

(TSE Code 4185)
May 24, 2018

Dear Shareholders,

Notice of Convening of the 73rd Ordinary General Meeting of Shareholders
of
JSR Corporation

We are pleased to announce the convening of the 73rd Ordinary General Meeting of Shareholders of JSR Corporation as detailed below:

You are cordially invited to attend the meeting, and we do hope you will be able to attend and participate.

If you are unable to attend the meeting in person, please exercise your voting rights by returning the ballot form or by electromagnetic transmission (Internet, etc.) in accordance with the guide on the next page after reviewing the "Reference Materials for the General Meeting of Shareholders" attached hereto and indicating your approval or disapproval for each agenda item.

Sincerely,

Mitsunobu Koshiha
Representative Director and President
JSR Corporation
1-9-2, Higashi-Shinbashi
Minato-ku, Tokyo

1. **Date and Time** June 15, 2018 (Friday) 10:00 a.m. (Reception from 9:00 a.m.)
2. **Venue** Conrad Tokyo
Annex 2F, "Kazanami"
1-9-1, Higashi-Shinbashi, Minato-ku, Tokyo, Japan

3. **Agenda**

Matters to be Reported

1. Business Report, Consolidated Financial Statements for the 73rd Fiscal Term (from April 1, 2017 to March 31, 2018) and Audit Report thereon by the Accounting Auditors and the Audit & Supervisory Board /
2. Non-Consolidated Financial Statements for the 73rd Fiscal Term (from April 1, 2017 to March 31, 2018)

Matters to be Resolved

- Proposal 1. Appropriation of surplus
- Proposal 2. Election of seven (7) Directors
- Proposal 3. Election of one (1) Audit & Supervisory Board Member
- Proposal 4. Election of two (2) Substitute Audit & Supervisory Board Members

4. Matters related to exercising your voting rights

(1) Participating in the General Meeting of Shareholders in person:

Please hand over the ballot form attached hereto at the reception.

(2) By Post:

Please return the ballot form attached hereto after indicating your approval or disapproval so that your ballot reaches us by 5:45 p.m. on Thursday, June 14, 2018 (Japan Time).

(3) Voting via electromagnetic transmission (Internet, etc.):

Please exercise your voting rights via Internet by accessing our web site for online voting (<https://www.web54.net>) by 5:45 p.m. on Thursday, June 14, 2018 (Japan Time) after reviewing the “Reminders for Exercising Voting Rights via Internet” on page 17 (of this translation).

Please note, however, that the above web site for online voting is only available in the Japanese language.

(4) Exercising your voting rights in duplicate:

- i) If you exercise your voting rights in duplicate by post and via electromagnetic transmission (Internet, etc.), we will treat the voting made via electromagnetic transmission (Internet, etc.) as the effective one.
- ii) If you exercise your voting rights via electromagnetic transmission (Internet, etc.) more than once, we will treat the last vote as the effective one.

(5) Voting by Proxy:

If you would like to exercise your voting rights by proxy, please assign another shareholder of the Company as your proxy and make such proxy submit to the Company a certificate evidencing the power to vote on your behalf.

(6) Use of Electronic Proxy Voting Platform:

If you are a shareholder among institutional investors, you may be able to exercise your voting rights through the Electronic Proxy Voting Platform operated by ICJ Inc. for its participants as a way to exercise your voting rights.

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Notice

Should it become necessary to correct the information contained in the “Reference Materials for the General Meeting of Shareholders”, “Business Report”, “Non-Consolidated Financial Statements” and/or “Consolidated Financial Statements”, we will post the correction on our web site ([http://www.jsr.co.jp/jsr\\_e/ir/shareholder.shtml](http://www.jsr.co.jp/jsr_e/ir/shareholder.shtml)).

## **Reference Materials for the General Meeting of Shareholders**

### **Agenda and Reference Materials**

#### **Proposal 1. Appropriation of surplus**

The Company considers it vitally important to improve corporate performance on a long-term basis by strengthening its research and development activities from a long-term viewpoint and enhancing competitiveness through development of new businesses. Our basic policy for dividends is, based upon the above understanding, to sustain continual and stable dividends considering an appropriate balance between distribution of profits to our shareholders and enhancement of the internal reserve required for future growth of the Company, taking into account the performance and the capital requirement.

The Company will comprehensively consider acquiring treasury shares as a measure for distributing the profit to shareholders while taking market environment into account. The Company will effectively utilize its internal reserves for investments that ensure further future growth and higher corporate values of the Company. The Company endeavors to maintain 50% or more of the total return ratio to our shareholders, which is calculated by dividing the aggregate amount of dividends and the acquisition of treasury shares by the amount of profit attributable to owners of the parent, during the period set for "JSR 20i9", which is our mid-term business plan.

The Company would like to propose the following year-end dividends after thorough consideration of the points mentioned above.

#### **(1) Form of dividend**

Cash

#### **(2) Matters regarding disbursements of dividends to shareholders and total amount thereof**

The Company would like to distribute ¥25 per ordinary share of the Company as year-end dividends.

The total amount of year-end dividends will therefore amount to ¥5,564,784,150.

Accordingly, total dividends per share for this fiscal year (inclusive of interim dividends) will be ¥50, and the total amount of dividends distributed will be ¥11,128,957,025.


#### **(3) Effective Date of dividend distribution**


June 18, 2018


## Proposal 2. Election of seven (7) Directors


As the tenures of all seven (7) current Directors will expire at the close of this ordinary general meeting of shareholders, the Company proposes that the following seven (7) Directors be newly elected. The following candidates for Directors were nominated based on the deliberation of the Company's Nomination Advisory Committee of which the majority members are Independent Outside Directors and the chair of which is an Independent Outside Director.


The candidates for Directors are as follows:

| No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Name<br>(Date of Birth)                                                                                                                                                                                                                                                           | Brief personal record, position, responsibilities,<br>and other important concurrent positions held                                                                                                                                                                                                                                                                                                |
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| 1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <p>Mitsunobu Koshiba<br/>(November 9, 1955)</p>  <p><u>Re-appointment</u></p> <p>Number of the Company shares owned: 41,900</p> <p>Record of attendance at BOD meetings: 17/17 times (100%)</p> | <p>Oct. 1981 Joined JSR</p> <p>Jun. 2004 Director, General Manager of Electronic Materials Division</p> <p>Jun. 2005 Senior Officer, General Manager of Electronic Materials Division</p> <p>Jun. 2006 Managing Director, General Manager of Electronic Materials Division</p> <p>Jun. 2008 Senior Managing Director</p> <p>Apr. 2009 Representative Director and President (current position)</p> |
| <p><b>Reasons for the Nomination of this Candidate for Director:</b></p> <p>Since joining JSR, Mr. Mitsunobu Koshiba has worked in the field of JSR's electronic material businesses, and has been engaged in JSR's research and development as well as the establishment of JSR's overseas offices in Europe and America. As General Manager of Electronic Materials Division, he has advanced the globalization and expansion of JSR's businesses. After assuming the office of Representative Director and President, he has also pushed forward JSR's midterm management plans (JSR20i3, JSR20i6, and JSR20i9) to realize the JSR's objectives for 2020. Additionally, Mr. Koshiba has enhanced the Company's corporate governance standards, thereby enhancing the trust of all stakeholders of the Company. Mr. Koshiba is expected to continue to contribute his vast experience and knowledge to help the Company in making crucial decisions and to supervise the performance of duty at the BOD level, thereby contributing further to the enhancement of JSR's corporate value. For the above reasons, he has been nominated as a candidate for Director.</p> |                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                    |

| No. | Name<br>(Date of Birth)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Brief personal record, position, responsibilities,<br>and other important concurrent positions held                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
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| 2   | <p data-bbox="245 253 443 320">Koichi Kawasaki<br/>(April 20, 1957)</p>  <p data-bbox="245 734 432 768"><u>Re-appointment</u></p> <p data-bbox="245 801 564 869">Number of Company shares<br/>owned: 16,100</p> <p data-bbox="245 902 603 992">Record of attendance at BOD<br/>meetings: 17/17times held after<br/>assuming his office (100%)</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <p data-bbox="655 226 1414 824"> Apr. 1983    Joined JSR<br/> Jun. 2003    Head of the First Manufacture and Technology Center<br/> Jun. 2005    Officer, General Manager of Manufacturing &amp;<br/> Technology Division<br/> Jun. 2007    Director and Senior Officer, General Manager of<br/> Manufacturing &amp; Technology Division<br/> Jun. 2008    Director and Senior Officer, General Manager of<br/> Elastomer Business Division<br/> Jun. 2011    Managing Officer, General Manager of<br/> Petrochemical Products Division<br/> Jun. 2014    Executive Managing Officer, General Manager of<br/> Petrochemical Products Division<br/> Jun. 2016    Representative Director and Executive Managing<br/> Officer, General Manager of Manufacturing &amp;<br/> Technology Group<br/> Apr. 2018    Representative Director and Executive Managing<br/> Officer, General Manager of Manufacturing &amp;<br/> Technology Group and<br/> President of Japan Butyle Co., Ltd. (current position) </p> <p data-bbox="655 857 1198 925">(Important concurrent positions held)<br/>President of Japan Butyle Co., Ltd.</p> <p data-bbox="655 958 1430 1081">(Current responsibilities)<br/>Manufacturing and Technology, Product Safety &amp; Quality<br/>Assurance, Procurement, Logistics, and Safety and<br/>Environment Affairs</p> |
|     | <p data-bbox="245 1238 959 1272"><b>Reasons for the Nomination of this Candidate for Director:</b></p> <p data-bbox="245 1272 1326 1339">For many years since joining JSR, Mr. Koichi Kawasaki has been engaged in JSR's production, manufacturing &amp; technology-related businesses.</p> <p data-bbox="245 1339 1414 1462">After assuming the position in charge of JSR's petrochemical products businesses, he has been recently responsible for Manufacturing and Technology, Product Safety &amp; Quality Assurance, Procurement, Logistics and Safety and Environment Affairs. Throughout his career, he has contributed to the enhancement of JSR's corporate value.</p> <p data-bbox="245 1462 1430 1597">Mr. Kawasaki is expected to contribute his vast experience and knowledge to help the Company in making crucial decisions and to supervise the performance of duty at the BOD level, thereby continually contributing further to the enhancement of JSR Group's corporate value. For the above reasons, he has been nominated as a candidate for Director.</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

| No. | Name<br>(Date of Birth)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Brief personal record, position, responsibilities,<br>and other important concurrent positions held                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
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| 3   | <p data-bbox="240 219 534 280">Nobuo Kawahashi<br/>(July 23, 1956)</p>  <p data-bbox="240 701 430 734"><u>Re-appointment</u></p> <p data-bbox="240 768 563 828">Number of Company shares<br/>owned: 8,700</p> <p data-bbox="240 862 635 958">Record of attendance at BOD<br/>meetings: 17/17 times held after<br/>assuming his office (100%)</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <p data-bbox="655 219 933 253">Apr. 1981    Joined JSR</p> <p data-bbox="655 253 1428 313">Jun. 2002    Head of Functional Materials Development Laboratory,<br/>Fine Electronic Materials Research Laboratories</p> <p data-bbox="655 313 1428 374">Jun. 2008    Officer, General Manager of Display Material Business<br/>Division and New FPD Materials Division</p> <p data-bbox="655 374 1356 434">Jun. 2009    Officer, General Manager of Electronic Materials<br/>Division</p> <p data-bbox="655 434 1380 470">Jun. 2010    Officer and President of JSR Micro Korea Co., Ltd.</p> <p data-bbox="655 470 1412 530">Jun. 2011    Senior Officer and President of JSR Micro Korea Co.,<br/>Ltd.</p> <p data-bbox="655 530 1364 591">Apr. 2014    Senior Officer, General Manager of Research and<br/>Development Division</p> <p data-bbox="655 591 1149 627">Jun. 2016    Director and Managing Officer</p> <p data-bbox="655 627 1364 687">Jun. 2017    Director and Executive Managing Officer (current<br/>position )</p> <p data-bbox="655 687 1093 761">(Current responsibilities )<br/>Research and Development</p> |
|     | <p data-bbox="240 992 957 1025"><b>Reasons for the Nomination of this Candidate for Director:</b></p> <p data-bbox="240 1025 1420 1182">For many years since joining JSR, Mr. Nobuo Kawahashi has been engaged in JSR's research and development. He has served as the General Manager at JSR's Display Material Business Division and Electronic Materials Division. He also served as President of JSR Micro Korea Co., Ltd. He is currently in charge of research and development, and has, throughout his career, contributed to the enhancement of JSR's corporate value.</p> <p data-bbox="240 1182 1428 1308">Mr. Kawahashi is expected to contribute his vast experience and knowledge to help the Company in making crucial decisions and to supervise the performance of duty at the BOD level, thereby continually contributing further to the enhancement of JSR Group's corporate value. For the above reasons, he has been nominated as a candidate for Director.</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |


| No. | Name<br>(Date of Birth)                                                                                                                                                                                       | Brief personal record, position, responsibilities,<br>and other important concurrent positions held                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
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| 4   | <p>Hideki Miyazaki<br/>(January 22, 1958)</p>  <p><u>New-appointment</u></p> <p>Number of Company shares<br/>owned: None</p> | <p>Apr. 1980    Joined Nomura Securities Co., Ltd.<br/> Jul. 2005    Joined Japan Tobacco Inc. (“JT”)<br/> Senior Manager of Accounting Division of JT<br/> Jan. 2006    Deputy Chief Financial Officer of JT<br/> Jun. 2008    Senior Vice President, and<br/> Chief Financial Officer of JT<br/> Jun. 2010    Executive Vice President, and CFO of JT<br/> Jun. 2012    Director and Executive Vice President<br/> Finance, Public Relations and CSR of JT<br/> Jan. 2018    Director of JT<br/> Mar. 2018    Joined JSR, Advisor (Current Position)</p> <p><b>Reasons for the Nomination of the Candidate for Director:</b><br/> Mr. Hideki Miyazaki joined JSR after having served as Director and Executive Vice President of Japan Tobacco Inc.<br/> Mr. Miyazaki is expected to contribute his vast experience and knowledge both in domestic and international accounting and financing to help the Company in making crucial decisions and to supervise the performance of duty at the BOD level, thereby continually contributing further to the enhancement of JSR Group’s corporate value. For the above reasons, he has been nominated as a candidate for Director.</p> |


| No. | Name<br>(Date of Birth)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Brief personal record, position, responsibilities,<br>and other important concurrent positions held                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
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| 5   | <p data-bbox="220 271 411 327">Yuzuru Matsuda<br/>(June 25, 1948)</p>  <p data-bbox="220 757 464 846"> <u>Outside Director</u><br/> <u>Re-appointment</u><br/> <u>Independent Director</u> </p> <p data-bbox="220 875 539 931">Number of Company shares<br/>owned: None</p> <p data-bbox="220 965 603 1021">Term of office:<br/>3 year at the close of this meeting</p> <p data-bbox="220 1055 560 1111">Record of attendance at BOD<br/>meetings: 17/17 times (100%)</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <p data-bbox="641 271 1428 360">Apr.1977 Joined KYOWA HAKKO KOGYO CO., LTD. (“KHK”) (currently known as Kyowa Hakko Kirin Co., Ltd (“KH Kirin”))</p> <p data-bbox="641 367 1401 427">Jun. 2000 Officer, Head of the Pharmaceutical Research Institute Laboratory, KHK</p> <p data-bbox="641 434 1401 495">Jun. 2002 Executive Director and Director of Corporate Planning Department, KHK</p> <p data-bbox="641 501 1289 524">Jun. 2003 President and Chief Operating Officer, KHK</p> <p data-bbox="641 530 1214 553">Oct. 2008 President and Chief Officer, KH Kirin</p> <p data-bbox="641 560 1082 582">Mar. 2012 Senior Advisor, KH Kirin</p> <p data-bbox="641 589 1433 649">Jun. 2012 President of Kato Memorial Bioscience Foundation, a public interest incorporated association (current position)</p> <p data-bbox="641 656 1241 678">Mar. 2014 Retired from Senior Advisor, KH Kirin</p> <p data-bbox="641 685 1449 707">Jun. 2014 Outside Director, KUBOTA Corporation (current position)</p> <p data-bbox="641 714 1369 775">Jun. 2014 Outside Director, BANDAI NAMCO Holdings Inc. (current position)</p> <p data-bbox="641 781 1374 804">Jun. 2015 Outside Director, JSR Corporation (current position)</p> <p data-bbox="641 837 1428 999"> (Important concurrent positions held)<br/> President of Kato Memorial Bioscience Foundation, a public interest incorporated association<br/> Outside Director, KUBOTA Corporation<br/> Outside Director, BANDAI NAMCO Holdings Inc. </p> |
|     | <p data-bbox="220 1151 986 1173"><b>Reasons for Nomination of this Candidate for Outside Director:</b></p> <p data-bbox="292 1180 1449 1341">Mr. Yuzuru Matsuda served as the President and Chief Officer of KYOWA HAKKO KOGYO CO., LTD and Kyowa Hakko Kirin, Co., Ltd. and the Advisor of Kyowa Hakko Kirin Co., Ltd. He has vast experience in corporate management for global companies especially in the field of medical and biochemical products and pharmaceuticals. He also possesses an independent perspective as outside personnel.</p> <p data-bbox="292 1348 1449 1487">He has utilized his experiences and independent viewpoints to help the Company in making crucial decisions, to supervise the performance of duty at the BOD level, and to strengthen the Company’s fair corporate governance through enhancement of fair and reasonable business judgment and transparent and sound management, thereby continually contributing further to the enhancement of JSR Group’s corporate value. He is, therefore, nominated again as a candidate for Outside Director.</p> <p data-bbox="220 1520 900 1543"><b>The items relating to the candidate for Outside Director:</b></p> <ol data-bbox="244 1550 1457 2107" style="list-style-type: none"> <li data-bbox="244 1550 948 1572">(1) Mr. Yuzuru Matsuda is a candidate for Outside Director.</li> <li data-bbox="244 1579 1457 1778">(2) Summary of agreement to limit Outside Directors’ liabilities proposed to be entered into with Mr. Matsuda:<br/>The Company had previously, pursuant to Paragraph 1 of Article 423 of the Companies Act, entered into an agreement with Mr. Matsuda to limit his liabilities to the maximum permitted extent as set forth in Paragraph 1 of Article 425 of the Companies Act. If this proposal is approved and resolved as originally proposed at this general meeting, the Company intends to renew the agreement with Mr. Matsuda.</li> <li data-bbox="244 1785 1457 1897">(3) The Company has registered Mr. Matsuda with the Tokyo Stock Exchange as an Independent Director/Auditor, as such term is defined by the Exchange. If this proposal is approved and resolved as originally proposed at this general meeting, he will be re-appointed as an Independent Director/Auditor.</li> <li data-bbox="244 1904 1457 1960">(4) Mr. Matsuda meets the “Criteria for judging independence of outside directors and audit &amp; supervisory board members”, as set forth on page 16 of this translation.</li> <li data-bbox="244 1966 1457 2107">(5) There are some ongoing transactions involving the purchase of testing reagents and other products between the group companies of Kyowa Hakko Kirin Co., Ltd. (where Mr. Matsuda served as President and Chief Officer) and those of JSR Corporation. The value of such transactions in the current business year ending in March 2018 amounts to less than 0.1% of JSR Corporation’s consolidated net sales for the business year and less than 0.1% of KH Kirin’s consolidated net sales</li> </ol> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |



for the previous business year ending in December 2017.

- (6) KUBOTA-AGRI-SERVICE Corporation, a subsidiary of KUBOTA Corporation (where Mr. Matsuda currently holds an important position), was subject to on-site investigation by the Japan Fair Trade Commission in November 2013 for violating the antitrust laws of Japan in relation to its acceptance of orders from agricultural cooperatives for the construction of joint drying facilities. The Commission issued a cease and desist order against, and imposed a penalty payment on KUBOTA-AGRI-SERVICE Corporation in March 2015. A penalty was also imposed on KUBOTA Corporation for the same violation. Mr. Matsuda assumed the position of Outside Director of KUBOTA Corporation in June 2014, after such violation was revealed, and has committed to reorganize KUBOTA Corporation and enhance its compliance standards, as well as conclusively prevent a recurrence of the abovementioned violations in all KUBOTA Corporation group companies.

| No. | Name<br>(Date of Birth)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Brief personal record, position, responsibilities,<br>and other important concurrent positions held                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
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| 6   | <p>Shiro Sugata<br/>(November 17, 1949)</p>  <p><u>Outside Director</u><br/><u>Re-appointment</u><br/><u>Independent Director</u></p> <p>Number of Company shares owned: None</p> <p>Term of office:<br/>2 years at the close of this meeting</p> <p>Record of attendance at BOD meetings: 17/17 times (100%)</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <p>Apr. 1972 Joined USHIO INC.<br/>Jan. 1993 President, BLV LICHT-UND VAKUUMTECHNIK GmbH<br/>Mar. 1994 General Manager, Technical Research Institute, USHIO INC.<br/>Jun. 2000 Director, Senior Officer, USHIO INC.<br/>Apr. 2004 Director, Executive Managing Officer, USHIO INC.<br/>Jun. 2004 Representative Director, Executive Managing Officer, USHIO INC.<br/>Mar. 2005 Representative Director and President, USHIO INC.<br/>Apr. 2013 Vice Chairman, Executive Director, Japan Association of Corporate Executives<br/>Oct. 2014 Director and Advisor, USHIO INC.<br/>Jun. 2016 Outside Director, JSR Corporation (current position)<br/>Jun. 2016 Advisor, USHIO INC.<br/>Jun. 2016 Outside Director, Yokogawa Electric Corporation (current position)<br/>Jun. 2017 Corporate Advisor, USHIO INC. (current position)</p> <p>(Important concurrent positions held)<br/>Corporate Advisor, USHIO INC.<br/>Outside Director, Yokogawa Electric Corporation</p> |
|     | <p><b>Reasons for the Nomination of this Candidate for Outside Director:</b></p> <p>Mr. Shiro Sugata served as the Representative Director and President of USHIO INC., where he currently serves as Advisor. He also served as Vice Chairman, Executive Director at the Japan Association of Corporate Executives.</p> <p>He has vast experience in the corporate management of global companies especially in the field of optical application products and industrial machineries. He also has experience obtained through activities in the business community and possesses the perspective of independent outside personnel. He has utilized his experiences and independent viewpoints to help the Company in making crucial decisions, to supervise the performance of duty at the BOD level, and to strengthen the Company's fair corporate governance through enhancement of fair and reasonable business judgment and transparent and sound management, thereby continually contributing further to the enhancement of JSR Group's corporate value. He is, therefore, nominated again as a candidate for Outside Director.</p> <p><b>The items relating to the candidate for Outside Director:</b></p> <ol style="list-style-type: none"> <li>(1) Mr. Shiro Sugata is a candidate for Outside Director.</li> <li>(2) Summary of agreement to limit Outside Directors' liabilities proposed to be entered into with Mr. Sugata:<br/>The Company had previously, pursuant to Paragraph 1 of Article 423 of the Companies Act, entered into an agreement with Mr. Sugata to limit his liabilities to the maximum permitted extent as set forth in Paragraph 1 of Article 425 of the Companies Act. If this proposal is approved and resolved as originally proposed at this general meeting, the Company intends to renew the agreement with Mr. Sugata.</li> <li>(3) The Company has registered Mr. Sugata with the Tokyo Stock Exchange as an Independent Director/Auditor, as such term is defined by the Exchange. If this proposal is approved and resolved as originally proposed at this general meeting, he will be re-appointed as an Independent Director/Auditor.</li> <li>(4) Mr. Sugata meets the "Criteria for judging independence of outside directors and audit &amp; supervisory board members", as set forth on page 16 of this translation.</li> <li>(5) There is no conflict of interest between the group companies of USHIO INC. (where Mr. Sugata served as Representative Director and President and is currently serving as Corporate Advisor) and those of JSR Corporation.</li> </ol> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

| No. | Name<br>(Date of Birth)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Brief personal record, position, responsibilities,<br>and other important concurrent positions held                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
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| 7   | <p>Tadayuki Seki<br/>(December 7, 1949)</p>  <p>Outside Director<br/>Re-appointment<br/>Independent Director</p> <p>Number of Company shares owned: None</p> <p>Term of office:<br/>1 year at the close of this meeting</p> <p>Record of attendance at BOD meetings: 13/13 times held after assuming his office (100%)</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <p>Apr. 1973 Joined ITOCHU Corporation</p> <p>Jun. 2004 Executive Officer and Chief Financial Officer, Food Company, ITOCHU Corporation</p> <p>Apr. 2007 Managing Executive Officer, General Manager, Finance Division, ITOCHU Corporation</p> <p>Jun. 2009 Representative Director, Managing Director, Chief Officer for Finance, Accounting, Risk Management and CFO, ITOCHU Corporation</p> <p>May 2011 Representative Director, Senior Managing Executive Officer, CFO, ITOCHU Corporation</p> <p>Apr. 2013 Representative Director, Executive Vice President, CFO, ITOCHU Corporation</p> <p>Apr. 2015 Advisor, ITOCHU Corporation</p> <p>May. 2016 Outside Director, PARCO CO., LTD. (current position)</p> <p>Jun. 2016 Outside Director, NIPPON VALQUA INDUSTRIES, LTD. (current position)</p> <p>Apr. 2017 Advisory Member, ITOCHU Corporation</p> <p>Jun. 2017 Outside Director, JSR Corporation (current position)</p> <p>Jul. 2017 Outside Audit &amp; Advisory Board Member, Asahi Mutual Life Insurance Company</p> <p>(Important Concurrent Positions held)</p> <p>Advisory Member, ITOCHU Corporation</p> <p>Outside Director, PARCO CO., LTD.</p> <p>Outside Director, NIPPON VALQUA INDUSTRIES, LTD.</p> <p>Outside Audit &amp; Advisory Board Member, Asahi Mutual Life Insurance Company</p> |
|     | <p><b>Reasons for the Nomination of this Candidate for Outside Director:</b></p> <p>Mr. Tadayuki Seki served as the Representative Director and Executive Vice President and thereafter as an Advisory Member at ITOCHU Corporation. He has vast experience in the corporate management of a general trading company which operates a global trading business, as well as extensive experience in financing and accounting matters cultivated during his service as CFO, and possesses the perspectives of independent outside personnel.</p> <p>He has utilized his experiences and independent viewpoints to help the Company in making crucial decisions, to supervise the performance of duty at the BOD level, and to strengthen the Company's fair corporate governance through enhancement of fair and reasonable business judgment and transparent and sound management, thereby continually contributing further to the enhancement of JSR Group's corporate value. He is, therefore, nominated again as a candidate for Outside Director.</p> <p><b>The items relating to the candidate for Outside Director:</b></p> <ol style="list-style-type: none"> <li>(1) Mr. Tadayuki Seki is a candidate for Outside Director.</li> <li>(2) Summary of agreement to limit Outside Directors' liabilities proposed to be entered into with Mr. Seki: If this proposal is approved and resolved as originally proposed at this general meeting, the Company intends, pursuant to Paragraph 1 of Article 423 of the Companies Act, to enter into an agreement with Mr. Seki to limit his liabilities to the maximum permitted extent as set forth in Paragraph 1 of Article 425 of the Companies Act.</li> <li>(3) The Company has registered Mr. Seki with the Tokyo Stock Exchange as an Independent Director/Auditor, as such term is defined by the Exchange. If this proposal is approved and resolved as originally proposed at this general meeting, he will be re-appointed as an Independent Director/Auditor.</li> <li>(4) Mr. Seki meets the "Criteria for judging independence of outside directors and audit &amp; supervisory board members", as set forth on page 16 of this translation.</li> <li>(5) There have been some ongoing transactions involving the sales and purchase of synthetic rubber and plastics between the group companies of ITOCHU Corporation (where Mr. Seki previously served as Representative Director and Executive Vice President and is currently serving as an Advisory Member and those of JSR Corporation. The values of such transaction in the previous business year (from April 2016 to March 2017) amounted to less than 0.4% of JSR Group's consolidated net sales and less than 0.1% of those of ITOCHU Corporation, respectively, for the previous business year.</li> </ol> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |


Note: No conflict of interest exists between the Company and each of the candidates for Directors.

