (deputy),  
Corporate Communications (deputy)  
General Manager of Accounting Dept.  
General Manager of Finance Dept.

\* Excluding those who concurrently serve as directors

# Occupational Health and Safety, Security Management and Accident Prevention



Please refer to our Sustainability Report 2021 (due out in October) for a detailed explanation and data. The link will be updated after it is published. For FY2019 results, please see the Sustainability Report 2020.

## Philosophy

Our goal is that every person who works for JSR Group, our own employees and those of partner companies, can work safely and feel a sense of contentment. At the same time, as a responsible member of the local community, we continue to engage in business activities with a keen awareness of the environment and safety. Guided by the conviction that safety is the most important value for every person working in the manufacturing industry and is a major premise of our business activities, JSR formulated the Philosophy for Occupational Health and Safety and the Policy for Security Management, targeting zero accidents and disasters.

### ○ Philosophy for Occupational Health and Safety

At JSR Corporation, safety is our highest priority and the foundation of all of our activities.

Accordingly, we will create safe worksites and strive to maintain physical and mental health, with the goal of ensuring workers happily take it for granted that they will return home safely at the end of each workday.

### ○ Courses of Action of the Philosophy for Occupational Health and Safety

1. No matter the situation, we will act with safety foremost in mind.
2. We will comply with established rules and never fail to act in accordance with safety basics.
3. We will maintain safety by identifying and eliminating both actual and potential hazards.
4. We will strive to create comfortable work environments and promote physical and mental health.
5. Through communication and ingenuity, we will aim to achieve 100% employee participation in all safety activities.

### ○ Policy for Security Management

- (1) Extremely Safe Behavior  
The Philosophy for Occupational Health and Safety has penetrated throughout the organization, the Courses of Action are established as applying to everyone, and safety competency is improving through independent safety activities.
- (2) Enhanced Human Resources and Organizational Strength  
High skill levels, organizational ability, and a healthy organizational culture are being maintained with the establishment and execution of the education and training programs needed for organizational management.
- (3) Optimal Risk Management and Security Measures  
Security measures corresponding to risk importance are being efficiently and effectively implemented using new technologies.

## Message from the President



Representative Director, President, COO  
**Nobuo Kawahashi**

As a chemical manufacturer, ensuring safe and stable plant operations is always and everywhere our most important consideration.

Without this mindset, JSR Group would not have grown as a company and could not survive.

Safety is the bedrock of our business continuity and an investment in the growth of the Group. It is my duty to pursue safety as a key management issue, as we seek to offer a sense of security to the local community and continue to grow as an organization where all JSR Group employees and employees of partner companies feel contentment in their work.

Our goal is for JSR Group to be a sustainable company that earns the trust of society.

## Message from the Officer in Charge of Safety



Officer in Charge of Safety  
**Junichi Takahashi**

Last year, JSR Group reframed its CSR activities as sustainability activities and revised the organizational framework to better contribute to all stakeholders. As the officer in charge of environmental safety and quality, I continue to focus on raising the bar for occupational health and safety and security management and accident prevention.

As part of the top management team, I lead the development of our safety infrastructure and fostering a culture of safety, and am taking actions to improve the security capabilities that support organizational safety and to develop people who excel in safety.

For example, I participate in safety audits at business establishments, listen directly to reports on safety initiatives and indicators, think together with employees on the ground about issues, and help resolve them. After last year's audit, we set up a safety department at the Tsukuba Research Laboratories. I also believe it is important to continue sending periodic messages reminding employees that safety is the bedrock of our business.

Employee working styles have changed during the COVID-19 pandemic. What has not changed is ensuring on-site safety. With less in-person contact, we need to shift our focus to other efficient and effective safety and security activities, and I will continue to secure the needed resources and strengthen the infrastructure for that purpose. Our aim is zero accidents and disasters across the JSR Group.

We continue to carry out a variety of activities aimed at zero accidents and disasters, including risk assessment activities, renewal of safety certifications, establishment of safety audits, conducting forums on safety and health, and providing education on safety policies, smart safety, facility enhancement, and construction safety.

