

(TSE Code 4185)  
May 26, 2020

Dear Shareholders,

**Notice of Convening of the 75th Ordinary General Meeting of Shareholders**  
**of**  
**JSR Corporation**

We are pleased to announce the convening of the 75th Ordinary General Meeting of Shareholders of JSR Corporation ("the Meeting") as detailed below:

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,

Nobuo Kawahashi  
Representative Director and President  
JSR Corporation  
1-9-2, Higashi-Shimbashi  
Minato-ku, Tokyo

- 1. Date and Time** June 17, 2020 (Wednesday) 10:00 a.m. (Reception from 9:00 a.m.)
- 2. Venue** Conrad Tokyo  
Annex 2F, "Kazanami"  
1-9-1, Higashi-Shimbashi, Minato-ku, Tokyo, Japan

**3. Agenda**

**Matters to be Reported**

1. Business Report, Consolidated Financial Statements for the 75th Fiscal Term  
(from April 1, 2019 to March 31, 2020) and Audit Report thereon by the Accounting Auditors  
and the Audit & Supervisory Board /
2. Non-Consolidated Financial Statements for the 75th Fiscal Term  
(from April 1, 2019 to March 31, 2020)

**Matters to be Resolved**

- Proposal 1. Appropriation of surplus
- Proposal 2. Election of nine (9) 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 Meeting 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 Tuesday, June 16, 2020 (Japan Time).

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

Please exercise your voting rights via Internet by accessing our web sites for online voting by 5:45 p.m. on Tuesday, June 16, 2020 (Japan Time) after reviewing the “Guidance for Online Voting via Internet” on page 93 (of this translation).

**Please note, however, that the above web sites for online voting are 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.

#### **5. Special Remarks to Shareholders on the Meeting in relation to the spread of COVID-19**

(1) Information and requests to shareholders

The Company will convene the Meeting, in light of the worldwide spread of COVID-19 infection, after implementing appropriate measures to prevent the spread of infection.

You are kindly requested to be fully aware of the status of infection in Japan on the day of the Meeting, guidelines /requests from the national and/or prefectural governments for outings, and your own health conditions.

Under the current circumstances, we would appreciate it very much if you could put the highest priority to avoid the risk of infection when you consider as to how to exercise your voting rights, which includes, for instance, the options of refraining from attending the Meeting in person and indicating your intention by returning the ballot form by mail or voting through internet.

Please kindly check your physical condition and wear a mask at the venue to prevent infection to yourself and to other fellow shareholders. We also appreciate your kind understanding and cooperation with various measures to be taken by the Company in order to prevent infections at the Meeting.

Information on the Company’s response to COVID-19 is available on its website ([https://www.jsr.co.jp/jsr\\_e/](https://www.jsr.co.jp/jsr_e/)).

(2) Measures to be taken by the Company to prevent infection

We would like to take the following measures to prevent the spread of infection among shareholders present at the Meeting in person. We would highly appreciate your kind understanding and cooperation.

- ✓ In order to minimize the risk of infection, we will not provide shareholders who attends the Meeting in person with small confectionery package and drinks this year, which we have been providing as a token of our gratitude.
  - ✓ At the reception desk, we will disinfect your fingers with alcohol, ask you to wear a mask when you enter the venue, and take other measures the Company deems necessary to prevent infection.
  - ✓ If you have a fever, cough, or are not feeling well, please do not hesitate to give up attending the Meeting in person. If you did appear to be ill or to have a fever, our management staff might ask you to refrain from entering.
  - ✓ At the venue, the seats will be arranged at intervals to keep necessary distances, and the proceedings will be carried out promptly.
  - ✓ All members of the board and management staff supporting the Meeting will take a body temperature and check their physical conditions on the morning of the Meeting, and will wear a mask respectively. Please note, however, that the chairman of the Meeting and other directors will take off masks when they speak at the Meeting.
- (3) In the event of major changes in future

If there is a major change in the management of the Meeting due to material changes in circumstances in future, the Company will inform you on the following website.

[https://www.jsr.co.jp/jsr\\_e/ir/library/shareholder.html](https://www.jsr.co.jp/jsr_e/ir/library/shareholder.html)

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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 ([https://www.jsr.co.jp/jsr\\_e/ir/library/shareholder.html](https://www.jsr.co.jp/jsr_e/ir/library/shareholder.html))

## **Reference Materials for the 75th Ordinary General Meeting of Shareholders of JSR Corporation ("the Meeting")**

### **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, considering 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 has kept its policy to endeavor to maintain 50% or more of the total return ratio to our shareholders, which is calculated by dividing the aggregate amounts 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 ¥30 per ordinary share of the Company as year-end dividends.

The total amount of year-end dividends will therefore amount to ¥6,441,415,110.

Accordingly, total dividends per share for this fiscal year (inclusive of interim dividends) will be ¥60 and the total amount of dividends distributed will be ¥12,882,587,040.

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

June 18, 2020

## Proposal 2. Election of nine (9) Directors

As the tenures of all eight (8) current Directors will expire at the close of the Meeting, the Company proposes, considering appropriate composition of its board of directors, that the following nine (9) Directors be newly elected. The Company, by adding one Director to its board, would like to further enhance its diversified structure of the board and thereby to ensure continuous improvement in corporate value.


The 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:

| Number & Name of Candidates       | Types of Appointment | Yrs in office | Position, Responsibility in JSR, Concurrent position                                                                                                                                                                                                                                                  | Attendance to BOD meetings | Nomination Advisory Committee | Remuneration Advisory Committee |
|-----------------------------------|----------------------|---------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|-------------------------------|---------------------------------|
| 1.<br>Mr.<br>Eric<br>Johnson      | Re-appointment       | 1             | Representative Director and CEO responsible for North America Businesses Management (Important concurrent positions held)<br>CEO, JSR North America Holdings, Inc.                                                                                                                                    | 17/17 times (100%)         | member                        | member                          |
| 2.<br>Mr.<br>Nobuo<br>Kawahashi   | Re-appointment       | 4             | Representative Director, President COO and CTO responsible for Research & Development,                                                                                                                                                                                                                | 17/17 times (100%)         | member                        | member                          |
| 3.<br>Mr.<br>Mitsunobu<br>Koshiba | Re-appointment       | 14            | Representative Director, Chairman of the Board Outside Director, Idemitsu Kosan Co., Ltd.                                                                                                                                                                                                             | 17/17 times (100%)         | --                            | --                              |
| 4.<br>Mr.<br>Koichi<br>Kawasaki   | Re-appointment       | 4             | Director Executive Managing Officer responsible for Manufacturing and Technology, Product Safety & Quality Assurance, Procurement, Logistics, Safety and Environment Affairs, Human Resources, and Diversity Development, (Important concurrent positions held)<br>President of Japan Butyl Co., Ltd. | 17/17 times (100%)         | --                            | --                              |
| 5.<br>Mr.<br>Hideki<br>Miyazaki   | Re-appointment       | 2             | Director, Managing Officer, responsible for Accounting, Financing and Corporate Communications                                                                                                                                                                                                        | 17/17 times (100%)         | --                            | --                              |
| 6.<br>Ms.<br>Mika<br>Nakayama     | New appointment      | --            | Officer, General Manager of Intellectual Properties Dept.                                                                                                                                                                                                                                             | n. a.                      | --                            | --                              |


| Number & Name of Candidates | Types of Appointment | Yrs in office | Position, Responsibility in JSR, Concurrent position                                                                                                                                                                                                          | Attendance to BOD meetings | Nomination Advisory Committee | Remuneration Advisory Committee |
|-----------------------------|----------------------|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|-------------------------------|---------------------------------|
| 7.<br>Mr.<br>Yuzuru Matsuda | Re-appointment       | 5             | Independent Outside Director (Important concurrent positions held)<br>Outside Director, KUBOTA Corporation, Outside Director, BANDAI NAMCO Holdings Inc.                                                                                                      | 17/17 Times (100%)         | Chairman                      | Chairman                        |
| 8.<br>Mr.<br>Shiro Sugata   | Re-appointment       | 4             | Independent Outside Director (Important concurrent positions held)<br>Corporate Advisor USHIO INC.<br>Outside Director, Yokogawa Electric Corporation<br>Outside Director, Yamato Holdings. Co., Ltd.                                                         | 17/17 times (100%)         | member                        | member                          |
| 9.<br>Mr.<br>Tadayuki Seki  | Re-appointment       | 3             | Independent Outside Director (Important concurrent positions held)<br>Advisory Member, ITOCHU Corporation<br>Outside Director, PARCO CO., LTD.<br>Outside Director, VALQUA, LTD.<br>Outside Audit & Supervisory Member of Asahi Mutual Life Insurance Company | 16/17 times (94%)          | member                        | member                          |


Notes: "Position, Responsibility in JSR. Concurrent positions" stated in the above table are those of the current fiscal year. However, members of Nomination Advisory Committee and Remuneration Advisory Commission are those after the Meeting subject to approval of the Proposal 2 at the meeting and of the BOD to be held after the Meeting.


| No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Name<br>(Date of Birth)                                                                                                                                                                                                                                                   | Brief personal record, position, responsibilities,<br>and other important concurrent positions held                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |  |
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| 1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <p>Eric Johnson<br/>(June 19, 1961)</p>  <p><u>Re-appointment</u></p> <p>Number of the Company shares owned: 42,000 shares</p> <p>Record of attendance at BOD meetings: 17/17 (100%)</p> | <p>1984      Joined VLSI Technology, Inc.</p> <p>1988      Joined Nikon Precision, Inc.<br/>General Manager of Manufacturing &amp; Technology Division</p> <p>1999      Technology Vice President, Nikon Precision, Inc.</p> <p>Sep. 2001      Joined JSR Micro, Inc.<br/>Principal Vice President</p> <p>Jun. 2005      CEO, JSR Micro, Inc.</p> <p>Jun. 2011      Officer of JSR</p> <p>Jun. 2015      Senior Officer of JSR</p> <p>Apr. 2016      Senior Officer, General Manager of Life Sciences Division of JSR</p> <p>Jun. 2017      Managing Officer, General Manager of Life Sciences Division of JSR</p> <p>Jan. 2019      CEO of JSR North America Holdings, Inc.<br/>(current position)</p> <p>Jun. 2019      Representative Director and CEO of JSR<br/>(current position)</p> <p>(Current responsibilities)<br/>North America Businesses</p> <p>(Important concurrent positions held)<br/>CEO of JSR North America Holdings, Inc.</p> |  |
| <p><b>Reasons for the Nomination of this Candidate for Director:</b></p> <p>Mr. Johnson has contributed significantly to the expansion of semiconductor materials business as CEO of JSR Micro, Inc., one of the key subsidiaries of the Company. Mr. Johnson, as an Officer of JSR, has pushed forward business operation mainly in the U.S and the developing and implementing global strategies since 2011. After assuming office of CEO of the Company, Mr. Johnson has been leading launch and expansion of life science business as well as playing a leading role in, by utilizing his vast experience in international business, realizing the goals of the company to become a corporate entity that satisfies expectations and earns trust from all of the stakeholders of the Company.</p> <p>Mr. Johnson is expected to contribute his vast international experience and knowledge acquired from his experience for nearly 20 years at the JSR Group to help the Company in making crucial decisions and to supervise the performance of duty at the Board of Directors 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>Nobuo Kawahashi<br/>(July 23, 1956)</p>  <p><u>Re-appointment</u></p> <p>Number of Company shares owned: 24,200 shares</p> <p>Record of attendance at BOD meetings: 17/17 (100%)</p> | <p>Apr. 1981 Joined JSR</p> <p>Jun. 2002 Head of Functional Materials Development Laboratory, Fine Electronic Materials Research Laboratories</p> <p>Jun. 2008 Officer, General Manager of Display Material Business Division and New FPD Materials Division</p> <p>Jun. 2009 Officer, General Manager of Electronic Materials Division</p> <p>Jun. 2010 Officer and President of JSR Micro Korea Co., Ltd.</p> <p>Jun. 2011 Senior Officer and President of JSR Micro Korea Co., Ltd.</p> <p>Apr. 2014 Senior Officer, General Manager of Research and Development Division</p> <p>Jun. 2016 Director and Managing Officer</p> <p>Jun. 2017 Director and Executive Managing Officer</p> <p>Jun. 2019 Representative Director and President, COO and CTO of JSR (current position)</p> <p>(Current responsibilities)<br/>Research and Development</p> |
| <p><b>Reasons for the Nomination of this Candidate for Director:</b></p> <p>For many years since joining JSR, Mr. Nobuo Kawahashi has been engaged in JSR's research and development in various key areas for the Company such as synthetic rubbers, emulsion, plastics, semiconductor materials including those for CMP, and functionalized particles for life science business and thus has greatly contributed to the expansion of businesses of the Company. He promoted expansion of businesses of display materials and semiconductor material as a head of business divisions from 2005. After assuming his office as a Representative Director and President and COO of the Company in 2019, Mr. Kawahashi has been, while vigorously supporting CEO, committed himself to strengthen the business foundation of the Company through managing the businesses of Elastomers, Plastics, and Digital Solutions in accordance with the policies and strategies of its mid-term business "JSR 20i9".</p> <p>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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| 3                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <p>Mitsunobu Koshiba<br/>(November 9, 1955)</p>  <p><u>Re-appointment</u></p> <p>Number of the Company shares owned: 102,500 shares</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</p> <p>Jun. 2019 Representative Director and Chairman of the Board (current position)</p> <p>Jun. 2019 Outside Director, Idemitsu Kosan Co., Ltd. (current position)</p> <p>(Important concurrent positions held)<br/>Idemitsu Kosan Co., Ltd.</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 to become a corporate entity that satisfies expectations and earns trust from all of the stakeholders of the Company. After assuming his office as Representative Director and Chairman of the Board, Mr. Koshiba has enhanced the Company's corporate governance standards and improved the board effectiveness, thereby enhancing the value of the Company.</p> <p>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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| 4   | <p>Koichi Kawasaki<br/>(April 20, 1957)</p>  <p><u>Re-appointment</u></p> <p>Number of Company shares owned: 27,000 shares</p> <p>Record of attendance at BOD meetings: 17/17times (100%)</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <p>Apr. 1983 Joined JSR</p> <p>Jun. 2003 Head of the First Manufacture and Technology Center</p> <p>Jun. 2005 Officer, General Manager of Manufacturing &amp; Technology Division</p> <p>Jun. 2007 Director and Senior Officer, General Manager of Manufacturing &amp; Technology Division</p> <p>Jun. 2008 Director and Senior Officer, General Manager of Elastomer Business Division</p> <p>Jun. 2011 Managing Officer, General Manager of Petrochemical Products Division</p> <p>Jun. 2014 Executive Managing Officer, General Manager of Petrochemical Products Division</p> <p>Jun. 2016 Representative Director and Executive Managing Officer, General Manager of Manufacturing &amp; Technology Group</p> <p>Apr. 2018 Representative Director and Executive Managing Officer, General Manager of Manufacturing &amp; Technology Group and President of Japan Butyl Co., Ltd. (current position)</p> <p>Jun. 2018 Representative Director and Executive Managing Officer, General Manager of Manufacturing &amp; Technology Group and President of Japan Butyl Co., Ltd. (current position)</p> <p>Jun. 2019 Director and Executive Managing Officer President of Japan Butyl Co., Ltd. (current position)</p> <p>(Current responsibilities)<br/>Manufacturing and Technology, Product Safety &amp; Quality Assurance, Procurement, Logistics, and Safety and Environment Affairs, Human Resources, and Diversity Development</p> <p>(Important concurrent positions held)<br/>President of Japan Butyl Co., Ltd.</p> |
|     | <p><b>Reasons for the Nomination of this Candidate for Director:</b></p> <p>For many years since joining JSR, Mr. Koichi Kawasaki has been engaged in JSR's production, manufacturing &amp; technology-related businesses.</p> <p>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, Human Resources, and Diversity Development. Throughout his career, he has contributed to the enhancement of JSR's corporate value.</p> <p>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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| 5   | <p>Hideki Miyazaki<br/>(January 22, 1958)</p>  <p><u>Re-appointment</u></p> <p>Number of Company shares owned: 12,400 shares</p> <p>Record of attendance at BOD meetings: 17/17 times (100%)</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<br/> Jun. 2018    Director and Managing Officer (Current Position)</p> <p>(Current responsibilities)<br/> Accounting, Finance, and Corporate Communications</p> |
|     | <p><b>Reasons for the Nomination of the Candidate for Director:</b></p> <p>Mr. Hideki Miyazaki joined JSR after having served as Director and Executive Vice President of Japan Tobacco Inc. He has been contributing enhancing corporate value of the JSR Group by assuming responsibilities for Accounting Financing, and Corporate Communications and by utilizing his vast experience and knowledge both in domestic and international accounting and financing</p> <p>Mr. Miyazaki 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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| 6   | <p data-bbox="254 222 647 285">Mika Nakayama<br/>(January,10, 1961)</p>  <p data-bbox="254 693 461 724"><b>New-appointment</b></p> <p data-bbox="254 758 647 821">Number of Company shares<br/>owned:13,900 shares</p> <p data-bbox="254 884 647 947">Record of attendance at BOD<br/>meetings: n. a.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <p data-bbox="669 222 948 254">Aug. 1984    Joined JSR</p> <p data-bbox="669 254 1235 317">Jun. 2012    Manager, Intellectual Property Office,<br/>Intellectual Property Department</p> <p data-bbox="669 317 1305 348">Apr. 2015    General Manager, Corporate Planning Dept.</p> <p data-bbox="669 348 1468 411">Jun. 2015    Officer, General Manager of Corporate Planning Dept., and<br/>General Manager of Diversity Promotion Dept.</p> <p data-bbox="669 411 1365 474">Apr. 2017    Officer, General Manager of Intellectual Property<br/>Department (current position)</p> |
|     | <p data-bbox="254 984 943 1016"><b>Reasons for the Nomination of the Candidate for Director</b></p> <p data-bbox="254 1047 1468 1110">For many years since joining JSR, Ms. Nakayama has been engaged in protecting and managing intellectual properties of the JSR group.</p> <p data-bbox="254 1110 1468 1299">After assuming the office of an Officer, Ms. Nakayama has been contributing to the enhancement of JSR's corporate value by playing a major role in establishing and promoting "JSR20i6" as General Manager of Corporate Planning Dept, by leading activities for to enhance and promote positions of female employees of the Company as General Manager of Diversity Promotion Dept, and, from April 2017 onward, by successfully accomplishing her responsibilities by performing her roles as General Manager of Intellectual Properties Dept respectively.</p> <p data-bbox="254 1299 1468 1425">Ms. Nakayama is expected to contribute her 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, she 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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| 7   | <p data-bbox="233 222 427 285">Yuzuru Matsuda<br/>(June 25, 1948)</p>  <p data-bbox="233 695 477 789"> <u>Outside Director</u><br/> <u>Re-appointment</u><br/> <u>Independent Director</u> </p> <p data-bbox="233 821 631 884">Number of Company shares owned: None</p> <p data-bbox="233 915 623 978">Term of office:<br/>5 years at the close of this meeting</p> <p data-bbox="233 1010 631 1073">Record of attendance at BOD meetings: 17/17 times (100%)</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <p data-bbox="652 222 1430 285">Apr. 1977 Joined KYOWA HAKKO KOGYO CO., LTD. (“KHK”) (currently known as Kyowa Kirin Co., Ltd.)</p> <p data-bbox="652 285 1403 348">Jun. 2000 Officer, Head of the Pharmaceutical Research Institute Laboratory, KHK</p> <p data-bbox="652 348 1403 411">Jun. 2002 Executive Director and Director of Corporate Planning Department, KHK</p> <p data-bbox="652 411 1292 443">Jun. 2003 President and Chief Operating Officer, KHK</p> <p data-bbox="652 443 1451 506">Oct. 2008 President and Chief Officer, Kyowa Hakko Kirin Co., Ltd. (“KH Kirin”) (currently known as Kyowa Kirin Co., Ltd.)</p> <p data-bbox="652 506 1089 537">Mar. 2012 Senior Advisor, KH Kirin</p> <p data-bbox="652 537 1395 600">Jun. 2012 President of Kato Memorial Bioscience Foundation, a public interest incorporated association</p> <p data-bbox="652 600 1240 632">Mar. 2014 Retired from Senior Advisor, KH Kirin</p> <p data-bbox="652 632 1451 663">Jun. 2014 Outside Director, KUBOTA Corporation (current position)</p> <p data-bbox="652 663 1370 726">Jun. 2014 Outside Director, BANDAI NAMCO Holdings Inc. (current position)</p> <p data-bbox="652 726 1382 758">Jun. 2015 Outside Director, JSR Corporation (current position)</p> <p data-bbox="652 758 1395 852">Jun. 2019 Director Emeritus of Kato Memorial Bioscience Foundation, a public interest incorporated association (current position)</p> <p data-bbox="652 915 1330 1010">(Important concurrent positions held)<br/>Outside Director, KUBOTA Corporation<br/>Outside Director, BANDAI NAMCO Holdings Inc.</p> |
|     | <p data-bbox="233 1108 997 1140"><b>Reasons for Nomination of this Candidate for Outside Director:</b></p> <p data-bbox="233 1171 1468 1234">Mr. Yuzuru Matsuda served as the President and Chief Officer of KYOWA HAKKO KOGYO CO., LTD and Kyowa Hakko Kirin, Co., Ltd (currently known as Kowa Kirin Co., Ltd.) and the Advisor thereto.</p> <p data-bbox="233 1234 1468 1297">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="233 1297 1468 1455">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="233 1486 911 1518"><b>The items relating to the candidate for Outside Director:</b></p> <p data-bbox="233 1518 927 1549">(1) Mr. Yuzuru Matsuda is a candidate for Outside Director.</p> <p data-bbox="233 1549 1468 1612">(2) Summary of agreement to limit Outside Directors’ liabilities proposed to be entered into with Mr. Matsuda:</p> <p data-bbox="290 1612 1468 1738">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 the Meeting, the Company intends to renew the agreement with Mr. Matsuda.</p> <p data-bbox="233 1738 1468 1833">(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 the Meeting, he will be re-appointed as an Independent Director/Auditor.</p> <p data-bbox="233 1833 1468 1896">(4) Mr. Matsuda meets the “Criteria for judging independence of outside directors and audit &amp; supervisory board members”, as set forth on page 22 of this translation.</p> <p data-bbox="233 1896 1468 1927">(5) There are some ongoing transactions involving the purchase of testing reagents and other products</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |


between the group companies of Kyowa Hakko Kirin Co., Ltd. (currently known as Kyowa Kirin Co., Ltd. And 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 2020 amounts to less than 0.1% of JSR Corporation's consolidated revenue for the business year.

- (6) KUBOTA Corporation where Mr. Matsuda currently holds important position reported in September 2018 that inappropriate conduct relating to inspection reports on expendable components(rolling mill rolls) used by its facilities for producing steel plates had taken place. Mr. Matsuda had been unaware of such inappropriate conduct until it came to light. However, he regularly made suggestions at meetings of the Board of Directors and other important meetings from the perspective of corporate compliance as well as compliance with laws and regulations. After recognizing the conduct, he has been contributing to set up necessary measures for recurrence prevention by ordering a thorough investigation of the root causes, and a review of the inspection system.

| No. | Name<br>(Date of Birth)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Brief personal record, position, responsibilities,<br>and other important concurrent positions held                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
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| 8   | <p>Shiro Sugata<br/>(November 17, 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/>4 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)<br/>Jun. 2019 Outside Director, Yamato Holdings Co., Ltd (current position)</p> <p>(Important concurrent positions held)<br/>Corporate Advisor, USHIO INC.<br/>Outside Director, Yokogawa Electric Corporation<br/>Outside Director, Yamato Holdings Co., Ltd</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.</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> <p>(1) Mr. Shiro Sugata is a candidate for Outside Director.</p> <p>(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 the Meeting, the Company intends to renew the agreement with Mr. Sugata.</p> <p>(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 the Meeting, he will be re-appointed as an Independent Director/Auditor.</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

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|  | <p>(4) Mr. Sugata meets the “Criteria for judging independence of outside directors and audit &amp; supervisory board members”, as set forth on page 22 of this translation.</p> <p>(5) There are some ongoing transactions involving the sales of heat resistant transparent resins and purchase of exposure devices 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. The values of such transaction in the current business year ending in March 2020 amounted to less than 0.1% of JSR Group’s consolidated revenue and less than 0.1% of those of USHIO INC. for the previous business year ending in March 2019</p> |
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| No. | Name<br>(Date of Birth)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Brief personal record, position, responsibilities,<br>and other important concurrent positions held                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
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| 9   | <p>Tadayuki Seki<br/>(December 7, 1949)</p>  <p>Outside Director<br/>Re-appointment<br/>Independent Director</p> <p>Number of Company shares owned: 2,200 shares</p> <p>Term of office:<br/>3 years at the close of this meeting<br/>Record of attendance at BOD meetings: 16/17 times (94%)</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <p>Apr. 1973 Joined ITOCHU Corporation<br/>Jun. 2004 Executive Officer and Chief Financial Officer, Food Company, ITOCHU Corporation<br/>Apr. 2007 Managing Executive Officer, General Manager, Finance Division, ITOCHU Corporation<br/>Jun. 2009 Representative Director, Managing Director, Chief Officer for Finance, Accounting, Risk Management and CFO, ITOCHU Corporation<br/>May 2011 Representative Director, Senior Managing Executive Officer, CFO, ITOCHU Corporation<br/>Apr. 2013 Representative Director, Executive Vice President, CFO, ITOCHU Corporation<br/>Apr. 2015 Advisor, ITOCHU Corporation<br/>May. 2016 Outside Director, PARCO CO., LTD. (current position)<br/>Jun. 2016 Outside Director, NIPPON VALQUA INDUSTRIES, LTD. (currently known as VALQUA, LTD.) (current position)<br/>Apr. 2017 Advisory Member, ITOCHU Corporation<br/>Jun. 2017 Outside Director, JSR Corporation (current position)<br/>Jul. 2017 Outside Audit &amp; Advisory Board Member, Asahi Mutual Life Insurance Company</p> <p>(Important Concurrent Positions held)<br/>Advisory Member, ITOCHU Corporation<br/>Outside Director, PARCO CO., LTD.<br/>Outside Director, VALQUA, LTD.<br/>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 the 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 the 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</li> </ol> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

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|     | board members”, as set forth on page 22 of this translation.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| (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 current business year ending in March 2020 amounted to less than 0.5% of JSR Group’s consolidated revenue and less than 0.1% of those of ITOCHU Corporation for the previous business year ending in March 2019 respectively. |


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 Mr. Atsushi Kumano, who is an Audit & Supervisory Board Member, will expire at the close of the Meeting, the Company proposes that the 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:


| Name<br>(Date of Birth)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Brief personal record, position,<br>and other important concurrent positions held                                                                                                                                                                                                                                                                          |
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| <p>Tomoaki Iwabuchi<br/>(March 1, 1958)</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <p>Apr. 1981 Joined Mitsui Mining Co., Ltd (currently known as Nippon Coke &amp; Engineering Co., Ltd.)</p> <p>Apr. 1989 Joined JSR</p> <p>Jun. 2006 General Manager of Group Companies Coordination Dept.</p> <p>Jun. 2009 General Manager of Internal Audit Office</p> <p>Jun. 2017 General Manager of Corporate Audit Department (current position)</p> |
| <p><b>New-appointment</b></p> <p>Number of Company shares owned: 1,000 shares</p> <p>Term of office: n. a.</p> <p>Record of attendance at BOD meetings: n. a.</p> <p>Record of attendance at Audit &amp; Supervisory Board meetings: n. a.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                            |
| <p><b>Reason for the Nomination of this Candidate for Outside Audit &amp; Supervisory Board Member:</b></p> <p>Mr. Iwabuchi engaged in accounting and financing after joining JSR with his expertise in these field. For many years, Mr. Iwabuchi has been contributing to enhance corporate value of the JSR Group and strengthen corporate governance of the Company through his engagement in monitoring and internal auditing over the Company and the JSR Group as General Manager of Group Companies Coordination Dept, Internal Audit Office, and Corporate Audit Dept respectively.</p> <p>Mr. Iwabuchi is expected to utilized his vast experience, knowledge, and expertise 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. He is, therefore, nominated as a candidate for an Audit &amp; Supervisory Board Member.</p> <p><b>The items relating to the candidate for Outside Audit &amp; Supervisory Board Member:</b></p> <p>(1) No conflict of interest exists between Mr. Iwabuchi 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. Iwabuchi:<br/>If this proposal is approved and resolved as originally proposed at the Meeting, 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 under Paragraph 1 of Article 425 of the Companies Act</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. Tomoaki Iwabuchi, who is to become an Audit & Supervisory Board Member subject to the approval and favorable resolution of the Proposal 3 at the Meeting, and Mr. Akira Chiba is proposed to substitute for each of Ms. Hisako Kato and Mr. Sumio Moriwaki, currently serving as Outside Audit & Supervisory Board Members respectively.

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                                                                                                                                                                                                                                                                                                                                           |
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| 1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <div>Makoto Doi<br/>(December 25, 1959)</div> <div></div> <div>Number of Company shares owned:<br/>20,100 shares</div> | <div>Apr. 1983    Joined Sumitomo Metal Industries, Ltd. (currently known as NIPPON STEEL CORPORATION)</div> <div>Nov. 2002    Joined Unicharm Corporation</div> <div>Dec. 2003    Joined JSR</div> <div>Jun. 2012    Officer and General Manager, Legal Department</div> <div>Jun. 2016    Senior Officer,<br/>General Manager, Legal Department (current position)</div> <div>(Current responsibilities)<br/>Legal</div> |
| <p>Reason for the Nomination of this Candidate for Substitute Audit &amp; Supervisory Board Member:<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 affairs. 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>The items relating to the candidate for Substitute Audit &amp; Supervisory Board Member:<br/>No conflict of interest exists between Mr. Doi and the Company.<br/>Summary of agreement to limit the Audit &amp; Supervisory Board Members' liabilities proposed to be entered into with Mr. Doi:<br/>If Proposal 3. and this proposal are approved and resolved as originally proposed at the 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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
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| 2   | <p data-bbox="269 222 509 281">Akira Chiba<br/>(September 11, 1953)</p>  <p data-bbox="269 688 675 747">Number of Company shares owned:<br/>None</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <p data-bbox="699 222 1455 695"> Oct. 1984 Joined Tetsuzo Ota &amp; Co. (currently known as Ernst &amp; Young ShinNihon LLC )<br/> Mar. 1989 Registered as Certified Public Accountant (current position)<br/> Aug. 2000 Partner, Century Ota Showa &amp; Co (currently known as Ernst &amp; Young ShinNihon LLC)<br/> May 2007 Executive Partner, Ernst &amp; Young ShinNihon (currently known as Ernst &amp; Young ShinNihon LLC)<br/> Jun. 2015 Retired from Ernst &amp; Young ShinNihon LLC<br/> Jul. 2015 Representative, Chiba Certified Public Accountant Office (current position)<br/> Apr. 2017 Auditor, Organization for Cross-regional Coordination of Transmission Operation JAPAN (current position)<br/> Jun. 2019 Outside Audit &amp; Supervisory Board Member, TAKACHIHO KOHEKI CO., LTD. (current position) </p> <p data-bbox="699 762 1455 951">(Important concurrent position held)<br/> Representative, Chiba Certified Public Accountant Office<br/> Auditor, Organization for Cross-regional Coordination of Transmission Operation JAPAN<br/> Outside Audit &amp; Supervisory Board Member, TAKACHIHO KOHEKI CO., LTD </p> |
|     | <p data-bbox="269 989 1455 1047"><b>Reason for the Nomination of a Candidate for Substitute Outside Audit &amp; Supervisory Board Member:</b></p> <p data-bbox="269 1083 1455 1335">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 data-bbox="269 1371 1308 1400"><b>The items relating to the candidate for Substitute Audit &amp; Supervisory Board Member:</b></p> <ol data-bbox="269 1400 1455 1938" 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 proposed to be entered into with Mr. Chiba:<br/>If this proposal is approved and resolved as originally proposed at the 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 this proposal is approved and resolved as originally proposed at the 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 22 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.

<<Reference>>

Subject to the resolution of the Proposals 3 and 4 at the Meeting and subject to the subsequent resolution of Audit & Supervisory Board to be held just after the Meeting, the composition of the Audit & Supervisory Board of Directors (“A&SB”) including Substitute Audit & Supervisory Board Members will be as listed in the table below;

(1) List of Audit & Supervisory Board Members (proposed)

| Name                 | Types of Appointment                                      | Yrs in office | Position, Responsibility in JSR, Concurrent position                                                     | Attendance to A&SB meetings | Attendance to BOD meetings |
|----------------------|-----------------------------------------------------------|---------------|----------------------------------------------------------------------------------------------------------|-----------------------------|----------------------------|
| Mr. Tomoaki Iwabuchi | New Appointment<br>Full time Insider                      | n. a.         | Full Time Audit & Supervisory Board Member                                                               | n. a.                       | n. a.                      |
| Ms. Hisako Kato      | During term of office<br>Independent Outside A&SB members | 6             | Certified Public Accountant, Certified Tax Accountant, and Representative, Hisako Kato Accounting Office | 18/18 times (100%)          | 17/17 times (100%)         |
| Mr. Sumio Moriwaki   | During term of office<br>Independent Outside A&SB members | 3             | Lawyer, Partner, ISHII LAW OFFICE, and Outside Director, Topy Industries Limited                         | 18/18 times (100%)          | 17/17 times (100%)         |

(2) List of Substitute Audit & Supervisory Board Members (proposed)

| Name            | Types of Appointment             | Yrs in office | Position, Responsibility in JSR, Concurrent position                                                                                                                                                                | Attendance to BOD meetings | Attendance to BOD meetings |
|-----------------|----------------------------------|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|----------------------------|
| Mr. Makoto Doi  |                                  | n. a.         | Senior Officer, Responsible for Legal affairs General Manager, Legal Department                                                                                                                                     | n. a.                      | n. a.                      |
| Mr. Akira Chiba | Independent Outside A&SB members | n. a.         | Representative, Chiba Certified Public Accountant Office, Auditor, Organization for Cross-regional Coordination of Transmission Operation JAPAN Outside Audit & Supervisory Board Member, TAKACHIHO KOHEKI CO., LTD | n. a.                      | n. a.                      |

(Notes)

1. Mr. Doi is a substitute A&SB member for Mr. Iwabuchi, an A&SB member.
2. Mr. Chiba is an outside substitute A&SB member for either Ms. Kato or Mr. Moriwaki, outside independent A&SB members.

## **(Appendix to the Notice of the 75th Ordinary General Meeting of Shareholders)**

### **Business Report**

For the period from April 1, 2019 to March 31, 2020 ("the current fiscal year")

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

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

In FY ended in March 2020 (April 1, 2019 to March 31, 2020), among the JSR Group's main customer industries, global automobile production fell from the previous fiscal year, mainly reflecting the growing economic slowdown among East Asian nations. Automobile production in China had been emerging from December after recovering from a slump in first-half, but it declined by 12% in January and by 80% in February year-on-year due to the impact of the spread of COVID-19 infections. Automobile production in other regions has also been negatively impacted mainly by the spread of COVID-19 infections. Automobile tire production was also down year-on-year, as it has been hit by the decline in automobile production and other factors. In the semiconductor market, memory devices remained sluggish due to the lingering impact of price levels that had tumbled in the second half of the previous fiscal year, whereas logic devices have been on a recovery path since the first half. As overall display market demand, particularly for wide-screen TV LCD panels, has waned, operational adjustments, including abandonment of production by some customers, were implemented from the 3rd quarter onward. As for the exchange rate, the yen appreciated slightly against the dollar year-on-year.

Amid these circumstances, the JSR Group's Elastomers Business saw lower revenue compared to the previous fiscal year, due to a decline in sales volume because of slackening demand, especially for automobile tires, and falling sales prices caused by deteriorating raw-material market conditions. The segment posted an operating loss, as a result of the revenue decline, worsening price spreads between products prices and raw material prices, and an impairment loss on some fixed assets made in the 4th quarter.

The Plastics Business recorded lower revenue and lower operating profit compared to the previous fiscal year, due to a narrowing price spreads caused by slumping raw-material market conditions, in addition to declines in sales volume, primarily to the automobile market both in Japan and abroad.

In the Digital Solutions Business, the Semiconductor Materials Business recorded higher revenue over the previous fiscal year on the back of strong sales especially in state-of-the-art photoresists as well as continued sales expansion among cleaning solutions and packaging materials and wider sales of EUV photoresists. Display Materials Business revenue fell because of operational adjustments brought on by worsening demand and drops in sales prices. Consequently, the Digital Solutions Business, as a whole, posted a gain in revenue against a decline in operating profit.

The Life Sciences Business, focused as the 3rd core business of the JSR Group, reported higher revenue and significantly higher operating profit compared to the previous fiscal year. The gains were the result of an increase in new contracts by the drug contract development and manufacturing organization (CDMO) business, led by the Group companies KBI Biopharma, Inc. (KBI) and Selexis SA (Selexis), favorable progress by the drug contract research organization (CRO) business provided by Crown Bioscience International (Crown Bio), and strong performance by diagnostic reagent materials and bioprocess materials.

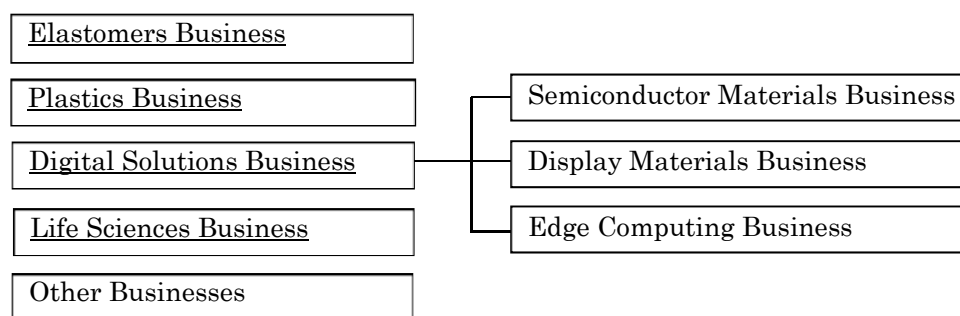
As a result, the Group reported revenue of 471,967 million yen (down 4.7% year-on-year), operating profit of 32,884 million yen (down 27.3% year-on-year), and profit attributable to owners of parent of 22,604 million yen (down 27.4% year-on-year).

With the transfer of JM Energy Corporation shares on April 1, 2020, the lithium-ion capacitor business has been classified as a discontinued operation. Consequently, revenue, operating profit or loss, and other line items are accounted for as sums of continuing operations and the previous consolidated accounting period are similarly reclassified for the purpose of comparisons.