### Proposal 3. Election of one (1) Audit & Supervisory Board Member

As the tenure of Ms. Hisako Kato, who is an Audit & Supervisory Board Member, will expire at the close of this ordinary general meeting of shareholders, the Company proposes the that following one (1) Audit & Supervisory Board Member be newly elected.

The Audit & Supervisory Board has consented to the submission of this proposal in advance based on the deliberation of the Company's Nomination Advisory Committee of which the majority members are Independent Outside Directors, and the chair of which is an Independent Outside Director.

The candidate for the Audit & Supervisory Board Member is as follows:

| No. | Name<br>(Date of Birth)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Brief personal record, position,<br>and other important concurrent positions held                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1   | <p>Hisako Kato<br/>(October 18,1948)</p>  <p>Outside Audit &amp; Supervisory<br/>Board Member<br/>Re-appointment<br/>Independent Audit &amp; Supervisory<br/>Board Member</p> <p>Number of Company shares owned:<br/>None</p> <p>Term of office:<br/>4 years at the close of this meeting</p> <p>Record of attendance at BOD<br/>meetings: 17/17 times held after<br/>assuming her office (100%)</p> <p>Record of attendance at Audit &amp;<br/>Supervisory Board meetings: 19/19<br/>times held after assuming her office<br/>(100%)</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <p>Oct. 1972 Joined Tokai Daiichi Auditing Office<br/>Mar. 1976 Registered as Certified Public Accountant<br/>Feb. 1983 Joined Deloitte Haskins &amp; Sells (currently known<br/>as Deloitte LLP)<br/>Nov. 1984 Registered as USCPA (Certified Public<br/>Accountant, New York State, U.S.A)<br/>Feb. 1985 Joined Ernst &amp; Whinny International (currently<br/>known as Ernst &amp; Young TAX Co.)<br/>Apr. 1985 Registered as Certified Tax Accountant<br/>May 1994 Partner, Ohta-Showa Ernst &amp; Young (currently<br/>known as Ernst &amp; Young TAX Co.)<br/>Oct. 2008 Retired from Ernst &amp; Young ShinNihon Tax<br/>(currently known as Ernst &amp; Young TAX Co.)<br/>Dec. 2008 Representative, Hisako Kato Accounting Office<br/>(current position)<br/>Jun. 2014 Outside Audit &amp;Supervisory Board member, JSR<br/>Corporation (current position)<br/>Jun. 2014 Outside Audit &amp; Supervisory Board Member,<br/>NTT Urban Development Corporation (current<br/>position)</p> <p>(Other important concurrent position held )<br/>Representative, Hisako Kato Accounting Office<br/>Outside Audit &amp; Supervisory Board Member,<br/>NTT Urban Development Corporation</p> |
|     | <p><b>Reason for the Nomination of this Candidate for Outside Audit &amp; Supervisory Board Member:</b><br/>Ms. Hisako Kato has a vast financial and accounting expertise and experience as as a Certified Public Account both in Japan and US and as a Certified Tax Accountant . She has utilized her vast experience, knowledge, and sophisticated expertise as well as her viewpoint as an independent outsider to audit the Directors' decision-making and execution of operation, and to commit to enhancing fair and reasonable judgment for, and accountable and sound management of, the businesses of the Company. She is, therefore, nominated again as a candidate for Outside Audit &amp; Supervisory Board Member..</p> <p><b>The items relating to the candidate for Outside Audit &amp; Supervisory Board Member:</b><br/>(1) Ms. Hisako Kato is a candidate for an Outside Audit and Supervisory Board Member.<br/>(2) No conflict of interest exists between Ms. Kato and the Company.<br/>(3) Summary of agreement to limit the Audit &amp; Supervisory Board Members' liabilities:</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |


|  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|--|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <p>If this proposal is approved and resolved as originally proposed at this general meeting, the Company intends, pursuant to Paragraph 1 of Article 423 of the Companies Act, to enter into an agreement with Ms. Kato limit her liabilities to the maximum extent permitted under Paragraph 1 of Article 425 of the Companies Act.</p> <p>(4) Company has registered Ms. Kato with the Tokyo Stock Exchange as an Independent Director/Auditor, as such term is defined by the Exchange. If this proposal is approved and resolved as originally proposed at this general meeting, she will be re-appointed as an Independent Director/Auditor.</p> <p>(5) Ms. Kato meets the “Criteria for judging independence of outside directors and audit &amp; supervisory board members”, as set forth on page 16 of this translation.</p> <p>(6) No conflicts of interest exist between the group companies of JSR Corporation and either Hisako Kato Accounting Office, where Ms. Kato concurrently holds an important position; Ernst &amp; Whinny International (currently known as Ernst &amp; Young TAX Co.), where Ms. Kato previously worked; Ohta-Showa Ernst &amp; Young; or Ernst &amp; Young ShinNihon TAX (currently known as Ernst &amp; Young TAX Co. respectively) where Ms. Kato previously served as a partner.</p> |
|--|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

#### Proposal 4. Election of two (2) Substitute Audit & Supervisory Board Members


As a provision for the contingency of a shortage in the number of Audit & Supervisory Board Members required by law, the Company proposes that the following two (2) Substitute Audit & Supervisory Board Members be elected. Mr. Makoto Doi is proposed to substitute for Mr. Atsushi Kumano, an Audit & Supervisory Board Member, and Mr. Akira Chiba is proposed to substitute for Mr. Sumio Moriwaki, currently serving as an Outside Audit & Supervisory Board Member and for Ms. Hisako Kato, who will be an Outside Audit & Supervisory Board Member if Proposal 3 is approved and resolved as originally proposed at this general meeting.

The Audit & Supervisory Board has consented to the submission of this proposal in advance based on the deliberation of the Company's Nomination Advisory Committee of which the majority members are Independent Outside Directors, and the chair of which is an Independent Outside Director.

The details of the candidates for Substitute Audit & Supervisory Board Members are as follows:

| No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Name<br>(Date of Birth)                                                                                                                                                               | Brief personal record, position<br>and other important concurrent positions held                                                                                                                                                                                                                                                                                                                                                                 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <p>Makoto Doi<br/>(December 25, 1959)</p>  <p>Number of Company shares owned:<br/>13,000 shares</p> | <p>Apr. 1983    Joined Sumitomo Metal Industries, Ltd. (currently known as NIPPON STEEL &amp; SUMITOMO METAL CORPORATION)</p> <p>Nov. 2002    Joined Unicharm Corporation</p> <p>Dec. 2003    Joined JSR</p> <p>Jun. 2012    Officer and General Manager, Legal Department</p> <p>Jun. 2016    Senior Officer,<br/>General Manager, Legal Department (current position)</p> <p>(Current responsibilities)<br/>Legal, General Affairs and CSR</p> |
| <p><b>Reason for the Nomination of this Candidate for Substitute Audit &amp; Supervisory Board Member:</b><br/>Mr. Makoto Doi has sophisticated knowledge about legal affairs. Since joining JSR, he has been engaged in the legal affairs of JSR by virtue of his expertise. Currently, he serves as a senior officer responsible for legal, general affairs and CSR. He is expected to contribute his vast experience, knowledge, and sophisticated expertise to audit the Directors' in their decision-making and in respect of the Company's operations through the enhancement of its fair and reasonable judgment and transparent and sound management. He is, therefore, nominated as a candidate for Substitute Audit &amp; Supervisory Board Member.</p> <p><b>The items relating to the candidate for Substitute Audit &amp; Supervisory Board Member:</b></p> <p>(1) No conflict of interest exists between Mr. Doi and the Company.</p> <p>(2) Summary of agreement to limit the Audit &amp; Supervisory Board Members' liabilities proposed to be entered into with Mr. Doi:<br/>If this proposal is approved and resolved as originally proposed at this general meeting and should Mr. Doi assume the position of Audit &amp; Supervisory Board Member, the Company intends, pursuant to Paragraph 1 of Article 423 of the Companies Act, to enter into an agreement with him to limit his liabilities to the maximum extent permitted as set forth under Paragraph 1 of Article 425 of the Companies Act.</p> |                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                  |



| No. | Name<br>(Date of Birth)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Brief personal record, position, ,<br>and other important concurrent positions held                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2   | <p>Akira Chiba<br/>(September 11, 1953)</p>  <p>Number of Company shares owned: None</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <p>Oct. 1984 Joined Tetsuzo Ota &amp; Co. (currently known as Ernst &amp; Young ShinNihon LLC )</p> <p>Mar. 1989 Registered as Certified Public Accountant (current position)</p> <p>Aug. 2000 Partner, Century Ota Showa &amp; Co (currently known as Ernst &amp; Young ShinNihon LLC)</p> <p>May 2007 Executive Partner, Ernst &amp; Young ShinNihon (currently known as Ernst &amp; Young ShinNihon LLC)</p> <p>Jun. 2015 Retired from Ernst &amp; Young ShinNihon LLC</p> <p>Jul. 2015 Representative, Chiba Certified Public Accountant Office (current position)</p> <p>Apr. 2017 Auditor, Organization for Cross-regional Coordination of Transmission Operation JAPAN (current position)</p> <p>(Important concurrent position held)<br/>Representative, Chiba Certified Public Accountant Office<br/>Organization for Cross-regional Coordination of Transmission Operation JAPAN</p> |
|     | <p><b>Reason for the Nomination of a Candidate for Substitute Outside Audit &amp; Supervisory Board Member:</b></p> <p>Mr. Akira Chiba has vast expertise and experience in financing, accounting and auditing as a Certified Public Accountant. It is expected that he will utilize his vast experience, knowledge, and sophisticated expertise as well as his viewpoint as an independent outsider to audit the Directors' decision-making and execution of operation and to commit to enhancing fair and reasonable judgment for, and accountable and sound management of, the businesses of the Company. Thus, he is appointed as a candidate for Outside Substitute Audit &amp; Supervisory Board Member. Mr. Akira Chiba has no experience in corporate management. The Company, however, believes that he will be able to appropriately perform his duty for the reasons set forth above.</p> <p><b>The items relating to the candidate for Substitute Audit &amp; Supervisory Board Member:</b></p> <ol style="list-style-type: none"> <li>(1) Mr. Akira Chiba is a candidate for Substitute Outside Audit &amp; Supervisory Board Member.</li> <li>(2) No conflict of interest exists between Mr. Chiba and the Company.</li> <li>(3) Summaries of agreement to limit the Audit &amp; Supervisory Board Members' liabilities:<br/>If Proposal 3 and this proposal are approved and resolved as originally proposed at this general meeting and should Mr. Chiba assume the position of Outside Audit &amp; Supervisory Board Member, the Company intends to enter into an agreement with him to limit the liabilities under Paragraph 1 of Article 423 of the Companies Act to the maximum amount set forth under Paragraph 1 of Article 425 thereof.</li> <li>(4) If the Proposal 3 and this proposal are approved and resolved as originally proposed at this general meeting and should he assume the position of Outside Audit &amp; Supervisory Board Member, the Company will register Mr. Chiba with the Tokyo Stock Exchange as an Independent Director/Auditor, as such term is defined by the Exchange.</li> <li>(5) Mr. Chiba meets the "Criteria for judging independence of outside directors and audit &amp; supervisory board members", as set forth on page 16 of this translation.</li> <li>(6) No conflict of interest exists between the Company and each of, Ernst &amp; Young ShinNihon, currently known as Ernst &amp; Young Shin Nihon LLC (where Mr. Chiba served as an Executive partner) and Chiba Certified Public Accountant Office (where Mr. Chiba serves as Representative).</li> </ol> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

## [Reference]

### Criteria for judging independence of outside directors and audit & supervisory board members

JSR has set criteria for judging the independence of outside directors and audit & supervisory board members (hereinafter collectively or independently referred as “outside officers” or “outside officer”). If an outside officer (including a candidate) falls under any of the following categories, the Company judges such person does not have sufficient independence.

- (1) Executive (\*1) of JSR or its consolidated subsidiary (JSR Group) or ex-executive
- (2) Major shareholder of JSR (any shareholder who directly or indirectly holds 10% or more of the voting rights)
- (3) Executive of a company, etc. that falls under any of the following
  - 1) Major shareholder of JSR
  - 2) Major business partner of the JSR Group (\*2)
  - 3) Major creditor of the JSR Group (\*3)
  - 4) Company, etc. in which the JSR Group holds 10% or more of the voting rights
- (4) Certified Public Accountant who belongs to an accounting firm that serves as the JSR Group Independent Auditor
- (5) Expert, such as a consultant, accountant, lawyer, judicial scrivener, or patent agent, etc., who receives a large amount (\*4) of monetary consideration or other property benefits from the JSR Group
- (6) Person who receives a large amount of donations from the JSR Group (\*5)
- (7) Executive of a company, between which and JSR outside directors are mutually appointed (\*6)
- (8) Person with a close relative (\*7) who falls under any of the above paragraphs from (1) to (7) (limited to an important person (\*8) excluding paragraphs (4) and (5))
- (9) Person who fell under any of the above paragraphs from (2) to (8) in the past five years
- (10) Person who is deemed to have special reasons that would cause a conflict of interest with JSR, notwithstanding the provisions of the preceding paragraphs

- (\*1) Executive refers to a director (excluding either an outside director or non-executive director), an officer, an executive officer and an employee.
- (\*2) Major business partner refers to a company whose annual transactions with the JSR Group exceed 2% of the consolidated sales of JSR or such company.
- (\*3) Major creditor refers to a financial institution or other large creditor which is relied upon by the JSR Group to such an extent that it is indispensable and irreplaceable to financing of the JSR Group.
- (\*4) A large amount refers to: 10 million yen or more per year in the case such expert is an individual; and 2% or more of annual total revenue of such organization in the case such expert is an organization such as an enterprise or association. However, when a consideration for services directly offered by such expert exceeds 10 million yen, even if the amount does not exceed 2% of consolidated total assets of JSR or such financial institution, such amount is considered to be a large amount.
- (\*5) Person who receives a large amount of donations refers to a person who receives donations of 10 million yen or more per year from the JSR Group.
- (\*6) Mutually appointed relationship refers to a relationship in which an executive of the JSR Group serves as an outside officer of a company and an executive of such company serves as outside officer of JSR.
- (\*7) Close relative refers to a spouse and a relative within the second degree.
- (\*8) Important person refers to an executive including a director, an officer, an executive officer and a person in the position of general manager or higher or an executive who has authority equivalent to those persons.



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## Reminders for Exercising Voting Rights via Internet

Dear shareholders,

You may exercise your voting rights via Internet solely by accessing our web site designed for online voting (<https://www.web54.net>). Please check the items listed below when exercising your voting rights via Internet.

Please also note that you need, for online voting, “Voting Code” and “Password” indicated in the right part of the ballot form.

### ■ Remarks on the Password

1. Please securely keep your Password until the close of the Ordinary General Shareholders Meeting as the Password can prove your legitimacy as a shareholder of the Company. In addition, we will be unable to answer any inquiries relating to the Password by phone etc.
2. The access to the web site for online voting will be locked if you enter wrong Password a certain times, in such an event, please follow the instructions to be provided on the screen.

### ■ System Requirements for Online Voting

1. The following system environments are required for accessing our web site for online voting;
  - (1) The resolution rate of the screen shall be higher than 800 (horizontal) x 600 (vertical) (SVGA)
  - (2) Microsoft® Internet Explorer Ver.5.01SP2 or later and Adobe® Acrobat® Reader™ Ver.4.0 or later, or Adobe® Reader® Ver6.0 or later must be installed in your PC.
2. You, as a user of online voting system, will have to bear all of the costs related to connecting to your Internet provider, as well as communication charges for accessing the web site for online voting.
3. It is possible for you to vote with mobiles including smartphone on full browser function, but you may not be able to do with some models.

### ■ Contact point for inquiries relating to how to operate your PCs, etc.

1. Inquiries relating to operation of your PCs for exercising your voting rights via Internet:  
“Web Support” (dedicated phone line) , Stock Transfer Agency,  
Sumitomo Mitsui Trust Bank, Limited.  
Tel: 0120-652-031 (free dial)  
accessible from 9:00-21:00
2. Inquiries relating to your registered address, number of shares owned, or other:  
Operating Center, Stock Transfer Agency,  
Sumitomo Mitsui Trust Bank, Limited.  
Tel: 0120-782-031 (free dial)  
accessible from 9:00-17:00 only on weekdays (excluding national holidays)

## **(Appendix to the Notice of the 73rd Ordinary General Meeting of Shareholders)**

### **Business Report**

For the period from April 1, 2017 to March 31, 2018 ("the current fiscal year")

#### **1. Items relevant to the Current Status of the JSR Group**

##### **(1) Business Developments and Results**

In the fiscal year ended on March 31, 2018 ("FY ended March 2018"), among the JSR Group's main customer industries, automobile tire production and automobile production rose above the previous year's level globally, however, domestic tire production remained unchanged from the previous year. Demand in the semiconductor market grew, and production of panels in the display market was robust. The exchange rate had a slightly weaker yen compared to the previous year.

Amid these circumstances, in the Petrochemicals Business, the JSR Group increased the revenue in the Elastomers Business over the previous fiscal year despite a decline in overall sales volume. This was because it achieved higher sales volume of solution polymerized styrene-butadiene rubber ("SSBR") for fuel-efficient tires and revised its sales prices to reflect surge in butadiene prices in the fourth quarter of the previous fiscal year. In the Plastics Business, the JSR Group saw revenue increase from the previous fiscal year because of the price revisions made to cope with the rise in raw material prices and worldwide sales volume growth. Thus, Revenue in the Petrochemicals Business as a whole increased from the previous fiscal year.

Operating profit of the Elastomers Business increased significantly over the previous fiscal year on the back of improved profitability from the sales price revisions mentioned above. Similarly, operating profit from the Plastics Business was significantly higher, as a result of increased sales volume and improved profitability from the sales price revisions. These factors combined to push the operating profit of the Petrochemicals Business up significantly over the previous year.

Among Fine Chemicals and Other Products Business, in the Semiconductor Materials Business, the JSR Group recorded a significant increase in revenue over the previous fiscal year as it achieved larger sales volume of lithography materials, CMP materials, packaging materials, and cleaning solutions. In the Display Materials Business, the JSR Group increased sales volume for the China market although there were adverse results such as reduction in prices of the products reflecting intensified competition and lower sales volume as a whole. In the Life Sciences Business, positioned as the JSR Group's third core business, it significantly increased the revenue. Thus, revenue from the Fine Chemicals and Other Products Business as a whole increased compared to the previous fiscal year. Operating profit of the Fine Chemicals and Other Products Business, however, remained unchanged from the previous fiscal year as a result of burden of increased initial capital investment in the Life Sciences Business.

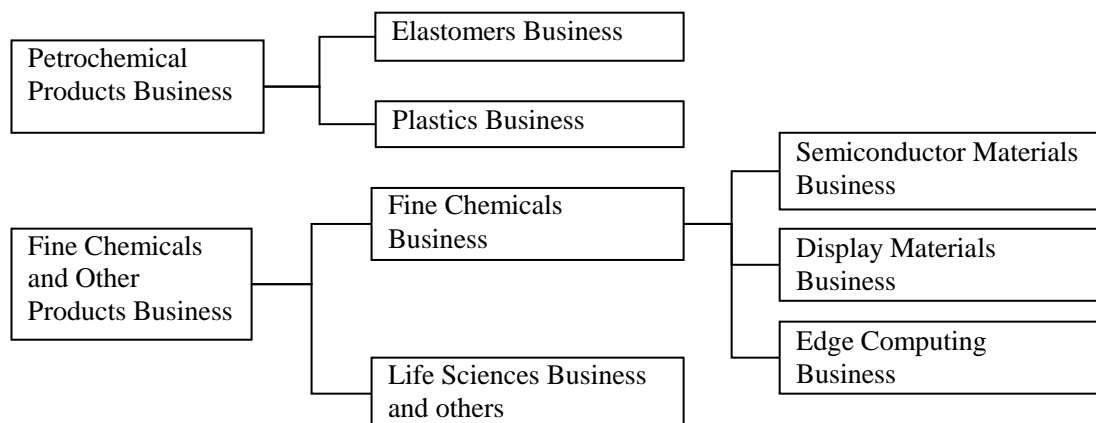
Profit attributable to owners of parent rose above the previous year's level thanks to increased operating profit.

In FY ended March 2018, we reported revenue of 421,930 million yen (up 8.6% year-on-year), operating profit of 43,569 million yen (up 21.2% year-on-year), and profit attributable to owners of parent of 33,230 million yen (up 9.9% year-on-year).

## Business Segment Overview

The JSR Group's business is classified into three reporting segments: Elastomers, Plastics, and Fine Chemicals and Other Products. The positioning of the reporting segments is shown as below.

:



### <Elastomers Business Segment>

The production of automobile tires, one of the segment's main customer industries, increased from the previous fiscal year in Europe and Asia, led by China, while it remained unchanged from the previous year in Japan.

Under such circumstances, the JSR Group increased the revenue from the Elastomers Business over the previous fiscal year due to sales price revisions to reflect a surge in butadiene prices in the fourth quarter of the previous fiscal year although overall sales volume was slightly lower than that of the previous fiscal year when exports were robust. It recorded significantly higher operating profit than that of the previous year as well because of improved profitability as a result of the sales price revisions mentioned above and an increase in the sales volume of SSBR for fuel-efficient tires manufactured at JSR BST Elastomer Co., Ltd. ("JBE"), a joint venture in Thailand, where the second-phase facilities for SSBR went into operation.

As a result, the Elastomers Business segment posted an operating profit of 14,870 million yen (up 69.0% year-on-year) on revenue of 197,373 million yen (up 6.5% year-on-year).