Through these efforts, we will provide a safe workplace not only for employees of JSR Group but also of partner companies, as we aim to be a chemical manufacturing company that excels in safety, so that we can create value for all our stakeholders, including local communities, customers, and shareholders.



Please refer to our Sustainability Report 2021 (due out in October) for a detailed explanation and data. The link will be updated after it is published. For FY2019 results, please see the Sustainability Report 2020.

## Philosophy

JSR Group has been endeavoring, by building up and maintaining good relationships with all our stakeholders, to become a trustworthy and indispensable corporate citizen. We have been vigorously adhering to our Code of Conduct in order to fulfill "Our Responsibility to our Stakeholders," an essential part of our Management Policies, as well as to ensure compliance with relevant laws and regulations during the course of our business.

## JSR Group Principles of Corporate Ethics

JSR Group is advancing corporate ethics activities in an integrated manner at all Group companies, both in Japan and overseas. To achieve this, we have formulated JSR Group Principles of Corporate Ethics as a concrete guideline for globally shared corporate ethics that reflect our Essential Elements. The principles serve as a Code of Conduct that all directors and employees (full-time, contract, part-time, and temporary employees as well as employees on short-term contracts) of JSR companies should comply with in order to develop our corporate activities while fulfilling the Management Policies spelled out in "Our Responsibility to our Stakeholders." JSR Group shall never require directors and employees of Group companies to act in violation of this Code of Conduct. Additionally, JSR Group shall not disadvantage any director or employee who refuses to execute an order to perform an act that is in violation of the Code of Conduct because of that refusal.

\* JSR Group's Essential Elements: The Essential Elements consist of the Corporate Mission, the Management Policies, and Course of Action: 4C action guidelines.

## Corporate Ethics Activities

### (1) Corporate Ethics Awareness Survey

JSR Group has introduced a system of internal reporting channels called the "Corporate Ethics Hotline." An internal hotline is connected to the Corporate Ethics Committee in JSR or the relevant Group company. An external hotline is set up to connect to two contact points. One is a designated independent attorney and the other is an independent and specialized outside organization capable of handling communication in Japanese, English, Chinese, Korean, Thai, and Indonesian. This system is designed to facilitate use even by overseas employees. Reports made to the external hotline are also simultaneously reported to full-time auditors so that independence from management is assured. We encourage our employees to use these hotlines through promotions via internal newsletters and other media, and strive to build trust in the hotlines by ensuring confidentiality and prohibiting unfair treatment of hotline users.

### (2) Hotline (Internal Reporting Channels)

#### ① Hotline for Employees

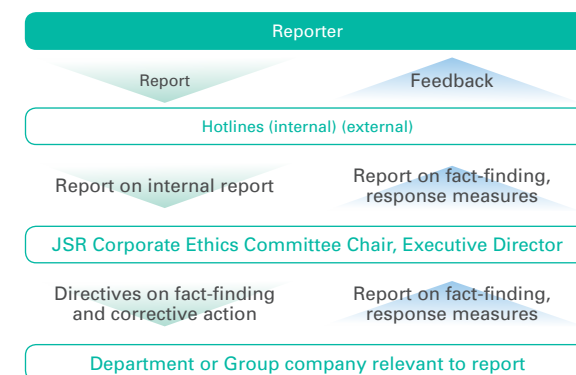
JSR Group has introduced an internal reporting system called the Corporate Ethics Hotline. To ensure employee awareness of the system, information on accessing the hotline is posted at the top page of our intranet and our online in-house newsletter. At the same time, we strive to build trust in the system by ensuring confidentiality of report content and prohibiting unfair treatment of hotline users. We have designed a system to facilitate use by overseas employees as well, setting up two contact points with specialized outside organizations capable of handling communication in Japanese, English, Chinese, Korean, Thai, and Indonesian. Reports made to the external hotline are also simultaneously reported to full-time auditors so that independence from management is assured.

For each report that comes in, the office of the Corporate Ethics Committee in the company concerned requests the relevant department to ascertain the facts. Based on the department's findings, the office then discusses and decides on responses and follows up on the results. If the reporter desires feedback, the contact point that initially received the report contacts him or her with the results as well as any actions taken.