## Business Segment Overview

The JSR Group's business is classified into four reporting segments: Elastomers, Plastics, Digital Solutions, and Life Sciences. The reporting segments are positioned as shown below.



### <Elastomers Business Segment>

Global production of automobile tires, one of the segment's main customer industries, remained weak throughout the year, due to a decline in automobile production over the previous year, particularly in China, compounded by temporary production stoppages or reductions at tire-maker plants in Europe and elsewhere as a consequence of the impact of the spread of COVID-19 infections since January.

Amid these circumstances, the sales volume of solution styrene-butadiene rubber (SSBR), positioned by JSR as a strategic product, improved over the previous fiscal year, despite a year-on-year decline in worldwide tire production volume. Nevertheless, the segment recorded lower revenue compared to the previous fiscal year, as the segment's overall sales volume was sluggish and sales prices slid because of a deterioration in raw-material market conditions. The segment posted an operating loss for the full term as a result of the revenue decline, narrower price spreads, and the impairment loss on some fixed assets made in the 4th quarter.

Consequently, the Elastomers Business segment posted an operating loss of 1,758 million yen, versus an operating profit of 7,421 million yen in the previous fiscal year, on revenue of 178,794 million yen (down 10.9% year-on-year).

### <Plastics Business Segment>

In addition to sluggish performance, especially outside of Japan, in the automobile industry, one of the Plastics Business segment's main customer industries, the segment's sales volume was pushed down by the impact of COVID-19 in the 4th quarter and sales prices fell due to a deterioration in raw-material market conditions. These factors caused revenue to decrease from the previous fiscal year, and the decline in revenue together with decline in price spread led to a lower operating profit.

As a result, the Plastics Business segment posted an operating profit of 6,237 million yen (down 32.3% year-on-year) on revenue of 95,092 million yen (down 9.8% year-on-year).

### <Digital Solutions Business Segment>

In the Semiconductor Materials Business, memory devices continued at a sluggish pace reflecting lingering effect of tumbling prices in the second half of the previous year, whereas logic devices have been on a recovery path since the first half. In addition to strong sales, particularly for state-of-the-art photoresists, expanded sales of new products such as EUV resists and cleaning solutions together with sales expansion of packaging materials in Chinese market pushed revenue higher compared to the previous fiscal year. The Semiconductor Materials Business was not affected by COVID-19. In the Display Materials Business, sales volume of alignment films and insulating films for wide-screen TV LCD panels for Chinese market expanded, however, the business posted lower revenue due to the impact of operational adjustments, including abandonment of production by some customers, amid the structural changes of shifting LC display production from Korea and Taiwan to China. Edge Computing Business expanded sales of NIR Cut Filter. The Semiconductor Materials Business secured a higher operating profit despite rising temporary expenses accompanying expanded cleaning solutions and loss on disposal, and Edge Computing Business performed steadily.

whereas the Display Materials Business, hit by lower revenue, reported a lower operating profit.

Consequently, the Digital Solutions Business segment posted an operating profit of 30,917 million yen (down 5.3% year-on-year) on revenue of 144,805 million yen (up 1.8% year-on-year).

### **<Life Sciences Business Segment>**

The Life Sciences Business segment saw stable revenue growth on the back of favorable progress by the CDMO business, led by the Group companies KBI and Selexis, and in the CRO business of Crown Bio, which became a wholly owned subsidiary in May 2018. Sales of diagnostic reagent materials, bioprocess materials, and other products also climbed. Medical & Biological Laboratories Co., Ltd.'s diagnostic reagent business grew steadily, contributing to overall higher revenue from the previous fiscal year. The segment saw a substantial jump in operating profit thanks to expanded revenue as well as realizing benefits from business restructuring undertaken in the previous fiscal year.

As a result, the Life Sciences Business segment posted an operating profit of 3,594 million yen (up 360.4% year-on-year) on revenue of 50,496 million yen (up 15.1% year-on-year).

## **(2) Capital Expenditure**

The JSR Group's capital expenditure totaled JPY 45.9 billion in the current fiscal year including those for expansion of production capacities for functional cleaning solutions at JSR Micro Inc., its subsidiary in US, the construction of a production plant for SSBR at JSR MOL Synthetic Rubber Ltd ("JMSR"), its subsidiary in Hungary, and expansion of production capacity at KBI Biopharma, Inc., its subsidiary in US, 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 JPY 82.7 billion and remained at the same level as that of last year.

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

### **<Progress under the JSR20i9 Mid-term Business Plan>**

JSR20i9 is the JSR Group's mid-term business plan covering the three-year period from FY ended in March 2018 to FY ended in March 2020 Recognizing this period as "Strengthening competitiveness for the future" — and as the third of three phases promoting continuous reform aimed at fulfilling the Group's 2020 vision, the JSR Group has been engaged in reformation of its businesses. The revenue target set in the JSR20i9 plan was achieved in the previous fiscal year, and in the current fiscal year, the final year of JSR20i9, steady revenue gains were realized in semiconductor materials, a prime growth driver, and in the Life Sciences Business, positioned as the JSR Group's third core business. Unfortunately, the JSR Group's operating profit fell below the fiscal year's initial target due to tough business conditions and other factors. On the other hand, each business segment implemented the reforms described below, laying the groundwork for continued further business expansion in the 2020s.

In the Elastomers Business, sales progressed favorably of solution styrene-butadiene rubber (SSBR) for high-performance tires, whose global demand is climbing. JSR BST Elastomer Co., Ltd. (JBE), a joint venture in Thailand producing SSBR, commenced full operations at both its First Phase Plant and Second Phase Plant. JSR MOL Synthetic Rubber Ltd. (JMSR), a joint venture set up in Hungary, completed construction of a new plant that will start commercial production in FY ending in 2021 in order to handle further demand increases.

In the Plastics Business, JSR established Techno-UMG Co., Ltd. in April 2018 through the merger of Techno Polymer Co., Ltd., a JSR Group company, and UMG ABS, Ltd., a company equally owned by Mitsubishi Chemical Corporation and Ube Industries, Ltd. The organizational integration of the two companies has been completed and streamlining product-family has been made focusing on the competitive highly functional products of both companies. Techno-UMG intends to expand business by increasing its lineup of highly functional products and enlarging sales particularly in

overseas markets.

The Semiconductor Materials Business achieved sales growth outperforming the market through the expansion of sales of peripheral semiconductor materials, such as CMP materials, highly functional cleaning solutions, and packaging materials, in addition to lithography materials, especially JSR's globally competitive state-of-the-art photoresists. EUV Resist Manufacturing & Qualification Center N.V. (EUV RMQC) — a joint venture manufacturing EUV resists that was set up in Belgium with imec, a research institute in cutting-edge nanoelectronics technology — began production in 2017 and is steadily increasing the supply of EUV lithography material products that support 5 nm and subsequent generation processes to advanced semiconductor manufacturers.

The Display Materials Business has focused resources on the China market, where LCD panel production volumes are growing, and expanded sales of its competitive alignment films and insulating films intended particularly for wide-screen ultra-high-resolution LCD panels. JSR Micro (Changshu) Co., Ltd. (JMCH), a joint venture manufacturing company established to promote sales in the growing China market, is expanding production of display materials. At the same time, South Korean and Taiwanese LCD panel makers who buy JSR display materials have begun to adjust their production line operations or to prepare to shut down production lines due to their waning competitiveness in the face of Chinese manufacturers.

In the Life Sciences Business, JSR made Selexis SA (Selexis) and Crown Bioscience International (Crown Bio) subsidiaries in 2017 and in 2018 respectively. These companies, together with KBI Biopharma, Inc. (KBI), have constructed a framework that provides end-to-end process support, from development and discovery to production primarily of antibody drugs. As a result of these moves, the Life Sciences Business has steadily expanded its business, surpassing 50 billion yen in revenue.

In the area of next-generation research, the JSR Group opened the JSR-Keio University Medical and Chemical Innovation Center (JKiC) in October 2017, a joint research facility with Keio University's School of Medicine and the Keio University Hospital. JKIC is spearheading the development of new technologies and innovative materials that will underpin the advancement of new medical fields and sustain the future strategies of JSR's Life Sciences Business. The JSR Group also plans to open a new research lab in the Tonomachi District of Kawasaki in 2021 to coordinate next-generation research that includes the Life Sciences Business.

#### **<Establishment of a New Mid-term Business Plan>**

With the conclusion of the JSR20i9 mid-term business plan at the end of FY ended in March 2020, the JSR Group established a new mid-term business plan that begins from FY ending in March 2021. The new mid-term plan positions the semiconductor materials field and the life sciences domain as growth engines and places organizational sustainability (sustainability as well as environment, social, and governance (ESG)) and resilience as the cornerstones of the Group's future growth. Regrettably, due to the global spread of COVID-19 infections at the present time, the JSR Group has decided to announce revenue and operating profit targets after the world has overcome the COVID-19 and oil crises. The Group's management priority in FY ending in March 2021 will be responding to the current crises in a timely and appropriate manner.

#### **<Coping with Present Business Landscape Turmoil>**

JSR will strengthen its business structure and management framework with aim of sustained growth, by implementing the measures outlined below to cope with the present business landscape turmoil caused by the new risks presented by the spread of COVID-19 infections in addition to the global economic slowdown and the oil crisis.

- 1) JSR will closely monitor demand fluctuations, make deep cuts to costs and product and raw material inventories, and establish a platform capable of quickly adjusting production systems.
- 2) JSR will maintain the organizational capacity and supply chains to ensure business continuity and management stability, despite the crises being faced. JSR will devote the utmost effort to maintaining a firm financial basis capable of delivering stable shareholder returns.
- 3) While pushing to control costs, JSR will continue investments for mid-term and long-term growth and investments in digital transformation and innovation generation with the aim of being a resilient and durable company.
- 4) JSR will further strengthen its financial foundation in preparation for sudden changes in the business landscape.

## **Elastomers Business**

Production of automobiles and tires, the segment's main customer industries, has come to a standstill at the present time due to the impact of the spread of COVID-19 infections, and JSR is embarking on business restructuring to address the segment's profitability issues. At the same time, SSBR demand is increasing for use in fuel-efficient tires as well as expanding to new applications, such as EVs and all-season tires. To address rising demand, JMSR in Hungary will start commercial production in FY ending in March 2021, enabling the JSR Group to supply SSBR globally from three sites in Japan, Thailand, and Hungary and thereby expand sales. Additionally, the JSR Group will boost the ratio of high-added value products, such as battery binders for rechargeable lithium-ion batteries that are experiencing growing global demand, in the Elastomers Business's product portfolio while pursuing restructuring to raise the segment's profitability and ensure its continuity.

## **Plastics Business**

Techno-UMG Co. Ltd., which was formed through a merger in April 2018, will continue to take advantage of the accumulated production capacities, R&D capabilities, and marketing strength of the two former companies and realize synergy benefits through business and product consolidation. The company will endeavor to further enhance profitability by enlarging sales of specialty, high-functional products, such as HUSHLLOY® anti-squeak material and PLATZON® plating material, in overseas markets with a particular focus on the automobile market.

## **Digital Solutions Business**

In the Semiconductor Materials Business, the JSR Group is focusing its energy on maintaining and expanding its share in the cutting-edge lithography materials market, which encompasses state-of-the-art 7 to 10 nm generation processes, amid expectations for heightened semiconductor demand driven by faster communication speeds and increased data communications and capacities. The JSR Group is also putting resources into the development and sales of EUV lithography materials for 5 nm and subsequent generation processes. At the same time, the JSR Group is concentrating on enlarging sales of semiconductor peripheral materials, especially packaging materials, cleaning solutions, and CMP materials used in advanced semiconductor manufacturing, and broadening its product portfolio to achieve business growth that outperforms market growth. JSR is currently constructing a plant for functional cleaning solutions for state-of-the-art semiconductors in the U.S., with the aim of launching operations in FY ending in March 2021. The new plant will establish a supply framework of functional cleaning solutions for state-of-the-art semiconductor manufacturing processes, as the JSR Group endeavors to further expand its business in semiconductor materials.

In the Display Materials Business, the JSR Group will push for greater sales, especially of its competitive alignment films and insulating films for wide-screen LCD panels, in the China market where continued solid growth in the LCD panel market is anticipated, as well as promote responses to structural changes in customer industries. An issue in the LCD panel manufacturing industry is high-temperature processes in excess of 200°C. To reduce the environmental impact of production processes, the JSR Group has developed and started sales last year of new alignment films and peripheral materials that allow these processes to be performed at lower temperatures. Furthermore, the JSR Group will work to improve the sustainability of the Display Materials Business, by developing and supplying innovative materials used in production processes for ultra-high-resolution LCD panels such as 4K, 8K panels and by developing and selling new products, such as OEL panel materials.

In the Edge Computing Business, the JSR Group will work to further expand sales of near-infrared (NIR) Cut Filters used chiefly in small smartphone cameras. These and other efforts will broaden the Group's Digital Solutions Business and contribute to worldwide digitalization.

## **Life Sciences Business**

The Life Sciences Business, positioned as the Group's third core business, has steadily expanded revenue to around 50 billion yen. Future business enlargement will be led by an expansion in new contracts by the biologics contract development and manufacturing organization (CDMO) business provided by KBI and Selexis, an increase in multi-year contracts by Crown Bio's drug contract research organization (CRO) business, expanded global adoption of diagnostic reagent materials and bioprocess materials, and stable growth of the diagnostic reagent and special antibody development business at Medical & Biological Laboratories Co., Ltd. The JSR Group established JSR Life Sciences, LLC in the U.S. in January 2019 and transferred the global management functions of the Life Sciences Business to the

new company. From the U.S., the central site of drug R&D, JSR Life Sciences will guide business-wide strategies across the U.S., Europe, and the Asia-Pacific region, including oversight of Group life sciences companies, and accelerate decision-making.

### **Next-Generation Research**

The JSR-Keio University Medical and Chemical Innovation Center (JKiC) — a joint research facility with Keio University's School of Medicine and the Keio University Hospital — engages in the development of innovative materials, products, and technologies. By bringing together medical insight and materials development expertise, JKiC drives research and development toward social implementation in four main fields: 1) precision medicine, 2) stem cell biology and cell-based medicine, 3) microbiomes, and 4) advanced medical devices. Research in the microbiome field, in which Keio University is a world leader, is showing progress, with JSR already acquiring an exclusive license to commercialize microbiome research outcomes.

The JSR Group has started construction of the JSR Bioscience and informatics R&D Center (JSR BiRD), a new research lab that will perform next-generation research that includes life sciences research, in the Tonomachi District of Kawasaki with a target opening date of 2021. JSR BiRD will promote and accelerate the generation of new businesses. It will do this by aiding the development of JKiC research outcomes toward social implementation as well as by performing research that utilizes materials informatics, which involves the broad application of advanced digital technologies to materials technology development, and practicing open innovation that makes testing facilities and offices available to many outside partners.

### **<Sustainability and Resilience>**

The JSR Group's aim, in line with its corporate mission, is to build good relations with its many stakeholders and to be a trusted and indispensable global company. Therefore, as the Group aims to increase mid-term growth and corporate value based on its corporate mission, it will promote business activities and seek to enhance corporate value under the banner of “organizational sustainability” (sustainability) and “being more resilient” (resilience), amid a turbulent business landscape in which future prospects are uncertain.

### **Organizational Sustainability (Sustainability)**

The JSR Group in FY ended in March 2020 ran the JSR Sustainability Challenge to verify the quantitative social impact of the Group's present business activities. The program verified the concrete nature of the Group's social contributions through its business activities from the perspectives of climate change, resource circulation, digital transformation, and health. In contrast with the FY ended in March 2020 program that looked at business activities from a forecasting point of view starting from the present time, in FY ending in March 2021 the Group will formulate a vision of the Group in 2050, through the scenario analyses from the Task Force on Climate-related Financial Disclosures (TCFD), and work out measures that should be taken from a conceptual frame of reference that begins from the future. The idea is to merge activities from forecasts beginning from the present time and from concepts beginning from the future and use them to draw up the JSR Sustainability Vision 2050, which will spell out the Group's long-term sustainability targets.

JSR defines sustainability as “contributing to society by means of value creation through corporate activities”. Based on the Group's corporate mission statement “Materials Innovation: We create value through materials to enrich society, people, and the environment”, JSR pursues initiatives that contribute to all stakeholders — customers, business partners, employees, society and the environment, and shareholders — by means of value creation through business activities.

### **Being more resilient (Resilience)**

With the spread of COVID-19 infections in FY ended in March 2020, the Business Continuity Plan (BCP) Task Force Meeting was set up and activated for the purposes of business continuity management (BCM). The BCP Task Force Meeting, which includes top management, shared information on the status of COVID-19 infections in each global region, confirmed the status of any infections among Group employees, verified the operational status at each site and examined adaptive measures as needed, announced a remote work system, and determined safety assurance measures for employees and their families on postings away from their home plant or office. Moreover, the BCP Task Force Meeting sought to minimize the impact on Group production, R&D, logistics, and other business activities that support

essential industries worldwide. The Task Force Meeting strives to disclose information on matters concerning stakeholders as such information becomes available, published in the JSR's Responses to COVID-19 section on the JSR website.

The JSR Group set up a business management company at a U.S. site to form multilayered management functions, in order to advance business activities while creating a resilient organization in the face of various crises, including the spread of infectious diseases. The Group is also promoting multilayering at global sites for research and production functions in the Digital Solutions Business and Life Sciences Business. Moreover, in preparation for production obstacles at overseas production sites caused by the spread of COVID-19 infections, the Group has studied supply systems using production backups between sites. In FY ending in March 2021 and beyond, the Group will revise business processes as part of its digital transformation, update enterprise resource planning (ERP) systems, and establish frameworks that enable efficient and speedy business decision-making. As for production activities, the Group will upgrade aging manufacturing facilities and plans to acquire an engineering group company. Absorbing the engineering group company's functions is planned to improve maintenance efficiencies and bolster facility integrity and thus ensure more stable production functions.

## **<Corporate Governance>**

### **Overview of the JSR Board of Directors**

The JSR Board of Directors consists of five internal directors, including the Representative Director & CEO, and three independent outside directors with vast expertise in corporate management and financial operations. One standing audit & supervisory board member and two independent outside audit & supervisory board members (one of whom is female), who are experts in legal affairs, including financing, accounting, taxation, and corporate law, attend all meetings of the Board.

In order to address rapid transformations in the business landscape, such as globalization, IT, and digitalization, the Board of Directors in FY ended in March 2020 approved the selection of the company's first non-Japanese Chief Executive Officer (CEO) as well as the selection of a President & Chief Operating Officer (COO) in Japan to assist the CEO, who is situated in the U.S. and primarily responsible for global management. The selections were based on the findings of the Nomination Advisory Committee, where independent outside directors constitute a majority of the members and whose chair is also an independent outside director. At this Ordinary General Meeting of Shareholders, the Board of Directors plans to submit a proposal for the election of a female director from within the company to further the diversity of the Board of Directors.

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

The Nomination Advisory Committee, which was established in FY ended in March 2016, consists of three independent outside directors (one of whom is the chair) and the Representative Director and the Chairman. The Committee carries out objective and long-term examinations of nominations and removals /dismissals of the CEO and President, the Board of Directors' composition and elections, the Group's management structure, and succession plans for vital management posts.

In FY ended in March 2020, the Committee carried out a follow-up review and evaluation of the new management structure and monitored such initiatives as the Board of Directors' composition and elections and the nurturing and training status of next-generation management candidates. Furthermore, the CEO and President submit annual management activity reports to the Committee, which deliberates on the nomination and removal /dismissal of top management and makes recommendations to the Board of Directors.