### <Plastics Business Segment>

The JSR Group increased the sales volume of Plastics Business from the previous fiscal year as a result of an increase in overseas demand in automobiles which is one of the segment's main customer industries. It increased the revenue from the previous year as it revised the product prices to reflect the hike in raw material prices while it achieved higher sales volume. It recorded significantly higher operating profit due to the greater sales volume and improved profits from higher sales prices.

As a result, the Plastics Business segment posted an operating profit of 5,575 million yen (up 44.8% year-on-year) on revenue of 52,161 million yen (up 13.3% year-on-year).

### <Fine Chemicals and Other Products Business Segment>

The JSR Group increased the revenue in the Fine Chemicals and Other Products Business segment as a whole over the previous fiscal year, however, the operating profit from this segment remained unchanged.

In the Semiconductor Materials Business, the JSR Group achieved significantly higher revenue over the previous fiscal year as, in addition to the sizable growth in semiconductor demand, it increased the sale volume of most advanced cutting-edge photoresists at its key customers as well as the sale volume of peripheral materials such as CMP materials, packaging materials and cleaning solutions.

In the Display Materials Business, the JSR Group increased sales volume in China where display panel production has been expanding remarkably although it faced the reduction of product prices caused by intensified competition and decline in the overall sales volume. In the Life Sciences Business, the JS Group realized growth in Revenue over the previous fiscal year as a result of growth in sales volume for diagnostic

reagent materials, in addition to expansion in sale volume at KBI Biopharma, Inc. (“KBI”), a subsidiary of the Company. Operating profit of the Fine Chemicals and Other Products Business, however, remained unchanged from the previous fiscal year as a result of burden of increased initial capital investment in the Life Sciences Business for future expansion.

As a result, the Fine Chemicals and Other Products Business segment posted an operating profit of 23,124 million yen (down 0.7% year-on-year) on revenue of 172,395 million yen (up 9.8% year-on-year).

## **(2) Capital Expenditure**

The JSR Group’s capital expenditure totaled 42.4 billion yen in the current fiscal year including those for the construction of a production plant for SSBR at JSR MOL Synthetic Rubber Ltd (“JMSR”), its subsidiary in Hungary, expansion of contract process development and manufacturing business at KBI, Inc., and other items.

## **(3) Financing**

In the current fiscal year, the JSR Group did not procure funds through capital increases or issuance of corporate bonds. The total amount of loans payable by the JSR Group at the end of the current fiscal year was increased to 79.4 billion yen reflecting the fund necessary for the construction of a production plant for SSBR at JMSR, and expansion of contract process development and manufacturing business at KBI and other items.

## **(4) Issues to be addressed for the JSR Group**

### **<Progress Under the JSR20i9 Mid-Term Business Plan>**

“Strengthening competitiveness for the future” is the mission of the JSR20i9, the JSR Group’s three-year mid-term business plan from FY ended March 2018 through FY ending March 2020, which is the third phase of its series of mid-term business plans to achieve the Company’s 2020 vision formulated through global trend analysis towards 2030. Under JSR20i9, the JSR Group has been striving to continue its innovation.

The JSR Group attained the earnings targets set at the start of the current fiscal year, the first year of JSR20i9, as its customer markets progressed favorably over the year. The Group has also successfully established the systems and structures in each business segment to ensure future growth.

### **Elastomers Business**

Steady growth is anticipated in the global market for production of automobiles and tires, the segment’s main customer industry. The JSR Group has been increasing sales volume of SSBR for fuel-efficient tires, and it is committed to continuously and steadily capturing this future global growth in SSBR demand.

As far as the supply capacities of SSBR of the JSR Group are concerned, in addition to the Yokkaichi Plant, both the first-phase and second-phase facilities at JBE, a joint venture in Thailand, have been operating satisfactorily. The Group will meet further demand growth of SSBR by expanding its supply capacity of SSBR by launching production facility at JMSR, a joint venture set up in Hungary, in FY ending March 2019.

As far as the global marketing channels for SSBR is concerned, the JSR Group established JSR Elastomer India Private Limited (India) that started operations in April 2018, in addition to JSR Elastomer Europe GmbH (Germany), JSR Elastomer Korea Co., Ltd. (South Korea), and JSR (Shanghai) Co., Ltd. (China) which have been recently established. The Tianjin Technical Center provides direct technical support to local customers in China, where significant growth in fuel-efficient tire demand is expected.

### **Plastics Business**

Techno-UMG Co. Ltd. will be formally established in April 2018 through a business integration of Techno Polymer Co. Ltd., a wholly-owned subsidiary of the JSR Group, and UMG ABS, Ltd., a company equally owned by Ube Industries, Ltd. and Mitsubishi Chemical Corporation. Through this business integration, the JSR Group will seek to strengthen competitiveness and expand business. Specifically, the integration of the two companies, which were the top Japanese manufacturers of styrene resins, particularly ABS resins, will expand earnings, production capacity, and sales bases of the Plastics Business. The new integrated company will benefit from the accumulated production capacities, development capacities, and sales capacities of the two

companies in terms of improved manufacturing efficiencies and cost competitiveness, enabling the Group to provide a stable product supply in Japan, introduce more differentiated products, and expand sales in high-end markets overseas.

### **Fine Chemicals Business**

As far as the Semiconductor Materials Business is concerned, the JSR Group is committed to maintain its global competitiveness in the cutting-edge lithography materials market including state-of-the-art 10 nm generation processes, amid expectations for heightened semiconductor demand driven by smartphone demand and increases in data center applications.

Concerning extreme ultraviolet (EUV) lithography materials, which are predicted to be a key technology for the finer 7 nm and subsequent generations, the JSR Group has started providing full-scale manufacturing and quality control services at EUV Resist Manufacturing & Qualification Center N.V. (“EUV RMQC”), a joint venture set up in Belgium with imec, a world-leading research institute in cutting-edge nanoelectronics technology. It will endeavor to enable EUV RMQC to produce EUV lithography materials in large scale through evaluation and feedback from the major key customers. Regarding semiconductor peripheral materials, the JSR Group has been and will be striving to expand sale of, in addition to that for packaging materials, CMP materials and cleaning solutions designed for state-of-the-art production lines at the customer end.

In the Display Materials Business, the JSR Group has been and will be endeavoring to secure earnings by proceeding business reforms in order to cope with ever intensifying competition accompanied by commoditization of liquid crystal display panels. It is expected that there will be steady demand growth for liquid crystal panel. Especially in China where robust demand growth is expected, the JSR Group started up JSR Micro (Changshu) Co., Ltd. (JMCH), a joint venture to manufacture display materials, in FY Mar 2018. The JSR Group will strive to secure and expand earnings in the market in China by ensuring a smooth start up at JMCH.

Along with reorganizing the former Optical Materials Business into the Edge Computing Business that started from the current fiscal year, the JSR Group will consolidate the Semiconductor Materials Business, Display Materials Business, and Edge Computing Business into a new Digital Solutions Business segment in FY ending March 2019 of which objective is to structure a new business model that provides total solutions including design and services to our customers rather than merely selling materials manufactured by the JSR Group.

### **Life Sciences Business**

Our Life Sciences Business has grown to become the JSR Group’s third core business pillar and, in doing so, we have established a platform that will provide supporting services to customers throughout the entire development process from drug discovery through commercial production.

In June 2017, the JSR Group acquired Selexis S.A. (Switzerland), which has a proprietary cell line development technology enabling stable and efficient production of cell lines for biologics. This technology complements those of both KBI Biopharma, Inc. and MEDICAL & BIOLOGICAL LABORATORIES CO., LTD. (“MBL”), which are already JSR Group companies. The JSR Group agreed in December 2017 to acquire 100% ownership of Crown Bioscience International, which provides services to biopharmaceutical companies to accelerate pre-clinical drug development.

Through synergy among these Life Science related group companies, the JSR Group will expand and extend of its ability to provide supporting services from drug discovery through the commercial production process to help clients achieve higher success rates and shorter development times.

As the demand for Amsphere<sup>TM</sup> A3, a purification resin for antibody drug production, has increased, and is expected grow further, the JSR Group has built new production facilities at JSR Micro N.V. in Belgium to ramp up production.

The JSR-Keio University Medical and Chemical Innovation Center (JKiC) opened in October 2017 as a joint research facility with Keio University’s School of Medicine and the Keio University Hospital. Through joint academic-industrial research at JKiC, the JSR Group is developing groundbreaking materials and products that will support new medical fields and expand the Life Sciences Business into the future

### **<Environmental, Social, and Governance (ESG)>**

Under its corporate mission, the JSR Group aims to build good relations with all stakeholders and become a trusted and indispensable corporate citizen. To this end, the JSR Group has worked to resolve important social

issues by integrating corporate social responsibility (CSR) with its management that executes the corporate mission. The JSR Group has divided its priority issues into three areas: *social issues the JSR Group can help solve*, *social issues attributable to JSR Group corporate activities*, and *basic issues in JSR Group corporate activities*. The CSR Committee (a cross-divisional organization chaired by the CSR officer, who nominates directors and officers as members) promotes CSR by managing four activity areas: corporate ethics, responsible care (RC), risk management, and social contribution.

### **Environmental (E)**

The JSR Group contributes to *social issues the JSR Group can help solve*, one of the priority areas for the Group, through eco-friendly products with great potential to solve environmental problems. One example is SSBR, a material for fuel-efficient tires that boosts the fuel efficiency of automobiles. SSBR combines two incompatible properties: It reduces the rolling resistance of tires while it still provides outstanding braking performance on rainy days. As for *social issues attributable to JSR Group corporate activities*, the Group has set out an environmental safety management policy, under which it pursues responsible care (RC) initiatives and lower environmental impacts. Environmental initiatives include reducing greenhouse gas emissions in the supply chain and reducing the volume of waste reaching external disposal sites through measures that include recycling activities.

### **Social (S)**

The JSR Group contributes to *social issues the JSR Group can help solve*, one of the priority areas for the Group, through Life Sciences Business products and services needed to have a healthy population that leads long lives. As for *social issues attributable to JSR Group corporate activities*, the Group promotes occupational health and safety initiatives that bolster safety infrastructure and foster a safety culture, based on the belief that safety is of utmost importance to everyone working in manufacturing and the bedrock of business activity. The Group pushes for more robust risk management to address *basic issues in JSR Group corporate activities*.

Personnel development is the top challenge for sustained corporate development. The JSR Group encourages self-directed actions by individuals and organizations that share the Group's vision and values, based on an HR policy that emphasizes employees' independent growth. In parallel with disseminating the corporate philosophical system and pressing ahead with culture reforms, the JSR Group continually invests in measures to develop global-level professionals to bolster organizational capacity. The Group actively promotes diversity in many ways, exemplified by the Diversity Promotion Office established in FY ended March 2016. The JSR20i9 mid-term business plan promotes reform in working arrangements in the form of *work-style innovations*. These are long-practiced work-life management activities aiming for environments conducive to a diverse workforce and higher labor productivity. A prerequisite of labor productivity gains is that employees can work in good health, which is why the Group actively promotes employee health.

The Company was certified as a Nadeshiko Brand in FY ended March 2016 and FY ended March 2017 by Japan's Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange. The Nadeshiko Brand acknowledges listed corporations that have made outstanding efforts to empower women in the workforce. In FY ended March 2017 and FY ended March 2018, the Company was included in the White 500 compilation of listed corporations practicing exceptional health management selected by Japan's Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi.

### **Governance (G)**

To address *basic issues in JSR Group corporate activities*, one of the priority areas for the Group, the JSR Group strives to enhance and expand its corporate governance systems. And as a company with audit and supervisory board members, the JSR Group has instituted a framework to monitor and oversee the execution of duties by directors and the management through its Board of Directors and audit and supervisory board members.

The Company has continually strived to strengthen management supervision functions and improve the speed and efficiency of decision making and execution of duties while ensuring decision rationality. This has involved introducing an officer system, appointing three independent outside directors with extensive business experience and expertise, and appointing a lawyer and a certified public accountant as independent outside audit & supervisory members with extensive and sophisticated expertise.

The Company ensures the transparency and soundness of the nomination, promotion, and successor planning of

the Company's representative directors, directors and audit & supervisory members, as well as decisions pertaining to the structure and allowances of remuneration for directors, by means of Board of Directors' decisions based upon deliberations by the Remuneration Advisory Committee and Nomination Advisory Committee, in which independent outside directors constitute a majority of the members (outside independent director serve as the chairs of both committees). In order to ensure enhancement in corporate value over the medium to long term, the Company introduced, from the current fiscal year onward, restricted stock shares to be granted to its directors other than outside ones to advance value sharing between stockholders and directors, in addition to annual bonuses linked to annual performance and the mid-term performance linked bonuses to its directors other than outside ones.

Continuing from last year, the Company conducted a Board of Directors effectiveness assessment. The assessment evaluated the size, composition, specific management policies and management conditions of the Board of Directors, as well as evaluated the Board's state of responses to matters recognized as issues requiring action. The assessment again confirmed the Board of Directors was operating appropriately and outlined matters the Board should discuss in more depth. The Board of Directors effectiveness assessment will be conducted annually to further bolster the Board's effectiveness as an endeavor to continually increase corporate value.

The JSR Group is committed to tackling and making progress on the issues outlined above.

## (5) Development of Assets and Business Results

### 1) Japanese GAAP

| Category                                   | unit          | FY ended<br>March 2015 | FY ended<br>March 2016 | FY ended<br>March 2017 |
|--------------------------------------------|---------------|------------------------|------------------------|------------------------|
| Net sales                                  | (JPY million) | 404,073                | 386,709                | 390,599                |
| Operating profit                           | (JPY million) | 38,068                 | 34,408                 | 32,370                 |
| Profit attributable to owners<br>of parent | (JPY million) | 29,918                 | 24,068                 | 30,078                 |
| Net profit per share                       | (JPY)         | 128.19                 | 105.87                 | 134.43                 |
| Total Assets                               | (JPY million) | 534,592                | 516,359                | 576,016                |

(Notes)

1. In the FY ended March 2016, net sales and income attributable to owners of parent increased as a result of increase in net sales of fine chemicals and other products business despite decrease in that of petrochemical products business.
2. In the FY ended March 2017, both net sales and profit attributable to owners of parent decreased as a result of decrease in net sales of petrochemical products business despite increase in those of fine chemicals and other products business despite.
3. Results for the FY ended March 2018 are as shown in the “Business Developments and Results” in (1) above.

### 2) IFRS

| Category                                      |               | FY ended<br>March 2017 | FY ended<br>March 2018 |
|-----------------------------------------------|---------------|------------------------|------------------------|
| Revenue                                       | (JPY million) | 388,455                | 421,930                |
| Operating profit                              | (JPY million) | 35,943                 | 43,569                 |
| Profit attributable<br>to owners of<br>parent | (JPY million) | 30,243                 | 33,230                 |
| Basic earnings<br>per share                   | (JPY)         | 135.17                 | 149.32                 |
| Total Assets                                  | (JPY million) | 578,484                | 647,699                |
| Total Equity                                  | (JPY million) | 376,364                | 411,615                |

(Note)

The JSR Group prepared its consolidated financial statement for FY ended March 2018 in accordance with the International Financial Reporting Standards (“IFRS”) pursuant to the provisions of Article 120-1 of the Ordinance of Companies Accounting.

The Company also prepared its financial statements for FY ended March 2017 in accordance with IFRS for reference.

(Reference)

Financial Outlook for  
the next fiscal year

| FY ending<br>March 2019 |
|-------------------------|
| 490,000                 |
| 48,000                  |
| 33,500                  |
| 150.50                  |
|                         |
|                         |

(Note)

Financial Outlook provided in the table left hand side is based on information available at the time of writing and assumptions deemed reasonable, however, actual results may differ materially depending upon various factors.



**(6) Principal Subsidiaries and Affiliates (as of March 31, 2018)**

**1) Principal Subsidiaries**

| Company Name                                | Capital             | Shareholding ratio (%) | Main business                                                                                                           |
|---------------------------------------------|---------------------|------------------------|-------------------------------------------------------------------------------------------------------------------------|
| ELASTOMIX Co., Ltd.                         | JPY 416 million     | 98.5                   | Production and sale of carbon master batches and rubber compounds                                                       |
| ELASTOMIX (THAILAND) CO., LTD.              | Baht 75 million     | 90 (65)                | Production and sale of carbon master batches and rubber compounds                                                       |
| JSR BST Elastomer Co., Ltd.                 | Baht 5,220 million  | 51                     | Production and sale of solution polymerized SBR (SSBR)                                                                  |
| JSR MOL Synthetic Rubber Ltd.               | EUR 18 thousand     | 51                     | Production and sale of solution polymerized SBR (S-SBR)                                                                 |
| Emulsion Technology Co., Ltd.               | JPY 168 million     | 100                    | Production and sale of latex compounds                                                                                  |
| Techno Polymer Co., Ltd.                    | JPY 3,000 million   | 100                    | Production, processing and sale of plastics                                                                             |
| JAPAN COLORING CO., LTD.                    | JPY 280 million     | 100 (25)               | Production and sale of plastics color compounds                                                                         |
| JSR Micro N.V.                              | EUR 11,155 thousand | 100                    | Production and sale of semiconductor materials, sale of life sciences products                                          |
| JSR Micro, Inc.                             | USD 21,700 thousand | 100 (21.9)             | Production and sale of semiconductor materials, sale of life sciences products                                          |
| JSR Micro Korea Co., Ltd.                   | KRW 2,000 million   | 100                    | Research, development, production and sale of display materials                                                         |
| JSR Micro Taiwan Co., Ltd.                  | NTD 200 million     | 100                    | Research, development, production and sale of display materials                                                         |
| MEDICAL & BIOLOGICAL LABORATORIES CO., LTD. | JPY 4,483 million   | 50.8                   | Research, development, manufacturing, import, export and sale of reagents for medical and biological applications       |
| KBI Biopharma, Inc.                         | USD 49,867 thousand | 90                     | Contract development and manufacturing of biopharmaceuticals                                                            |
| Selexis S.A.                                | CHF 288 thousand    | 100                    | Contract development and generation of cell-lines                                                                       |
| JM Energy Corporation                       | JPY 300 million     | 100                    | Development, manufacture and sale of lithium ion capacitors and modules                                                 |
| JSR Trading Co., Ltd.                       | JPY 480 million     | 100                    | Procurement, sale and import and export of chemicals, etc., casualties insurance agency and life insurance solicitation |

(Notes)

1. Among the consolidated subsidiaries of the Company both in Japan and overseas, only major subsidiaries are disclosed in the list above considering business forms and/or the amount of sales, etc.
2. Figures in the above “Capital” column are rounded to the unit numbers indicated in each column.
3. Figures in the above “Shareholding ratio” column, rounded to one decimal place, represent shareholding ratio owned by the Company and its subsidiary as a whole while those in the brackets in the right hand side indicate the ratio owned by subsidiary of the Company.
4. Selexis S.A. is added to the list above as it was wholly acquired by the Company on Jun 21, 2017
5. Techno Polymer Co., Ltd., upon completion of integration of its ABS businesses with UMG ABS Co., Ltd. equally owned by Mitsubishi Chemical Corporation and Ube Industries Ltd., renamed as Techno-UMG Co., Ltd. and newly started its business on April 1, 2018, of which capital is 3 billion yen and of which JSR’s holding is 51%.

## 2) Principal Affiliates

| Company Name               | Capital            | Shareholding ratio (%) | Main business                                                       |
|----------------------------|--------------------|------------------------|---------------------------------------------------------------------|
| Japan Butyl Co., Ltd.      | JPY 3,168 million  | 50                     | Production and sale of butyl rubber                                 |
| Kumho Polychem Co., Ltd.   | KRW 21,500 million | 50                     | Production, purchasing and sale of ethylene propylene rubber (EPDM) |
| KRATON JSR ELASTOMERS K.K. | JPY 1,500 million  | 50                     | Production and sale of thermoplastic elastomers (TPE)               |

(Notes)

1. Among the non-consolidated affiliates of JSR in Japan and overseas, only major affiliates are disclosed in the list above considering the light of business forms and/or the amount of sales, etc.
2. Figures in the above “Capital” column are rounded to the unit numbers indicated in each column.

## (7) Major Business Activities (as of March 31, 2018)

Manufacturing and sales of the following products

| Business Segments                          |                                     |                         | Products / Materials                                                                                                                                                                                              |
|--------------------------------------------|-------------------------------------|-------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Petrochemical Products Business            | Elastomers                          | Synthetic Rubbers       | Synthetic rubber such as styrene butadiene rubber, polybutadiene rubber, ethylene propylene rubber, etc. and carbon master batches and rubber compounds                                                           |
|                                            |                                     | TPEs                    | Thermoplastic elastomers and processed products                                                                                                                                                                   |
|                                            |                                     | Emulsions               | Paper coating latex, general purpose industrial latex, acrylic emulsion, latex compounds, etc.                                                                                                                    |
|                                            |                                     | Functional Chemicals    | Highly functional coating materials, high performance dispersants, functional particles for industrial use, latent heat storage materials, materials for heat resistant paint, battery materials, etc.            |
|                                            |                                     | Others                  | Chemical products such as butadiene monomer                                                                                                                                                                       |
|                                            | Plastics                            |                         | ABS resin, AES resin, AS resin, ASA resin, etc.                                                                                                                                                                   |
| Fine Chemicals and Other Products Business | Fine Chemicals Business             | Semiconductor Materials | Lithography materials (photoresists, multi-layered materials), packaging materials, CMP materials, etc.                                                                                                           |
|                                            |                                     | Display Materials       | Color liquid crystal display ( LCD) materials, functional coating materials, etc.                                                                                                                                 |
|                                            |                                     | Edge Computing          | Heat-resistant transparent resin and functional film, high-performance UV curable resin, stereolithography, etc.                                                                                                  |
|                                            | Life Sciences Businesses and others |                         | Life Sciences (in vitro reagents for diagnostics and/or research, raw materials for such reagents, bioprocess materials, contract development and manufacturing of biopharmaceuticals) and Lithium ion capacitors |

**(8) Sales Offices, Plants, and other facilities (as of March 31, 2018)**

**1) The Company**

|                         |                                                            |                                                 |                    |
|-------------------------|------------------------------------------------------------|-------------------------------------------------|--------------------|
| Head Office             | 1-9-2, Higashi-Shinbashi, Minato-ku, Tokyo                 |                                                 |                    |
| Business & Sales Office | Nagoya Branch                                              |                                                 | Nagoya, Aichi      |
| Plants                  | Yokkaichi Plant                                            |                                                 | Yokkaichi, Mie     |
|                         | Chiba Plant                                                |                                                 | Ichihara, Chiba    |
|                         | Kashima, Plant                                             |                                                 | Kamisu, Ibaraki    |
| Research Institutes     | Yokkaichi Research Center                                  | Performance Polymer Research Laboratories       | Yokkaichi, Mie     |
|                         |                                                            | Display Solution Research Laboratories          | Yokkaichi, Mie     |
|                         |                                                            | Fine Electronic Materials Research Laboratories | Yokkaichi, Mie     |
|                         |                                                            | Advanced Materials Research Laboratories        | Yokkaichi, Mie     |
|                         |                                                            | Edge Computing Research Laboratories            | Yokkaichi, Mie     |
|                         | Tsukuba Research Laboratories                              |                                                 | Tsukuba, Ibaraki   |
|                         | JSR-Keio University Medical and Chemical Innovation Center |                                                 | Shinjuku-ku, Tokyo |
| Branch Offices          | Taiwan Branch                                              |                                                 | Taiwan             |

(Notes)

1. JSR-Keio University Medical and Chemical Innovation Center was inaugurated on October 28, 2017.
2. The Company closed Singapore office effective from June 12, 2017.

## 2) Principal Subsidiaries and Affiliates

| Business Segments                          | Company                                      | Location of Head Office |
|--------------------------------------------|----------------------------------------------|-------------------------|
| Elastomer s Business                       | ELASTOMIX Co., Ltd.                          | Yokkaichi, Mie          |
|                                            | ELASTOMIX (THAILAND) CO., LTD.               | Thailand                |
|                                            | JSR BST Elastomer Co., Ltd.                  | Thailand                |
|                                            | JSR MOL Synthetic Rubber Ltd.                | Hungary                 |
|                                            | Japan Butyl Co., Ltd.*                       | Kawasaki, Kanagawa      |
|                                            | Kumho Polychem Co., Ltd.*                    | South Korea             |
|                                            | KRATON JSR ELASTOMERS K.K.*                  | Minato-ku, Tokyo        |
|                                            | Emulsion Technology Co., Ltd.                | Yokkaichi, Mie          |
| Plastic Business                           | Techno Polymer Co., Ltd.                     | Minato-ku, Tokyo        |
|                                            | JAPAN COLORING CO., LTD.                     | Yokkaichi, Mie          |
| Fine Chemicals and Other Products Business | JSR Micro N.V.                               | Belgium                 |
|                                            | JSR Micro, Inc.                              | United States           |
|                                            | JSR Micro Korea Co., Ltd.                    | South Korea             |
|                                            | JSR Micro Taiwan Co., Ltd.                   | Taiwan                  |
|                                            | MEDICAL & BIOLOGICAL LABORATORIES CO., LTD.* | Nagoya, Aichi           |
|                                            | KBI Biopharma, Inc.                          | United States           |
|                                            | Selexis S.A.                                 | Switzerland             |
|                                            | JM Energy Corporation                        | Hokuto, Yamanashi       |
|                                            | JSR Trading Co., Ltd.                        | Minato-ku, Tokyo        |

(Notes)

- \* denotes principal affiliates
- Techno Polymer Co., Ltd., upon completion of integration of its ABS businesses with UMG ABS Co., Ltd, renamed as Techno-UMG Co. Ltd. on April 1, 2018.