#### ② Hotline for Business Partners

In its Procurement Department, JSR employs a Supplier's Hotline, an external reporting channel for business partners, namely suppliers and services providers with whom domestic Group companies do regular business. It receives reports from business partners to quickly discover and resolve violations of the law as well as actual and possible violations of corporate ethics in business transactions. Hotline services are entrusted to the same outside organization employed for the employee hotlines. Efforts are being made to improve reliability by enforcing strict secrecy of reports and prohibiting any handling of reports that would be disadvantageous to those reporting.

Internal Report Flow



## Legal Compliance Measures

Every JSR Group member defines legal compliance regulations that form the basis of its legal compliance. Each company then uses the regulations to solidify its compliance through regular review and improvement as well as legal training to increase awareness of laws and regulations and instill commitment to compliance. JSR Group establishes specific systems and executes other priority approaches to ensure compliance with laws and regulations that are particularly relevant to the execution of business.

## Approach to Preventing Bribery and Unfair Competition

JSR Group has formulated a Policy for Bribery Prevention, Rules on Complying with Anti-Corruption Laws, and Standards for Gift-Giving and Entertaining that specify necessary items for all executives and employees to comply with the Japanese Unfair Competition Prevention Act, the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and other anti-corruption laws. In addition, JSR has also formulated Rules on Antimonopoly Law (Japan), Rules on Complying with U.S. Antitrust Laws, Rules on Complying with the EU's Antitrust Laws, and Rules on Complying with Korean Fair Trade Laws that specify items necessary for complying with each country's antimonopoly (antitrust) laws.

## Protection of Personal Information

JSR Group recognizes the importance of protecting personal information. We have therefore formulated a Privacy Policy and Rules for Handling Personal Information that sets out our approach to the acquisition, use, and management of personal information based on the Act on the Protection of Personal Information. We have also established Rules for Handling Specific Personal Information in response to the introduction of Japan's Individual Number system. Moreover, in accordance with relevant laws and our privacy policy, we ensure the appropriate handling of specific personal information in the Company by defining precautions and security standards necessary to ensure the proper use and protection of this information at each stage of acquisition, storage, use, provision, disclosure, correction, suspension of use, and deletion. Furthermore, for Group companies that will handle personal data covered by the EU's General Data Protection Regulation (GDPR), we are providing support for the development and operation of a GDPR compliance system to be applied to the acquisition, processing, and transfer of covered personal data.

## Information Security Policy

- JSR Group, by complying with laws and regulations and by observing other social norms relating to the handling of information, will protect information that belongs to JSR Group, its customers, business partners and other third parties.
- The JSR Group will strive to develop and actively use its information assets for the efficient execution of its business. The Group's officers and employees will only use these information assets for the purposes of their work and within the scope of their authority.
- JSR Group will improve organizations and systems, provide education on information security, thoroughly disseminate this policy and related regulations, and implement measures to ensure information security.
- JSR Group will implement appropriate human, organizational, and technological measures and work to prevent unauthorized access to information assets from outside the Company, as well as leaks, falsification, loss, theft and destruction of information assets.
- If an information security-related problem occurs, JSR Group will promptly identify the cause and take measures to minimize damage and prevent recurrences.
- JSR Group will periodically assess and review its information security measures to respond appropriately to changes in external environments.

# Risk Management



Please refer to our Sustainability Report 2021 (due out in October) for a detailed explanation and data. The link will be updated after it is published. For FY2019 results, please see the Sustainability Report 2020.

## Philosophy

JSR Group believes that preventing a major crisis from occurring and minimizing the impact of a crisis on business activities should one occur are important management roles. The Group has formulated Risk Management Policies and established a Risk Management Committee through which it actively pursues risk management activities.

## Risk Management System

JSR Group manages risk by largely classifying it into two types: risk related to business strategies and risk related to business operations.

For risk related to business strategies, we engage in risk management through deliberations and decisions made in important meetings, such as those of the Board of Directors, Executive Committee, and Business Issues Committee.

For risk related to business operations, we establish Risk Management Policies and engage in risk management centered on the Risk Management Committee.