### **Assurance of Fairness and Transparency in the Directors' Remuneration Scheme (Initiatives by the Remuneration Advisory Committee)**

JSR established the Remuneration Advisory Committee in FY ended in March 2015, which consists of three independent outside directors (one of whom is the chair) and the Representative Director and Chairman. The Committee, consulting data and recommendations from outside organizations and taking each fiscal year's business performance and other factors into consideration, reports its findings to the Board of Directors on a fair, transparent, and competitive remuneration framework and remuneration amounts as well as a basic policy on directors' remuneration.

In FY ended in March 2020, the Committee, as in other years, verified the validity of the remuneration framework, remuneration amounts, and the basic policy on directors' remuneration against benchmark data and verified the interconnectedness between the mid-term business plan and the remuneration framework. The Committee also endeavors for full transparency in disclosures of the directors' remuneration framework. The Director Remuneration section in JSR's FY ended in March 2019 Annual Report was mentioned on the Japanese Financial Services Agency's website as an example of best practices.

### **Summary of the Results of the JSR Board of Directors' Effectiveness Evaluation**

The JSR Board of Directors conducts an annual effectiveness evaluation of the Board of Directors as a way of seeking to maximize JSR's corporate value through improved Board effectiveness. The FY ended in March 2020 effectiveness evaluation findings reached the conclusion that the JSR Board of Directors is functioning effectively. Effectiveness evaluations will continue to be performed moving forward.

A summary and the results of the FY ended in March 2020 effectiveness evaluation is given on Page 32 of this Notice of the Ordinary General Meeting of Shareholders.

### **Reduction of Cross-Shareholdings**

The Board of Directors reviews the status and the policies for holding individual cross-shareholdings — taking such factors into consideration as the purpose of holding the shares, potential risk and expected return, and cost of capital required to hold individual shares — and promotes the optimization and reduction of cross-shareholdings in line with existing policies.

### **Risk Management Initiatives**

JSR set up the COVID-19 Response Task Force led by the President at the end of January 2020, in light of the spread of COVID-19 infections. The Task Force initially gathered information about the situation in China, decided on measures for local subsidiaries, and implemented support activities. When it became clear that infections were spreading to Japan and around the world, the Task Force was transferred in mid-February to the Business Continuity Plan (BCP) Task Force Meeting. The JSR Group, as a member of the materials industry that supports essential industries worldwide, enacted a standard of conduct to maintain operations at the Group's main production, research, and development sites in Japan, Asia, Europe, and America and completed in mid-February various measures, such as the supply and mandatory use of personal protective equipment, curtailment of outside visitors, sharing of information with employees worldwide, and the establishment of remote work systems at each site. Details of the BCP Task Force Meeting decisions plan to be shared with outside directors and auditors.

While respecting the cultural differences and unique circumstances of business sites around the world, the JSR Group is committed to risk management and business continuity through prompt centralized management of information at the BCP Task Force Meeting leading to appropriate actions.

The JSR Group is committed to tackling the issues outlined above and acting without delay globally under the leadership of the CEO and President.

## For Reference Purposes

### Summary and Results of the Board of Directors' Effectiveness Evaluation in FY ended in March 2020

#### 1. Summary of the evaluation results

##### (1) Evaluation process

A questionnaire survey was conducted in November 2019 of all eight JSR directors (three of whom are independent outside directors) and all three audit & supervisory board members (two of whom are independent outside audit & supervisory board members). The Board of Directors then deliberated on the questionnaire findings and the opinions expressed on the questionnaire and evaluated its effectiveness based on a self-evaluation method. The Board made use of a third party with specialized expertise in questionnaire survey tabulations, assessments, and analysis.

##### (2) Conclusion

The evaluation concluded that “the JSR Board of Directors is functioning effectively”.

##### (3) Reasons for concluding that the JSR Board of Directors is functioning effectively

- The JSR Board of Directors' composition of internal and outside directors and audit & supervisory board members is appropriate from the perspective of diversity of nationalities, gender, and other metrics, and the Board of Directors functions as a meeting body that makes use of each member's respective experience, skills, and field-specific knowledge to facilitate management supervision and resolute decision-making.
- As for the Board of Directors' operations, adequate information is provided to the members and lively and effective deliberations take place at meetings in an open and free atmosphere.
- The Nomination Advisory Committee and the Remuneration Advisory Committee function effectively and enhance the supervisory functions of the Board of Directors by providing pertinent findings and reports while maintaining independence from and objectivity toward the Board of Directors. As a result of the committees' work, an appropriate composition of directors and officers have been secured and elected. The Nomination Advisory Committee played a central role in the process leading to the change in JSR's top management in June 2019. Furthermore, the Remuneration Advisory Committee has secured varied and talented personnel regardless of nationality to further advance global management, operated an attractive director remuneration system, and made disclosures with adequate transparency.
- The Board of Directors receives and deliberates on quarterly reports concerning the state of investor and shareholder initiatives by JSR, incorporates the viewpoints expected from shareholders in the operations and performance of duties by the company, and strives to maximize corporate value.
- Through the collective operation of these functions amid exceptional changes in the business landscape, the Board of Directors strives to improve corporate governance and maximize corporate value.

##### (4) Items of note concerning the evaluation results

Opinions, recommendations, problem areas, and other indications were given in the replies to nearly every evaluation question on the survey. This fiscal year, the following points in particular were mentioned.

#### *Indications of areas of merit and areas where improvements have been seen*

- 1) The JSR Board of Directors' meetings allow for free expression of opinions and constructive deliberations. Agenda items are explained conscientiously in advance and adequate time is given for questions and answers, allowing for substantive and effective deliberations by the Board of Directors.
- 2) This fiscal year more enhanced follow-up reviews are being conducted regarding past Board of Directors' resolutions on important investments, acquisitions, and other matters.
- 3) Coordination between the Board of Directors and the Nomination Advisory Committee and Remuneration Advisory Committee has been further improved and greater sharing of matters at the two advisory committees with the Board of Directors has been promoted, leading to more robust JSR governance.
- 4) Top management files an annual management activity report for the previous fiscal year as well as a performance evaluation report each April with the Nomination Advisory Committee. This initiative to verify the management responsibility of top management each fiscal year is well regarded by the Board of Directors.

#### *Indications of areas requiring improvement*

- 1) As the importance of ESG investment and SDGs initiatives rises, the JSR Board of Directors should increase the opportunities for discussions about all aspects of sustainable and resilient management, which includes ESG investment and SDGs initiatives. Further monitoring is necessary of efforts to advance business



strategies and raise corporate value that account for sustainability and resilience in JSR's business activities.

- 2) With the departure of an outside director with expert knowledge about IT and digital during the current fiscal year, it is necessary to bolster the composition of the JSR Board of Directors with an expert in this field. In keeping with this, further diversity in the Board's makeup is also desired, and it is hoped initiatives will be taken to nurture internal personnel toward securing a female director.

## 2. Future efforts

In receipt of the opinions and recommendations from directors and audit & supervisory board members, the Board of Directors has confirmed it will implement the following points as future Board endeavors.

- The Board of Directors will engage in appropriate monitoring of the execution status of the mid-term business plan and, from the perspective of sustainability and resilience, promote integration of sustainability in JSR's business strategies, further accelerate management decision-making through resilient initiatives (such as multilayered resilient framework establishment and fundamental and functional enhancements of plants and enterprise resource planning (ERP) systems), upgrade aging production facilities, promote the strengthening of response capabilities to various crises in tandem with the growth of core businesses, and maximize JSR's corporate value.
- The Board of Directors has reconfirmed, during the Board of Directors' effectiveness evaluation, key management issues that require ongoing monitoring. The Board of Directors will take up the following issues, conduct focused deliberations, and engage in monitoring of their execution status.

### *Key management issues*

- 1) The practice of management based on sustainability and resilience and the policy of returns to all stakeholders
- 2) Organization of JSR's entire business portfolio and overall optimization of resource allocation
- 3) Establishment of business models and business strategies for the Life Sciences Business in order for it to become the third core business
- 4) Business strategies and business vision for the Elastomers Business, where profitability is declining
- 5) Expansion of the business portfolio in the Digital Solutions Business, which is a current profit engine
- 6) Risk management responses (including BCP responses prompted by COVID-19)

## (5) Development of Assets and Business Results

### 1) IFRS

| Category                                   |                | FY ended<br>March 2017 | FY ended<br>March 2018 | FY ended<br>March 2019 | FY ended<br>March 2020 |
|--------------------------------------------|----------------|------------------------|------------------------|------------------------|------------------------|
| Revenue                                    | JPY<br>million | 388,455                | 421,930                | 495,354                | 471,967                |
| Operating profit                           | JPY<br>million | 35,943                 | 43,569                 | 45,261                 | 32,884                 |
| Profit attributable to<br>owners of parent | JPY<br>million | 30,243                 | 33,230                 | 31,116                 | 22,604                 |
| Basic earnings per<br>share                | JPY            | 135.17                 | 149.32                 | 140.62                 | 104.38                 |
| Total Assets                               | JPY<br>million | 578,484                | 647,699                | 691,435                | 677,713                |
| Total Equity                               | JPY<br>million | 376,364                | 411,615                | 440,360                | 437,412                |

### Financial Outlook for the next fiscal year

| FY ending<br>March 2021 |
|-------------------------|
| 423,000                 |
| 23,000                  |
| 15,000                  |
| 69.86                   |

#### (Notes)

1. In FY ended March 2018, both revenue and profit attributable to owners of parent increased.
2. In FY ended March 2019, revenue increased but profit attributable to owners of parent decreased.
3. Results for FY ended March 2020 are as shown in the “Business Developments and Results” in (1) above.
4. The JSR Group has prepared its consolidated financial statement from FY ended March 2018 onward 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 both IFRS and Japanese GAAP for reference.
5. The Company classified its Lithium Ion Capacitor business as discontinuing business in FY ended March 2020. As a result, revenue and operating profit for the fiscal year are those from continuing business. The Company made relevant adjustment for the figures for FY ended March 2019 as well.

#### (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 such as intensified COVID-19 infection, and changes in social and economic circumstances

### 2) Comparison between Japanese GAAP and IFRS for financial results of FY ended March 2017

| Category                                   | unit          | Japanese GAAP | IFRS    |
|--------------------------------------------|---------------|---------------|---------|
| Net sales                                  | (JPY million) | 390,599       | 388,455 |
| Operating profit                           | (JPY million) | 32,370        | 35,943  |
| Profit attributable to owners of<br>parent | (JPY million) | 30,078        | 30,243  |
| Net profit per share                       | (JPY)         | 134.43        | 135.17  |
| Total Assets                               | (JPY million) | 576,016       | 578,484 |

(6) Principal Subsidiaries and Affiliates (as of March 31, 2020)

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.              | TBH 75 million      | 90 (65)                | Production and sale of carbon master batches and rubber compounds                                                       |
| JSR BST Elastomer Co., Ltd.                 | THB 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-UMG Co., Ltd.                        | JPY 3,000 million   | 51                     | Production, processing and sale of plastics                                                                             |
| JAPAN COLORING CO., LTD.                    | JPY 280 million     | 100                    | Production and sale of plastics color compounds                                                                         |
| JSR Micro N.V.                              | EUR 11,155 thousand | 100                    | Production and sale of semiconductor materials, production and sale of life sciences products                           |
| JSR Micro, Inc.                             | USD 34,638 thousand | 100 (100)              | 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                                                         |
| JSR Micro (Changshu) Co., Ltd.              | RMB 210 million     | 51                     | Production of display materials                                                                                         |
| JSR North America Holdings, Inc.            | USD 29,892 thousand | 100                    | Overseeing Digital Solution Businesses in North America and global operation of Life Sciences Businesses                |
| 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 SA                                  | CHF 288 thousand    | 100                    | Contract development and generation of cell-lines                                                                       |
| Crown Bioscience International              | USD 44,812 thousand | 100                    | Services to support drug development in pre-clinical phases,                                                            |
| JSR Trading Co., Ltd.                       | JPY 480 million     | 100                    | Procurement, sale and import and export of chemicals, etc., casualty's 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. JSR North America Holdings, Inc. established on January 1, 2019 was added to the table above as it commenced commercial operation on April 1, 2019.
5. JM Energy Corporation was deleted from the table above as the Company transferred 80% of its shareholding to Musashi Seimitsu Industry Co., Ltd. on April 1, 2020.

## 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, 2020)**

Manufacturing and sales of the following products

| Business Segments          |                         | Products / Materials                                                                                                                                                                                   |
|----------------------------|-------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Elastomers Business        | 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 Business          |                         | ABS resin, AES resin, AS resin, ASA resin, etc.                                                                                                                                                        |
| Digital Solutions Business | Semiconductor Materials | Lithography materials (photoresists, multi-layered materials), packaging materials, cleaning solutions CMP materials, etc.                                                                             |
|                            | Display Materials       | Color liquid crystal display (LCD) materials, Organic electroluminescence display materials, etc.                                                                                                      |
|                            | Edge Computing          | Heat-resistant transparent resin and functional film, stereolithography, etc.                                                                                                                          |
| Life Sciences Business     |                         | Life Sciences (in vitro reagents for diagnostics and/or research, raw materials for such reagents, bioprocess materials, services to support drug development, etc.                                    |

**(8) Sales Offices, Plants, and other facilities (as of March 31, 2020)**

**1) The Company**

|                         |                                                            |                                                 |                    |
|-------------------------|------------------------------------------------------------|-------------------------------------------------|--------------------|
| Head Office             | 1-9-2, Higashi-Shimbashi, 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             |

## 2) Principal Subsidiaries and Affiliates

| Business Segments          | Company                                      | Location of Head Office |
|----------------------------|----------------------------------------------|-------------------------|
| Elastomers 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-UMG Co., Ltd.                         | Minato-ku, Tokyo        |
|                            | JAPAN COLORING CO., LTD.                     | Yokkaichi, Mie          |
| Digital Solutions Business | JSR Micro N.V.                               | Belgium                 |
|                            | JSR Micro, Inc.                              | United States           |
|                            | JSR Micro Korea Co., Ltd.                    | South Korea             |
|                            | JSR Micro Taiwan Co., Ltd.                   | Taiwan                  |
|                            | JSR Micro (Changshu) Co., Ltd.               | China                   |
| Life Sciences Business     | JSR North America Holdings, Inc.             | United States           |
|                            | MEDICAL & BIOLOGICAL LABORATORIES CO., LTD.* | Nagoya, Aichi           |
|                            | KBI Biopharma, Inc.                          | United States           |
|                            | Selexis SA                                   | Switzerland             |
|                            | Crown Bioscience International               | United States           |
| Other Business             | JSR Trading Co., Ltd.                        | Minato-ku, Tokyo        |

(Notes)

- denotes principal affiliates
- JSR North America Holdings, Inc. oversees North American Business of Digital Solutions Businesses and global operations of Life Sciences Businesses through its 100% subsidiaries. In addition, JSR NV Inc. is also involved in manufacturing and marketing Life Sciences product.

## (9) Employees (as of March 31, 2020)

| Number of employees | Increase/decrease from previous term |
|---------------------|--------------------------------------|
| 9,050               | Increase by 302                      |

## (10) Major Lenders (as of March 31, 2020)

| Lenders                             | Outstanding amount of loans |
|-------------------------------------|-----------------------------|
| Mizuho Bank, Ltd.                   | JPY 45.4 billion            |
| MUFG Bank, Ltd.                     | JPY 19.8 billion            |
| Sumitomo Mitsui Banking Corporation | JPY 9.8 billion             |

(Note)

- The above lenders are those for the JSR Group.
- The amount from the above lenders includes loans from their respective subsidiaries.

## 2. Shares of the Company (as of March 31, 2020)

- |                                                    |                    |
|----------------------------------------------------|--------------------|
| (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                         | 15,999             |
| (5) Major shareholders                             |                    |

| Name of shareholder                                  | Investments in the Company                 |                           |
|------------------------------------------------------|--------------------------------------------|---------------------------|
|                                                      | Number of shares held<br>(thousand shares) | Shareholding Ratio<br>(%) |
| The Master Trust Bank of Japan, Ltd. (trust account) | 18,921                                     | 8.81                      |
| STATE STREET BANK AND TRUST COMPANY 505010           | 15,680                                     | 7.30                      |
| Japan Trustee Services Bank, Ltd. (trust account)    | 13,442                                     | 6.26                      |
| Japan Trustee Services Bank, Ltd. (trust account 9)  | 7,522                                      | 3.50                      |
| Bridgestone Corporation                              | 6,441                                      | 3.00                      |
| Japan Trustee Services Bank, Ltd. (trust account 5)  | 3,724                                      | 1.73                      |
| Nippon Life Insurance Company                        | 3,717                                      | 1.73                      |
| Meiji Yasuda Life Insurance Company                  | 3,631                                      | 1.69                      |
| Japan Trustee Services Bank, Ltd. (trust account 7)  | 3,419                                      | 1.59                      |
| BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1     | 3,355                                      | 1.56                      |

(Notes)

- The numbers in the columns under “Number of shares held” are rounded to thousands of shares.
- The Company is not included in the table above although it holds 11,412,308 treasury shares.
- The shareholding ratio is calculated by using 214,713,837 shares (calculated by deducting number of treasury shares from Total number of issued shares 226,126,145 shares) and rounded to two decimal places.
- The Company acquired 5,993,900 treasury shares upon resolution of the Board of Directors on April 24, 2019.

<<Reference>>

Distribution of shares by nature and size of shareholders

| By nature of shareholders     | %     |
|-------------------------------|-------|
| Foreign investors             | 41.74 |
| Domestic Financial Institutes | 44.14 |
| Other Domestic Companies      | 6.96  |
| Individuals and others        | 7.16  |

| By size of shareholders | %     |
|-------------------------|-------|
| 1,000 units or more     | 89.43 |
| 500 units or more       | 2.17  |
| 50 units or more        | 4.73  |
| 1 unit or more          | 3.65  |
| Less than 1 unit        | 0.02  |

(Notes)

The ratios in the above tables are calculated by applying similar formula to that in “(5) Major Shareholders” above.