## (9) Employees (as of March 31, 2018)

| Number of employees | Increase/decrease from previous term |
|---------------------|--------------------------------------|
| 7,203               | Increase by 413                      |

## (10) Major Lenders (as of March 31, 2018)

| Lenders                                | Outstanding amount of loans |
|----------------------------------------|-----------------------------|
| Mizuho Bank, Ltd.                      | 420 JPY 100 million         |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 249                         |
| Sumitomo Mitsui Banking Corporation    | 57                          |

(Note) 1. The above are the JSR Group's major lenders.

- The amount from the Bank of Tokyo-Mitsubishi UFJ, Ltd. includes those from subsidiaries the bank

## (11) Significant transfer or acquisition of business, business integration through absorption type split, acquisition or disposal of shares of other companies

- The Company, effective from June 21, 2018, acquired 100% shares of Selexis S.A. that provides cell-line development services in the field of life sciences and made it a consolidated subsidiary of the Company.
- The Company, on December 19, 2018, agreed with Crown Bioscience International which is a contract research organization providing services to pharmaceutical companies to support drug development in pre-clinical phases, to acquire 100% ownership of the company and make it a subsidiary of JSR. Execution of the transaction is subject to approvals of relevant authorities, and it is expected to be completed by the end of June in 2018.

## (12) Other material items than those relevant to the Current Status of the JSR Group

The Company, effective from April 1, 2018, integrated ABS business in the form of an absorption type split with UMG ABS Co., Ltd. (equally owned by Mitsubishi Chemical Corporation and Ube Industries Limited.) as absorbed company and Techno Polymer Co., Ltd. a wholly owned its subsidiary as the successor company. Techno Polymer, upon completion of integration, renamed as Techno-UMG Co., Ltd.

and issued new shares and share holding ratio of the Company in the new company became 51%

## 2. Shares of the Company (as of March 31, 2018)

|                                                    |                     |
|----------------------------------------------------|---------------------|
| (1) Total number of shares authorized to be issued | 696,061,000 shares  |
| (2) Total number of issued shares                  | 226,126,145 shares* |
| (3) One unit of shares                             | 100                 |
| (4) Number of shareholders                         | 14,811              |
| (5) Major Shareholders                             |                     |

| Name of shareholder                                  | Investments in the Company              |                        |
|------------------------------------------------------|-----------------------------------------|------------------------|
|                                                      | Number of shares held (thousand shares) | Shareholding Ratio (%) |
| Bridgestone Corporation                              | 22,366                                  | 10.05                  |
| Japan Trustee Services Bank, Ltd. (trust account)    | 13,837                                  | 6.22                   |
| The Master Trust Bank of Japan, Ltd. (trust account) | 12,185                                  | 5.47                   |
| Japan Trustee Services Bank, Ltd. (trust account 9)  | 7,405                                   | 3.33                   |
| BNYMSAMV AS AGENT/CLIENTS LUX UCITS NON TREATY 1     | 7,219                                   | 3.24                   |
| Japan Trustee Services Bank, Ltd. (trust account 5)  | 4,024                                   | 1.81                   |
| Mizuho Bank, Ltd.                                    | 3,725                                   | 1.67                   |
| Nippon Life Insurance Company                        | 3,717                                   | 1.67                   |
| STATE STREET BANK WEST CLIENT – TREATY 505234        | 3,708                                   | 1.67                   |
| Meiji Yasuda Life Insurance Company                  | 3,631                                   | 1.63                   |

(Notes)

1. The numbers in the columns under “Number of shares held” are rounded to thousands of shares.
2. The shareholding ratio is calculated by using 222,591,366 shares (calculated by deducting number of treasury shares (3,534,779 shares) from Total number of issued shares (226,126,145 shares) and rounded to two decimal places.
3. The Company newly issued 51,600 ordinary shares for granting restricted stock shares to its Directors (excluding Outside Directors) and Officers upon resolution of the Board of Directors on July 10, 2017.

**3. Matters Related to stock acquisition rights (subscription rights to shares) of the Company  
(as of March 31, 2018)**

**(1) Stock acquisition rights held by the Directors and Audit & Supervisory Board Members of the Company at the end of the current fiscal year**

| Description | Name of stock acquisition rights (issuing date)                                    | The number of stock acquisition rights | Class and number of shares to be issued upon exercising the rights | Amount to be paid per share for exercising the rights | Period for exercising stock acquisition rights | Number of holders |
|-------------|------------------------------------------------------------------------------------|----------------------------------------|--------------------------------------------------------------------|-------------------------------------------------------|------------------------------------------------|-------------------|
| Directors   | JSR Corporation Stock acquisition rights for 2005 (June 17, 2005)                  | 37 units                               | Ordinary shares 3,700 shares                                       | JPY 1                                                 | From June 18, 2005 to June 17, 2025            | 2                 |
|             | JSR Corporation Stock acquisition rights for 2006 (for Directors) (August 1, 2006) | 23 units                               | Ordinary shares 2,300 shares                                       | JPY 1                                                 | From August 2, 2006 to June 16, 2026           | 1                 |
|             | JSR Corporation Stock acquisition rights for 2006 (for Officers) (August 1, 2006)  | 8 units                                | Ordinary shares 800 shares                                         | JPY 1                                                 | From August 2, 2006 to June 16, 2026           | 1                 |
|             | JSR Corporation Stock acquisition rights for 2007 (July 10, 2007)                  | 46 units                               | Ordinary shares 4,600 shares                                       | JPY 1                                                 | From July 11, 2007 to July 10, 2027            | 2                 |
|             | JSR Corporation Stock acquisition rights for 2008 (July 15, 2008)                  | 96 units                               | Ordinary shares 9,600 shares                                       | JPY 1                                                 | From July 16, 2008 to July 15, 2028            | 3                 |
|             | JSR Corporation Stock acquisition rights for 2009 (July 14, 2009)                  | 167 units                              | Ordinary shares 16,700 shares                                      | JPY 1                                                 | From July 15, 2009 to July 14, 2029            | 3                 |
|             | JSR Corporation Stock acquisition rights for 2010 (July 13, 2010)                  | 175 units                              | Ordinary shares 17,500 shares                                      | JPY 1                                                 | From July 14, 2010 to July 13, 2030            | 3                 |
|             | JSR Corporation Stock acquisition rights for 2011 (July 12, 2011)                  | 202 units                              | Ordinary shares 20,200 shares                                      | JPY 1                                                 | From July 13, 2011 to July 12, 2031            | 3                 |
|             | JSR Corporation Stock acquisition rights for 2012 (July 10, 2012)                  | 265 units                              | Ordinary shares 26,500 shares                                      | JPY 1                                                 | From July 11, 2012 to July 10, 2032            | 4                 |
|             | JSR Corporation Stock acquisition rights for 2013 (July 16, 2013)                  | 136 units                              | Ordinary shares 13,600 shares                                      | JPY 1                                                 | From July 17, 2013 to July 16, 2033            | 4                 |
|             | JSR Corporation Stock acquisition rights for 2014 (July 30, 2014)                  | 158 units                              | Ordinary shares 15,800 shares                                      | JPY 1                                                 | From July 31, 2014 to July 30, 2034            | 4                 |
|             | JSR Corporation Stock acquisition rights for 2015 (July 28, 2015)                  | 148 units                              | Ordinary shares 14,800 shares                                      | JPY 1                                                 | From July 29, 2015 to July 28, 2020            | 4                 |
|             | JSR Corporation Stock acquisition rights for 2016 (July 27, 2016)                  | 229 units                              | Ordinary shares 22,900 shares                                      | JPY 1                                                 | From July 28, 2016 to July 27, 2021            | 4                 |

| Description                      | Name of stock acquisition rights (issuing date)                   | The number of stock acquisition rights | Class and number of shares to be issued upon exercising the rights | Amount to be paid per share for exercising the rights | Period for exercising stock acquisition rights | Number of holders |
|----------------------------------|-------------------------------------------------------------------|----------------------------------------|--------------------------------------------------------------------|-------------------------------------------------------|------------------------------------------------|-------------------|
| Audit & Supervisory Board Member | JSR Corporation Stock acquisition rights for 2010 (July 13, 2010) | 34 units                               | Ordinary shares 3,400shares                                        | JPY 1                                                 | From July 14, 2010 to July 13, 2030            | 1                 |
|                                  | JSR Corporation Stock acquisition rights for 2011 (July 12, 2011) | 33 units                               | Ordinary shares 3,300 shares                                       | JPY 1                                                 | From July 13, 2011 to July 12, 2031            | 1                 |
|                                  | JSR Corporation Stock acquisition rights for 2012 (July 10, 2012) | 39 units                               | Ordinary shares 3,900shares                                        | JPY 1                                                 | From July 11, 2012 to July 10, 2032            | 1                 |
|                                  | JSR Corporation Stock acquisition rights for 2013 (July 16, 2013) | 18 units                               | Ordinary shares 1,800 shares                                       | JPY 1                                                 | From July 17, 2013 to July 16, 2033            | 1                 |
|                                  | JSR Corporation Stock acquisition rights for 2014 (July 30, 2014) | 20 units                               | Ordinary shares 2,000 shares                                       | JPY 1                                                 | From July 31, 2014 to July 30, 2034            | 1                 |

**(Note)**

1. The Company has not issued stock acquisition rights either to its Audit & Supervisory Board Members or Outside Directors as remuneration for exercising their respective duties.
2. Stock Option held by the above Audit & Supervisory Board Member is those issued to him when he served as an Officer of the Company.

**(2) Stock acquisition rights issued to employees during the current fiscal year**

The Company ceased to grant stock acquisition rights either to its Directors or Officers from the current fiscal year and instead granted restricted stock shares to them upon resolution of the 72nd ordinary general meeting of shareholders held on June 16, 2017.

#### 4. Matters Related to Directors and Audit & Supervisory Board Members

##### (1) Directors and Audit & Supervisory Board Members of the Company (as of March 31, 2018)

| Position                                   | Name              | Title and Responsibilities as Officers and Important concurrent positions held, etc.                                                                                                                                               |
|--------------------------------------------|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Representative Director and President      | Mitsunobu Koshiha |                                                                                                                                                                                                                                    |
| Representative Director                    | Koichi Kawasaki   | Executive Managing Officer responsible for Manufacturing and Technology, Product Safety & Quality Assurance, Procurement, Logistics, and Safety and Environment Affairs, and General Manager of Manufacturing and Technology Group |
| Director                                   | Nobuo Kawahashi   | Executive Managing Officer responsible for Research & Development                                                                                                                                                                  |
| Director                                   | Takao Shimizu     | Senior Officer responsible for Office of President, Accounting, Finance, Corporate Communications, and IT Strategy, and General Manager of Office of President                                                                     |
| Director                                   | Yuzuru Matsuda    | President of Kato Memorial Bioscience Foundation, a public interest incorporated association, Outside Director, KUBOTA Corporation, Outside Director, BANDAI NAMCO Holdings Inc.                                                   |
| Director                                   | Shiro Sugata      | Corporate Advisor USHIO INC.<br>Outside Director, Yokogawa Electric Corporation                                                                                                                                                    |
| Director                                   | Seki Tadayuki     | Advisory Member, ITOCHU Corporation<br>Outside Director, PARCO CO., LTD.<br>Outside Director, NIPPON VALQUA INDUSTRIES, LTD.<br>Outside Audit & Supervisory Member of Asahi Mutual Life Insurance Company                          |
| Full-time Audit & Supervisory Board Member | Atsushi Kumano    |                                                                                                                                                                                                                                    |
| Audit & Supervisory Board Member           | Hisako Kato       | Certified Public Accountant, Certified Tax Accountant, and Representative, Hisako Kato Accounting Office and<br>Outside Audit & Supervisory Board Member, NTT Urban Development Corporation                                        |
| Audit & Supervisory Board Member           | Moriwaki Sumio    | Lawyer, Partner, ISHII LAW OFFICE<br>Outside Director, Topy Industries Limited                                                                                                                                                     |

(Notes)

1. Messrs. Yuzuru Matsuda, Shiro Sugata, and Tadayuki Seki are Outside Directors.
2. Ms. Hisako Kato and Mr. Sumio Moriwaki are Outside Audit & Supervisory Board Members.
3. Ms. Hisako Kato, Audit & Supervisory Board Member, is a certified public accountant both in Japan and US and a certified tax accountant, having sufficient knowledge of financing and accounting.
4. Messrs. Yuzuru Matsuda, Shiro Sugata and Tadayuki Seki, Directors, and Ms. Hisako Kato and Mr. Sumio Moriwaki, Audit & Supervisory Board Members are registered as independent directors/auditors at Tokyo Stock Exchange in accordance with its definitions.
5. No conflict of interest exists between the Company and Kato Memorial Bioscience Foundation, a public interest incorporated association, KUBOTA Corporation and BANDAI NAMCO Holdings Inc., where Mr. Yuzuru Matsuda, Director, has important concurrent positions.
6. No conflict of interest exists between the Company and USHIO Inc. where Mr. Shiro Sugata, Director, has concurrent important positions. The Company has business transactions with Yokogawa Electric Corporation ("YEC") involving purchase of control systems of which value was less than 0.2% of net sales of YEC for the previous fiscal year ending on March 31, 2017.
7. The Company has business transactions with ITOCHU Corporation, where Mr. Tadayuki Seki has important concurrent positions involving the sales and purchase of synthetic rubber and plastics



between the respective group companies. The values of such transaction in the previous fiscal year ending on March 31, 2017 amounted to less than 0.4% of the consolidated net sales of the Company and less than 0.1% of those of ITOCHU Corporation, respectively. The Company has business transactions with JAPAN VALQUA INDUSTRIES LIMITED (“JVI”) involving purchase of sealing products of which value was less than 0.1% percent of net sales of JVI for the previous fiscal year ending on March 31, 2017. No conflict of interest exists between the Company and either of PARCO CO., LTD or Asahi Mutual Life Insurance Company.

8. No conflict of interest exists between the Company and either Hisako Kato Accounting Office or NTT Urban Development Corporation where Ms. Hisako Kato has important concurrent positions.
9. No conflict of interest exists between the Company and either ISHII LAW OFFICE or Topy Industries Limited where Mr. Sumio Moriwaki has important concurrent positions.
10. The Company has entered into an agreement with each of Outside Directors and Audit & Supervisory Board Members that limits the liabilities under Paragraph 1 of Article 423 of the Companies Act to the maximum amount set forth under Paragraph 1 of Article 425 thereof.
11. The following are the list of Director and Audit & Supervisory Board Member who retired during the current fiscal year (Titles are stated as of the date of retirement );  
Director: Messrs. Hozumi Sato and Kazunori Yagi (retired on June 16, 2017)  
Audit and Supervisory Member : Mr. Hiroichi Uekusa (retired on June 16, 2017)

**(Reference) : Officers of the Company (as of March 31, 2018)**

| Position                   | Name                | Responsibilities and Title                                                                                                                                                                                                                                                                 |
|----------------------------|---------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Executive Managing Officer | Koichi Kawasaki*    | Responsible for Manufacturing and Technology, Product Safety & Quality Assurance, Procurement, Logistics, and Safety and Environment Affairs, and General Manager of Manufacturing and Technology Group                                                                                    |
| Executive Managing Officer | Nobuo Kawahashi*    | Responsible for Research & Development                                                                                                                                                                                                                                                     |
| Managing Officer           | Hayato Hirano       | Responsible for Petrochemical Products Sector (including Plastics), General Manager of Petrochemical Products Division, President of Techno Polymer Co., Ltd., and President of Japan Butyl Co., Ltd.                                                                                      |
| Managing Officer           | Katsuya Inoue       | Responsible for Business Planning and Investment & Business Development, Fine Chemical Business, General Manager of Investment & Business Development, Fine Chemical, and Chairman of JSR Micro (Changshu) Co., Ltd.                                                                       |
| Managing Officer           | Eric Johnson        | Responsible for Life Sciences and North America Business, General Manager of Life Sciences Division, and President, JSR Micro, Inc.                                                                                                                                                        |
| Senior Officer             | Takatoshi Nagatomo  | President of JSR MOL Synthetic Rubber , Ltd.                                                                                                                                                                                                                                               |
| Senior Officer             | Takeshi Sugimoto    | Responsible for Electronic Materials Business and General Manager of Electronic Materials Division                                                                                                                                                                                         |
| Senior Officer             | Takao Shimizu*      | Responsible for Office of President, Accounting, Finance, Corporate Communications, and IT Strategy, and General Manager of Office of President                                                                                                                                            |
| Senior Officer             | Tsuyoshi Watanabe   | Responsible for China Business and Chairman of JSR (Shanghai) Co., Ltd.                                                                                                                                                                                                                    |
| Senior Officer             | Kazumasa Yamawaki   | Responsible for Petrochemical Products Sector (deputy), Deputy General Manager of Petrochemical Products Div., General Manager of Business Planning Dept., Petrochemical Products, Vice President of KRATON JSR ELASTOMERS K. K., and Representative Director of JSR Elastomer Europe GmbH |
| Senior Officer             | Makoto Doi          | Responsible for Legal, General Affairs, and CSR, and General Manager of Legal Department                                                                                                                                                                                                   |
| Senior Officer             | Kiichirou Kamiya    | Responsible for Life Sciences Business (Deputy), Deputy General Manager of Life Sciences Div., President of JSR Life Sciences Corporation, and Director of MEDICAL & BIOLOGICAL LABORATORIES CO., LTD.                                                                                     |
| Senior Officer             | Yoshikazu Yamaguchi | Responsible for Corporate Planning, Emerging Business, and Group Companies Coordination, General Manager of Corporate Planning Department, and General Manager of Group Companies Coordination Department.                                                                                 |
| Officer                    | Eiichi Kobayashi    | Executive Vice President of JSR Micro, Inc.                                                                                                                                                                                                                                                |
| Officer                    | Hiroaki Nemoto      | Responsible for Display Solution Business, President of JSR Micro Korea Co., Ltd                                                                                                                                                                                                           |
| Officer                    | Yoichi Mizuno       | Responsible for Edge Computing Business and General Manager of Edge Computing Division                                                                                                                                                                                                     |
| Officer                    | Mika Nakayama       | General Manager of Intellectual Property Department                                                                                                                                                                                                                                        |

| Position | Name            | Responsibilities and Title                                                                                                                                                                                                                                               |
|----------|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Officer  | Kouichi Saeki   | Responsible for Yokkaichi Plant and Yokkaichi Plant Manager                                                                                                                                                                                                              |
| Officer  | Kazushi Abe     | President of ELASTOMIX CO., LTD.<br>President of ELASTOMIX (FOSHAN) CO., LTD. and<br>The Chief Director of JSR Group Corporate Pension Fund                                                                                                                              |
| Officer  | Seiji Takahashi | Responsible for Manufacturing and Technology (deputy),<br>General Manager of Production Department III, Yokkaichi<br>Plant and General Manager of SSBR Global Manufacturing<br>& Technology Management Department, Manufacturing &<br>Technology Group                   |
| Officer  | Yasufumi Fujii  | Responsible for Human Resources and Diversity<br>Development,<br>General Manager of Human Resources Development,<br>General Manager of Diversity Development Office,<br>The Chief Director of JSR Health Insurance Society and<br>The Chief Director of JSR Pension Fund |
| Officer  | Mikio Yamachika | Lithium Ion Capacitors Business and<br>President of JM Energy Corporation                                                                                                                                                                                                |

(Note) [\*] denotes Officers concurrently serving as Directors

The followings are the changes in responsibilities and/or title of the Officers after the organizational reform on April 1, and May 1, 2018

| Position                   | Name                | Responsibilities and Title                                                                                                                                                                                                                                        |
|----------------------------|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Executive Managing Officer | Koichi Kawasaki     | Responsible for Manufacturing and Technology, Product Safety & Quality Assurance, Procurement, Logistics, and Safety and Environment Affairs,<br>General Manager of Manufacturing and Technology Group, and President of Japan Butyl Co., Ltd.                    |
| Managing Officer           | Hayato Hirano       | Responsible for Petrochemical Products Sector (including Plastics)<br>General Manager of Petrochemical Products Division, and President of Techno-UMG Co., Ltd.                                                                                                   |
| Managing Officer           | Katsuya Inoue       | Responsible for Corporate Planning (including Group Companies Coordination), Business Planning and Investment & Business Development, Fine Chemical Business,<br>General Manager of Corporate Planning Department, and Chairman of JSR Micro (Changshu) Co., Ltd. |
| Senior Officer             | Yoshikazu Yamaguchi | Responsible for Display Solution Business<br>President of JSR Micro Korea Co., Ltd                                                                                                                                                                                |
| Officer                    | Hiroaki Nemoto      | Responsible for Emerging Business                                                                                                                                                                                                                                 |
| Officer                    | Seiji Takahashi     | Responsible for Manufacturing and Technology (deputy),<br>General Manager of SSBR Global Manufacturing & Technology Management Department, Manufacturing & Technology Group                                                                                       |

**(2) Amount of remuneration for Directors and Audit & Supervisory Board Members**

| Classification                                                                                                                                                                       | Director |                     | Audit & Supervisory Board Member |                     |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|---------------------|----------------------------------|---------------------|
|                                                                                                                                                                                      | Number   | Amount              | Number                           | Amount              |
|                                                                                                                                                                                      | (people) | (JPY million /year) | (people)                         | (JPY million /year) |
| Basic Remuneration based on resolution of the general meeting of shareholders<br>(for Outside Directors and Outside Audit & Supervisory Board Members included in the above figures) | 9<br>(4) | 223<br>(40)         | 4<br>(3)                         | 45<br>(17)          |
| Annual Bonuses to Directors for this fiscal term<br>(ditto)                                                                                                                          | 4<br>(-) | 69<br>(-)           | -<br>(-)                         | -<br>(-)            |
| Restricted Stock Shares as Remuneration to Directors<br>(ditto)                                                                                                                      | 4<br>(-) | 28<br>(-)           | -<br>(-)                         | -<br>(-)            |
| Stock Option as Remuneration for Directors<br>(ditto)                                                                                                                                | 5<br>(-) | 9<br>(-)            | -<br>(-)                         | -<br>(-)            |
| Total<br>(ditto)                                                                                                                                                                     | 9<br>(4) | 329<br>(40)         | 4<br>(3)                         | 45<br>(17)          |

(Notes)

1. The numbers of the Directors and Audit & Supervisory Board Members and the amount of remunerations thereto in the table above include two (2) Directors and one (1) Audit & Supervisory Board Member who retired during the current fiscal year.
2. The maximum amount for Basic Remuneration for Directors was set at JPY 30 million per month by the resolution of the 44th ordinary general meeting of shareholders held on June 29, 1989.
3. The maximum amount for Basic Remuneration for Audit & Supervisory Board Members was set at JPY 10 million per month by the resolution of the 60th ordinary general meeting of shareholders held on June 17, 2005.
4. The 72nd ordinary general meeting of shareholders held on June 16, 2017 resolved that the Company might grant Annual Bonuses to its Directors excluding outside ones in accordance with the resolution of the Board of Directors based on review and deliberation of the Remuneration Advisory Committee reflecting the degree of the achievement of the annual targets set forth at the beginning of the fiscal year subject to the maximum annual amount for JPY216 million and to variable pay-out ratio from 0% to 200% .
5. The 72nd ordinary general meeting of shareholders held on June 16, 2017 resolved that the Company might grant remuneration for issuing Restricted Stock Shares to its Directors excluding outside ones in accordance with the resolution of the Board of Directors based on review and deliberation of the Remuneration Advisory Committee subject to with the maximum annual amount for JPY100 million and to the maximum annual number of 100,000 ordinary shares of the Company.
6. The Company has ceased to grant Stock Option as Remuneration to its Directors starting from the current fiscal year as it introduced Remuneration for Restricted Stock Shares of the Company as described in the above 5. The amounts in the “Stock Option as Remuneration to Directors” column in the above table are those of the fair value of the stock acquisition rights issued to the Directors of the Company as remuneration for the previous fiscal year and recorded as expenses for the current fiscal year.
7. The above figures do not include the salaries for the employee portion of the Directors who concurrently serve as employees.
8. The above figures are rounded to JPY1 million.
9. The 70th ordinary general meeting of shareholders held on June 17, 2015 resolved that the Company might grant Mid-term Performance Bonuses to its Directors excluding outside ones subject to the maximum annual amount for JPY270 million and to the variable pay-out rate from 0% to 150% in accordance with the resolution of the Board of Directors based on review and deliberation of the Remuneration Advisory Committee reflecting the degree of achievement of ROE target for coming 3 years set at the beginning of every fiscal year. The above table does not include the amount for Mid-term Performance Bonuses, however, for the first 3 year period starting from the closing of the 70th general shareholders meeting as the amount will be paid and recorded as expenses incurred during the FY ending March 2019.