The risk management system is incorporated into the internal control system. The status of the internal control system's execution is reported to the Board of Directors. JSR has a Corporate Audit Department that continuously verifies and evaluates the preservation and operation of internal control for the entire JSR Group as required by the Companies Act and Financial Instruments and Exchange Act. It also ensures that risk in existing business does not exceed permissible levels. The department additionally maintains and strengthens internal control levels for the

entire Group and conducts internal audits to ensure the appropriate and efficient execution of operations.

## Risk Management Committee

JSR Group believes that preventing a major crisis from occurring and minimizing the impact of crises on business activities are important management roles. The Group has formulated Risk Management Policies and established a Risk Management Committee, chaired by the officer in charge of the Corporate Planning, which is primarily responsible for setting risk management policy.

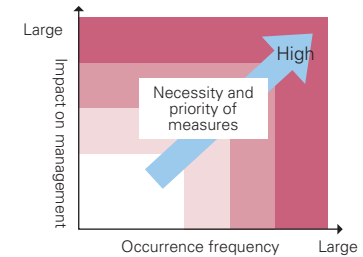
The Risk Management Committee promotes ongoing improvement of response policies and action plans in response to actual and potential crises.

## Identifying Risks and Selecting Important Risks

Since FY2009, JSR Group has fulfilled Group-wide annual risk management procedures using its unique risk management system under the initiative of the Risk Management Committee. For each division of JSR Group companies in and outside of Japan, we identify and evaluate all potential risks, and formulate measures to control such risks.

Utilizing a risk map that represents level of business impact and frequency of occurrence, we identify risks that could have a significant impact on business continuity and organize the risks into JSR Group Risk Factors. By monitoring and regularly reviewing risks that senior management has personally ascertained, we are building and maintaining a system for prevention and crisis preparedness.

## Conceptual diagram of risk map



\* For details on risks, please refer to Business Risks on page 6 of the Financial Section.

## Crisis Management Training

JSR has formulated BCM procedures that summarize the BCM/BCP\* systems in place for both normal circumstances and emergency situations. These procedures define the BCM organization and the actual BCP which includes stipulations on target recovery times, and BCP activation and cancellation standards. They also define the organizational structure that takes effect during activations of the BCP and corresponding priority businesses and operations.

\* BCM: Business Continuity Management/BCP: Business Continuity Plan  
A BCP defines activities that need to be conducted before the occurrence of an emergency situation that may threaten the survival of a company (large-scale natural disaster, explosion/fire, terrorist attack, etc.), judgment criteria and action guidelines that enable business continuity in the event of such emergencies, and other matters necessary for ensuring the continuity and early restoration of important businesses. BCM is a management system that has been developed to operate and continuously improve the BCP through a PDCA (plan-do-check-act) cycle.



# Supply Chain Management



Please refer to our Sustainability Report 2021 (due out in October) for a detailed explanation and data. The link will be updated after it is published. For FY2019 results, please see the Sustainability Report 2020.

## Philosophy

We believe that an important role of JSR Group is to offer innovative materials and excellent products that meet customer needs and contribute to the making of a better society. We are able to respond to social issues through our business partners and supply chain management.

## Supply Chain Management

### CSR/sustainable procurement

JSR Group is in a unique position as a chemicals manufacturer to support society by delivering materials to various industries through its supply chain management. We consistently deliver products of proven quality to customers. The recent globalization of supply chains has seen the emergence of numerous problems, such as forced labor, child labor, environmental destruction, global warming, and corporate misconduct. Corporate activities have more of an impact on society than ever. In December 2018, we formulated the JSR Group CSR/Sustainable Procurement Policy, described below.

### Key Points of CSR/Sustainable Procurement Policy

#### • Fair Corporate Activity

In the processes of producing products and services, companies must engage in business activities that are based on fair, transparent, and free competition.

#### • Human Rights and Labor

Companies must act in accordance with the laws of each country and international standards, respect basic human rights, and give attention to the following items to ensure that their business activities do not violate human rights, either directly or indirectly

#### • Environmental Conservation

Companies have a responsibility to comply with the laws and standards of each country concerning environmental conservation, to specify and manage factors that impact on the environment by building a management system, and to work toward preserving the environment in their processes of producing products and services.

#### • Health and Safety

Companies must comply with the laws and standards of each country concerning occupational health and safety and establish management systems and mechanisms to prevent workplace accidents, promote the health and safety of employees, and create comfortable workplace environments.