**3. Matters Related to Stock Acquisition Rights (subscription rights to shares) of the Company  
(as of March 31, 2020)**

**(1) Stock Acquisition Rights Held by the Directors and Audit & Supervisory Board Members of the Company  
(as of March 31, 2020)**

**1) Directors**

| 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)                  | 219 units                              | Ordinary shares 21,900 shares                                      | JPY 1                                                 | From July 13, 2011 to July 12, 2031            | 4                 |
|             | 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)                  | 42 units                               | Ordinary shares 4,200 shares                                       | JPY 1                                                 | From July 17, 2013 to July 16, 2033            | 2                 |
|             | JSR Corporation Stock acquisition rights for 2014 (July 30, 2014)                  | 52 units                               | Ordinary shares 5,200 shares                                       | JPY 1                                                 | From July 31, 2014 to July 30, 2034            | 2                 |

| 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 |
|-------------|-------------------------------------------------------------------|----------------------------------------|--------------------------------------------------------------------|-------------------------------------------------------|------------------------------------------------|-------------------|
|             | JSR Corporation Stock acquisition rights for 2015 (July 28, 2015) | 20 units                               | Ordinary shares 2,000 shares                                       | JPY 1                                                 | From July 29, 2015 to July 28, 2020            | 1                 |
|             | JSR Corporation Stock acquisition rights for 2016 (July 27, 2016) | 70 units                               | Ordinary shares 7,000 shares                                       | JPY 1                                                 | From July 28, 2016 to July 27, 2021            | 2                 |

## 2) Audit & Supervisory Board Members

| 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                 |

(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 from July 2017 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, 2020)

| Position                                   | Name              | Title and Responsibilities as Officers and Important concurrent positions held, etc.                                                                                                                                                                      |
|--------------------------------------------|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Representative Director,                   | Eric Johnson      | CEO of JSR<br>Responsible for North American Business<br>CEO of JSR North America Holdings, Inc                                                                                                                                                           |
| Representative Director                    | Nobuo Kawahashi   | President, COO and CTO of JSR<br>Responsible for R&D                                                                                                                                                                                                      |
| Representative Director                    | Mitsunobu Koshiba | Chairman of JSR<br>Outside Director, Idemitsu Kosan Co., Ltd.                                                                                                                                                                                             |
| Director                                   | Koichi Kawasaki   | Executive Managing Officer responsible for Manufacturing and Technology, Product Safety & Quality Assurance, Procurement, Logistics, Safety and Environment Affairs, Human Resources, and Diversity Development and<br>President of Japan Butyl Co., Ltd. |
| Director                                   | Hideki Miyazaki   | Managing Officer responsible for Accounting, Finance, and Corporate Communications                                                                                                                                                                        |
| Director                                   | Yuzuru Matsuda    | Outside Director, KUBOTA Corporation, and<br>Outside Director, BANDAI NAMCO Holdings Inc.                                                                                                                                                                 |
| Director                                   | Shiro Sugata      | Corporate Advisor USHIO INC.<br>Outside Director, Yokogawa Electric Corporation<br>Outside Director, Yamato Holdings Co., Ltd.                                                                                                                            |
| Director                                   | Tadayuki Seki     | Advisory Member, ITOCHU Corporation<br>Outside Director, PARCO CO., LTD.<br>Outside Director, VALQUA, 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,<br>Certified Tax Accountant, and<br>Representative, Hisako Kato Accounting Office                                                                                                                                            |
| Audit & Supervisory Board Member           | Moriwaki Sumio    | Lawyer,<br>Partner, ISHII LAW OFFICE, and<br>Outside Director, Topy Industries Limited                                                                                                                                                                    |

##### (Notes)

- Messrs. Yuzuru Matsuda, Shiro Sugata, and Tadayuki Seki are Outside Directors.
- Ms. Hisako Kato and Mr. Sumio Moriwaki are Outside Audit & Supervisory Board Members.
- 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.
- 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
- 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.
- Mr. Manabu Miyazaki, ex-Independent Outside Director, is not included in the table above as he resigned from his office on September 5, 2019, for which Mr. Miyasaka requested to the Company as he assumed public office at Tokyo Metropolis. Mr. Miyasaka did not have any concurrent important positions during his terms of office at the Company
- Other than Mr. Miyasaka, none of directors or audit & supervisory board has resigned during the current fiscal year.

**(Reference) : Officers of the Company (as of March 31, 2020)**

| 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, Human Resources, Diversity Development and President of Japan Butyl Co., Ltd.                                                                                                                   |
| Managing Officer           | Hayato Hirano       | Responsible for Elastomer Business and Plastics Businesses, General Manager of Elastomer Div., and President of Techno-UMG Co., Ltd.                                                                                                                                                                                                          |
| Managing Officer           | Katsuya Inoue       | Responsible for Corporate Planning (including Group Companies Coordination), Business Planning and investment, Digital Solutions Business, Emerging Business and Office of CEO, General Manager of Corporate Planning Dept., and Office of CEO, and Chairman of JSR Micro (Changshu) Co., Ltd. and Executor of JSR Active Innovation Fund LLC |
| Managing Officer           | Hideki Miyazaki*    | Responsible for Accounting, Finance, Corporate Communications                                                                                                                                                                                                                                                                                 |
| Managing Officer           | Tadahiro Suhara     | Responsible for Digital Solution Businesses                                                                                                                                                                                                                                                                                                   |
| Senior Officer             | Takao Shimizu       | Responsible for Office of the President, IT Strategy, Cyber Security Management, Business Process Renovation General Manager of Office of the President, and General Manager of Office of Business Process Renovation                                                                                                                         |
| Senior Officer             | Tsuyoshi Watanabe   | Responsible for China Business, Chairman of JSR (Shanghai) Co., Ltd. and Chairman of JSR Display Technology (Shanghai) Co., Ltd.                                                                                                                                                                                                              |
| Senior Officer             | Kazumasa Yamawaki   | Responsible for Elastomer Business (deputy), Deputy General Manager of Elastomer Div., General Manager of Business Planning Dept., Elastomer Business, President of KRATON JSR ELASTOMERS K. K., and Representative Director of JSR Elastomer Europe GmbH                                                                                     |
| Senior Officer             | Makoto Doi          | Responsible for Legal Affairs and General Manager of Legal Dept.                                                                                                                                                                                                                                                                              |
| Senior Officer             | Yoshikazu Yamaguchi | Responsible for Display Solution Business and Representative Director of JSR Micro Korea Co., Ltd                                                                                                                                                                                                                                             |
| Senior Officer             | Kazushi Abe         | President of ELASTOMIX CO., LTD. President of ELASTOMIX (FOSHAN) CO., LTD. and The Chief Director of JSR Group Corporate Pension Fund                                                                                                                                                                                                         |
| Officer                    | Eiichi Kobayashi    | Executive Vice President of JSR North America Holdings, Inc.                                                                                                                                                                                                                                                                                  |
| Officer                    | Yoichi Mizuno       | Responsible for Edge Computing Business and General Manager of Edge Computing Div.                                                                                                                                                                                                                                                            |
| Officer                    | Mika Nakayama       | General Manager of Intellectual Property Dept.                                                                                                                                                                                                                                                                                                |
| Officer                    | Kouichi Saeki       | Responsible for Yokkaichi Plant and Yokkaichi Plant Manager                                                                                                                                                                                                                                                                                   |
| Officer                    | Seiji Takahashi     | Responsible for Manufacturing and Technology (deputy), and General Manager of SSBR Global Manufacturing & Technology Management Dept.                                                                                                                                                                                                         |

| Position | Name              | Responsibilities and Title                                                                                                                                   |
|----------|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Officer  | Yasufumi Fujii    | Responsible for General Affairs, Secretarial Office, and CSR, General Manager of General Affairs Dept., and General Manager of Secretarial Office            |
| Officer  | Mikio Yamachika   | Lithium Ion Capacitors Business and President of JM Energy Corporation                                                                                       |
| Officer  | Tim Lowery        | Responsible for Life Sciences Business, General Manager of Life Sciences Div. and President of JSR Life Sciences LLC/                                        |
| Officer  | Koichi Hara       | Vice President of JSR North America Holdings, Inc.                                                                                                           |
| Officer  | Junichi Takahashi | Responsible for Electronic Materials Business, General Manager of Electronic Materials Div. and General Manager of Taiwan Branch., Electronic Materials Div. |
| Officer  | Keisuke Wakiyama  | General Manager of Display Solution Business Div.                                                                                                            |
| Officer  | Ichiko Shibuya    | General Manager of Support Dept., Emerging Business JSR Active Innovation Fund, LLC                                                                          |
| Officer  | Toru Kimura       | General Manager of Research & Development                                                                                                                    |

(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, 2020

| Position       | Name              | Responsibilities and Title                                                                                                                                                                |
|----------------|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Senior Officer | Kazumasa Yamawaki | Responsible for Elastomer Business (deputy), Deputy General Manager of Elastomer Div., President of KRATON JSR ELASTOMERS K. K., and Representative Director of JSR Elastomer Europe GmbH |
| Officer        | Mikio Yamachika   | Lithium Ion Capacitors Business and                                                                                                                                                       |

## **(2) Policies for Determining Amount of Remuneration for Directors and Audit & Supervisory Board Members or the Method of Calculation thereof**

It is the JSR Group's goal to make steady progress in realizing its corporate mission (Materials Innovation: We create value through materials to enrich society, people and the environment). This shall be done through efficient and transparent business management, by sustaining sound and healthy business practices. The Group will also continuously strive to create new corporate values with the hope of becoming an attractive corporation that can earn the trust of and satisfy the interests of all our stakeholders.

The Company therefore has been and will continue focusing on the enhancement of corporate governance as an important management challenge. Based upon the understanding that remuneration for Directors is one of the significant pillars that support corporate governance of the Company and in accordance with the basic policies, remuneration governance, remuneration framework and procedures for determining the remuneration, the Company determines the remuneration for its Directors upon resolution of the Board of Directors (hereinafter referred to as “BOD” in this reference) subject to the scope approved at its ordinary general meeting of shareholders.

### **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.

- (1) Attract, secure, and reward diverse and excellent personnel regardless of nationality for the purpose of further enhancing and improving its competitive advantage and global management;
- (2) 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;
- (3) Promote medium to long term improvement in corporate value by sharing the benefit between the Management and shareholders via reinforcement of stock ownership during his/her term of office as Directors

### **2. Remuneration Governance**

- (1) Procedures for determining remuneration, etc.

The BOD deliberates and determines, in relation to remuneration for its Directors, the policies, remuneration framework, and amount of remuneration for individual directors (\*).

In order to ensure independence and objectivity during deliberation and decision-making processes at the BOD mentioned above and to enhance monitoring function and accountability of the BOD, the Company established the Remuneration Advisory Committee as an advisory body for the BOD in order

- \* As an exception, annual Bonuses for Directors other than those for the CEO, Chairperson, and President partially include a portion linked to the evaluation of individual performances subject to the review and determination by CEO and the President, of which details are described in 4 (2) 8) in page 49 of this Notice. On the other hand, the annual bonuses for the CEO, Chairperson, and the President are determined solely by the BOD as described in 4 (2) 6) for the CEO and in 4 (2) 7) for the Chairperson and the President respectively in page 49 of this notice

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

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

Eligible persons for remuneration:

Inside Directors (including representative directors and directors with special assignments), Outside Directors, Audit & Supervisory Board Members, Officers, Executive Advisors, Senior Advisors, and other important employees

#### Items for deliberation

establishment of the remuneration policies, designing the remuneration framework, setting performance targets, reviewing rationale of incentive remunerations, appropriateness of the level and composition of the remunerations, and determination of the amount of remuneration based on the remuneration framework and others

#### (3) Composition of the RAC and attributes of Chairperson

The RAC consists of at least 3 committee members, and more than half of the members shall be Independent Outside Directors, of which chairperson shall be elected from Independent Outside Directors by resolution of the BOD in order to ensure independence, objectivity, and accountability as well as effectiveness of the RAC.

In addition, a third-party consultant, specialist in this field, and staff members for the committee also attend the RAC meetings as observers.

The composition of the RAC members and the summary of activities are described on page 53 of Business Report in this Notice.

### 3. Remuneration framework of the Company

#### (1) Remuneration Structure

Remuneration for directors consists of a) basic remuneration as fixed remuneration, b) annual bonuses linked to the level of achievement of the annual performance target of the Company, c) Mid-term Performance-linked bonuses that are linked to the level of achievement of the medium to long term performance target of the Company and d) remuneration for issuing Restricted Stock Shares designed to facilitate earlier sharing of values between Directors and the shareholders. However, remuneration for Independent Outside Directors and Audit & Supervisory Board Members, in the light of their roles, consists only of basic remuneration.

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

When considering the above mentioned remuneration structure and composition thereof, the Remuneration Advisory Committee (“RAC”) verifies the appropriateness of the level of remuneration through annual benchmarking study by using the remuneration database possessed by a third-party consultant specialized in remuneration for executives and by comparing with the companies whose size, type, and line of business are similar to those of the Company.

In addition, when determining the composition of performance-linked remunerations and other remuneration for a the director who is responsible for overseeing and managing the Company’s international businesses, the RAC verifies the appropriateness of remuneration level for such director through another annual benchmarking study using a method similar to the one described above and using the survey data on remuneration prevailing in the region where such director are responsible for as well as considering each Director’s job responsibilities and the magnitude of impact on management of the JSR Group.

#### (3) Remuneration composition for Directors (excluding Outside Directors)

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

The Company determines the remuneration composition for the CEO who concurrently oversees the businesses in North America by using a survey results by an outside specialist institution on level, composition and mixture for directors’ remuneration prevailing in the region where the director in question is responsible for.

The table below shows each remuneration composition when basic remuneration is set at 100 (the standard amount of the performance-linked remuneration is when a target has been achieved 100%).

|                                         |                                                                     | Basic remuneration | Performance-linked remuneration |                                   |                                                   | Basic remuneration vs. performance-linked remuneration |
|-----------------------------------------|---------------------------------------------------------------------|--------------------|---------------------------------|-----------------------------------|---------------------------------------------------|--------------------------------------------------------|
|                                         |                                                                     |                    | Annual bonus                    | Mid-term performance-linked bonus | Remuneration for granting Restricted Stock Shares |                                                        |
| Directors (excluding Outside Directors) | CEO                                                                 | 100                | 100                             | About 133                         | About 67                                          | 100 : 300                                              |
|                                         | Chairperson, President                                              | 100                | 30                              | 50                                | 25                                                | 100 : 105                                              |
|                                         | Concurrently serve as Executive Managing Officer / Managing Officer | 100                | 25                              | 30                                | 15                                                | 100 : 70                                               |

#### 4. Outline of each remuneration and its determination method

##### (1) Basic remuneration

- 1) It is resolved at the 74th ordinary general meeting of shareholders held on June 18, 2019 that the maximum amount of basic remuneration for Directors is JPY 60 million per month (inclusive of JPY 10 million per month for Outside Directors). The number of eligible directors at the time of the resolution was 9.
- 2) It is resolved at the 60th ordinary general meeting of shareholders held on June 17, 2005 that the maximum amount of basic remuneration for Audit & Supervisory Board Members is JPY 10 million per month.
- 3) The amount of remuneration for audit & supervisory board members is determined through consultation with audit & supervisory board members.

##### (2) Annual bonuses

- 1) It is resolved at the 74th ordinary general meeting of shareholders held on June 18, 2019 that the Company may pay, in accordance with the resolution of the BOD based on review and deliberation of the RAC, annual bonuses to its Directors excluding Outside Directors subject to the maximum annual amount for JPY432 million and to variable payout ratio from 0% to 200% at maximum reflecting the degree of the achievement of the annual targets set forth at the beginning of each fiscal year. The number of eligible directors at the time of the resolution was 5.
- 2) The ratio of standard amount of annual bonuses against the basic remunerations for a) the Director serving as CEO concurrently in charge of businesses in North America, b) Directors serving as the Chairperson or the President, and c) directors concurrently serving as Executive Managing Officer and Managing Officer are 100%, 30% and 25% respectively.
- 3) The Company uses consolidated revenue and consolidated operating profit as the performance evaluation indices on 50/50 basis for annual bonuses linked to the annual performance of the Company, as the former represents a source of its corporate activities while the latter represents the quality of its core business activities.
- 4) The Company calculates a payout ratio reflecting the level of achievement relative to its target set at the beginning of each fiscal year, which varies within the range between 0% and 200% as shown in the table below. At the beginning of each fiscal year, the BOD determines the annual performance targets based upon verification of the appropriateness of the targets by the RAC. At the end of each fiscal year, the RAC calculates and evaluates the amount of payment, and the BOD determines the standard amount of the payment for each position.



The range of performance targets and payout ratio of annual bonuses for FY ended in March 2020  
(in JPY billions)

|                               | Range of payout ratio corresponding to the level of achievement relative to performance target |               |               |
|-------------------------------|------------------------------------------------------------------------------------------------|---------------|---------------|
| Payout ratio                  | 0%                                                                                             | 100% (target) | 200%          |
| Consolidated Revenue          | 471.9 or less                                                                                  | 508.0         | 544.1 or more |
| Consolidated Operating Profit | 29.1 or less                                                                                   | 44.5          | 59.9 or more  |

Note: The payout ratio is calculated proportionately within the range of 0% - 200% by comparing the actual results with the figures in the above table.

- 5) When the RAC deliberates amount for annual bonuses after calculating the payout ratio, it reviews degree of achievement of performance targets by using the annual management activities report submitted by the CEO and the President as a reference and deliberates whether or not there were factors which materially affected the performance of the Company and which were unforeseeable at the beginning of the year when the annual performance targets were determined. The RAC will recommend to the BOD to consider qualitative adjustment to the achievement rate of the performance evaluation indices when it deems necessary.
- 6) The annual bonuses for the CEO are determined by the payout ratio relative to the consolidated performance of the Company as in the above 4) multiplied by the Life Sciences Business performance factor ranging from 0.75 to 1.25 consisting of revenue and operating profit of the business in question on 50/50 basis as the CEO concurrently serves as the President of JSR North America Holdings, Inc. that oversees the Life Sciences Businesses and assumes the responsibility of the businesses in North America as well. Payout ratio of annual bonuses for the CEO has been set within the range between 0% and 200% which is the maximum rate regardless of the calculated payout ratio.  
As a result, annual bonuses to the CEO does not include any portion linked to individual performance which is subject to evaluation and determination by the CEO and the President.
- 7) The annual bonuses for the Chairperson and the President are determined solely by the payout ratio relative to the consolidated performance of the Company as described in the above 4) and do not include any part linked to the evaluation result on individual performances.
- 8) The annual bonuses for Directors other than the CEO, the Chairperson, and the President consist of the part linked to the performance of the entire company (80%) and the other part linked to the individual performance (20%). The part linked to the performance of the entire company is determined in accordance with the formula described in 4) above. As for the part linked to the individual performance, the RAC deliberates the pattern of payment amount by evaluation in advance, and the BOD determines its standard amount. The CEO and President finalize the result of 5 levels of evaluation for the part linked to the individual performance, which has already been deliberated and confirmed by the RAC. The amount of payment linked to the individual performance is determined within the range of 0%-200% by reflecting the result of the evaluation.

### (3) Mid-term Performance-linked Bonuses

- 1) It is resolved at the 74th ordinary general meeting of shareholders held on June 18, 2019 that the Company may pay, in accordance with the resolution of the BOD based on review and deliberation of the RAC, Mid-term Performance-linked Bonuses to its Directors excluding Outside Directors subject to the maximum annual amount for JPY540 million and to the variable payout ratio from 0% to 150% corresponding to the degree of achievement of three year average ROE target for the following 3 fiscal years set at the beginning of three-year period every fiscal year. The number of eligible directors at the time of the resolution was 5.
- 2) The ratio of standard amount of Mid-term Performance-linked Bonuses against respective basic remunerations for a) the Director serving as the CEO concurrently in charge of businesses in North America, b) Directors serving as the Chairperson or the President, and c) Directors concurrently serving as Executive Managing Officer and Managing Officer are 133%, 50% and 30% respectively. The payout ratio varies in the range of 0%-150% of the standard amount for a single fiscal year.
- 3) The Company uses, as the performance evaluation index for Mid-term Performance-linked Bonuses, a three-year average of consolidated ROE (Return on Equity) which the Company sets a target in its mid-term business plan as one of the key indices the Company values for assessing management efficiency.  
The Company set, as performance target, an average of consolidated ROE for the previous 3 years at 10% upon

resolution of the BOD based on recommendation from RAC as the Company set “a minimum ROE of 8%” as its target for FY ended in March 2020 in its mid-term plan, JSR20i9 and as the Company aims to achieve a minimum ROE of 10% as its mid- to long-term target.