**(3) Policies for determining the amount of remuneration for Directors and Audit & Supervisory Board Members of the Company or the method of calculation thereof**

**1) Principles on remuneration for Directors and Audit & Supervisory Board Members**

The Company has set forth the following basic policies in order to ensure continuous and sustainable growth and medium to long term improvement in corporate value by steadily pursuing its management plans and business strategies while maintaining transparency and accountability to its shareholders;

Remuneration framework should:

- i. attract, secure, and reward diverse and excellent personnel for the purpose of further enhancing and improving its competitive advantages;
- ii. encourage the management to demonstrate healthy entrepreneurial spirits by motivating them to achieve the objectives of business strategies aiming at continuous growth while addressing the incentives reflecting the latent risks therein;
- iii. 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 Directors; and
- iv. be subject to deliberation of the remuneration advisory committee of which majority members are Independent Outside Directors (hereinafter to be referred to as “Remuneration Advisory Committee”), and therefore be objective and transparent especially in the determination process and method thereof

**2) Remuneration structure**

- i. Remuneration for Directors of the Company consists of a) Basic Remuneration as a fixed remuneration, b) Annual Bonuses linked to the annual business performance of the Company, c) Restricted Stock Shares as remuneration for Directors designed to facilitate earlier sharing of values between Directors and the shareholders, and d) Mid-term Performance-linked Bonuses that are linked to the level of achievement of medium to long term business results.  
However, remuneration for Independent Outside Directors and Audit & Supervisory Board Members, in the light of their roles, consists only of basic remuneration.
- ii. The standard amount of Annual Bonuses is around 25-30% of the basic remuneration depending upon the position; the annual amount of Stock Option as Remuneration to Directors is around 15-25% of the basic remuneration depending upon the position; and the annual standard amount of the Mid-term Performance-linked Bonuses is around 30-50% of the basic remuneration depending upon the position respectively.
- iii. The Company recommends the reinforcement of stock ownership while in office via the exercise of Restricted Stock Shares as remuneration for Directors.

**3) Performance-linked structure**

- i. Annual Bonuses are determined based on the evaluation of business performance in terms of annual consolidated business results and individual evaluation including the achievement level of assigned segments and duties.  
The Company uses both consolidated net sales and consolidated operating profit as performance evaluation references and the level of achievement relative to their respective targets set at the beginning of the fiscal year will be reflected in the pay-out ratio which may vary from 0-200% with 100% being standard for 100% level of achievement.
- ii. Mid-term Performance-linked Bonuses are determined based on the evaluation of business performance in terms of mid- to long-term consolidated business results.  
The Company uses 3 year average of the consolidated ROE (return on equity ratio) as performance evaluation reference and the level of achievement relative to its target set at the beginning of each period will be reflected in the pay-out ratio which may vary from 0-150% with 100% being standard for 100% level of achievement.

The targets used in the above respective evaluations of business performance are determined by the Board of Directors based on deliberation of the Remuneration Advisory Committee.

**4) Method to determine remuneration level**

- i. The Company determines the level of remuneration to its Directors by referring to directors' remuneration survey from an outside specialist institution, and by annual benchmarking companies similar to the Company in business scope, industry and business category, and considering latent risks related to the achievement of business targets.
- ii. The determination of remuneration levels is subject to deliberation by the Remuneration Advisory Committee.

**5) Process to determine remuneration**

- i. For the purpose of ensuring objectivity, transparency and accountability during the course of monitoring and reviewing remuneration structures, the Company has set up the Remuneration Advisory Committee, which deliberates and reports to the Board of Directors in a timely fashion the basic remuneration policy, remuneration structure, method for reflecting business performances, determination of targets and evaluation of business performance.
- ii. In the Remuneration Committee, in order to ensure the appropriate commitment and advices from the Independent Outside Directors in deliberation of the remuneration structure, the Company provides them with sufficient information in advance such as annual committee schedule, possible agendas, and advices attained from outside specialists.
- iii. The Remuneration for Audit & Supervisory Board Member is determined through consultation among the Audit & Supervisory Board Members.

### (3) Matters related to Outside Directors and Outside Audit & Supervisory Board Members

#### 1) Major activities during the current fiscal year

| Name           | Position                                 | Major activities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|----------------|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Yuzuru Matsuda | Outside Director                         | Mr. Matsuda participated in all 17 meetings of the Board of Directors held during the current fiscal year.<br>Mr. Matsuda has been greatly contributing to continuous improvement of the corporate values through ensuring reasonable judgment for, and accountable and sound management of, the businesses of the Company, by utilizing range of his knowledge and vast experience on management of the company that pursues major global businesses of medical products and biochemical, and by providing necessary appropriate advices, as well as neutral and independent view point, at the Board of Directors meetings etc. from time to time.                                                                                              |
| Shiro Sugata   | Outside Director                         | Mr. Sugata participated in all 17 meetings of the Board of Directors held during the current fiscal year after his appointment as a Director.<br>Mr. Sugata has been greatly contributing to continuous improvement of the corporate values through ensuring reasonable judgment for, and accountable and sound management of, the businesses of the Company, by utilizing range of his knowledge and vast experience on management of the company that pursues major global businesses of optical application products and on business communities, and by providing necessary appropriate advices, as well as neutral and independent view point, at the Board of Directors meetings etc. from time to time.                                    |
| Tadayuki Seki  | Outside Director                         | Mr. Seki participated in all 13 meetings of the Board of Directors held during the current fiscal year and after his appointment as a Director.<br>Mr. Seki has been greatly contributing to continuous improvement of the corporate values through ensuring reasonable judgment for, and accountable and sound management of, the businesses of the Company, by utilizing range of his knowledge and vast experience on management of a general trading company which operates a global trading business as well as extensive knowledge in financing and accounting matters as a CFO, and by providing necessary appropriate advices, as well as neutral and independent view point, at the Board of Directors meetings etc. from time to time.  |
| Hisako Kato    | Outside Audit & Supervisory Board Member | Ms. Kato participated in all 17 meetings of the Board of Directors and in all 19 meetings of the Audit & Supervisory Board respectively held during the current fiscal year.<br>Ms. Kato has been effectively performing the audit of the Company and greatly contributing to ensure and reasonable judgment for, and accountable and sound management of, the businesses of the Company, by utilizing range of her professional knowledge and vast experience on financing and accounting matters as a Certified Public Accountant both in Japan and US and a Certified Tax Accountant by providing necessary and appropriate advices, as well as neutral and independent view point, at the Board of Directors meetings etc. from time to time. |
| Sumio Moriwaki | Outside Audit & Supervisory Board Member | Mr. Moriwaki participated in all 13 meetings of the Board of Directors and in all 14 meetings of the Audit & Supervisory Board respectively held during the current fiscal year and after his appointment as an Audit & Supervisory Board Member.<br>Mr. Moriwaki has been effectively performing the audit of the Company and greatly contributing to ensure reasonable judgment for, and accountable and sound management of, the businesses of the Company by utilizing range of his professional knowledge and vast experience on legal matters as a Lawyer and by providing necessary and appropriate advices, as well as neutral and independent view point, at the Board of Directors meetings etc. from time to time.                     |

## **5. Accounting Auditors**

**(1) Name** KPMG AZSA LLC

**(2) Amount of remuneration for Accounting Auditors for the current fiscal year**

- 1) Amount of remuneration as Accounting Auditors of the Company  
Amount of remuneration for services under Paragraph 1, Article 2 of the Certified Public Accountant Act; JPY 67 million
- 2) Total amount of remuneration to be paid by the Company and its subsidiaries; JPY 91 million

(Notes)

1. The Audit & Supervisory Board of the Company has made its consent to the remuneration for Accounting Auditors of the Company under Paragraph 1 and 2, Article 399 of the Companies Act by judging it appropriate after reviewing the performance by the Accounting Auditors until the previous fiscal year, the transition of the amount of remuneration until now, and the audit plan and the calculation basis of the quotation for the current fiscal year.
2. In the contract for auditing services between the Company and the Accounting Auditors, no apparent distinction is made between the remunerations of audits under the Companies Act and those under the Securities and Exchange Law. Since it is virtually impossible to make a distinction between the two, the figure for remunerations paid in 1) above includes that under the Securities and Exchange Act.
3. The Company entrusted to its Accounting Auditors for voluntary auditing services relating to parallel disclosure of accounting records by International Financial Reporting Standards as non-auditing services other than audit certification services set forth under Article 2.1 of Public Accountant Act.
4. Among principle subsidiaries and affiliates of the Company, accounting firms other than Accounting Auditors of the Company have been performing audits for overseas subsidiaries and affiliates.

**(3) Policies for determining dismissal or non-reappointment of Accounting Auditors**

The Audit & Supervisory Board of the Company will dismiss the Accounting Auditor upon the consent of all the Audit & Supervisory Board Members if such Accounting Auditor is deemed to have fallen under any of the items in Paragraph 1, Article 340 of the Companies Act. In the event that the Audit & Supervisory Board decides to propose dismissal or non-reappointment any of Accounting Auditors at a general meeting of shareholders considering performance of executing duties and audit qualities thereof, the Board of Directors will, upon request from Audit & Supervisory Board, present such proposals at the general meeting of shareholders.



## **Structures to Ensure Propriety of Business Conduct and Outline of Operating Status of Systems for Ensuring the Propriety of Business Conduct**

### **1. Structures to Ensure Propriety of Business Conduct**

The Board of Directors of the Company made the resolution at its meeting on the “Policies for establishing an internal control system” with regard to the structures to ensure propriety of business conduct of the Company as detailed below;

#### **(1) Basic policies for management**

“JSR Group” (which hereinafter means JSR group companies consisting of the Company and those whose parent company under the Companies Act is the Company) holds and relies on the following Corporate Mission and Management Policies for managing and conducting its businesses.

##### **Corporate Mission:**

Materials Innovation:

We create value through materials to enrich society, people, and the environment.

##### **Management Policies:**

- Persistently challenge “revolution”, constantly “evolve” globally and strive to be a technology oriented company.
- Pursue efficient, transparent, and sound management practices, and strive to be a company trusted by stakeholders.
- Practice Responsible Care for the world’s future.

#### **(2) Structures to ensure that execution of duties of directors and employees of JSR Group complies with the laws and ordinances and the Articles of Incorporation**

- 1) Under the rules of the Board of Directors and other relevant rules, the Board of Directors of the Company inclusive of independent Outside Directors supervises the execution of duties of Directors and Officers (hereafter including Executive Vice President, Executive Managing Officers, Managing Officers and Senior Officers) of the Company, as well as makes decisions on important management matters of the Company and on fundamental management matters of JSR Group.  
As for supervising the execution of duties of the directors and employees of the “Group Companies” (which hereinafter means companies that belong to JSR Group but other than the Company), an Officer in charge of the business division of the Company responsible for the relevant Group Companies as specified under “the Code of Group Companies Management” (“Responsible Business Division”), is responsible for such monitoring and direction.
- 2) The Company has established CSR Committee chaired by the Officer in charge for CSR (Corporate Social Responsibility) and consisting of four committees such as Corporate Ethics Committee, Responsible Care Promotion Committee, Risk Management Committee and Social Contribution Committee, which directs and supervises the activities to ensure and promote CSR of JSR Group including compliance with laws, ordinances and other rules.
- 3) The Company has established “JSR Group Principles of Corporate Ethics” as a code of conduct for the directors and employees of JSR Group, which JSR Group endeavors to make thoroughly understood and penetrated among their respective directors and employees by continual education and promotion under the supervision of the Corporate Ethics Committee.
- 4) The Company has, in accordance with the Financial Instruments and Exchange Act, established and been managing and maintaining the internal control system to ensure appropriateness of financial report of JSR Group.
- 5) The Company has established an organization specialized in internal auditing independent from the business execution divisions (“Internal Auditing Office”) in order to monitor and internally audit the effectiveness of the internal control system of JSR Group.
- 6) The Company has established consulting and reporting channel so that any directors and employees of JSR Group can report directly to the Corporate Ethics Committee of respective Group Companies to which they belong or of the Company, or through designated external hotlines involving outside attorneys (which may be done anonymously) when they become aware of internal actions that violate or are likely to violate the compliance rules. The Company has also established suppliers’ hotlines as a contact point for the suppliers of JSR Group to report the issues relating to compliance rules to the Company. The Company ensures that, in any case, the person who made such reports suffers no

disadvantageous treatment as a result of such reporting.

- 7) The JSR Group's basic principle against the anti-social forces is to cut off all relationships including but not limited to any business transactions with such forces. The management and the entire organization of the Company or, as the case may be, of respective Group Companies shall resolutely and firmly reject any claims or requirements made by anti-social forces in collaboration with external expert entities such as the police forces.

### **(3) Structures to ensure efficient execution of duties of directors of JSR Group**

- 1) At the Company,
  - i. the Board of Directors holds regular meetings on monthly basis in principle and ad hoc basis if required in order to deliberate and resolve important matters relating to the execution of businesses and to monitor and direct the execution of duties of Directors and Officers.  
Executive Committee consisting of President, Executive Vice President, Executive Managing Officer, Managing Officers, and Senior Officers and/or Officers designated by President holds meetings on weekly basis in principle in order to deliberate, direct and/or receive reports on fundamental policies, management policies, management plans of JSR Group and/or major business execution issues from business divisions. After review and deliberation by the Executive Committee, major issues will be brought up to the Board of Directors for resolution while the rest will be determined by the President.  
In addition, Business Issue Committee consisting of President, Executive Managing Officer, and Managing Officers holds meetings twice a month in principle in order to, through discussion and sharing information and views, clarify and determine the direction of the key issues relating to fundamental policies and/or management policies and the fundamental policies or changes in business strategy behind the individual business decisions well in advance, which will be further reviewed and discussed at the Board of Directors Meetings or Executive Committee.
  - ii. the officer system has been adopted in order to clearly distinguish managerial decision-making and monitoring functions from those of business execution and to enhance respective functions. Officers Committee consisting of President and all of the Officers except for those reside abroad holds two meetings on monthly basis (Officers reside abroad will attend such meeting on annual basis) in principle for the purpose of sharing common and thorough understanding on the status and major issues relating to the management and the performance of the Company.
  - iii. "the Code of Group Companies Management" for the management of Group Companies has been established. Relevant Responsible Business Divisions are responsible for administration and management of respective Group Companies, while other corporate functional departments such as safety and environmental affairs, accounting, finance, general affairs, legal affairs and CSR, provide supports and services to Group Companies.
- 2) Group Companies;
  - i. As Group Companies in Japan does not have the board of directors, executive committee of the company consisting of the president, other key management personnel, and audit & advisory board members of the Company, and representatives from the Responsible Business Divisions of the Company holds meetings on regular basis and deliberates and decides important business matters in accordance with the relevant internal rules and regulations.
  - ii. At overseas Group Companies, the board of directors holds meetings on regular basis and deliberates and decides important business matters in accordance with the relevant internal rules and regulations.
- 3) The JSR Group has established its mid-term business plan "JSR 20i9" considering possible changes in business environment in the future, of which implementation plans were broken down into corporate annual targets and budget of JSR Group as a whole. Each of the companies of JSR Group and the business divisions thereof will set up and implement its action plans to achieve the objectives.
- 4) The tenure of office of directors of JSR Group is one year so that JSR Group can quickly cope with the ever-changing business environment.

**(4) Structures for loss and risk management and other rules of JSR Group**

- 1) The Company has been continually monitoring the risks associated with the execution and progress of the businesses of JSR Group by way of reporting and discussion at the meetings of the Board of Directors, Executive Committee, Business Issues Committee, Officers Committee, and/or other important meetings as well as controlling budget.
- 2) As for the major risks other than those described in the preceding paragraph 1) above, Risk Management Committee of the Company chaired by the Officer responsible for Corporate Planning determines appropriate countermeasures in relation to the degree of visible or potential risks, as well as enhances preparation and implementation of the risk management plans of JSR Group made by the relevant Committees (Corporate Ethics Committee, Responsible Care Promotion Committee) or by individual business divisions, or proceeds group-wide risk management activities.
- 3) In the event of serious crisis of the JSR Group, the “Emergency Headquarters” (“Anti-Disaster Headquarters” in the case of accidents or disaster) directed by the President of the Company will be set up in order to proceed necessary crisis management in accordance with the “Risk Control Manual.”

**(5) Structures for maintenance and management of information relating to execution of duties of Directors of the Company**

The Company has, in accordance with the relevant laws and “Rules for Documents and Information Management”, been properly maintaining the relevant documents and/or those in electromagnetic forms in relation to the execution of duties of Directors and Officers such as minutes of meetings of the shareholders, the Board of Directors, Executive Committee, Business Issues Committee and Officers Committee, and authorization documents so as to make such documents easily accessible by the Directors and Audit & Supervisory Board Members of the Company.

**(6) Structures for reporting the execution of duties by directors and/or employees of the Group Companies to the Company**

- 1) The relevant Responsible Business Divisions of the Company reports business results and financial statements of the Group Companies in charge to Executive Committee and the Board of Directors on regular basis.
- 2) The Audit & Supervisory Board Member of a Group Company on regular basis reports to Audit & Advisory Board Members and Internal Audit Office of the Company the results of the audit made at the Group Company.

**(7) Matters related to audit by Audit & Supervisory Board Members**

- 1) Matters related to employees assisting Audit & Supervisory Board Members and ensuring his/her independence  
The Company has appointed a personnel whose responsibilities are to assist Audit & Supervisory Board Member (“the Assistant”). Any personnel decisions on the Assistant are subject to prior consultation and approval by the Audit & Supervisory Board. In addition, solely Audit & Supervisory Board Member is responsible for evaluating the performance of the assistant.
- 2) Matters related to effectiveness of command by an Audit & Advisory Board Member to its Assistant  
The Assistant shall follow instructions and command solely made by the Audit & Advisory Board Member.
- 3) Structures for Directors and employees of the Company, for directors and employees of the Group Companies or for those who received reports from them, to report to Audit & Supervisory Board Members of the Company.
  - i. Audit & Supervisory Board Members ensures that they can review important decisions on the execution of duties through participation to the meetings of the Board of Directors, Executive Committee, Business Issues Committee and Officer Committee and the circulation of major authorization documents after approval by the relevant personnel.
  - ii. Such corporate administrative department including general affairs, legal and CSR as designated by Audit & Advisory Board Members regularly, or upon request, report to Audit & Advisory Board Members on the progress and operating status of internal control system such as compliance with rules and regulations and risk management.
  - iii. Internal Auditing Office regularly, or upon request, reports the results of internal auditing on JSR Group to Audit & Advisory Board Members.

- iv. Directors and employees of the Company promptly and effectively report to Audit & Supervisory Board Members such items, but not limited to, as the facts that might cause material damages to the Company and/or the JSR Group, and/or materially violate the laws and/or articles of incorporation of the Company, or as specified in advance in accordance with the prior agreement with the Audit & Supervisory Board Members.
  - v. Directors and/or employees of JSR Group promptly report to Audit & Supervisory Board Members relating to execution of businesses.
- 4) Structures to ensure that persons who report to Audit & Advisory Board Members do not suffer disadvantageous treatment as a result of such report.  
The JSR Group prohibits disadvantageous treatment against its directors and employees solely because they had reported to Audit & Advisory Board Members.
- 5) Matters on policies related to procedures for advance payment or pay back of audit expenses and handling of audit expenses and others  
The Company bears all the expenses incurred in relation to execution of duties of Audit & Advisory Board Members unless such expenses are deemed unnecessary
- 6) Other structures to ensure effectiveness of auditing by Audit & Supervisory Board Members  
The Audit & Supervisory Board Members maintain cooperation and communication from time to time with relevant parties such as Internal Auditing Office, the Accounting Auditors, Audit & Supervisory Board Members of the Group Companies.

#### **(8) Policies for establishing an internal control system for a Listed Subsidiary Group of the Company**

Policies for establishing an internal control system for the “Listed Subsidiary Group” (which means a corporate group consisting of companies whose parent company under the Companies Act is a listed subsidiary of the Company) are as detailed below:

- 1) In order to respect the independence of the Listed Subsidiary Group, the matters described above under “(3) Structures to ensure the efficient execution of duties of the Directors of the JSR Group” are not applied to the Listed Subsidiary Group, and the policies for establishing an internal control system for the Listed Subsidiary Group are respected.
- 2) However, with the aim of ensuring the propriety of the business conduct of the JSR Group as a whole including the Listed Subsidiary Group, the following measures are taken.
  - i. Significant decision-making in the Listed Subsidiary Group is conducted by decision-making bodies such as the Board of Directors or the Management Committee, etc., of a listed subsidiary. It is not required to obtain a prior approval from decision-making bodies such as the Board of Directors or the Management Committee, etc., of the Company.
  - ii. A listed subsidiary submits the minutes of its Board of Directors and/or the Management Committee along with attachments to the relevant Responsible Business Divisions of the JSR Group and the Audit & Supervisory Board Members.
  - iii. The Relevant Responsible Business Divisions of the JSR Group review the minutes and report the contents to the Board of Directors and/or the Management Committee of the Company in accordance with designated criteria. Thereby, the Company confirms that the propriety of the business conduct of the Listed Subsidiary Group has been ensured at the Board of Directors and/or the Management Committee of the Company.
  - iv. In accordance with “the Code of Group Companies Management,” the relevant Responsible Business Divisions of the JSR Group supervise and advise on the management of the respective Listed Subsidiary Group, while other management divisions such as safety and environmental affairs, accounting, finance, general affairs, legal affairs, and CSR, provide support and services to the listed subsidiaries.
  - v. The Internal Auditing Office of the Company audits the effectiveness of the internal control systems in order to ensure the appropriateness of the financial report by the Listed Subsidiary Group in accordance with the Financial Instruments and Exchange Act, as well as the effectiveness of the internal control systems, in order to ensure the propriety of the business conduct of the Listed Subsidiary Group.
  - vi. The Audit & Supervisory Board Members of the Company review the minutes prescribed in ii) above and receive reports as prescribed in iii) above at the Board of Directors and/or the Management Committee, in order to ensure the propriety of the business conduct of the Listed Subsidiary Group.
  - vii. While respecting the independence of the Listed Subsidiary Group, the Company endeavors to establish a unified and effective internal control system for the JSR Group from now on.

## **2. Outline of Operating Status of Systems for Ensuring the Propriety of Business Conduct**

The Company and the Group Companies establish and appropriately operate internal control systems pursuant to the policies detailed above. Key measures taken by the JSR Group during the current fiscal year that are deemed important for the internal control are outlined below:

### **(1) Compliance measures**

#### **1) Corporate ethics:**

The Company made efforts to disseminate the principles of corporate ethics throughout the JSR Group not only by providing with employees of the JSR Group regular training/education at work places and e-learning sessions but also by issuing Group Principles of Corporate Ethics in Indonesian language JSR additionally to the existing Japanese, English, Korean, Chinese and Thai versions.

In addition, the JSR Group has been conducting corporate ethics awareness surveys every year targeting JSR Group companies both in Japan and overseas, in order to acknowledge the status of conformity with laws and regulations as well as the JSR Group Principles of Corporate Ethics and the status of corporate ethics activities. While reporting the survey results to the Officer Committee, feedback is provided to each of the Group Companies and is reflected in the following year's corporate ethics promotion activities of the JSR Group as a whole and each of the Group companies.

The JSR Group has been endeavoring to establish a global system to ensure adherence to laws and regulations by establishing internal regulations and by vigorously pursuing annual review on the status of compliance with laws and regulations at JSR Group companies both in Japan and overseas.

In FY March 2018, The JSR Group revised its Japanese version of the "Compliance Handbook" (corresponding to Japanese laws) reflecting changes in laws in Japan as well as improper and deplorable incidents at the other companies.

#### **2) Hotline reporting channels:**

The JSR Group has introduced a "Corporate Ethics Hotline" as an internal reporting system. Specifically, issues can be reported to the Corporate Ethics Committee of the Company and of the respective Group Companies via an internal hotline, or to external attorneys or specialized organizations via an external hotline. The external hotline, which is operated by outside specialized organizations, offers services in Japanese, English, Korean, Chinese and Thai, making it easy for overseas offices to use the services. The Company altered the reporting line of the external hotline so that any issues reported via external hotline would reach Full time Audit & Supervisory Board Member simultaneously in addition to the office of Corporate Ethics Committee in accordance with the requirement from Corporate Governance Code to ensure to establish hotlines independent from the management of the Company.

In FY ended March 2018, 6 matters were reported to the hotline. The reported matters are investigated, a summary of the results is regularly reported to the Corporate Ethics Committee, the CSR Committee, the Internal Auditing Office, the Audit & Supervisory Board Members, and the President, and feedback is provided to the persons who made such reports. There was no report through the suppliers' hotline, in FY ended March 2018.

