

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, 2024, 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 the recent increase in geopolitical risks (confrontation between the United States and China, war, terrorism, or international trade restrictions (on raw materials, products, or information)) could adversely affect JSR Group's operating results.	JSR regularly collect information from government, external organizations, experts and other sources 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, we also 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.	JSR Group takes measures against natural disasters and accidents by identifying risk factors, and strive to monitor and maintain the effectiveness of these measures. In addition, in the unlikely event of an earthquake or other disaster, we are working to ensure the safety of our employees by providing crisis management education and training, and introducing an employee safety confirmation system.
(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.	JSR Group has established and operates "Quality Guidelines" that serve as guidelines for quality control in design, development, purchasing, production, and sales. Our main factories and offices have acquired ISO9001 certification, an international standard for quality management systems, and at the manufacturing bases of our life science business, we have established quality management systems (ISO13485, GMP, etc.) according to the products we handle, and we perform quality assurance in accordance with these systems. We also reduce risk by taking out product liability insurance.

Risk	Description	Risk Mitigation Measures
(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 selects laws and regulations that are particularly important in the execution of business operations as important company-wide laws and regulations in accordance with the JSR Group legal compliance regulations. We conduct a compliance survey every year to check the status of compliance with important laws and regulations across the entire company, and we also provide legal education to thoroughly publicize the content of laws and regulations and instill compliance awareness. And we routinely gather 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" and is working to reduce human rights risks by providing elearning and corporate ethics awareness survey to group employees, including those overseas. We have also introduced an internal reporting system that allows responses in foreign languages so that our overseas offices can easily use it.
(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 Group 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 due to geopolitical risks, inflation, supply and demand balance, and other actors may cause fluctuations in raw material and resource procurement prices and could adversely affect the JSR Group's operating results.	JSR Group strives to minimize the effects of fluctuations in raw material prices with such strategies as lowering cost prices or passing on price changes appropriately 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 Group 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.

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(9) Fluctuations in Demand Due to Economic Trends	As a result of the impact of economic conditions in various countries or regions, demand in the main industries 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 Group 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 and requests. 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.
(12) Impediments to Procurement of Raw Materials	A supply stoppage due to an accident at a raw materials manufacturer, quality issues, 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 Group takes 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 both physically and mentally and highly engaged state. We also continually monitor and review industry standards regarding compensation, personnel systems, etc.

Risk	Description	Risk Mitigation Measures
(15) Climate Change Risks	If policies toward a decarbonized society are strengthened in countries and regions , 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 endorsed the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures) in October 2020, and we are promoting information disclosure based on the TCFD framework and working with all stakeholders to address climate change issues. As specific initiatives, 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.