- 4) Every time a three-year evaluation period ends, actual ROEs for the past three years are calculated. The RAC calculates and evaluates a payout ratio and the amount of payment according to the level of achievement of the target as described in the table below. Then, the BOD determines the payout ratio and the amount of payment.

Consolidated three-year average ROEs and the range of the payout ratio of Mid-term Performance-linked Bonuses

|                           | The range of the payout ratio according to the three-year average ROE |            |     |               |             |
|---------------------------|-----------------------------------------------------------------------|------------|-----|---------------|-------------|
| Actual 3-year average ROE | less than 6%                                                          | 6% or more | 8%  | 10%           | 12% or more |
| Payout ratio              | 0%                                                                    | 50%        | 50% | 100% (target) | 150%        |

Use 50% payout ratio when actual ROE is between 6 and 8% and calculate proportionately by using the number in the above to obtain a corresponding payout ratio if actual ROE is between 8 and 12%. If ROE is 12% or more, payout ratio will remain at 150%.

- 5) The Company pays, after the end of each evaluation period, a portion of mid-term performance-linked bonuses relative to relevant evaluation period if a director serves only part of the evaluation period

#### (4) Remuneration for issuing Restricted Stock Shares

- 1) It is resolved at the 74th ordinary general meeting of shareholders held on June 18, 2019 that the Company may pay, in accordance with the resolution of the BOD based on review and deliberation of the RAC, remuneration for issuing Restricted Stock Shares to its Directors excluding outside ones subject to the maximum annual amount for JPY200 million, to the maximum annual number of 200,000 ordinary shares of the Company and to a restriction period for 3 years in principle.
- 2) The ratio of standard amount of remuneration for issuing the CEO concurrently in charge of businesses in North America, b) Directors serving as the Chairperson or the President, and c) Directors concurrently serving as Executive Managing Officer and Managing Officer are 67%, 25%, and 15% respectively.
- 3) The remuneration for issuing Restricted Stock Shares has been designed to facilitate earlier sharing of values between Directors and the shareholders. In order to promote retention of restricted stocks while they serve as Directors, and also to raise their awareness towards enhancement of corporate value in the medium to long term, the three-year restriction on stock transfer has been set.
- 4) The amount to be paid in per restricted stock share will be a reasonable amount equal to the closing price of the Company's common shares on the Tokyo Stock Exchange for the last business day preceding the day of the resolution by the BOD or other appropriate price which would not be especially favorable to eligible Directors

#### (5) Disclosure of Directors' remuneration

The outlines and policies to determine each type of remuneration are as described above. With regard to the total amount of each type of remuneration, the payout ratio of performance-linked remuneration, the targets and outcomes of each performance evaluation indices, please refer to the “(3) Amount of Remuneration for Directors and Audit & Supervisory Board Members” in the next page,

**(3) Amount of Remuneration for Directors and Audit & Supervisory Board Members  
(for fiscal year 2019 ended in March 2020)**

| 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 | 9<br>(4) | 311<br>(47)         | 3<br>(2)                         | 50<br>(22)          |
| Annual Bonuses to Directors for this fiscal term                              | 5<br>(-) | 64<br>(-)           | -<br>(-)                         | -<br>(-)            |
| Mid-term Performance-linked Bonuses                                           | 4<br>(-) | 48<br>(-)           | -<br>(-)                         | -<br>(-)            |
| Restricted Stock Shares as Remuneration to Directors                          | 5<br>(-) | 100<br>(-)          | -<br>(-)                         | -<br>(-)            |
| Total                                                                         | 9<br>(4) | 523<br>(47)         | 3<br>(2)                         | 50<br>(22)          |

(Notes)

1. The numbers of the Directors and Audit & Supervisory Board Members and the amount of remunerations thereto in the table above include one (1) Director who retired during the current fiscal year.
2. The above figures do not include the salaries for the employee portion of the Directors who concurrently serve as employees.
3. The above figures are rounded to JPY1 million.
4. The figures for “Mid-term Performance-linked Bonuses” in the above table will be paid on June 19, 2020 as those for 3-year evaluation period from FY ended in Mar 2018 to FY ended in Mar 2020. The Company paid for JPY 25 million on June 15, 2018 for the corresponding 3-year period starting from FY ended in March 2016 and for JPY 39 million on June 14, 2019 for the corresponding 3-year period starting from FY ends in March 2017 respectively.
5. Part of Annual Bonuses for this fiscal term and Mid-term Performance-linked Bonuses paid in US dollar are calculated in Japanese yen (JPY) by using exchange rate at 108.74 yen/\$ as an average for fiscal 2019 ending in March 2020 (average of closing rate at TSE market)

**1) Annual Bonuses**

Performance evaluation reference consists of consolidated annual revenue and operating income on 50/50 basis and respective targets, results and payout ratio thereof are described in the tables below:

Consolidated Revenue and Consolidated Operating Income in the tables below are expressed in JPY billion.

|                               | Performance Evaluation Reference |        |              |                               | Range of Payout Ratio corresponding to the result of the Performance Evaluation Reference |               |               |
|-------------------------------|----------------------------------|--------|--------------|-------------------------------|-------------------------------------------------------------------------------------------|---------------|---------------|
|                               | Target                           | Result | Payout Ratio |                               | 0%                                                                                        | 100% (Target) | 200%          |
| Consolidated Revenue          | 508.0                            | 472.0  | 26.2%        | Consolidated Revenue          | 471.9 or less                                                                             | 508.0         | 544.1 or more |
| Consolidated Operating income | 44.5                             | 32.9   | 46.7%        | Consolidated Operating income | 29.1 or less                                                                              | 44.5          | 59.9 or more  |

Respective payout ratio is calculated proportionately in accordance with the table above.

**(Notes on the Payout Ratio in the table in the previous page)**

As the consolidated revenue and operating income was affected by reduction in raw materials for petrochemical businesses and the extraordinary losses etc., the Company set the payout ratio relating thereto at 26.2% and 46.7% respectively by re-calculating consolidated revenue and operating income after excluding such temporary factors in accordance with the suggestion by the Remuneration Advisory Committee.

As a result, the payout ratio for Annual Bonuses was about 37% by averaging those from consolidated annual revenue and operating profit respectively (reflecting evaluation result of performance of the Group as a whole).

**2) Mid-term Performance-linked bonuses**

The Company paid to its Directors Mid-term Performance-linked bonuses for 3-year period starting from FY ended in March 2016.

Performance evaluation reference is the most recent 3years' average of ROE and the target, actual results and payout ratio thereof are shown in the table below;

Changes in Consolidated annual ROE ratio

| FY ended in Mar 2016 | FY ended in Mar 2017 | FY ended in Mar 2018 | FY ended in Mar 2019 | FY ended in Mar 2020 |
|----------------------|----------------------|----------------------|----------------------|----------------------|
| 6.6%                 | 8.4%                 | 8.8%                 | 7.8%                 | 5.7%                 |

3-Year Average of Consolidated annual ROE

| FY ended in March                   | Target | Actual | Payout Ratio |
|-------------------------------------|--------|--------|--------------|
| ended March 2016 - ended March 2018 | 10%    | 8.0%   | 50%          |
| ended March 2017- ended March 2019  | 10%    | 8.3%   | 53.8%        |
| ended March 2018- ended March 2020  | 10%    | 7.4%   | 50%          |

|                    | Range of Payout Ratio corresponding to the actual ROE of the most recent 3years' average |            |     |               |             |
|--------------------|------------------------------------------------------------------------------------------|------------|-----|---------------|-------------|
| Actual ROE average | less than 6%                                                                             | 6% or more | 8%  | 10%           | 12% or more |
| Payout Ratio       | 0%                                                                                       | 50%        | 50% | 100% (target) | 150%        |

Payout Ratio is 50% when actual ROE average is between 6% and 8% and is calculated proportionately in accordance with the above table when actual ROE average is between 8% and 12%.

### 3) Activities of Remuneration Advisory Committee

#### i) Composition (from April 1, 2019 to March 31, 2020)

|                                             |                                                      |
|---------------------------------------------|------------------------------------------------------|
| Chairman (Independent Outside Director)     | Mr. Yuzuru Matsuda                                   |
| Member (Independent Outside Director):      | Messrs. Shiro Sugata, Tadayuki Seki, Manabu Miyasaka |
| Member (Representative Director, President) | Mr. Mitsunobu Koshiba                                |

#### ii) Activities

The Committee held 5 meeting in FY 2019 ended in March 2020 (April, June and November in 2019 and February in 2020). The chairman and other all members (except for Mr. Miyasaka) attended the all of the meetings

|                        | April, 2019 (twice)                                                                                                                                                                             | June, 2019                                                                                                                                    | November,2019                                                                                                                                                          | February, 2020                                                                                                           |
|------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| Items for deliberation | Performance evaluation for<br>1) annual bonuses for FY ended in Mar 2019 and<br>2 )Mid-term Performance-linked bonuses for 3years period from FY ended in Mar 2017 through FY ended in Mar 2019 | Decision on<br>1) Formula for annual bonuses and Mid-term Performance linked bonuses,<br>2) remuneration package for the FY ended in Mar 2020 | 1) Acknowledgement of the report on circumstances relating to remuneration for management<br>2) Review on current remuneration<br>3) Acknowledgement of current issues | 1) Discussion on remuneration for the FY ends in Mar 2021<br>2) acknowledgement of remuneration for supervising officers |

Note: Tenure of Office of Mr. Miyasaka was from June 18,2019 to September 5,2019

**(4) 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 actively participating and providing necessary appropriate advices, as well as neutral and independent view point, at the Board of Directors meetings etc.                                                                                              |
| Shiro Sugata    | Outside Director                         | Mr. Sugata participated in all 17 meetings of the Board of Directors held during the current fiscal year.<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 actively participating and providing necessary appropriate advices, as well as neutral and independent view point, at the Board of Directors meetings etc.                                                                        |
| Tadayuki Seki   | Outside Director                         | Mr. Seki participated in 16 of 17 meetings of the Board of Directors held during the current fiscal year.<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 actively participating and providing necessary appropriate advices, as well as neutral and independent view point, at the Board of Directors meetings etc.                                        |
| Manabu Miyazaki | Outside Director                         | Mr. Miyasaka participated in 2 of 3 meetings of the Board of Directors held before his resignation during the current fiscal year.<br>Mr. Miyasaka had greatly contributed 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 e-commerce which operate renovative businesses via internet as well as extensive knowledge in IT and digital technologies, and by actively participating and providing necessary appropriate advices, as well as neutral and independent view point, at the Board of Directors meetings etc.                                      |
| Hisako Kato     | Outside Audit & Supervisory Board Member | Ms. Kato participated in all 17 meetings of the Board of Directors and in all 18 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 actively participating and providing necessary and appropriate advices, as well as neutral and independent view point, at the Board of Directors meetings etc. |

| Name           | Position                                 | Major activities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|----------------|------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sumio Moriwaki | Outside Audit & Supervisory Board Member | Mr. Moriwaki participated in all 17 meetings of the Board of Directors and in all 18 meetings of the Audit & Supervisory Board respectively held during the current fiscal year.<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 actively participating and providing necessary and appropriate advices, as well as neutral and independent view point, at the Board of Directors meetings etc. |

**2) Relationship between the Company and organizations where outside directors and outside audit & supervisory board members hold concurrent important positions**

- i. No conflict of interest exists between the Company and neither of KUBOTA Corporation and BANDAI NAMCO Holdings Inc., where Mr. Yuzuru Matsuda, Outside Director, has important concurrent positions.
- ii. The Company has business transactions with USHIO Inc. where Mr. Shiro Sugata, Outside Director, has concurrent important positions involving sales of heat resistant transparent resins and purchase of exposure devices. The Company has business transactions with Yokogawa Electric Corporation (“YEC”) involving purchase of control systems. The Company has business transactions with Yamato Holdings Co., Ltd involving transportation services to the Company.
- iii. The Company has business transactions with ITOCHU Corporation, where Mr. Tadayuki Seki, Outside Director, has important concurrent positions involving the sales and purchase of plastics between the respective group companies. The Company has No conflict of interest exists between the Company and each of PARCO CO., LTD, VALQUA, LTD. and Asahi Mutual Life Insurance Company.
- iv. Mr. Miyasaka did not have any important concurrent positions during his term of business with the Company.
- v. No conflict of interest exists between the Company and either Hisako Kato Accounting Office where Ms. Hisako Kato, Outside Audit & Supervisory Board Members, has important concurrent positions.
- vi. No conflict of interest exists between the Company and either ISHII LAW OFFICE or Topy Industries Limited where Mr. Sumio Moriwaki, Outside Audit & Supervisory Board Members, has important concurrent positions.

## **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 81 million
- 2) Total amount of remuneration to be paid by the Company and its subsidiaries; JPY 116 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 certifying salaries for overseas expatriate employees 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.



## **6. 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.

#### **Fundamental Pillars of Management**

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

- ✓ Continuous Creation of Businesses
- ✓ Enhancement of Corporate Culture
- ✓ Increase Corporate Value

##### **Responsibility to its Stakeholders**

- ✓ Responsibility to its Customers /Business Partners
- ✓ Responsibility to its Employees
- ✓ Responsibility to Society
- ✓ Responsibility to its Shareholders

#### **(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 (herein after inclusive of Executive Officers and Senior Officers) of the Company, as well as makes decisions on material 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 a Group Company as specified under “the Code of Group Companies Management” is responsible for such monitoring and direction respectively.
- 2) The Company has established CSR Committee chaired by the Officer in charge of 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 e JSR Group including compliance with laws, ordinances and other rules.
- 3) The Company has established CSR Committee chaired by the Officer in charge of 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 e JSR Group including compliance with laws, ordinances and other rules.
- 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 hotline reporting channels for whistle blowing. When any directors and employees of JSR Group become aware of internal actions that violate or are likely to violate the compliance rules, they can report either directly to the Corporate Ethics Committee of the respective companies of respective Group

Companies to which they belong or of the Company, or to outside attorneys or a third-party organization specialized in this field through designated external hotline channels which may be done anonymously. Any report made through external hotlines will be automatically and simultaneously transferred to and shared by Full time Audit and Supervisory Member in order to ensure independence of the hotlines from the management.

- 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 meetings 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 CEO, the President, Executive Managing Officers, Managing Officers, and Senior Officers and/or Officers designated by CEO or the President and Full time Audit & Supervisory Board Member 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 CEO or the President. In addition, Business Issue Committee consisting of CEO, the President, the Chairman and Executive 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 meetings of Board of Directors or Executive Committee.
  - ii. the officer system has been adopted in order to clearly distinguish decision-making and monitoring functions of the management from those of business execution and to enhance respective functions. Officers Committee consisting of CEO, the President and all of the Officers holds meetings 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. by establishing the rules for decision making authorities at the Company and Group Companies, the JSR Group has specified the bodies and ways for decision making in accordance with the importance of such decisions and in order to ensure the appropriateness and effectiveness of the execution of the businesses.
  - iv. "the Code of Group Companies Management" for the management of Group Companies has been established. An Officer in charge of a Group Company is responsible for administration and management thereof, while other departments with corporate functions 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. at the Group Companies in Japan with the board of directors, the board of directors regularly held, and the executive committee established in a similar to the Company if necessary deliberate and decide the important business matters in accordance with the relevant internal rules and regulations.
  - ii. at the Group Companies in Japan without the board of directors, executive committee of the company consisting of the president, other key management personnel, and audit & supervisory board members of the Company, and the Officer in charge of the relevant Group Company and/or his/her staff holds meetings on regular basis and deliberates and decides important business matters in accordance with the relevant internal rules and regulations.
  - iii. 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
  - iv. The Company has, considering the location of the market and major business premises, established a holding company in north America (hereinafter referred to as "NAHQ") responsible for overseeing the global Group Companies involved in life sciences business in order to accelerate decision making processes and enhance internal control of these companies. With regard to the decision-making authority over the above Group Companies, the President of the Company transfers his authority, which is to decide upon deliberation at the executive committee, to CEO of the above holding company as long as the decision is made upon deliberation at the executive committee of the above holding company.

- 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 and Business Issues 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) An Officer responsible for the relevant Group Company reports business results and financial statements of the company 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 & Supervisory Board Members and Internal Audit Office of the Company the results of the audit made at the Group Company.
- 3) Department in charge of internal audit of NAHQ will perform internal audit of the Group Companies in life sciences businesses and report its findings to CEO or the President and to manager of Internal Audit Department of the 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 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 & Supervisory Board Member to its Assistant  
The Assistant shall follow instructions and command solely made by the Audit & supervisory Board Member.
- 3) Structures to report to Audit & Supervisory Board Members of the Company from Directors and employees of the Company, from directors and employees of the Group Companies or from those who received reports from them.
  - 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, 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 & Supervisory Board Members regularly, or upon request, report to Audit & Supervisory 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 & Supervisory 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 & Supervisory 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 & Supervisory 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 & Supervisory 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, and 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 Officers in charge of the company and the Audit & Supervisory Board Members.
  - iii. The relevant Officer in charge of such group company 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 Officer in charge of such Group Company 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 employees of the JSR Group with 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.

#### **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 in March 2020, 10 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, CEO, 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 in March 2020.

### **(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.

JSR set up the COVID-19 Response Task Force led by the President at the end of January 2020, in light of the spread of COVID-19 infections. The Task Force initially gathered information about the situation in China, decided on measures for local subsidiaries, and implemented support activities. When it became clear that infections were spreading to Japan and around the world, the Task Force was transferred in mid-February to the Business Continuity Plan (BCP) Task Force Meeting. The JSR Group, as a member of the materials industry that supports essential industries worldwide, enacted a standard of conduct to maintain operations at the Group's main production, research, and development sites in Japan, Asia, Europe, and America and completed in mid-February various measures, such as the supply and mandatory use of personal protective equipment, curtailment of outside visitors, sharing of information with employees worldwide, and the establishment of remote work systems at each site. Details of the BCP Task Force Meeting decisions plan to be shared with outside directors and auditors.

While respecting the cultural differences and unique circumstances of business sites around the world, the JSR Group is committed to risk management and business continuity through prompt centralized management of information at the BCP Task Force Meeting leading to appropriate actions.

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 in March 2020, the Company conducted crisis management drills by focusing on a plant assumed to be hit by mega-earthquake and by involving Anti-Disaster Headquarters members at each the offices and the plants.

The Company also conducted the crisis management drills at its plants and research laboratories 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 21 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 in March 2020, the Company made relevant revisions to reflect establishment of new position of CEO on June 18, 2019.