### **(2) Risk management measures**

#### **1) Identification and management of key risks:**

At the JSR Group, the Risk Management Committee of the Company specifies key risks (risks other than business risks) in accordance with the degree of impact and frequency of occurrence, and promotes activities to reduce such risks by designating the divisions in charge. As a part of BCM (Business Continuity Management) activities, the Company establishes the system and reviews its operational status to minimize the impact of the business interruption to the businesses of the JSR Group

#### **2) Crisis management training:**

The JSR Group has been endeavoring to minimize the impact and to enhance the capability of business continuity in an event of a crisis by conducting crisis management drills on regular basis at each plants and offices in anticipation of damages by large-scale earthquake or serious accidents. In FY ended March, 2018, crisis management drills and those of business continuity planning for the group companies were conducted at the head quarter of the Company based on assumptions of mega-earthquake directly hitting Metropolitan Tokyo Area and those of crisis management were conducted at respective offices at the plants and research laboratories areas, on the hypothesis of disasters.

### **(3) Internal audit measures**

- 1) The Corporate Audit Department, the department in charge of internal auditing at the Company, assessed the status of establishment of internal control systems and their operational status for financial reporting in accordance with the criteria prescribed by the Financial Services Agency, targeting 15 group companies in Japan and overseas including the Company, and confirmed that the status of establishment of internal control systems and their operational status have been functioning effectively.
- 2) In order to confirm the effective functioning of internal control systems of the JSR Group, the Corporate Audit Department conducts operational audits (including compliance audits) of the JSR Group as a whole, including overseas group companies. Operational audits are aimed at confirming the status of internal control with a focus on key operational processes (purchasing, production, sales, IT security control, etc.).
- 3) Members of the Corporate Audit Department concurrently serve as Audit & Supervisory Board Members of major subsidiaries in Japan and overseas. They attend the Management Committee of each subsidiary, monitor and direct the execution of duties of Directors of each subsidiary, and conduct audits on earnings, etc.

**(4) Audits by Audit & Supervisory Board Members**

Audit & Supervisory Board Members attended important meetings including the Board of Directors' Meeting, the Management Committee, etc., performed on-site audits on plants and group companies, and conducted half-yearly interviews with administration divisions while reviewing important documents such as authorization documents, etc. In addition to holding liaison meetings for Audit & Supervisory Board Members of the JSR Group, which comprise Audit & Supervisory Board Members of the Company and of Group companies, in order to promote information sharing, information and opinions were exchanged with the Corporate Audit Department and Accounting Auditors regularly and as required, with the aim of reinforcing collaboration and enhancing the effectiveness of audits.

**(5) Status of amendments to basic policies for establishing an internal control system**

In FY ended March 2018, the members and frequency of the meetings of Business Issue Committee and Officers Meeting.

Please note that this is an English translation of the original "Consolidated Financial Statements" which are written in Japanese; therefore, in the event of any conflict between the Japanese original and this English translation, the Japanese original shall be controlling in all respects.

**Consolidated Statement of Financial Position**  
(as of March 31, 2018)

(in millions of yen)

| Items                                         | Current Fiscal Year | Previous Fiscal Year (Reference) | Items                                          | Current Fiscal Year | Previous Fiscal Year (Reference) |
|-----------------------------------------------|---------------------|----------------------------------|------------------------------------------------|---------------------|----------------------------------|
|                                               | Amount              | Amount                           |                                                | Amount              | Amount                           |
| <b>Assets</b>                                 |                     |                                  | <b>Liabilities</b>                             |                     |                                  |
| <b>Current Assets</b>                         | <b>357,908</b>      | <b>344,128</b>                   | <b>Current Liabilities</b>                     | <b>154,019</b>      | <b>139,120</b>                   |
| Cash and cash equivalents                     | 124,956             | 97,416                           | Trade and other payables                       | 110,303             | 95,037                           |
| Trade and other receivables                   | 122,476             | 111,130                          | Borrowings                                     | 25,947              | 23,740                           |
| Inventories                                   | 87,567              | 81,918                           | Income taxes payable                           | 4,520               | 8,360                            |
| Other financial assets                        | 13,776              | 44,970                           | Other financial liabilities                    | 641                 | 626                              |
| Other current assets                          | 9,134               | 8,695                            | Other current liabilities                      | 12,607              | 11,357                           |
| <b>Non-current Assets</b>                     | <b>289,791</b>      | <b>234,355</b>                   | <b>Non-current Liabilities</b>                 | <b>82,064</b>       | <b>63,000</b>                    |
| Property, plant and equipment                 | 159,834             | 131,748                          | Borrowings                                     | 53,456              | 38,381                           |
| Goodwill                                      | 19,389              | 9,331                            | Retirement benefit liability                   | 14,500              | 13,904                           |
| Other intangible assets                       | 10,403              | 9,190                            | Other financial liabilities                    | 1,674               | 2,005                            |
| Investments accounted for using equity method | 24,777              | 21,712                           | Other non-current liabilities                  | 2,480               | 2,278                            |
| Retirement benefit asset                      | 1,003               | 373                              | Deferred tax liabilities                       | 9,955               | 6,432                            |
| Other financial assets                        | 64,970              | 46,529                           |                                                |                     |                                  |
| Other non-current assets                      | 1,862               | 7,129                            | <b>Total Liabilities</b>                       | <b>236,084</b>      | <b>202,120</b>                   |
| Deferred tax assets                           | 7,552               | 8,343                            |                                                |                     |                                  |
|                                               |                     |                                  | <b>Equity</b>                                  |                     |                                  |
|                                               |                     |                                  | <b>Equity attributable to owners of parent</b> | <b>393,499</b>      | <b>361,889</b>                   |
|                                               |                     |                                  | Share capital                                  | 23,370              | 23,320                           |
|                                               |                     |                                  | Capital surplus                                | 18,502              | 18,441                           |
|                                               |                     |                                  | Retained earnings                              | 331,913             | 309,517                          |
|                                               |                     |                                  | Treasury shares                                | (5,358)             | (5,396)                          |
|                                               |                     |                                  | Other components of equity                     | 25,071              | 16,006                           |
|                                               |                     |                                  | <b>Non-controlling interests</b>               | <b>18,116</b>       | <b>14,475</b>                    |
|                                               |                     |                                  | <b>Total Equity</b>                            | <b>411,615</b>      | <b>376,364</b>                   |
| <b>Total Assets</b>                           | <b>647,699</b>      | <b>578,484</b>                   | <b>Total Liabilities and Equity</b>            | <b>647,699</b>      | <b>578,484</b>                   |

(Note) Amounts are rounded to the nearest millions of yen.

**Consolidated Statement of Profit or Loss**  
(from April 1, 2017 to March 31, 2018)

(in millions of yen)

| Items                                                            | Current<br>Fiscal Year | Previous<br>Fiscal Year<br>(Reference) |
|------------------------------------------------------------------|------------------------|----------------------------------------|
|                                                                  | Amount                 | Amount                                 |
| <b>Revenue</b>                                                   | <b>421,930</b>         | <b>388,455</b>                         |
| Cost of sales                                                    | (291,796)              | (272,422)                              |
| <b>Gross profit</b>                                              | <b>130,134</b>         | <b>116,034</b>                         |
| Selling, general and administrative expenses                     | (86,977)               | (81,759)                               |
| Other operating income                                           | 2,262                  | 4,906                                  |
| Other operating expenses                                         | (2,187)                | (3,916)                                |
| Share of profit of investments accounted for using equity method | 338                    | 678                                    |
| <b>Operating profit</b>                                          | <b>43,569</b>          | <b>35,943</b>                          |
| Finance income                                                   | 3,659                  | 3,045                                  |
| Finance costs                                                    | (1,022)                | (694)                                  |
| <b>Profit before tax</b>                                         | <b>46,206</b>          | <b>38,294</b>                          |
| Income taxes                                                     | (11,227)               | (7,776)                                |
| <b>Profit</b>                                                    | <b>34,979</b>          | <b>30,518</b>                          |
| Profit attributable to                                           |                        |                                        |
| Owners of parent                                                 | 33,230                 | 30,243                                 |
| Non-controlling interests                                        | 1,749                  | 275                                    |
| <b>Total</b>                                                     | <b>34,979</b>          | <b>30,518</b>                          |

(Note) Amounts are rounded to the nearest millions of yen.



**Consolidated Statement of Changes in Equity**  
(from April 1, 2017 to March 31, 2018)

(in millions of yen)

|                                                               | Equity attributable to owners of parent |                 |                   |                 |                            |          | Non-controlling interest | Total equity |
|---------------------------------------------------------------|-----------------------------------------|-----------------|-------------------|-----------------|----------------------------|----------|--------------------------|--------------|
|                                                               | Share capital                           | Capital surplus | Retained earnings | Treasury shares | Other components of equity | Total    |                          |              |
| Balance at the beginning of the current fiscal year           | 23,320                                  | 18,441          | 309,517           | (5,396)         | 16,006                     | 361,889  | 14,475                   | 376,364      |
| Profit                                                        |                                         |                 | 33,230            |                 |                            | 33,230   | 1,749                    | 34,979       |
| Other comprehensive income                                    |                                         |                 |                   |                 | 10,045                     | 10,045   | 847                      | 10,892       |
| Total comprehensive income                                    | -                                       | -               | 33,230            | -               | 10,045                     | 43,275   | 2,596                    | 45,871       |
| Share-based payment transactions                              | 50                                      | 27              |                   |                 | (25)                       | 52       |                          | 52           |
| Dividends                                                     |                                         |                 | (11,127)          |                 |                            | (11,127) | (42)                     | (11,169)     |
| Changes in treasury shares                                    |                                         | 5               |                   | 38              |                            | 43       | 0                        | 43           |
| Transfer from other components of equity to retained earnings |                                         |                 | 292               |                 | (292)                      | -        |                          | -            |
| Changes in non-controlling interests                          |                                         | 28              |                   |                 | 4                          | 32       | 111                      | 143          |
| Other movements                                               |                                         |                 | 1                 |                 | (666)                      | (665)    | 976                      | 311          |
| Total transactions with owners, etc.                          | 50                                      | 60              | (10,833)          | 38              | (980)                      | (11,665) | 1,045                    | (10,620)     |
| Balance at the end of the current fiscal year                 | 23,370                                  | 18,502          | 331,913           | (5,358)         | 25,071                     | 393,499  | 18,116                   | 411,615      |

(Note) Amounts are rounded to the nearest millions of yen.

## Notes on Consolidated Financial Statements

### 1. Notes on significant matters serving as the basis for the production of consolidated financial statements

#### (1) Standards on the production of consolidated financial statements

JSR Corporation (the “Company”) and its subsidiaries (collectively, the “Group”) prepares the consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) pursuant to the provisions of the Paragraph 1, Article 120 of the Rules of Corporate Accounting from the current fiscal year (April 1, 2017 to March 31, 2018). Some disclosure items required under IFRS are omitted pursuant to the provisions of the second sentence of the said Paragraph.

#### (2) Matters related to the scope of consolidated accounting

##### 1) Number of consolidated subsidiaries and names of major consolidated subsidiaries

Number of consolidated subsidiaries: 48 companies

Names of major consolidated subsidiaries:

ELASTOMIX Co., Ltd., ELASTOMIX (THAILAND) CO., LTD.,  
JSR BST Elastomer Co., Ltd., JSR MOL Synthetic Rubber Ltd.,  
Emulsion Technology Co., Ltd., Techno Polymer Co., Ltd., JAPAN COLORING CO., LTD.,  
JSR Micro N.V., JSR Micro, Inc., JSR Micro Korea Co., Ltd., JSR Micro Taiwan Co., Ltd.,  
MEDICAL & BIOLOGICAL LABORATORIES Co., LTD., KBI Biopharma Inc., Selexis S.A.,  
JM Energy Corporation, JSR Trading Co., Ltd.,

##### 2) Increase of subsidiaries

Effective from the current consolidated fiscal year, Selexis S.A., GOKO TRADING CO., LTD. and LEXI Co., Ltd. were included in the scope of application of consolidated accounting as they became subsidiaries due to the acquisition of shares.

#### (3) Matters related to the application of the equity method

##### 1) Number of associates and names of major associates to which the equity method is applied

Number of associates to which the equity method is applied: 14 companies

Names of major associates to which the equity method is applied:

Japan Butyl Co., Ltd., Kumho Polychem Co., Ltd., KRATON JSR ELASTOMERS K.K.,

##### 2) Increase of associates to which the equity method is applied

Effective from the current consolidated fiscal year, Enthought, Inc. was included in the scope of application of the equity method due to the acquisition of shares.

### 2. Matters related to accounting standards

#### (1) Matters related to early adoption of new standards

The Group was in compliance with IFRS effective as of June 30, 2017 and has early adopted IFRS 9 — Financial Instruments (Revised in July 2014).

#### (2) Standards and methods of valuation applicable to significant assets

##### 1) Financial assets

###### (i) Initial recognition and measurement

The Group initially recognizes financial assets on the date when it becomes a party to the contract on the financial instruments concerned. Financial assets bought or sold by ordinary methods are initially recognized on the transaction date. Financial assets are subsequently classified into those measured at amortized cost or those measured at fair value.

Financial assets measured at fair value through net profit or loss are initially measured at fair value. Financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

(a) Financial assets measured at amortized cost

Financial assets are classified as those measured at amortized cost only when both of the following conditions are satisfied; the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Financial assets measured at fair value

Financial assets are classified as those measured at fair value if they fail to meet either of the two requirements given above.

With regard to financial assets measured at fair value, the Group decides to irrevocably designate each financial instrument as either as measured at fair value through net profit or loss or as measured at fair value through other comprehensive income, except for equity instrument held for trading which must be measured at fair value through profit or loss.

(ii) Subsequent measurement

After initial recognition, financial assets are measured according to their classification as follows:

(a) Financial assets measured at amortized cost

Measured at amortized cost using the effective interest method.

(b) Financial assets measured at fair value

Measured at fair value on the reporting date.

Any changes in fair value of financial assets are recognized in net profit or loss or in other comprehensive income according to their respective classification of the financial asset. Dividends received arising from designated equity instruments measured at fair value through other comprehensive income are recognized in net profit or loss. If the fair value of the equity instrument depreciates materially or if the equity instrument is disposed, any accumulated other comprehensive income or loss is reclassified to retained earnings.

(iii) Derecognition

Financial assets are derecognized when the contractual rights to the cash flows from the investment expire or when the contractual rights to the cash flows from the investment are assigned and substantially all the risks and rewards of the Group's ownership of such financial assets are transferred.

(iv) Impairment of financial assets

The Group estimates expected credit losses as of the reporting date for financial assets measured at amortized cost.

If credit risk has not increased materially from initial recognition, the 12-month expected credit loss is recognized as allowance for credit losses. In the case of trade receivables, however, the loss allowance is always measured at lifetime expected credit loss. If credit risk has increased materially from initial recognition, the lifetime expected credit loss is recognized as allowance for credit losses. Judgement as to whether or not a material increase in credit risk has occurred from the initial recognition is based on degree of changes in default risk. When the Group judges whether or not there are material changes in default risk, it reviews the information on the past due status as well as the following factors;

- External credit grades of the financial asset
- Internal credit grades
- Results of operations of the borrower
- Financial assistance from the parent company, etc., of the borrower

If the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof, the Group directly reduces the carrying amount of the financial asset.

2) Derivatives and hedge accounting

Derivatives are initially recognized at fair value on the date when the derivative contract is entered into and are subsequently remeasured at fair value on each reporting date after initial recognition. Any

changes in fair value of derivatives arising from the remeasurements are recognized in net profit or loss of the consolidated statement of profit or loss. Nonetheless, cash flow hedges are recognized in other comprehensive income of the consolidated statement of profit or loss. The Group has designated a portion of derivatives as hedging instruments of cash flow hedges (a particular risk related to a recognized asset or liability or a hedge of a highly probable forecast transaction).

The Group documents, at the start of the transaction, the relationship between hedging instruments and hedged items as well as the objectives and strategies for managing risk regarding execution of their hedging transactions. Furthermore, the Group documents at the start of the hedge, and on a continuing basis, assessments of whether or not the derivatives used in the hedging transaction are effective in offsetting changes in the hedged items' cash flow.

Hedge effectiveness is assessed on a continuing basis, and a hedge is deemed effective when it satisfies all of the following conditions: an economic relationship exists between hedged items and hedging instruments; the effect of credit risk is not such that it materially dominates value changes arising from the economic relationship; and the hedge ratio of the hedging relationship is equivalent to the ratio arising from the volume of hedging instruments and hedged items that are actually being hedged.

The effective portions of changes to the fair price of derivatives designated as hedging instruments of cash flow hedges and satisfying the conditions thereof are recognized in other comprehensive income. Profits or losses arising from ineffective portions are recognized immediately as net profit or loss.

Accumulated profits or losses recognized through other comprehensive income are reclassified to net profit or loss in the period when the cash flow originating from the hedged items effects net profit or loss.

When hedge accounting conditions are no longer satisfied due to forfeit, sale, etc., of hedging instruments, hedge accounting will no longer be applied prospectively. When a hedged future cash flow is expected to occur again, the accumulated profits or losses recognized in other comprehensive income will continue to be recognized as other components of equity. In cases where forecast transactions are no longer expected to occur, the accumulated profits or losses recognized in other comprehensive income are reclassified immediately to net profit or loss.

### 3) Inventories

Inventories are measured at the lower of cost or net realizable value. Cost of inventories is calculated based on the weighted-average cost formula. Net realizable value is the estimated selling price of inventories in the ordinary course of business, less the estimated costs of completion and estimated selling expenses.

### 4) Property, plant and equipment

The cost model has been adopted, and all property, plant and equipment are measured at cost less any accumulated depreciation and accumulated impairment losses. Cost includes costs directly attributable to the acquisition of the assets, and the present value of the estimated costs of removal of the assets and site restoration. Furthermore, borrowing costs that satisfy certain conditions directly attributable to the acquisition, construction, etc., of the assets are recognized as part of the cost of the assets.

Depreciation expenses are recognized using the straight-line method over the estimated useful life of each asset to amortize the cost less the residual value of the asset. The estimated useful lives, residual values, and depreciation methods are reviewed at the end of the reporting period. In the event of the modification in estimates, any impacts therefrom are recognized in the accounting period in which the estimates were modified and in the future accounting periods.

The estimated useful lives of major assets are as follows:

- Buildings and structures: 15 to 50 years
- Machinery, equipment, and vehicles: 5 to 15 years
- Tools, furniture, and fixtures: 4 to 10 years

### 5) Intangible assets

#### (i) R&D expenses

Research-related expenditures are recognized as expenses when they are incurred. Development-related expenditures are capitalized as intangible assets only when all of the following conditions are satisfied; the amount for such expenditures can be reliably measured; the products or the processes to be developed therefrom are technically and commercially viable; there is a high probability of generating future economic benefits; the Group has intention to complete the development and use the process or the products therefrom as well as sufficient resources to make them feasible. All other expenditures are recognized as expenses when they are incurred.

(ii) Goodwill

The measurement of goodwill at initial recognition is stated in “(6) Business combinations.” The Group does not amortize goodwill, but tests for impairment every fiscal year. Impairment of goodwill is stated in “(7) Impairment of non-financial assets.” Impairment losses of goodwill are recognized as net profit or loss and not reversed subsequently.

After the initial recognition, goodwill is presented at cost less accumulated impairment losses.

(iii) Intangible assets acquired as a result of a business combination

Cost of intangible assets acquired as a result of a business combination is measured at fair value on the acquisition date.

Intangible assets acquired as a result of a business combination are accounted after initial recognition at cost less any accumulated depreciation and accumulated impairment losses, which are depreciated using straight-line method over the estimated useful life of each asset.

(iv) Intangible assets acquired individually

Other intangible assets acquired individually inclusive of software, patent rights, etc., are accounted at cost less any accumulated depreciation and accumulated impairment losses, which are depreciated using the straight-line method over the estimated useful life of each asset.

The estimated useful life of major asset is as follows:

- Software: 5 years

6) Business combinations

The Group accounts for business combinations using the acquisition method.

The aggregate of the consideration paid for a business combination measured at fair value on the acquisition date and the amount of non-controlling interests in the acquired entity are taken as the acquisition costs based on the acquisition method.

Non-controlling interests are measured at equivalent amount for the fair price of the acquired entity's identifiable net assets and liabilities in proportion to the share of the non-controlling interest.

Ancillary costs incurred relating to business combination such as brokerage fees, attorney's fees, due diligence costs, and other professional fees, consulting fees, and other acquisition-related costs are recognized as expenses in the periods in which such costs were incurred.

In the event that the aggregate amount of fair value of the consideration paid in relation to the business combination, the amount of non-controlling interests in the acquired entity, and the fair value of equity interests on the control commencement date in the acquired entity previously held by the acquiring entity exceeds the net value of identifiable assets and liabilities at the acquisition date, the excess amount is recognized as goodwill.

If, on the other hand, such aggregate amount does not exceed the net value of identifiable assets and liabilities at the acquisition date, the difference is recognized in net profit. Additional acquisitions of non-controlling interests after the controlling acquisition are accounted for as capital transactions and are not recognized as goodwill from the original transaction.

7) Impairment of non-financial assets

The Group assesses its non-financial assets, excluding inventories and deferred tax assets at the end of each reporting period to identify any indications of a potential inability to recover the carrying amount due to changes in such assets or circumstances. If any such indication exists, impairment testing is conducted.

If the carrying amount of an asset exceeds its recoverable amount, the difference is recognized as impairment loss.

The recoverable amount of an asset is the higher of the fair value less costs of disposal and the value in use. In calculating value in use, the estimated future cash flows from the asset are discounted to the present value using a before-tax discount rate that reflects the time value of money and the inherent risks of the asset. For the purposes of determining impairment, assets are grouped into an individual asset or the smallest asset group (cash-generating unit) generating cash inflows that are largely independent of the cash flows of other assets.

Goodwill is tested for impairment once a year periodically, regardless of whether any indications of impairment exist, and the cost at the time of acquisition less any accumulated impairment losses is recognized as the carrying amount.

In the case of property, plant and equipment and intangible assets, excluding goodwill, for which impairment losses have been recognized in prior years, an assessment is conducted at the end of each reporting period to determine if there are any possibilities of reversal of such impairment losses.

(3) Methods of depreciation applicable to significant depreciable assets

1) Property, plant and equipment (excluding lease assets)

The straight-line method is applied.

2) Intangible assets (excluding lease assets)

The straight-line method is applied.

3) Lease assets

The straight-line method is applied regarding lease period as useful life and up to no residual value.

(4) Standards applicable to reporting of significant provisions

Provisions are recognized if the Group has a present legal or constructive obligation as a result of a past event, if it is probable that an outflow of resources will be required to settle the obligation and if the Group can reliably estimate such amount.

When the value of time for money is significant, the estimated future cash flow is discounted to the present value by using a before-tax discount rate that reflects the value of time for money and inherent risks of the liability. Transfer-backs of the discounted amount over time are recognized as finance costs.

(5) Standards of foreign currency translation applicable to significant assets and liabilities in foreign currency

1) Functional Currency and Presentation Currency

The Group's consolidated financial statements are presented in Japanese yen being the Company's functional currency. The Group's foreign operations generally use the local currency as their functional currency, but if any currency other than the local currency is primarily used in the economic environment in which the entity operates, such currency is used as the entity's functional currency.

2) Foreign Currency Transactions

Foreign currency transactions, meaning transactions conducted in a currency other than the respective entity's functional currency, are translated into the functional currency either by using the exchange rates prevailing at the date of the transaction or using an average rate when there are no material fluctuations in exchange rates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the reporting date, and exchange differences are recognized in net profit or loss.

3) Foreign Operations

The assets and liabilities (including goodwill arising from acquisitions and adjustments of fair value) of foreign operations that use a currency other than Japanese yen as their functional currency are translated into Japanese yen at the exchange rates prevailing at the reporting date. The revenues and expenses of foreign operations are translated into Japanese yen at the average rates of exchange over the reporting period, unless there are material fluctuations in exchange rates. Exchange differences arising from such translations in foreign operations' financial statements are recognized in other comprehensive income, and are included and accounted for in other components of equity.

(6) Standards of revenue recognition

Revenue is recognized when the significant risks and economic values of goods have been transferred to the customer; neither continuing managerial involvement associated with ownership nor effective control is retained over the goods; there is a high probability that the economic benefits associated with the transaction will flow to the Group; and costs incurred and revenue in respect of the transaction can be measured reliably.

Consumption taxes, rebates, etc., are deducted from revenue, and the inflow amount of economic benefits less these items is accounted for as revenue.

(7) Method applicable to reporting of consumption taxes

Consumption taxes the Group receives from its customers and pays to tax authorities are deducted from revenue, cost of sales and expenses of the consolidated statement of profit or loss.

(8) Employee benefits

1) Short-term employee benefits

Short-term employee benefits are recognized as an expense in the period in which the employee renders the related service without discounting. Bonus payments are recognized as liabilities in the amount estimated to be paid based on the applicable bonus payment system, when there is a legal or constructive obligation to pay and the obligation can be estimated reliably.