#### • Information Security

Companies must properly manage and protect the information they obtain through business activities, take protective measures against threats to their computer networks, and manage the confidential information of customers and third parties in a manner that prevents leaks.

### Assessment of business partners

We assess candidates for new business partners based on certain criteria concerning the status of their financial affairs and level of quality management. We conduct an onsite audit prior to the start of business as well, to verify items concerning safety, the environment, and quality. We also regularly check whether business partners with whom we have an ongoing business relationship meet the same criteria we expect. In particular, with regard to vital raw materials that are difficult to procure in an emergency due to issues of availability or scarcity, we strive to secure stable availability for our customers by conducting regular supplier audits and onsite confirmation of items pertaining to supply continuity and providing proposals and guidance for quality reliability.

### Initiatives concerning conflict minerals

Our policy is to never permit the use of conflict minerals, directly or indirectly. We continuously verify that we use no conflict minerals with our business partners' cooperation. In FY2015, we conducted an investigation concerning the use of conflict minerals and confirmed that none of the targeted suppliers used them. Since then, we have investigated the use of conflict minerals when acquiring new raw materials or using a new supplier, and have maintained a system that guarantees we do not use such minerals.

### Education and training of employees in charge of procurement

We recognize that educating and training on measures having to do with CSR/sustainable procurement and conflict minerals for purchasing department personnel is crucial in guaranteeing sound supply chain management. We support and encourage procurement staff to acquire Japan Management Association-accredited Certified Procurement Professional certification (CPP; certifying that a person has acquired specialized knowledge in the purchasing and procurement field) to further deepen their knowledge of procurement.

### Participation in initiatives concerning CSR/sustainable procurement

JSR participates in Global Compact Network Japan's Supply Chain Working Group. We utilize knowledge obtained through dialogues with stakeholders to strengthen our CSR/sustainable procurement activities. For example, we apply this knowledge when formulating JSR Group CSR/Sustainable Procurement Policy and reflect it in questionnaire items used when surveying business partners.

# Sustainability Performance

## Evaluation by Outside Organization

JSR Group is highly regarded for its sustainability activities and other non-financial initiatives, as reflected by its inclusion in international socially responsible investment indexes and investment universes. Also, JSR Group has been selected for inclusion in the FTSE Blossom Japan Index and MSCI Japan Empowering Women Index (WIN), S&P/JPX Carbon Efficient Index, which are ESG indexes selected by Government Pension Investment Fund (GPIF).

JSR Group has continually been ranked in the Global Compact 100 since FY2013.

## Inclusion in ESG indexes, socially responsible investment (SRI) indexes and investment universes (Current as of June 24, 2021)

### FTSE Blossom Japan Index



FTSE Blossom  
Japan

We were selected as an investment brand of the “FTSE Blossom Japan Index” for being a Japanese company with excellent consideration for ESG (Environment, Social, and Governance).

### FTSE4Good



FTSE4Good

For 16 consecutive years since 2004 we have been selected by FTSE Russell as a constituent of the FTSE4Good Index Series.

### MSCI Japan Empowering Women Index (WIN)



We were selected by MSCI as an investment brand of the “MSCI Japan Empowering Women Index (WIN)” for being a company with excellent gender diversity.

### MSCI ESG Leaders Indexes



We are included in the MSCI ESG Leaders Indexes as a company with outstanding ESG (environment, social, governance) performance.

### S&P/JPX Carbon Efficient Index



We were selected for inclusion in the S&P/JPX Carbon Efficient Index by the S&P Dow Jones Index.

### SOMPO Sustainability Index



In recognition of our standing as a company with a high ESG (Environment, Social, and Governance) evaluation, we were reconfirmed by Sompo Asset Management Co., Ltd. as a brand to be included in the SOMPO Sustainability Index.

\* The inclusion of JSR Corporation in MSCI indexes, as well as the use of the MSCI logo, trademark, service mark and index name, does not constitute support, endorsement or promotion of MSCI or any MSCI-affiliated company by JSR Corporation. MSCI indexes are the sole property of MSCI. MSCI and all MSCI index names and logos are the trademark or service mark of MSCI and its affiliated companies.