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, 2020)

(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>303,475</b>      | <b>338,983</b>                   | <b>Current Liabilities</b>                                        | <b>148,398</b>      | <b>172,455</b>                   |
| Cash and cash equivalents                                    | 61,931              | 70,785                           | Trade and other payables                                          | 92,839              | 118,053                          |
| Trade and other receivables                                  | 110,506             | 135,280                          | Borrowings                                                        | 30,043              | 33,519                           |
| Inventories                                                  | 112,840             | 117,046                          | Income taxes payable                                              | 1,757               | 5,598                            |
| Other financial assets                                       | 4,064               | 5,002                            | Other financial liabilities                                       | 3,138               | 532                              |
| Other current assets                                         | 11,487              | 10,870                           | Other current liabilities                                         | 17,976              | 14,752                           |
| Subtotal                                                     | 300,829             | 338,983                          | Subtotal                                                          | 145,752             | 172,455                          |
| Assets related to disposal group classified as held for sale | 2,646               | -                                | Liabilities related to disposal group classified as held for sale | 2,646               | -                                |
| <b>Non-current Assets</b>                                    | <b>374,238</b>      | <b>352,452</b>                   | <b>Non-current Liabilities</b>                                    | <b>91,903</b>       | <b>78,620</b>                    |
| Property, plant and equipment                                | 215,664             | 183,457                          | Borrowings                                                        | 52,684              | 50,777                           |
| Goodwill                                                     | 58,283              | 59,066                           | Retirement benefit liability                                      | 16,216              | 15,870                           |
| Other intangible assets                                      | 15,891              | 14,205                           | Other financial liabilities                                       | 16,198              | 1,675                            |
| Investments accounted for using equity method                | 25,385              | 24,269                           | Other non-current liabilities                                     | 3,667               | 2,733                            |
| Retirement benefit asset                                     | 2,560               | 1,503                            | Deferred tax liabilities                                          | 3,139               | 7,565                            |
| Other financial assets                                       | 44,656              | 58,895                           |                                                                   |                     |                                  |
| Other non-current assets                                     | 2,469               | 2,305                            | <b>Total Liabilities</b>                                          | <b>240,301</b>      | <b>251,075</b>                   |
| Deferred tax assets                                          | 9,331               | 8,751                            |                                                                   |                     |                                  |
|                                                              |                     |                                  | <b>Equity</b>                                                     |                     |                                  |
|                                                              |                     |                                  | <b>Equity attributable to owners of parent</b>                    | <b>396,793</b>      | <b>401,998</b>                   |
|                                                              |                     |                                  | Share capital                                                     | 23,370              | 23,370                           |
|                                                              |                     |                                  | Capital surplus                                                   | 18,242              | 18,436                           |
|                                                              |                     |                                  | Retained earnings                                                 | 369,102             | 351,476                          |
|                                                              |                     |                                  | Treasury shares                                                   | (19,547)            | (10,042)                         |
|                                                              |                     |                                  | Other components of equity                                        | 5,626               | 18,758                           |
|                                                              |                     |                                  | <b>Non-controlling interests</b>                                  | <b>40,619</b>       | <b>38,361</b>                    |
|                                                              |                     |                                  | <b>Total Equity</b>                                               | <b>437,412</b>      | <b>440,360</b>                   |
| <b>Total Assets</b>                                          | <b>677,713</b>      | <b>691,435</b>                   | <b>Total Liabilities and Equity</b>                               | <b>677,713</b>      | <b>691,435</b>                   |

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

**Consolidated Statement of Profit or Loss**  
(from April 1, 2019 to March 31, 2020)

(in millions of yen)

| Items                                                            | Current<br>Fiscal Year | Previous<br>Fiscal Year<br>(Reference) |
|------------------------------------------------------------------|------------------------|----------------------------------------|
|                                                                  | Amount                 | Amount                                 |
| Continuing operations                                            |                        |                                        |
| <b>Revenue</b>                                                   | <b>471,967</b>         | <b>495,354</b>                         |
| Cost of sales                                                    | (331,228)              | (347,928)                              |
| <b>Gross profit</b>                                              | <b>140,739</b>         | <b>147,426</b>                         |
| Selling, general and administrative expenses                     | (104,343)              | (102,105)                              |
| Other operating income                                           | 1,304                  | 1,713                                  |
| Other operating expenses                                         | (4,879)                | (2,306)                                |
| Share of profit of investments accounted for using equity method | 64                     | 533                                    |
| <b>Operating profit</b>                                          | <b>32,884</b>          | <b>45,261</b>                          |
| Finance income                                                   | 1,929                  | 2,499                                  |
| Finance costs                                                    | (2,184)                | (1,352)                                |
| <b>Profit before tax</b>                                         | <b>32,629</b>          | <b>46,408</b>                          |
| Income taxes                                                     | (6,859)                | (10,985)                               |
| <b>Profit from continuing operations</b>                         | <b>25,770</b>          | <b>35,423</b>                          |
|                                                                  |                        |                                        |
| Discontinued operations                                          |                        |                                        |
| <b>Profit (loss) from discontinued operations</b>                | <b>252</b>             | <b>(1,837)</b>                         |
| <b>Profit</b>                                                    | <b>26,022</b>          | <b>33,586</b>                          |
| Profit attributable to                                           |                        |                                        |
| Owners of parent                                                 | 22,604                 | 31,116                                 |
| Non-controlling interests                                        | 3,418                  | 2,470                                  |
| <b>Total</b>                                                     | <b>26,022</b>          | <b>33,586</b>                          |

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



**Consolidated Statement of Changes in Equity**  
(from April 1, 2019 to March 31, 2020)

(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 as of April 1, 2019                                   | 23,370                                  | 18,436          | 351,476           | (10,042)        | 18,758                     | 401,998  | 38,361                   | 440,360      |
| Effect of changes in accounting policies                      |                                         |                 | 133               |                 |                            | 133      |                          | 133          |
| Restated balance at the beginning of the current fiscal year  | 23,370                                  | 18,436          | 351,609           | (10,042)        | 18,758                     | 402,131  | 38,361                   | 440,493      |
| Profit                                                        |                                         |                 | 22,604            |                 |                            | 22,604   | 3,418                    | 26,022       |
| Other comprehensive income                                    |                                         |                 |                   |                 | (5,118)                    | (5,118)  | (768)                    | (5,886)      |
| Total comprehensive income                                    | -                                       | -               | 22,604            | -               | (5,118)                    | 17,486   | 2,650                    | 20,136       |
| Share-based payment transactions                              |                                         | (174)           |                   | 292             | (47)                       | 71       |                          | 71           |
| Dividends                                                     |                                         |                 | (13,054)          |                 |                            | (13,054) | (1,453)                  | (14,507)     |
| Changes in treasury shares                                    |                                         | (31)            |                   | (9,798)         |                            | (9,829)  |                          | (9,829)      |
| Transfer from other components of equity to retained earnings |                                         |                 | 7,968             |                 | (7,968)                    | -        |                          | -            |
| Changes by sale of shares of subsidiaries                     |                                         |                 |                   |                 |                            | -        | (361)                    | (361)        |
| Changes in equity due to capital increase of subsidiary       |                                         |                 |                   |                 |                            | -        | 1,422                    | 1,422        |
| Other movements                                               |                                         | 10              | (24)              |                 |                            | (13)     |                          | (13)         |
| Total transactions with owners, etc.                          | -                                       | (194)           | (5,110)           | (9,506)         | (8,014)                    | (22,825) | (392)                    | (23,217)     |
| Balance as of March 31, 2020                                  | 23,370                                  | 18,242          | 369,102           | (19,547)        | 5,626                      | 396,793  | 40,619                   | 437,412      |

(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. 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: 61 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-UMG Co., Ltd., JAPAN COLORING CO., LTD.,  
JSR Micro N.V., JSR Micro, Inc., JSR Micro Korea Co., Ltd., JSR Micro Taiwan Co., Ltd.,  
JSR Micro (Changshu) Co., Ltd., MEDICAL & BIOLOGICAL LABORATORIES CO., LTD.,  
KBI Biopharma Inc., Selexis SA., Crown Bioscience International, JM Energy Corporation,  
JSR Trading Co., Ltd.,

##### 2) Changes in numbers of major consolidated subsidiaries

There is neither increase nor decrease of major consolidated subsidiaries.

#### (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) Changes in numbers of major associates to which the equity method is applied

There is neither increase nor decrease of major associates to which the equity method is applied.

#### (4) Matters related to accounting standards

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

#### I Financial instruments

##### (i) Financial assets

###### (a) 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 purchased or sold in the normal course of business are initially recognized on the transaction date. Financial assets are subsequently classified into either those measured at amortized cost or those measured at fair value.

Financial assets measured at fair value through profit or loss are initially measured at fair value. Financial assets measured at fair value through other comprehensive income and those measured at amortized cost are initially measured at the aggregate of fair value and transaction costs that are directly attributable to the acquisition of the financial asset. Additionally, trade receivables that do not include significant financial components are initially measured at the transaction price.

i) 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.

ii) 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.

Of these assets, financial assets which generate, on specified dates, cash flows that are solely payments of principal and interest on the principal amount outstanding and which are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling the assets are classified as debt financial assets measured at fair value through other comprehensive income.

Moreover, for certain equity financial assets, the Group has made an irrevocable election to present subsequent changes in fair value in other comprehensive income and classified these assets as equity financial assets measured at fair value through other comprehensive income.

Financial assets such as derivative assets, other than the above assets, are classified as financial assets measured at fair value through profit or loss.

(b) Subsequent measurement

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

i) Financial assets measured at amortized cost

Measured at amortized cost using the effective interest method.

ii) 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 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 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.

(c) 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.

(ii) Financial liabilities

(a) Initial recognition and measurement

The Group initially recognizes financial liabilities on the contract date. Financial liabilities are initially measured at fair value less transaction costs that are directly attributable to the acquisition of the financial liability.

(b) Subsequent measurement

Measured at amortized cost using the effective interest method.

(c) Derecognition

Financial liabilities are derecognized when contractual obligations are discharged, cancelled, or expired.

(iii) Offsetting financial instruments

Financial assets and liabilities are offset if and only if there is a legally enforceable right to set off the recognized amount of financial assets against the recognized amount of financial liabilities; and there is the intent either to settle on a net basis or to realize assets and settle liabilities simultaneously.

## II 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 loss allowance. 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 loss allowance. Judgment as to whether or not a material increase in credit risk has occurred since 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

Expected credit losses are measured as weighted average of the present value of difference between all contractual cash flows that are due to the entity in accordance with the contract and all cash flows that the entity expects to receive, weighted by respective risks of default occurring. The Group treats any financial assets as a credit-impaired financial asset in cases where the financial asset is considered to have defaulted, including cases where the financial asset is significantly past due even after enforcement activities for the performance of obligations are taken and where the debtor files legal proceedings for bankruptcy, corporate reorganization, civil rehabilitation and special liquidation.

The Group deducts the loss allowance for financial assets measured at amortized cost from the asset's total carrying amount, and recognizes the loss as profit or loss.

When the Group has no reasonable expectations of recovering all or part of a financial asset, the carrying amount of the asset is directly written off by that amount.

## III Derivatives and hedge accounting

Derivatives are initially recognized at fair value at the date in which the derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period after initial recognition. The method of recognizing the resulting gain or loss depends on whether or not the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as hedging instruments of cash flow hedges (hedges of a particular risk associated with a recognized asset or liability, or a highly probable forecast transaction), and certain foreign currency borrowings as hedging instruments of net investment in foreign operations.

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 value of derivatives designated as hedging instruments of cash flow hedges and satisfying the conditions thereof are recognized in other comprehensive income. Gains or losses arising from ineffective portions are recognized immediately as profit or loss. Accumulated gains or losses recognized through other comprehensive income are reclassified to profit or loss in the period when the cash flow originating from the hedged items effects 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 gains 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 gains or losses recognized in other comprehensive income are reclassified immediately to profit or loss.

With regard to certain foreign currency borrowings that are retained for the purpose of hedging exposure to exchange rate fluctuation risks for net investments in foreign operations, the portion of foreign exchange differences deemed effective as a hedge is recognized in other comprehensive income as hedges of net investment in foreign operations. Of exchange differences in the hedging instruments, any ineffective portion of the hedge or any portion of the hedge not subject to the assessment of hedge effectiveness is recognized in profit or loss.

Through net investment hedges, the cumulative amount of gain or loss recognized in other comprehensive income is reclassified to profit or loss on the disposal of the foreign operations.

#### IV 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. Inventories and work in process manufactured by the Company include the amounts of manufacturing overhead appropriately allocated based on the ordinary operating rate.

#### V Property, plant and equipment (excluding right-of-use assets)

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 depreciate 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: 10 to 50 years
- Machinery, equipment, and vehicles: 5 to 25 years
- Tools, furniture, and fixtures: 3 to 10 years

## VI 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 the intention to complete the development and to 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 “ VII Business combinations.” The Group does not amortize goodwill, but tests for impairment every fiscal year. Impairment of goodwill is stated in “VIII Impairment of non-financial assets.” Impairment losses of goodwill are recognized as 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 amortized 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, etc., are accounted at cost less any accumulated amortization and accumulated impairment losses, which are amortized 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

## VII 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 value of the acquired entity’s identifiable 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.

If the initial accounting for the business combination has not been completed by the closing date of the reporting period in which the business took place, such incomplete items that have not been completed are measured at provisional amounts based on the best estimate.

If the new information obtained during the measurement period, which lasts for a year from the acquisition date, affects the measurement of the amount recognized on the acquisition date, the provisional amount recognized on the acquisition date is retroactively revised.

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 as 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.

#### VIII 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 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.

#### 2) Methods of depreciation applicable to significant depreciable assets

##### (i) Property, plant and equipment (excluding right-of-use assets)

The straight-line method is applied.

##### (ii) Intangible assets (excluding right-of-use assets)

The straight-line method is applied.

##### (iii) Right-of-use 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 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.

#### 4) Standards of foreign currency translation applicable to significant assets and liabilities in foreign currency

##### (i) 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.

(ii) 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 in principle, exchange differences are recognized in profit or loss.

(iii) 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.

5) Standards of revenue recognition

The Group recognizes revenue by applying the following five steps, apart from interest and dividend income based on IFRS 9 — Financial Instruments.

Step 1: Identify the contract with the customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to performance obligations.

Step 5: Recognize revenue when (or as) the Group satisfies a performance obligation.

In sales contracts with customers for products and merchandise, the Group recognizes the sale as revenue when the product and merchandise are delivered to the customer, considering that ownership of the products and merchandise is transferred to the customer and the performance obligation is fulfilled. For the rendering of services, the Group recognizes revenue at fixed intervals with fulfillment of performance obligations based on the contract between the Group and customer.

6) Method applicable to reporting of consumption tax, etc.

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

7) Employee benefits

(i) 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.

(ii) 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.

#### 8) Non-current assets held for sale and discontinued operations

A non-current asset or disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction instead of through continued use.

The conditions for classifying an asset or disposal group as held for sale are that it must be available for immediate sale in its present condition and the sale must be highly probable. The classification is also limited to when management of the Group is committed to executing the sale plan and the sale is generally expected to complete within one year. After classification as held for sale, an asset or disposal group is measured at the lower of the carrying amount and the fair value less costs to sell, and is not depreciated or amortized.

A discontinued operation includes a component of a company that either has been disposed of or is classified as held for sale, represents a line of business or geographical area of a group, and is recognized when there is a plan to dispose of that line of business or geographical area.

#### 9) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group elects not to recognize right-of-use assets and lease liabilities for short-term leases within 12 months and leases of low-value assets.

Apart from short-term leases or leases of low-value assets, the group records right-of-use assets and lease liabilities in the Consolidated Statement of Profit or Loss at the lease commencement date when a contract is, or contains a lease. The lease payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

Right-of-use assets are measured under the cost model and are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost includes the initial measurement amount of a lease liability, any lease payments made at or before the lease commencement date, and any initial direct costs. Right-of-use assets are depreciated over the shorter of the estimated useful life and the lease term on a straight-line basis. Lease liability is measured at the present value of unpaid lease payments. Lease payments are apportioned between finance costs and repayments of lease obligations under the effective interest rate method. Finance costs are recognized in the consolidated statement of profit or loss.

#### (5) Changes in accounting policy

The Group has applied the following standard since the current consolidated fiscal year.

| IFRS             | Summary of New / Revised Standard                 |
|------------------|---------------------------------------------------|
| IFRS 16 — Leases | Revision of accounting related to lease contracts |

The Group has applied IFRS 16 — *Leases* (“IFRS 16”) from the current consolidated fiscal year. For the adoption of IFRS 16, the Group has employed a method recognizing the cumulative effect of the standard’s application, deemed to be a transitional measure, as the balance of retained earnings at the beginning of the current period at the date of initial application, without presenting a restatement of comparative information (modified retrospective approach).

At inception of a contract, the Group assesses whether the contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group elects not to recognize right-of-use assets and lease liabilities for short-term leases within 12 months and leases of low-value assets.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date when a contract is assessed to be, or contain, a lease. The lease liability of a lease transaction is measured at the discounted present value of the total unpaid value of lease payments at the lease commencement date. The right-of-use asset is initially measured based on the initial measurement amount of the lease liability adjusted for any initial direct costs incurred or any lease payments made at or before the commencement date, plus any costs to restore the underlying asset or the site on which it is located and other related costs required in the lease contract. The right-of-use asset is periodically depreciated over the term of the lease. Lease payments are allocated to finance costs and an amortization component of the lease liability balance, in such a way as to apply a fixed interest rate to the lease liability balance. Finance costs are categorized and recorded as depreciation pertaining to the right-of-use asset on the Consolidated Statement of Profit or Loss.

Whether a contract is a lease or whether a contract contains a lease is determined based on the substance of the contract, even when the contract is not legally a lease-type contract. The lease payments associated with leases with a term concluding within 12 months and leases for which the underlying asset is of low value are recognized as an expense on a straight-line basis over the lease term.

As a result of the transition to IFRS 16, right-of-use assets of 13,810 million yen have been incrementally recognized in *Property, plant and equipment* and lease liabilities of 13,678 million yen have been incrementally recognized in *Other financial liabilities* under current liabilities and non-current liabilities on the current Consolidated Statement of Financial Position at the date of initial application. The weighted average incremental borrowing rate applied to lease liabilities recognized at the date of initial application of IFRS 16 was 3.0%.

