

## JSR Group Business and Other Risks

JSR Group is exposed to the following risks that may impact on operating results, financial position, cash flows, and other aspects of its business performance.

Forward-looking statements are based on the Group's judgments as of March 31, 2023, and the Group's business and other risks are not limited to the following matters.

Risk	Description	Risk Mitigation Measures
(1) Geopolitical Risks	Damage to manufacturing facilities, prolonged suspension of production activities, logistical impediments, or raw material procurement impediments, and harm to our employees' lives or property due to terrorism, war, or international trade restrictions (on raw materials, products, or information) could adversely affect JSR Group's operating results.	JSR regularly collect information from external organizations and experts about global political and economic trends, as well as laws and regulations that may have a significant impact on the business operations of our Group. In addition, JSR consider the optimal location of bases for each of our businesses, taking into account geopolitical risks.
(2) Natural Disasters and Accidents	Constraints on economic activity caused by a major natural disaster or an accident at a manufacturing facility that damages a manufacturing facility or disrupts production could adversely affect JSR Group's operating results.	All JSR Group manufacturing facilities have established countermeasures for accidents based on the identification of all potential sources of risk and conduct periodic inspections of their facilities. The Group works continually on safety measures with regard to earthquakes and other natural disasters. JSR's main production facility, the Yokkaichi Plant, houses private power generation equipment, and the Kashima Plant is able to access electric power from shared power generation facilities when necessary.
(3) Product Liability and Defect Warranty Liability	Bodily injury or property damage to others caused by a product manufactured by the JSR Group, or conducts a recall due to poor quality, could adversely affect JSR Group's operating results.	Damage or injury caused by a product manufactured by JSR Group could adversely affect JSR Group's operating results.
(4) Significant Violations of Law	In the event of a failure to comply with various laws and regulations involving business and investment permits, import and export activities, trade, labor relations, intellectual property, taxes, foreign exchange, and other matters in the countries where the JSR Group operates, or if a law or regulation becomes stricter or is significantly altered, it could lead to limitations to the Group's business activities or additional compliance costs. Any of these events could adversely affect the JSR Group's operating results.	JSR Group routinely gathers information on each country's laws and regulations that relate to its business and takes necessary compliance actions. The Group in particular monitors changes in countries' environment-related laws and ordinances, product safety and quality regulations, and laws and ordinances related to imports and exports.
(5) Human Rights Issues	If any human rights issues arise due to harassment, discrimination, or harsh labor practices against employees, this could lead to a loss of public trust, which could impede the JSR Group's business activities, among other things.	JSR established "JSR Group Human Rights Policy" in September 2021 and is working to reduce human rights risks by providing e-learning to group employees, including those overseas.

Risk	Description	Risk Mitigation Measures
(6) Information Systems and Information Management	Unauthorized access due to cyber attacks, malicious or grossly negligent actions by employees or others, power outages, disasters, or other events, may result in the falsification or destruction of data, leakage of personal information, failure of information systems, which could, in turn, impede the JSR Group's business activities.	JSR strives to prevent this risk from materializing using software, implementing security countermeasures against crises, and regularly providing education and training drills to employees.
(7) Fluctuations in Material and Resource Prices	Fluctuations in market conditions due to geopolitical risks, inflation, supply and demand balance, and other factors may cause fluctuations in raw material and resource procurement prices and could adversely affect the JSR Group's operating results.	JSR strives to minimize the effects of fluctuations in raw material prices with such strategies as lowering cost prices or passing on price changes in selling prices as well as securing multiple sources for raw materials.
(8) Intellectual Property Disputes	Disputes over intellectual property with other companies, infringements on JSR's intellectual property, or lawsuits against us by other companies could occur.	JSR has established structures for protecting its intellectual property under which it takes protective measures. And JSR cooperate with lawyers and patent attorney offices in various countries to establish a system for responding to litigation.
(9) Fluctuations in Demand Due to Economic Trends	As a result of the impact of economic conditions in various countries or regions, industry demand in which JSR Group's products are sold, such as in automobiles and electronics markets, may decline and could adversely affect JSR Group's operating results.	JSR endeavors to mitigate risks by striving for a stable business composition, through, for example, enhancing the Life Sciences Business, as well as increasing highly functional, high-added-value product lines in each business segment and rearranging portfolios within businesses.
(10) Pandemic Outbreaks	If an infectious disease pandemic were to break out, economic activities were to be restricted, a temporary closure or reduced operation of offices and factories were to occur, it could adversely affect the JSR Group's business results.	JSR is implementing thorough measures to stop the spread of infection at our offices and plants. JSR is also working to further fortify its financial base ahead of sudden changes in management environment by maintaining its supply chains and organizational strengths for ensuring business continuity and stable management, even during a crisis.
(11) Changing Technology Trends	If the development of new products or businesses is delayed in response to changes in technology trends, it could prevent the timely sales of new products and adversely affect JSR Group's operating results.	JSR are working to set research themes that anticipate market needs and to develop and strengthen a flexible research system that can quickly respond to user conditions. In particular, in the fields of electronics and life sciences, where technological progress is rapid, JSR are constantly working to develop cutting-edge materials in response to technological innovation.

Risk	Description	Risk Mitigation Measures
(12) Impediments to Procurement of Raw Materials	An interruption in the supply of raw materials due to an accident at a raw materials manufacturer or a supply stoppage due to quality issues or bankruptcy, labor disputes, human rights issues, wars, terrorism, etc., could impede production activities and adversely affect JSR Group's operating results.	JSR Group ensures stable raw material procurement operations by securing multiple sources for raw materials. JSR also strive to build a responsible supply chain by distributing to our suppliers letters of support for JSR Group CSR Procurement Policy and Human Rights Policy and collecting these letters of support.
(13) Logistical Impediments	If logistics impediments arise due to disasters, accidents, stricter regulations, or trade restrictions, it could adversely affect JSR Group's operating results.	JSR are taking BCP measures such as storing inventory at multiple locations and securing alternative means of transportation.
(14) Human Resource Outflow, Difficulty in Acquisition	If problems such as production stoppages or a decline in technology due to an outflow of human resources or difficulty in acquiring them arise, it could adversely affect JSR Group's operating results.	JSR conduct regular engagement surveys of our Group employees, including those overseas, and take various measures to ensure that each employee maintains a healthy and highly engaged state. We also continually monitor and review industry standards regarding compensation, personnel systems, etc.
(15) Climate Change Risks	If policies toward a decarbonized society are strengthened in countries and regions related to climate change risks, or if laws and regulations related to carbon emissions are revised or newly enacted at an unexpectedly rapid pace, the Group's sales capacity and reputation may decline due to delays in responding to customers and it could adversely affect JSR Group's operating results.	JSR Group began activities to use energy in its production process more efficiently in the 1990s following growing worldwide interest to address climate change. In October 2020, JSR endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and committed to a target of net-zero greenhouse gas emissions by FY2050. We are now working to further reduce our greenhouse gas emissions through the introduction of higher efficiency equipment and use of renewable energy, in addition to energy conservation activities.