2) Long-Term Employee Benefits

The Group has adopted defined contribution plans and defined benefit plans as post-employment benefit plans for employees.

Liabilities (assets) recognized in connection to defined benefit pension plans are calculated at the present value of defined benefit obligations under such plans at the end of the reporting period less the fair value of the plan assets. An independent specialist calculates the defined benefit obligations each reporting period using the projected unit credit method. Any amount recognized as assets from this calculation is limited to the present value of any future economic benefit available in the form of refunds from the plans or reductions in future contributions to the plans when there is possibility for the assets to generate these to the Group. Calculations of the present value of economic benefits take into consideration the minimum funding requirement. The present value of defined benefit obligations is calculated by discounting estimated future cash flows in reference to market yields on high quality corporate bonds that pay benefits and with maturities similar to the estimated timing of payment of the obligations.

Changes due to remeasurements of net defined benefit liabilities (assets) that were recognized in other comprehensive income in the period they occurred are immediately reclassified from other comprehensive income to retained earnings.

Defined contribution plans are post-employment benefit plans under which an employer pays fixed contributions into an independent entity and has no legal or constructive obligation to pay further contributions. Contribution obligations under the defined contribution plans are recognized as an expense in the period in which the employee renders the related service.

## 2. Notes on the consolidated statement of financial position

(1) Assets pledged and claims related thereto

|                |                    |                  |
|----------------|--------------------|------------------|
| Assets pledged | Current assets     | ¥ 8,283 million  |
|                | Non-current assets | ¥ 14,799 million |
|                | Total              | ¥23,082 million  |

|                                  |                                      |                        |
|----------------------------------|--------------------------------------|------------------------|
| Liabilities related to the above | Borrowings (current liabilities)     | ¥ 1,912 million        |
|                                  | Borrowings (non-current liabilities) | ¥ 4,203 million        |
|                                  | <b>Total</b>                         | <b>¥ 6,116 million</b> |

(2) Allowance for doubtful accounts directly deducted from assets

Current assets: Trade and other receivables      ¥ 536 million

(3) Accumulated depreciation on property, plant and equipment (including accumulated impairment loss):  
¥ 389,957 million

(4) Guarantee obligations

|                              |                        |
|------------------------------|------------------------|
| CMIC JSR Biologics Co., Ltd. | ¥ 2,699 million        |
| JEY-TRANS CO., LTD.          | ¥65 million            |
| Employees                    | ¥ 0 million            |
| <b>Total</b>                 | <b>¥ 2,764 million</b> |

The guarantee obligation for CMIC JSR Biologics Co., Ltd. is joint and several sureties. The Group and its partner jointly provide 100% guarantee for the debt of CMIC JSR Biologics Co., Ltd.

The guarantee obligation for JEY-TRANS CO., LTD. is joint and several sureties. Total amount of the guarantee obligation (including the other entity's obligation) is ¥ 163 million.

## 6. Notes on the consolidated statement of changes in net assets

(1) Class and number of issued shares at the end of the current consolidated fiscal year:  
226,126,145 ordinary shares

(2) Matters related to dividends from surplus

1) Amount of dividends paid

| Resolution                                                | Class of shares | Total amount of dividends (million yen) | Dividends per share (yen) | Record date        | Effective date of dividends |
|-----------------------------------------------------------|-----------------|-----------------------------------------|---------------------------|--------------------|-----------------------------|
| Ordinary General Meeting of Shareholders on June 16, 2017 | Ordinary shares | 5,563                                   | 25                        | March 31, 2017     | June 19, 2017               |
| Board of Directors Meeting on October 30, 2017            | Ordinary shares | 5,564                                   | 25                        | September 30, 2017 | November 30, 2017           |
| <b>Total</b>                                              |                 | <b>11,127</b>                           | <b>50</b>                 |                    |                             |

2) Dividends of which record dates belong to the current consolidated fiscal year and of which effective dates of dividends fall after the end of the current consolidated fiscal year

The Company will propose, at its ordinary general meeting of shareholders to be convened on June 15, 2018, an agenda for term-end dividends for appropriation of surplus as detailed below.

| Resolution                                                | Class of shares | Total amount of dividends (million yen) | Source of dividends | Dividends per share (yen) | Record date    | Effective date of dividends |
|-----------------------------------------------------------|-----------------|-----------------------------------------|---------------------|---------------------------|----------------|-----------------------------|
| Ordinary General Meeting of Shareholders on June 15, 2018 | Ordinary shares | 5,565                                   | Retained Earnings   | 25                        | March 31, 2018 | June 18, 2018               |

(3) Class and number of shares to be issued or transferred upon exercise of the stock acquisition rights at the end of the current consolidated fiscal year

364,500 ordinary shares



#### 4. Notes on business combination

Acquisition of Selexis S.A.

(1) Summary of the business combination

1) Name and business of the company acquired

Name: Selexis S.A.

Industry and Business

Life sciences; development and sales of products using mammalian cell line generation technologies

2) Date of acquisition

June 21, 2017

3) Ownership acquired

100%

4) Method to obtain control

Acquisition of shares in exchange for cash payment

5) Major reason of the business combination

The purpose of this business combination is to expand the Group's life sciences business.

Selexis S.A. has made its mark with its technologies that facilitates the rapid, stable, and cost-effective generation of cell lines producing virtually any recombinant protein in mammalian cell line development. With our subsidiary KBI Biopharma, Inc.'s strengths in process development and analytics, the Group will be able to deliver the fastest timelines of new drug development and substantial cost savings in the pharmaceutical industry.

(2) Recognized amount of fair value of consideration on the date of acquisition, assets acquired and liabilities received

|                               |                   |
|-------------------------------|-------------------|
| Fair value of consideration   | ¥ 9,307 million   |
| Cash and cash equivalents     | ¥ 585 million     |
| Trade and other receivables   | ¥ 338 million     |
| Other current assets          | ¥ 47 million      |
| Property, plant and equipment | ¥ 158 million     |
| Other intangible assets       | ¥ 76 million      |
| Other current liabilities     | ¥ (320) million   |
| Borrowings                    | ¥ (1,171) million |
| Goodwill                      | ¥ 9,594 million   |

Acquisition cost associated with this business combination was ¥ 16 million and recorded as expense under "selling, general and administrative expenses." A provisional accounting treatment has been applied at the end of the current fiscal year for amounts such as goodwill generated and assets acquired at the date of the business combination as identifiable assets at the date of the business combination are under review and the allocation of the acquisition cost has not been completed. The goodwill arose mainly in relation to the expected future earnings capability.

(3) The effect of the business combination on the Group's profit or loss

The effect of the business combination on profit or loss in the consolidated statement of profit or loss is immaterial. Furthermore, the effect on revenue and profit or loss on the assumption that the business combination was executed at the beginning of the current fiscal year is immaterial.

#### 5. Notes on financial instruments

(1) Matters relating to status of financial instruments

The Group focuses on ensuring an appropriate capital and debt structure in relation to economic conditions and current company circumstances, and raises necessary funds for operating capital, capital expenditure, investments and loans and other items.

The Group reduces credit risk on trade and other receivables through credit management based on an internal regulation named “Rules for Receivables Management.”

The Group utilizes methods such as foreign exchange forward contracts and currency swap transactions to reduce exchange rate risks on receivables and payables denominated in foreign currency. Interest rate swap transactions are utilized to reduce interest rate risks on certain borrowings. Derivative transactions are conducted only to hedge exchange rate risks and interest rate risks and are not entered into for speculative purposes. The Group reduces liquidity risks related to procuring funds through borrowings, etc. by maintaining and securing appropriate on-hand liquidity.

Market price risks on equity securities held are reduced by regularly monitoring the market prices and financial conditions of the issuers.

(2) Matters related to fair value, etc. of financial instruments

There is no significant difference between the carrying value and fair value of financial instruments on the consolidated account closing date.

## 6. Notes on per-share information

|                                                   |            |
|---------------------------------------------------|------------|
| Equity attributable to owners of parent per share | ¥ 1,767.81 |
| Basic earnings per share                          | ¥ 149.32   |

## 7. Subsequent events

An absorption-type split in which the Company’s subsidiary becomes the successor company

(1) Contents of the business combination

The Company resolved at its Board of Directors held on March 29, 2017 to conduct an absorption-type split in which UMG ABS, Ltd. (“UMG ABS,” a 50/50 joint venture between Ube Industries, Ltd. (“Ube”) and Mitsubishi Rayon Co., Ltd. (“MRC”)) is the absorbed company, and Techno Polymer Co., Ltd. (“Techno-UMG”), a wholly-owned subsidiary of the Company (renamed Techno-UMG Co., Ltd. on April 1, 2018), is the successor company. The Company, Ube and MRC signed a shareholders agreement as of March 30, 2017 and upon approval from the regulatory authority, the absorption-type split was conducted as of April 1, 2018. Upon completing the absorption-type split, Techno-UMG issued new shares resulting in the Company holding a 51% equity interest in Techno-UMG. The Company has adopted provisions of IFRS 3 Business Combinations; however, detailed information regarding the accounting treatment is not provided since the initial accounting treatment for the business combination has not been completed at the present time.

1) Name of the company acquired  
UMG ABS, Ltd.

2) Business of the company acquired  
Manufacturing and sales of ABS resins

3) Date of acquisition  
April 1, 2018

4) Method for the acquiring entity to obtain control over the acquired entity  
An absorption-type split with UMG ABS as the absorbed company and Techno-UMG as the successor company, with the issuance of 58,800 shares of common stock of Techno-UMG

(2) Major reason of the business combination

The business conditions surrounding the ABS resin business are becoming increasingly challenging both in and outside of Japan. The purpose of the integration is to optimize operations, enhance manufacturing efficiencies, and secure cost competitiveness for the ABS resin business, in order to secure the stable supply of products in Japan and expand sales in global markets.

(3) Amounts of fair value of assets and liabilities and amount of goodwill on the date of the business combination

Assets acquired and liabilities assumed have not been determined at the present time as their acquisition-date fair value is under calculation.

## **8. Additional information**

Share Acquisition of Crown Bioscience International (making it a subsidiary)

The Company is to merge with Crown Bioscience International (“Crown”, Registration: Cayman Islands, CEO: Jean-Pierre Wery, listed on the Taipei Exchange (TPEX) as 6554), which is a contract research organization (CRO) providing services for pharmaceuticals to support drug development in pre-clinical phases, by acquiring all shares of Crown for an estimated total amount of approximately 12 billion NT dollars (approximately 44 billion yen), making Crown a wholly-owned subsidiary of the Company (the “Transaction”).

On the premise of obtaining the approval by Crown’s general meeting of shareholders and authorities’ approval, the execution of the Transaction is expected to be completed by the end of June, 2018.

On completion of the Transaction, Crown will become a consolidated subsidiary of the Company. We will disclose promptly the impact of this consolidation on the Company’s consolidated business results as the Transaction proceeds.

(Note) The Group’s consolidated financial statements are presented with amounts rounded to the nearest millions of yen.

Please note that this is an English translation of the original "Non-Consolidated Financial Statements" which are written in Japanese; therefore, in the event of any conflict between the Japanese original and this English translation, the Japanese original shall be controlling in all respects.

**Balance Sheet**  
(as of March 31, 2018)

(in millions of yen)

| Items                                                            | Current Fiscal Year | Previous Fiscal Year (Reference) | Items                                                                       | Current Fiscal Year | Previous Fiscal Year (Reference) |
|------------------------------------------------------------------|---------------------|----------------------------------|-----------------------------------------------------------------------------|---------------------|----------------------------------|
|                                                                  | Amount              | Amount                           |                                                                             | Amount              | Amount                           |
| <b>Assets</b>                                                    |                     |                                  | <b>Liabilities</b>                                                          |                     |                                  |
| <b>Current Assets</b>                                            | <b>241,037</b>      | <b>232,372</b>                   | <b>Current Liabilities</b>                                                  | <b>107,721</b>      | <b>103,680</b>                   |
| Cash and deposits                                                | 29,484              | 53,945                           | Accounts payable-trade                                                      | 63,209              | 58,447                           |
| Notes receivable                                                 | 42                  | 49                               | Short-term loans payable                                                    | 8,420               | 8,420                            |
| Accounts receivable-trade, net                                   | 64,824              | 61,285                           | Accounts payable-other                                                      | 8,841               | 4,746                            |
| Short-term investment securities                                 | 66,000              | 42,000                           | Accrued expenses                                                            | 13,203              | 11,917                           |
| Inventories                                                      | 47,131              | 43,704                           | Income taxes payable                                                        | 3,534               | 6,828                            |
| Accounts receivable-other                                        | 29,723              | 27,784                           | Deposits received from subsidiaries and associates                          | 9,771               | 12,933                           |
| Deferred tax assets                                              | 1,363               | 1,766                            | Other                                                                       | 743                 | 388                              |
| Other                                                            | 2,470               | 1,839                            |                                                                             |                     |                                  |
| <b>Non-current Assets</b>                                        | <b>201,072</b>      | <b>175,560</b>                   | <b>Non-current Liabilities</b>                                              | <b>20,147</b>       | <b>18,389</b>                    |
| <b>Property, plant and equipment</b>                             | <b>64,160</b>       | <b>60,191</b>                    | Long-term loans payable                                                     | 500                 | 500                              |
| Buildings, net                                                   | 19,227              | 17,232                           | Provision for retirement benefits                                           | 11,210              | 12,228                           |
| Structures, net                                                  | 4,728               | 4,346                            | Deferred tax liabilities                                                    | 7,452               | 4,551                            |
| Machinery and equipment, net                                     | 20,132              | 18,942                           | Other                                                                       | 985                 | 1,110                            |
| Vehicles, net                                                    | 46                  | 41                               |                                                                             |                     |                                  |
| Tools, furniture and fixtures, net                               | 5,840               | 5,505                            | <b>Total Liabilities</b>                                                    | <b>127,867</b>      | <b>122,069</b>                   |
| Land                                                             | 13,162              | 13,686                           | <b>Net Assets</b>                                                           |                     |                                  |
| Construction in progress                                         | 1,026               | 440                              | <b>Shareholders' equity</b>                                                 | <b>290,231</b>      | <b>267,887</b>                   |
| <b>Intangible assets</b>                                         | <b>5,047</b>        | <b>4,051</b>                     | <b>Capital stock</b>                                                        | <b>23,370</b>       | <b>23,320</b>                    |
| Software                                                         | 1,086               | 1,050                            | <b>Capital surplus</b>                                                      | <b>25,242</b>       | <b>25,187</b>                    |
| Other                                                            | 3,961               | 3,000                            | Legal capital surplus                                                       | 25,230              | 25,179                           |
|                                                                  |                     |                                  | Other capital surplus                                                       | 13                  | 8                                |
| <b>Investments and other assets</b>                              | <b>131,865</b>      | <b>111,318</b>                   | <b>Retained earnings</b>                                                    | <b>246,976</b>      | <b>224,776</b>                   |
| Investment securities                                            | 50,047              | 38,737                           | Legal retained earnings                                                     | 3,710               | 3,710                            |
| Shares of subsidiaries and associates                            | 65,213              | 53,350                           | Other retained earnings                                                     | 243,265             | 221,065                          |
| Investments in capital of subsidiaries and associates            | 5,987               | 6,043                            | Reserve for special depreciation                                            | 6                   | 11                               |
| Long-term loans receivable from subsidiaries and associates, net | 8,371               | 11,279                           | Reserve for advanced depreciation of non-current assets                     | 3,740               | 5,360                            |
| Long-term prepaid expenses                                       | 559                 | 706                              | Reserve for special account for advanced depreciation of non-current assets | -                   | 505                              |
| Prepaid pension cost                                             | 505                 | -                                | General reserve                                                             | 42,431              | 42,431                           |
| Other                                                            | 1,183               | 1,202                            | Retained earnings brought forward                                           | 197,087             | 172,758                          |
|                                                                  |                     |                                  | <b>Treasury stock</b>                                                       | <b>(5,358)</b>      | <b>(5,396)</b>                   |
|                                                                  |                     |                                  | <b>Valuation and translation adjustments</b>                                | <b>23,123</b>       | <b>17,064</b>                    |
|                                                                  |                     |                                  | Unrealized gains on securities, net of taxes                                | 23,123              | 17,064                           |
|                                                                  |                     |                                  | <b>Subscription rights to shares</b>                                        | <b>888</b>          | <b>912</b>                       |
|                                                                  |                     |                                  | <b>Total Net Assets</b>                                                     | <b>314,242</b>      | <b>285,863</b>                   |
| <b>Total Assets</b>                                              | <b>442,109</b>      | <b>407,931</b>                   | <b>Total Liabilities and Net Assets</b>                                     | <b>442,109</b>      | <b>407,931</b>                   |

(Note) Amounts are rounded to the nearest millions of yen.

**Statement of Income**  
(from April 1, 2017 to March 31, 2018)

(in millions of yen)

| Items                                                      | Current<br>Fiscal Year | Previous<br>Fiscal Year<br>(Reference) |
|------------------------------------------------------------|------------------------|----------------------------------------|
|                                                            | Amount                 | Amount                                 |
| <b>Net Sales</b>                                           | <b>240,576</b>         | <b>233,321</b>                         |
| <b>Cost of sales</b>                                       | <b>163,538</b>         | <b>165,690</b>                         |
| <b>Gross profit</b>                                        | <b>77,038</b>          | <b>67,632</b>                          |
| <b>Selling, general and administrative expenses</b>        | <b>49,582</b>          | <b>48,669</b>                          |
| <b>Operating income</b>                                    | <b>27,456</b>          | <b>18,962</b>                          |
| <b>Non-operating income</b>                                | <b>15,920</b>          | <b>10,104</b>                          |
| Interest income                                            | 97                     | 103                                    |
| Dividends income                                           | 14,852                 | 6,844                                  |
| Gain on investments in partnership                         | -                      | 1,188                                  |
| Foreign exchange gains                                     | -                      | 1,229                                  |
| Other                                                      | 971                    | 740                                    |
| <b>Non-operating expenses</b>                              | <b>1,356</b>           | <b>1,338</b>                           |
| Interest expenses                                          | 46                     | 52                                     |
| Loss on abandonment of non-current assets                  | 90                     | 217                                    |
| Taxes and dues                                             | 1                      | 210                                    |
| Foreign exchange losses                                    | 387                    | -                                      |
| Other                                                      | 832                    | 860                                    |
| <b>Ordinary income</b>                                     | <b>42,020</b>          | <b>27,729</b>                          |
| <b>Extraordinary income</b>                                | <b>733</b>             | <b>5,462</b>                           |
| Gain on sales of non-current assets                        | -                      | 630                                    |
| Gain on sales of investment securities                     | 733                    | 2,838                                  |
| Gain on sales of shares of subsidiaries and associates     | -                      | 1,245                                  |
| Gain on transfer of business                               | -                      | 749                                    |
| <b>Extraordinary loss</b>                                  | <b>1,526</b>           | <b>4,528</b>                           |
| Provision of allowance for doubtful accounts               | 990                    | 1,404                                  |
| Loss on valuation of shares of subsidiaries and associates | -                      | 598                                    |
| Impairment loss                                            | -                      | 2,111                                  |
| Loss on sales of investment securities                     | 536                    | -                                      |
| Other                                                      | -                      | 415                                    |
| <b>Income before income taxes</b>                          | <b>41,227</b>          | <b>28,663</b>                          |
| <b>Income taxes</b>                                        | <b>7,900</b>           | <b>5,430</b>                           |
| Income taxes-current                                       | 7,270                  | 7,037                                  |
| Income taxes-deferred                                      | 629                    | (1,607)                                |
| <b>Net income</b>                                          | <b>33,327</b>          | <b>23,233</b>                          |

(Note) Amounts are rounded to the nearest millions of yen.

**Statements of Changes in Net Assets**  
(from April 1, 2017 to March 31, 2018)

(in millions of yen)

(in millions of yen)

|                                                                                          | Shareholders' equity |                       |                       |                       |                         |                                  |                                                         |                                                                             |                 |                                   |          |
|------------------------------------------------------------------------------------------|----------------------|-----------------------|-----------------------|-----------------------|-------------------------|----------------------------------|---------------------------------------------------------|-----------------------------------------------------------------------------|-----------------|-----------------------------------|----------|
|                                                                                          | Capital stock        | Capital surplus       |                       |                       | Retained earnings       |                                  |                                                         |                                                                             |                 |                                   | Total    |
|                                                                                          |                      | Legal capital surplus | Other capital surplus | Total capital surplus | Legal retained earnings | Other retained earnings          |                                                         |                                                                             |                 |                                   |          |
|                                                                                          |                      |                       |                       |                       |                         | Reserve for special depreciation | Reserve for advanced depreciation of non-current assets | Reserve for special account for advanced depreciation of non-current assets | General reserve | Retained earnings brought forward |          |
| Balance at the beginning of the current fiscal year                                      | 23,320               | 25,179                | 8                     | 25,187                | 3,710                   | 11                               | 5,360                                                   | 505                                                                         | 42,431          | 172,758                           | 224,776  |
| Changes of items during the current fiscal year                                          |                      |                       |                       |                       |                         |                                  |                                                         |                                                                             |                 |                                   |          |
| Dividends from surplus                                                                   |                      |                       |                       |                       |                         |                                  |                                                         |                                                                             |                 | (11,127)                          | (11,127) |
| Net income                                                                               |                      |                       |                       |                       |                         |                                  |                                                         |                                                                             |                 | 33,327                            | 33,327   |
| Reversal of reserve for special depreciation                                             |                      |                       |                       |                       |                         | (5)                              |                                                         |                                                                             |                 | 5                                 | -        |
| Reversal of reserve for advanced depreciation of non-current assets                      |                      |                       |                       |                       |                         |                                  | (1,977)                                                 |                                                                             |                 | 1,977                             | -        |
| Provision of reserve for advanced depreciation of non-current assets                     |                      |                       |                       |                       |                         |                                  | 357                                                     |                                                                             |                 | (357)                             | -        |
| Provision of reserve for special account for advanced depreciation of non-current assets |                      |                       |                       |                       |                         |                                  |                                                         | (505)                                                                       |                 | 505                               | -        |
| Purchase of treasury stock                                                               |                      |                       |                       |                       |                         |                                  |                                                         |                                                                             |                 |                                   | -        |
| Disposal of treasury stock                                                               |                      |                       | 5                     | 5                     |                         |                                  |                                                         |                                                                             |                 |                                   | -        |
| Cancellation of treasury stock                                                           |                      |                       |                       |                       |                         |                                  |                                                         |                                                                             |                 |                                   | -        |
| Issuance of new shares                                                                   | 50                   | 50                    |                       | 50                    |                         |                                  |                                                         |                                                                             |                 |                                   | -        |
| Net changes of items other than shareholders' equity                                     |                      |                       |                       |                       |                         |                                  |                                                         |                                                                             |                 |                                   | -        |
| Total changes of items during the current fiscal year                                    | 50                   | 50                    | 5                     | 55                    | -                       | (5)                              | (1,620)                                                 | (505)                                                                       | -               | 24,329                            | 22,200   |
| Balance at the end of the current fiscal year                                            | 23,370               | 25,230                | 13                    | 25,242                | 3,710                   | 6                                | 3,740                                                   | -                                                                           | 42,431          | 197,087                           | 246,976  |

|                                                                                          | Shareholders' equity |                            | Valuation and translation adjustments      | Subscription rights to shares | Total net assets |
|------------------------------------------------------------------------------------------|----------------------|----------------------------|--------------------------------------------|-------------------------------|------------------|
|                                                                                          | Treasury stock       | Total shareholders' equity | Unrealized gains on securities, net of tax |                               |                  |
| Balance at the beginning of the current fiscal year                                      | (5,396)              | 267,887                    | 17,064                                     | 912                           | 285,863          |
| Changes of items during the current fiscal year                                          |                      |                            |                                            |                               |                  |
| Dividends from surplus                                                                   |                      | (11,127)                   |                                            |                               | (11,127)         |
| Net income                                                                               |                      | 33,327                     |                                            |                               | 33,327           |
| Reversal of reserve for special depreciation                                             |                      | -                          |                                            |                               | -                |
| Reversal of reserve for advanced depreciation of non-current assets                      |                      | -                          |                                            |                               | -                |
| Provision of reserve for advanced depreciation of non-current assets                     |                      | -                          |                                            |                               | -                |
| Provision of reserve for special account for advanced depreciation of non-current assets |                      | -                          |                                            |                               | -                |
| Purchase of treasury stock                                                               | (2)                  | (2)                        |                                            |                               | (2)              |
| Disposal of treasury stock                                                               | 41                   | 46                         |                                            |                               | 46               |
| Cancellation of treasury stock                                                           |                      | -                          |                                            |                               | -                |
| Issuance of new shares                                                                   |                      | 100                        |                                            |                               | 100              |
| Net changes of items other than shareholders' equity                                     |                      | -                          | 6,058                                      | (23)                          | 6,035            |
| Total changes of items during the current fiscal year                                    | 38                   | 22,344                     | 6,058                                      | (23)                          | 28,379           |
| <b>Balance at the end of the current fiscal year</b>                                     | <b>(5,358)</b>       | <b>290,231</b>             | <b>23,123</b>                              | <b>888</b>                    | <b>314,242</b>   |

(Note) Amounts are rounded to the nearest millions of yen.

## Notes on Financial Statements

### 1. Notes on matters related to the significant accounting policy

#### (1) Standards and methods of valuation applicable to assets

##### 1) Securities

Shares of subsidiaries and associates: Stated by cost method based on moving average method.

Available-for-sale securities:

|                                        |     |                                                                                                                                                                                                                                                            |
|----------------------------------------|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Securities<br>carrying market<br>value | ... | Valued by market method based on fair market value prevailing on the accounting closing date. Any valuation difference is recorded directly in net assets, and the cost of sale of relevant securities was computed on the basis of moving average method. |
|----------------------------------------|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|                                            |     |                                                                                      |
|--------------------------------------------|-----|--------------------------------------------------------------------------------------|
| Securities not<br>carrying market<br>value | ... | Valued by cost method based on moving average method or by depreciation cost method. |
|--------------------------------------------|-----|--------------------------------------------------------------------------------------|

##### 2) Derivatives

Valued by market method

##### 3) Inventories

Stated at cost based on gross average method (devaluated book value on the balance sheet in the event of lower profitability)

#### (2) Methods of depreciation applicable to non-current assets

##### 1) Property, plant and equipment (excluding lease assets)

The straight-line method is applied.

##### 2) Intangible assets (excluding lease assets)

The straight-line method is applied.

The costs of software for the Company's own use are amortized over the estimated useful life (5 years) using the straight-line method.

##### 3) Lease assets

The straight-line method is applied regarding lease period as useful life and up to no residual value.

#### (3) Standards applicable to reporting of reserves

##### 1) Allowance for doubtful accounts

In order to prepare for loss on claims, allowance is reported and the amount is determined on the basis of actual past losses for general claims, and on the basis of anticipated unrecoverable amounts for specific claims such as those involving the risk of loss.

##### 2) Provision for Directors' bonuses

In order to prepare for payment of Directors' and Audit & Supervisory Board Members' bonuses, the amount that is deemed to have accrued at the close of the current fiscal year is reported on the basis of anticipated amounts.

##### 3) Provision for retirement benefits

In order to prepare for payment of employees' retirement benefits, the amount that is deemed to have accrued at the end of the current fiscal year is reported on the basis of anticipated amounts of retirement benefits obligations and annuity assets as of the end of the current fiscal year. The benefit formula standard is applied for the method of attributing expected retirement benefits to the period.

Actuarial gain or loss is recognized as expense in lump sum during the following fiscal year.

##### 4) Provision for environmental measures

The Company has recorded its estimate of the cost of disposing of polychlorinated biphenyl (PCB) and other materials.



5) Allowance for investment loss

The Company has recorded appropriate estimate of possible loss against the investment in subsidiaries and associates considering the financial standings of such subsidiaries and/or associates in question.

(4) Other significant matters serving as the basis for the production of financial statements

1) Hedge accounting

Special-measures treatment is applied to interest rate swap transactions if the requirements for special-measures treatment are fulfilled.

2) Accounting treatment method applicable to consumption tax, etc.

The accounting treatment of the consumption tax and the local consumption tax is based on the tax exclusion method.

3) Application of consolidated corporate-tax return system

The consolidated corporate-tax return system is applied.

## 2. Notes on balance sheet

(1) Assets pledged and claims related thereto

|                                  |                                                                         |                 |
|----------------------------------|-------------------------------------------------------------------------|-----------------|
| Assets pledged                   | Property, plant and equipment                                           | ¥ 6,093 million |
| Liabilities related to the above | Long-term loans payable<br>(liabilities arising from bank transactions) | ¥ 1 million     |

(2) Allowances directly deducted from assets

1) Allowance for doubtful accounts

|                                                                  |                 |
|------------------------------------------------------------------|-----------------|
| Current Assets; Accounts receivable-trade, net                   | ¥ 103 million   |
| Investments and other assets;                                    |                 |
| Long-term loans receivable from subsidiaries and associates, net | ¥ 4,109 million |
| Other                                                            | ¥ 53 million    |

2) Allowance for investment loss

|                                                                     |               |
|---------------------------------------------------------------------|---------------|
| Investments and other assets; Shares of subsidiaries and associates | ¥ 310 million |
|---------------------------------------------------------------------|---------------|

(3) Accumulated depreciation on property, plant and equipment (including accumulated impairment loss):

¥ 299,745 million

(4) Claims to/from subsidiaries and associates

|                                                 |                  |
|-------------------------------------------------|------------------|
| Short-term monetary claims to associates        | ¥ 38,527 million |
| Long-term monetary claims to associates         | ¥ 12,480 million |
| Short-term monetary obligations from associates | ¥ 34,154 million |

(5) Export exchange notes discounted: ¥ 120 million

(6) Guarantee obligations

|                                |                  |
|--------------------------------|------------------|
| JSR BST Elastomer Co., Ltd.    | ¥ 11,769 million |
| JSR MOL Synthetic Rubber Ltd.  | ¥ 13,313 million |
| CMIC JSR Biologics Co., Ltd.   | ¥ 2,699 million  |
| JSR Micro (Changshu) Co., Ltd. | ¥ 1,134 million  |
| Selexis S.A.                   | ¥ 835 million    |
| JEY-TRANS CO., LTD.            | ¥ 65 million     |
| Employees                      | ¥ 0 million      |
| Total                          | ¥29,815 million  |

The guarantee obligation for JSR BST Elastomer Co., Ltd. is joint and several sureties. Total amount of the guarantee obligation (including the other entity's obligation) is ¥ 23,077 million.

The guarantee obligation for JSR MOL Synthetic Rubber Ltd. is joint and several sureties. Total amount of the guarantee obligation (including the other entity's obligation) is ¥ 26,104 million.

The guarantee obligation for JSR Micro (Changshu) Co., Ltd. is joint and several sureties. Total amount of the guarantee obligation (including the other entity's obligation) is ¥ 2,223 million.

The guarantee obligation for CMIC JSR Biologics Co., Ltd. is joint and several sureties. The Company and its partner jointly provide 100% guarantee for the debt of CMIC JSR Biologics Co., Ltd.

The guarantee obligation for JEY-TRANS CO., LTD. is joint and several sureties. Total amount of the guarantee obligation (including the other entity's obligation) is ¥ 163 million.

### **3. Notes on statement of income**

Transactions with subsidiaries and associates:

Operating transaction

|       |                   |
|-------|-------------------|
| Sales | ¥ 102,241 million |
|-------|-------------------|

|                            |                  |
|----------------------------|------------------|
| Amount for goods purchased | ¥ 41,627 million |
|----------------------------|------------------|

|                          |                  |
|--------------------------|------------------|
| Other trade transactions | ¥ 19,035 million |
|--------------------------|------------------|

|                            |                  |
|----------------------------|------------------|
| Non-operating transactions | ¥ 13,267 million |
|----------------------------|------------------|

### **4. Note on statements of changes in net assets**

Class and number of treasury stock at the end of the current fiscal year:

3,534,779 ordinary shares

### **5. Note on tax effect accounting**

Allowance for employees' retirement benefits was a major cause of deferred tax assets. Unrealized gains on securities, net of taxes and reserve for advanced depreciation of non-current assets were major causes of deferred tax liabilities.

## 6. Notes on transactions with related parties

### (1) Subsidiaries, associates, etc.

| Attribute  | Name of company               | Voting rights ownership rate (%) | Contents of relationship       |                                                             | Contents of transactions                        | Transaction amount (million yen) | Item                                                        | Balance at the end of the current fiscal year (million yen) |
|------------|-------------------------------|----------------------------------|--------------------------------|-------------------------------------------------------------|-------------------------------------------------|----------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|
|            |                               |                                  | Directors serving concurrently | Business relationship                                       |                                                 |                                  |                                                             |                                                             |
| Subsidiary | JSR Trading Co., Ltd.         | 100                              | None                           | Sale of products of the Company                             | Sale of products (Note 1)                       | 38,285                           | Accounts receivable-trade                                   | 8,243                                                       |
| Subsidiary | Techno Polymer Co., Ltd.      | 100                              | None                           | Supply of raw materials                                     | Supply of raw material gas (Note 2)             | 15,702                           | Accounts receivable-other                                   | 5,119                                                       |
| Subsidiary | JSR Engineering Co., Ltd.     | 100                              | None                           | Purchase of equipment & facilities                          | Purchase of equipment & facilities (Note 3)     | 10,562                           | Accounts payable-other                                      | 6,898                                                       |
| Subsidiary | JM Energy Corporation         | 100                              | None                           | Provision of loans                                          | Provision of loans (Note 4)                     | 779                              | Long-term loans receivable from subsidiaries and associates | 5,276                                                       |
| Subsidiary | JSR Micro Korea Co., Ltd.     | 100                              | None                           | Sale of products of the Company and supply of raw materials | Dividends received                              | 6,447                            | —                                                           | —                                                           |
| Subsidiary | ELASTOMIX Co., Ltd.           | 98.5                             | None                           | Deposit from subsidiary                                     | Deposit from subsidiary (Note 5)                | 509                              | Deposits received from subsidiaries and associates          | 5,033                                                       |
| Subsidiary | JSR BST Elastomer Co., Ltd.   | 51                               | 1                              | Guarantee obligations                                       | Guarantee obligations of loans payable (Note 6) | 11,769                           | —                                                           | —                                                           |
| Subsidiary | JSR MOL Synthetic Rubber Ltd. | 51                               | None                           | Guarantee obligations                                       | Guarantee obligations of loans payable (Note 7) | 13,313                           | —                                                           | —                                                           |
| Associate  | KRATON JSR ELASTOMER S K. K.  | 50                               | None                           | Purchase of products                                        | Purchase of elastomer products (Note 8)         | 11,032                           | Accounts payable-trade                                      | 6,123                                                       |
|            |                               |                                  |                                | Supply of raw materials                                     | Supply of raw material gas (Note 2)             | 5,343                            | Accounts receivable-other                                   | 3,118                                                       |

Terms and conditions of transactions and the policy for determining the terms and conditions, etc.

(Notes)

1. Terms and conditions for the sale of the products are determined through negotiation upon the

- desirable prices offered by the Company considering full cost of the products and market prices.
- Terms and conditions for the supply of raw material gas are determined through negotiation based upon the desirable prices offered by the Company considering market prices.
  - Terms and conditions for the purchase of equipment and facilities are determined through negotiation upon the desirable prices offered by the Company considering the full cost and market prices.
  - Interest rates on loans receivable are determined through negotiation considering prevailing interest rates in financial market.
  - Interest rates on deposits are determined through negotiation considering prevailing interest rates in financial market.
  - Guarantee obligation is on joint and several bases. Total amount including that of the other entity is ¥ 23,077 million. The Company charged and received a guarantee fee. The amount of the fee was determined by considering the general amount of debt guarantee fees.
  - Guarantee obligation is on joint and several bases. Total amount including that of the other entity is ¥ 26,104 million. No guarantee fee is charged and received.
  - Terms and conditions for the purchase of the elastomer products are determined through negotiation based upon the desirable prices offered by the Company considering full cost of the products and market prices.
  - Transaction amounts do not include consumption tax, etc. The amounts stated as the balance at the end of the current fiscal year include consumption tax, etc.

(2) Major shareholders

| Attribute         | Name of the company | Voting rights ownership rate (%) | Contents of relationship                                                |                       | Contents of transactions   | Transaction amount (million yen) | Item                      | Balance at the end of the current fiscal year (million yen) |
|-------------------|---------------------|----------------------------------|-------------------------------------------------------------------------|-----------------------|----------------------------|----------------------------------|---------------------------|-------------------------------------------------------------|
|                   |                     |                                  | Directors and/or Audit & Supervisory Board Members serving concurrently | Business relationship |                            |                                  |                           |                                                             |
| Major shareholder | Bridgestone Corp.   | Direct ownership 10.1            | None                                                                    | Sale of our products  | Sale of elastomer products | 28,790                           | Accounts receivable-trade | 12,538                                                      |

Terms and conditions of transactions and the policy for determining the terms and conditions  
(Notes)

- Prices and other terms and conditions are determined upon price negotiations considering market prices.
- The transaction amount does not include consumption tax, etc. The balance at the end of the current fiscal year includes consumption tax, etc.

**7. Notes on per-share information**

|                      |           |
|----------------------|-----------|
| Net assets per share | ¥1,407.75 |
| Net income per share | ¥149.75   |

**Audit Report from Accounting Auditors**  
**(on Consolidated Financial Statements)**

May 7, 2018

To: Board of Directors  
JSR Corporation

**KPMG AZSA LLC**

|                                                            |                             |                        |
|------------------------------------------------------------|-----------------------------|------------------------|
| Designated Limited Liability Partner<br>Engagement Partner | Certified Public Accountant | Tomoyoshi Inoue (seal) |
| Designated Limited Liability Partner<br>Engagement Partner | Certified Public Accountant | Sato Masamitsu (seal)  |
| Designated Limited Liability Partner<br>Engagement Partner | Certified Public Accountant | Tetsuaki Noda (seal)   |

We have audited the consolidated financial statements, comprising the consolidated statement of financial position, consolidated statement of profit or loss, the consolidated statement of changes in equity and the related notes of JSR Corporation, as at March 31, 2018 and for the year from April 1, 2017 to March 31, 2018 in accordance with Article 444-4 of the Companies Act.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the latter part of Article 120-1 of the Ordinance of Companies Accounting that prescribes some omissions of disclosure items required by International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as accounting. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statement referred to above presents fairly, in all material respects, the financial position and the results of operations of JSR Corporation and its consolidated subsidiaries for the period, for which the consolidated financial statements was prepared, in accordance with the latter part of Article 120-1 of the Ordinance of Companies Accounting that prescribes some omissions of disclosure items required by International Financial Reporting Standards.

**Items to be addressed**

As described in “Additional Information”, the Company has agreed with Crown Bioscience International (“Crown”) that the Company will acquire 100% of the shares of Crown and subsequently will make Crown its subsidiary.

The above does not have any influence over our Opinion stated in the above.

**Other Matter**

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

**Notes to the Reader of Independent Auditor’s Report:**

The Independent Auditor’s Report herein is the English translation of the Independent Auditor’s Report as required by the Companies Act.

**Audit Report from Accounting Auditors**  
**(on Non-Consolidated Financial Statements)**

May 7, 2018

To: Board of Directors  
JSR Corporation

**KPMG AZSA LLC**

|                                                            |                             |                 |        |
|------------------------------------------------------------|-----------------------------|-----------------|--------|
| Designated Limited Liability Partner<br>Engagement Partner | Certified Public Accountant | Tomoyoshi Inoue | (seal) |
| Designated Limited Liability Partner<br>Engagement Partner | Certified Public Accountant | Sato Masamitsu  | (seal) |
| Designated Limited Liability Partner<br>Engagement Partner | Certified Public Accountant | Tetsuaki Noda   | (seal) |

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in net assets, the related notes, and the supplementary schedules of JSR Corporation as at March 31, 2018 and for the year from April 1, 2017 to March 31, 2018 in accordance with Article 436-2-1 of the Companies Act.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit as accounting auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and the results of operations of JSR Corporation for the period, for which the financial statements was prepared, in accordance with accounting principles generally accepted in Japan.

**Other Matter**

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

**Notes to the Reader of Independent Auditor's Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.



## **Audit Report of the Audit & Supervisory Board**

### **Audit Report**

The Audit & Supervisory Board, with regard to the execution of duties of the Directors during the 73rd fiscal term commencing on April 1, 2017 and ending on March 31, 2018, has discussed and prepared its audit report as described below based upon audit reports prepared by each of the Audit & Supervisory Board Members:

#### **1. Methods and contents of the audits by Audit & Supervisory Board Members and the Audit & Supervisory Board**

- (1) The Audit & Supervisory Board has established audit policies, assigned responsibilities to each Audit & Supervisory Board Member for audits, and received reports from each Audit & Supervisory Board Member on the implementation and results of their audits. In addition, the Audit & Supervisory Board has received reports, requesting explanations when necessary, from Directors, other executives and Accounting Auditors (Independent Auditors) concerning the execution of their duties.
- (2) Each Audit & Supervisory Board Member has, in accordance with the audit standards for Audit & Supervisory Board Members set forth by the Audit & Supervisory Board and with the relevant audit policies and the assignment of responsibilities, facilitated communication with Directors, the Internal Audit Office, employees and other parties, and has endeavored to collect information and develop an optimum audit environment while conducting audits using the following methods:
  - 1) Each Audit & Supervisory Board Member has attended the Board of Directors meetings and other important meetings, received reports, requesting explanations when necessary from Directors, employees and other parties on the execution of their duties, reviewed important documents evidencing the authenticity of corporate decisions made, and examined the status of business operations as well as the assets at the head office and other major business offices. In addition, with regard to subsidiaries, each Audit & Supervisory Board Member has endeavored to communicate and exchange information with Directors, Audit & Supervisory Board Members and other parties of subsidiaries, and received reports, when necessary, from subsidiaries.
  - 2) Each Audit & Supervisory Board Member has regularly received reports, requested explanations when necessary from Directors, employees and other parties, and express its opinion on (i) the contents of the resolution of the Board of Directors on the establishment of structures and the systems to ensure the compliance of Directors' execution of duties with laws and ordinances and Articles of Incorporation as well as to secure the propriety of the conducting businesses of the group comprising the Company and its subsidiaries as set forth under the Article 100, Paragraph 1 and 3 of the Enforcement Regulations of the Companies Act, and (ii) the status of operational execution and maintenance of such structures and systems (internal control system) established based on such resolutions, which are stated in the Business Report of the Company. In addition, with regard to subsidiaries of the Company, each Audit & Supervisory Board Member has received reports and requested explanations when necessary from Directors, employees and other parties of the subsidiaries with regard to the establishment of structures and systems as well as their operational status and requested explanations from such parties when necessary. Concerning internal control over financial reporting, each Audit & Supervisory Board Member has received reports from Directors, etc., and KPMG AZSA LLC. on the evaluation results and the audit status of these internal controls, and requested explanations from such parties when necessary.
  - 3) Each Audit & Supervisory Board Member has monitored and verified the Accounting Auditors' independence and propriety in implementing their audits and has also received reports, requesting explanations when necessary, on their execution of duties. In addition, each Audit & Supervisory Board Member has received a notice from the Accounting Auditors that ensures that "the system for ensuring Accounting Auditors' appropriate execution of duties" (the terms respectively set forth under each of the paragraphs of Article 131 of the Corporation Accounting Regulations) has been maintained in accordance with the "the Standards on Quality Control Concerning Audit" (established by the Business Accounting Council on October 28, 2005), and requested explanations when necessary.

Through these methods, each Audit & Supervisory Board Member reviewed the Business Report of the Company and the supplementary statements thereto, non-consolidated financial statements (the balance sheet, the statement of income, the statement of changes in net assets, and notes on non-consolidated financial statements) and the supplementary statements thereto as well as the consolidated financial statements (consolidated financial positions, consolidated statements of profit or loss, consolidated statements of changes in equity, and notes on consolidated financial statements), for the fiscal term under review.

## 2. Audit results

### (1) Results of audit on Business Report and other documents

- 1) We acknowledge that the Business Report and its supplementary statements fairly represent the status of the Company in accordance with the laws and ordinances, and the Articles of Incorporation.
- 2) With regard to the execution of duties of the Directors, we have found neither misconduct nor material matters in violation of laws and ordinances or the Articles of Incorporation.
- 3) We acknowledge that the contents of the resolutions of the Board of Directors regarding the structures and systems for internal control are fair and proper. We also have found nothing to be specifically addressed concerning descriptions of the Business Report and the execution of duties of Directors in relation to the structures and systems for internal control. In addition, we have received reports from Directors, etc., and KPMG AZSA LLC stating that there were no material defects to be specifically disclosed concerning internal control over financial reporting at the time of preparing this Audit Report.

### (2) Results of audit on non-consolidated financial statements and its supplementary statements

We acknowledge that the methods and the conclusions of the audit by KPMG AZSA LLC are fair and proper.

### (3) Results of audit on consolidated financial statements

We acknowledge that the methods and the conclusions of the audit by KPMG AZSA LLC are fair and proper.

May 8, 2018

Audit & Supervisory Board, JSR Corporation

|                                            |                |        |
|--------------------------------------------|----------------|--------|
| Full-time Audit & Supervisory Board Member | Atsushi Kumano | (seal) |
|--------------------------------------------|----------------|--------|

|                                                                                |             |        |
|--------------------------------------------------------------------------------|-------------|--------|
| Audit & Supervisory Board Member<br>(Outside Audit & Supervisory Board Member) | Hisako Kato | (seal) |
|--------------------------------------------------------------------------------|-------------|--------|

|                                                                                |                |        |
|--------------------------------------------------------------------------------|----------------|--------|
| Audit & Supervisory Board Member<br>(Outside Audit & Supervisory Board Member) | Sumio Moriwaki | (seal) |
|--------------------------------------------------------------------------------|----------------|--------|

## Financial Highlights (Reference)

### 1. Key Consolidated Financial Figures

| Accounting Standard                     |             | Japanese GAAP     |                   |                   | IFRS              |                   |
|-----------------------------------------|-------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Fiscal Term                             |             | FY ended Mar 2015 | FY ended Mar 2016 | FY ended Mar 2017 | FY ended Mar 2017 | FY ended Mar 2018 |
| from/to                                 |             | Apr 2014 Mar 2015 | Apr 2015 Mar 2016 | Apr 2016 Mar 2017 | Apr 2016 Mar 2017 | Apr 2017 Mar 2018 |
| Revenue (Net Sales)                     | JPY million | 404,073           | 386,709           | 390,599           | 388,455           | 421,930           |
| Operating Profit                        | JPY million | 38,068            | 34,408            | 32,370            | 35,943            | 43,569            |
| Profit attributable to owners of parent | JPY million | 29,918            | 24,068            | 30,078            | 30,243            | 33,230            |
| Return on Equity Ratio                  |             | 8.7%              | 6.8%              | 8.4%              | 8.5%              | 8.8%              |
| Total Asset                             | JPY million | 534,592           | 516,359           | 576,016           | 578,484           | 647,699           |
| Equity (Net Asset)                      | JPY million | 364,673           | 362,353           | 376,715           | 376,364           | 411,615           |
| Equity Ratio                            |             | 67.0              | 68.0              | 62.7              | 62.6              | 60.8              |
|                                         |             |                   |                   |                   |                   |                   |
| Cash Dividends (per share)              | JPY/share   | 40                | 50                | 50                | 50                | 50                |
| Cash Dividends (amount)                 | JPY million | 9,301             | 11,279            | 11,125            | 11,125            | 11,129            |
| Dividend Payout Ratio                   |             | 31.1%             | 46.9%             | 37.0%             | 36.8%             | 33.5%             |
| Purchase of Treasury Share              | JPY million | 9,999             | 8,997             | 4,524             | 4,524             | 2                 |

(Note)

The Group has adopted IFRS since the current fiscal year ended on March 31, 2018 and prepared its financial statements for the previous fiscal year ended on March 31, 2017 in accordance with IFRS for reference.

### 2. Segment Information (IFRS)

| Fiscal Term<br>from / to          |             | Revenue           |                   | Operating Profit  |                   |
|-----------------------------------|-------------|-------------------|-------------------|-------------------|-------------------|
|                                   |             | FY ended Mar 2017 | FY ended Mar 2018 | FY ended Mar 2017 | FY ended Mar 2018 |
|                                   |             | Apr 2016 Mar 2017 | Apr 2017 Mar 2018 | Apr 2016 Mar 2017 | Apr 2017 Mar 2018 |
| Elastomers                        | JPY million | 185,345           | 197,373           | 8,800             | 14,870            |
| Plastics                          | JPY million | 46,035            | 52,161            | 3,850             | 5,575             |
| Fine Chemicals and Other Products | JPY million | 157,075           | 172,395           | 23,293            | 23,124            |
| Total                             | JPY million | 388,455           | 421,930           | 35,943            | 43,569            |

### 3. Consolidated Cash Flow

|                                                          |             | FY ended Mar 2017 | FY ended Mar 2018 |
|----------------------------------------------------------|-------------|-------------------|-------------------|
| Cash and its equivalent at the beginning the fiscal year | JPY million | 97,283            | 97,416            |
| Cash Flow from operation                                 | JPY million | 44,494            | 43,596            |
| Cash Flow from investment                                | JPY million | (41,223)          | (20,423)          |
| Cash Flow from financing activities                      | JPY million | (3,535)           | 3,860             |
| Exchange differences on cash and cash equivalent, etc.   | JPY million | 397               | 505               |
| Cash and its equivalent at the end of the fiscal year    | JPY million | 97,416            | 124,956           |