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

### (1) Assets pledged and claims related thereto

|                |                    |                  |
|----------------|--------------------|------------------|
| Assets pledged | Current assets     | ¥ 7 million      |
|                | Non-current assets | ¥ 14,040 million |
|                | Total              | ¥ 14,047 million |

|                                  |                                      |              |
|----------------------------------|--------------------------------------|--------------|
| Liabilities related to the above | Borrowings (current liabilities)     | ¥ 29 million |
|                                  | Other current liabilities            | ¥ 2 million  |
|                                  | Borrowings (non-current liabilities) | ¥ 2 million  |
|                                  | Total                                | ¥ 33 million |

### (2) Loss allowance directly deducted from assets

|                     |               |
|---------------------|---------------|
| Current assets:     | ¥ 788 million |
| Non-current assets: | ¥ 177 million |

### (3) Accumulated depreciation on property, plant and equipment (including accumulated impairment loss): ¥ 458,942 million

### (4) Guarantee obligations

|                              |                 |
|------------------------------|-----------------|
| CMIC JSR Biologics Co., Ltd. | ¥ 2,770 million |
| ELASTOMIX MEXICO S.A de C.V. | ¥ 370 million   |
| Total                        | ¥ 3,140 million |

## 3. 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 18, 2019 | Ordinary shares | 6,613                                   | 30                        | March 31, 2019     | June 19, 2019               |
| Board of Directors Meeting on October 28, 2019            | Ordinary shares | 6,441                                   | 30                        | September 30, 2019 | November 27, 2019           |
| Total                                                     |                 | 13,054                                  | 60                        |                    |                             |

#### 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 17, 2020 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 17, 2020 | Ordinary shares | 6,441                                   | Retained Earnings   | 30                        | March 31, 2020 | June 18, 2020               |

- (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

229,100 ordinary shares

#### 4. 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.

#### 5. Notes on per-share information

|                                                   |            |
|---------------------------------------------------|------------|
| Equity attributable to owners of parent per share | ¥ 1,848.01 |
| Basic earnings per share                          | ¥ 104.38   |

(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, 2020)

(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>156,963</b>      | <b>186,405</b>                   | <b>Current Liabilities</b>                              | <b>80,695</b>       | <b>100,270</b>                   |
| Cash and deposits                                                | 13,066              | 21,603                           | Accounts payable-trade                                  | 37,387              | 59,937                           |
| Notes receivable                                                 | 42                  | 42                               | Short-term loans payable                                | 9,129               | 7,800                            |
| Accounts receivable-trade, net                                   | 52,089              | 62,774                           | Accounts payable-other                                  | 8,367               | 5,736                            |
| Short-term investment securities                                 | 13,000              | 15,000                           | Accrued expenses                                        | 14,103              | 14,341                           |
| Inventories                                                      | 56,356              | 59,044                           | Deposits received from subsidiaries and associates      | 10,692              | 9,527                            |
| Accounts receivable-other                                        | 19,305              | 25,815                           | Other                                                   | 1,016               | 2,929                            |
| Other                                                            | 3,105               | 2,127                            |                                                         |                     |                                  |
| <b>Non-current Assets</b>                                        | <b>246,494</b>      | <b>248,648</b>                   | <b>Non-current Liabilities</b>                          | <b>13,891</b>       | <b>16,711</b>                    |
| <b>Property, plant and equipment</b>                             | <b>69,569</b>       | <b>66,269</b>                    | Long-term loans payable                                 | 500                 | 500                              |
| Buildings, net                                                   | 18,406              | 18,552                           | Provision for retirement benefits                       | 12,303              | 11,653                           |
| Structures, net                                                  | 4,720               | 4,849                            | Deferred tax liabilities                                | -                   | 3,422                            |
| Machinery and equipment, net                                     | 23,642              | 22,075                           | Other                                                   | 1,089               | 1,136                            |
| Vehicles, net                                                    | 102                 | 130                              |                                                         |                     |                                  |
| Tools, furniture and fixtures, net                               | 7,405               | 6,407                            | <b>Total Liabilities</b>                                | <b>94,586</b>       | <b>116,982</b>                   |
| Land                                                             | 13,001              | 13,001                           | <b>Net Assets</b>                                       |                     |                                  |
| Construction in progress                                         | 2,293               | 1,254                            | <b>Shareholders' equity</b>                             | <b>299,833</b>      | <b>299,512</b>                   |
| <b>Intangible assets</b>                                         | <b>8,566</b>        | <b>5,537</b>                     | <b>Capital stock</b>                                    | <b>23,370</b>       | <b>23,370</b>                    |
| Software                                                         | 1,217               | 1,138                            | <b>Capital surplus</b>                                  | <b>25,230</b>       | <b>25,250</b>                    |
| Other                                                            | 7,349               | 4,398                            | Legal capital surplus                                   | 25,230              | 25,230                           |
|                                                                  |                     |                                  | Other capital surplus                                   | -                   | 20                               |
| <b>Investments and other assets</b>                              | <b>168,359</b>      | <b>176,842</b>                   | <b>Retained earnings</b>                                | <b>270,781</b>      | <b>260,933</b>                   |
| Investment securities                                            | 29,536              | 45,090                           | Legal retained earnings                                 | 3,710               | 3,710                            |
| Shares of subsidiaries and associates                            | 111,145             | 108,083                          | Other retained earnings                                 | 267,070             | 257,222                          |
| Investments in capital of subsidiaries and associates            | 6,684               | 5,934                            | Reserve for special depreciation                        | -                   | 3                                |
| Long-term loans receivable from subsidiaries and associates, net | 14,405              | 14,541                           | Reserve for advanced depreciation of non-current assets | 3,712               | 3,800                            |
| Long-term prepaid expenses                                       | 145                 | 518                              | General reserve                                         | 42,431              | 42,431                           |
| Prepaid pension cost                                             | 1,634               | 1,141                            | Retained earnings brought forward                       | 220,927             | 210,988                          |
| Deferred tax assets                                              | 2,763               | -                                | <b>Treasury stock</b>                                   | <b>(19,547)</b>     | <b>(10,042)</b>                  |
| Other                                                            | 2,047               | 1,535                            | <b>Valuation and translation adjustments</b>            | <b>8,542</b>        | <b>17,890</b>                    |
|                                                                  |                     |                                  | Unrealized gains on securities, net of taxes            | 8,542               | 17,890                           |
|                                                                  |                     |                                  | <b>Subscription rights to shares</b>                    | <b>495</b>          | <b>669</b>                       |
| <b>Total Assets</b>                                              | <b>403,457</b>      | <b>435,053</b>                   | <b>Total Net Assets</b>                                 | <b>308,871</b>      | <b>318,071</b>                   |
|                                                                  |                     |                                  | <b>Total Liabilities and Net Assets</b>                 | <b>403,457</b>      | <b>435,053</b>                   |

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

**Statement of Income**  
(from April 1, 2019 to March 31, 2020)

(in millions of yen)

| Items                                               | Current<br>Fiscal Year | Previous<br>Fiscal Year<br>(Reference) |
|-----------------------------------------------------|------------------------|----------------------------------------|
|                                                     | Amount                 | Amount                                 |
| <b>Net Sales</b>                                    | <b>225,156</b>         | <b>245,372</b>                         |
| <b>Cost of sales</b>                                | <b>158,536</b>         | <b>170,076</b>                         |
| <b>Gross profit</b>                                 | <b>66,621</b>          | <b>75,296</b>                          |
| <b>Selling, general and administrative expenses</b> | <b>54,889</b>          | <b>54,447</b>                          |
| <b>Operating income</b>                             | <b>11,731</b>          | <b>20,848</b>                          |
| <b>Non-operating income</b>                         | <b>9,575</b>           | <b>13,695</b>                          |
| Interest income                                     | 218                    | 194                                    |
| Dividends income                                    | 8,146                  | 11,156                                 |
| Foreign exchange gains                              | 37                     | 949                                    |
| Other                                               | 1,174                  | 1,395                                  |
| <b>Non-operating expenses</b>                       | <b>1,881</b>           | <b>1,514</b>                           |
| Interest expenses                                   | 38                     | 44                                     |
| Loss on abandonment of non-current assets           | 223                    | 161                                    |
| Other                                               | 1,619                  | 1,309                                  |
| <b>Ordinary income</b>                              | <b>19,426</b>          | <b>33,029</b>                          |
| <b>Extraordinary income</b>                         | <b>10,936</b>          | <b>693</b>                             |
| Reversal of allowance for doubtful accounts         | 286                    | 323                                    |
| Gain on sales of investment securities              | 10,209                 | 370                                    |
| Other                                               | 442                    | -                                      |
| <b>Extraordinary loss</b>                           | <b>9,137</b>           | <b>1,901</b>                           |
| Bad debts written off                               | 6,316                  | -                                      |
| Provision of allowance for doubtful accounts        | 90                     | 1,339                                  |
| Impairment loss                                     | 1,454                  | 264                                    |
| Other                                               | 1,278                  | 299                                    |
| <b>Income before income taxes</b>                   | <b>21,224</b>          | <b>31,820</b>                          |
| <b>Income taxes</b>                                 | <b>(1,688)</b>         | <b>5,688</b>                           |
| Income taxes-current                                | 371                    | 6,045                                  |
| Income taxes-deferred                               | (2,059)                | (357)                                  |
| <b>Net income</b>                                   | <b>22,912</b>          | <b>26,132</b>                          |

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

**Statements of Changes in Net Assets**  
(from April 1, 2019 to March 31, 2020)

(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 | General reserve | Retained earnings brought forward |          |
| Balance at the beginning of the current fiscal year                  | 23,370               | 25,230                | 20                    | 25,250                | 3,710                   | 3                                | 3,800                                                   | 42,431          | 210,988                           | 260,933  |
| Changes of items during the current fiscal year                      |                      |                       |                       |                       |                         |                                  |                                                         |                 |                                   |          |
| Dividends from surplus                                               |                      |                       |                       |                       |                         |                                  |                                                         |                 | (13,054)                          | (13,054) |
| Net income                                                           |                      |                       |                       |                       |                         |                                  |                                                         |                 | 22,912                            | 22,912   |
| Reversal of reserve for special depreciation                         |                      |                       |                       |                       |                         | (3)                              |                                                         |                 | 3                                 | -        |
| Reversal of reserve for advanced depreciation of non-current assets  |                      |                       |                       |                       |                         |                                  | (146)                                                   |                 | 146                               | -        |
| Provision of reserve for advanced depreciation of non-current assets |                      |                       |                       |                       |                         |                                  | 58                                                      |                 | (58)                              | -        |
| Purchase of treasury stock                                           |                      |                       |                       |                       |                         |                                  |                                                         |                 |                                   | -        |
| Disposal of treasury stock                                           |                      |                       | (31)                  | (31)                  |                         |                                  |                                                         |                 |                                   | -        |
| Net changes of items other than shareholders' equity                 |                      |                       | 10                    | 10                    |                         |                                  |                                                         |                 | (10)                              | (10)     |
| Total changes of items during the current fiscal year                | -                    | -                     | (20)                  | (20)                  | -                       | (3)                              | (88)                                                    | -               | 9,938                             | 9,848    |
| Balance at the end of the current fiscal year                        | 23,370               | 25,230                | -                     | 25,230                | 3,710                   | -                                | 3,712                                                   | 42,431          | 220,927                           | 270,781  |

|                                                                      | 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                  | (10,042)             | 299,512                    | 17,890                                     | 669                           | 318,071          |
| Changes of items during the current fiscal year                      |                      |                            |                                            |                               |                  |
| Dividends from surplus                                               |                      | (13,054)                   |                                            |                               | (13,054)         |
| Net income                                                           |                      | 22,912                     |                                            |                               | 22,912           |
| 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 |                      | -                          |                                            |                               | -                |
| Purchase of treasury stock                                           | (10,002)             | (10,002)                   |                                            |                               | (10,002)         |
| Disposal of treasury stock                                           | 497                  | 466                        |                                            |                               | 466              |
| Net changes of items other than shareholders' equity                 |                      | -                          | (9,348)                                    | (174)                         | (9,522)          |
| Total changes of items during the current fiscal year                | (9,506)              | 322                        | (9,348)                                    | (174)                         | (9,200)          |
| Balance at the end of the current fiscal year                        | (19,547)             | 299,833                    | 8,542                                      | 495                           | 308,871          |

(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 right-of-use assets)

The straight-line method is applied.

##### 2) Intangible assets (excluding right-of-use 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) Right-of-use 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 provisions

##### 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 plan 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                                           | ¥ 5,397 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; Short-term loans receivable, net                 | ¥ 90 million  |
| Accounts receivable-trade, net                                   | ¥ 1 million   |
| Investments and other assets;                                    |               |
| Long-term loans receivable from subsidiaries and associates, net | ¥ 426 million |
| Other                                                            | ¥ 37 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):

¥ 306,814 million

(4) Claims to/from subsidiaries and associates (including those presented separately)

|                                                 |                  |
|-------------------------------------------------|------------------|
| Short-term monetary claims to associates        | ¥ 28,522 million |
| Long-term monetary claims to associates         | ¥ 14,831 million |
| Short-term monetary obligations from associates | ¥ 27,802 million |

(5) Export exchange notes discounted: ¥ 162 million

(6) Guarantee obligations

|                                |                  |
|--------------------------------|------------------|
| JSR MOL Synthetic Rubber Ltd.  | ¥ 11,813 million |
| JSR BST Elastomer Co., Ltd.    | ¥ 10,870 million |
| KBI Biopharma, Inc.            | ¥ 7,618 million  |
| JSR Micro, Inc.                | ¥ 7,183 million  |
| CMIC JSR Biologics Co., Ltd.   | ¥ 2,770 million  |
| Crown Bioscience International | ¥ 1,415 million  |
| Selexis SA                     | ¥ 849 million    |
| JSR Micro (Changshu) Co., Ltd. | ¥ 494 million    |
| Total                          | ¥43,012 million  |

**3. Notes on statement of income**

Transactions with subsidiaries and associates:

Operating transaction

|                            |                  |
|----------------------------|------------------|
| Sales                      | ¥ 89,533 million |
| Amount for goods purchased | ¥ 42,231 million |
| Other trade transactions   | ¥ 19,167 million |
| Non-operating transactions | ¥ 5,609 million  |

Impairment losses on non-current assets

(1) Outline of assets or asset groups recognized as impairment losses

| Category        | Description                                    | Type                          | Location        |
|-----------------|------------------------------------------------|-------------------------------|-----------------|
| Business assets | Manufacturing equipment for elastomer products | Machinery and equipment, etc. | Ichihara, Chiba |

(2) Background for recognition of impairment losses

As the recovery of investments became unlikely due to the decline in asset profitability in the current fiscal year, the carrying amounts were reduced to the recoverable amounts, and the reductions (1,454 million yen) were recorded as impairment losses.

(3) Amounts of impairment losses

|                               |                 |
|-------------------------------|-----------------|
| Buildings                     | ¥ 66 million    |
| Structures                    | ¥ 20 million    |
| Machinery and equipment       | ¥ 1,354 million |
| Tools, furniture and fixtures | ¥ 10 million    |
| Software                      | ¥ 3 million     |
| Total                         | ¥ 1,454 million |

(4) Method of grouping assets

As a general rule, assets are grouped according to management accounting classifications, which are used to continuously monitor income and expenses.

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

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

11,412,308 ordinary shares

**5. Note on tax effect accounting**

Provision for retirement benefits was major cause of deferred tax assets.

## 6. Notes on transactions with related parties

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)                   | 28,020                           | Accounts receivable - trade                        | 4,219                                                       |
| Subsidiary | JSR Engineering Co., Ltd      | 100                              | None                           | Purchase of equipment & facilities | Purchase of equipment & facilities (Note 2) | 7,742                            | Accounts payable - other                           | 3,704                                                       |
| Subsidiary | JM Energy Corporation         | 100                              | None                           | Provision of loans                 | Debt waiver (Note 3)                        | 10,729                           | —                                                  | —                                                           |
| Subsidiary | JSR Micro, Inc.               | 100                              | None                           | Guarantee obligations              | Guarantee obligations of loans payable      | 7,183                            | —                                                  | —                                                           |
| Subsidiary | KBI Biopharma, Inc.           | 90                               | None                           | Guarantee obligations              | Guarantee obligations of loans payable      | 7,618                            | —                                                  | —                                                           |
| Subsidiary | ELASTOMIX Co., Ltd.           | 98.5                             | None                           | Deposit from subsidiary            | Deposit from subsidiary (Note 4)            | 108                              | Deposits received from subsidiaries and associates | 5,200                                                       |
| Subsidiary | JSR BST Elastomer Co., Ltd.   | 51                               | None                           | Guarantee obligations              | Guarantee obligations of loans payable      | 10,870                           | —                                                  | —                                                           |
| Subsidiary | JSR MOL Synthetic Rubber Ltd. | 51                               | None                           | Guarantee obligations              | Guarantee obligations of loans payable      | 11,813                           | —                                                  | —                                                           |

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

(Notes)

1. Terms and conditions for the sale of products are determined through negotiation upon the desirable prices offered by the Company considering full cost of the products and market prices.
2. 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.
3. Debt waiver was due to the conclusion of a sale agreement for JM Energy Corporation.
4. Interest rates on deposits are determined through negotiation considering prevailing interest rates in financial market.
5. 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.

## 7. Notes on per-share information

|                      |           |
|----------------------|-----------|
| Net assets per share | ¥1,436.22 |
| Net income per share | ¥105.81   |

**Independent Auditor's Report**  
**(on Consolidated Financial Statements)**

May 8, 2020

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 | Koichi Kobori   | (seal) |
| Designated Limited Liability Partner<br>Engagement Partner | Certified Public Accountant | Yukihiro Kase   | (seal) |

**Opinion**

We have audited the consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of JSR Corporation ("the Company") as at March 31, 2020 and for the year from April 1, 2019 to March 31, 2020 in accordance with Article 444-4 of the Companies Act.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and the results of operations of JSR Corporation and its consolidated subsidiaries (collectively referred to as "the Group") for the period, for which the consolidated financial statements were 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 Designated International Financial Reporting Standards.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibilities of Management and Audit & Supervisory Board Members and Audit & Supervisory Board 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 Designated 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 misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern 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 Designated International Financial Reporting Standards and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

audit & supervisory board members and audit & supervisory board are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures, in a manner we deem appropriate, responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are 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 Designated International Financial Reporting Standards, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with audit & supervisory board members and audit & supervisory board regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide audit & supervisory board members and audit & supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## **Interest required to be disclosed by the Certified Public Accountants Act of Japan**

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

**Independent Auditor's Report**  
**(on Non-Consolidated Financial Statements)**

May 8, 2020

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 | Koichi Kobori   | (seal) |
| Designated Limited Liability Partner<br>Engagement Partner | Certified Public Accountant | Kase Yukihiro   | (seal) |

**Opinion**

We have audited the financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the supplementary schedules of JSR Corporation. ("the Company") for the 75th fiscal term from April 1, 2019 to March 31, 2020 in accordance with Article 436-2-1 of the Companies Act.

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of the Company for the period, for which the financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements and Others* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibilities of Management and Audit & Supervisory Board Members and Audit & Supervisory Board for the Financial Statements and Others**

Management is responsible for the preparation and fair presentation of the financial statements and the supplementary schedules 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 and the supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the supplementary schedules, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Audit & supervisory board members and audit & supervisory board are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements and Others**

Our objectives are to obtain reasonable assurance about whether the financial statements and the supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and the supplementary schedules.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error, design and perform audit procedures, in a manner we deem appropriate, responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the supplementary schedules or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements and the supplementary schedules are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements and the supplementary schedules, including the disclosures, and whether the financial statements and the supplementary schedules represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with audit & supervisory board members and audit & supervisory board regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide audit & supervisory board members and audit & supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## **Interest required to be disclosed by the Certified Public Accountants Act of Japan**

We do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.



## **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 75th fiscal term commencing on April 1, 2019 and ending on March 31, 2020, 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 11, 2020

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 2017 | FY ended Mar 2017 | FY ended Mar 2018 | FY ended Mar 2019 | FY ended Mar 2020 |
| from/to                                 |             | Apr 2016 Mar 2017 | Apr 2016 Mar 2017 | Apr 2017 Mar 2018 | Apr 2018 Mar 2019 | Apr 2019 Mar 2020 |
| Revenue (Net Sales)                     | JPY million | 390,599           | 388,455           | 421,930           | 495,354           | 471,967           |
| Operating Profit                        | JPY million | 32,370            | 35,943            | 43,569            | 45,261            | 32,884            |
| Profit attributable to owners of parent | JPY million | 30,078            | 30,243            | 33,230            | 31,116            | 22,604            |
| Return on Equity Ratio                  |             | 8.4%              | 8.5%              | 8.8%              | 7.8%              | 5.7%              |
| Total Asset                             | JPY million | 576,016           | 578,484           | 647,699           | 691,435           | 677,713           |
| Equity (Net Asset)                      | JPY million | 376,715           | 376,364           | 411,615           | 440,360           | 437,412           |
| Equity Ratio                            |             | 62.7              | 62.6              | 60.8              | 58.1              | 58.5              |
|                                         |             |                   |                   |                   |                   |                   |
| Cash Dividends (per share)              | JPY/share   | 50                | 50                | 50                | 60                | 60                |
| Cash Dividends (amount)                 | JPY million | 11,125            | 11,125            | 11,129            | 13,223            | 12,883            |
| Dividend Payout Ratio                   |             | 37.0%             | 36.8%             | 33.5%             | 42.7%             | 57.0%             |
| Purchase of Treasury Share              | JPY million | 4,524             | 4,524             | 2                 | 5,001             | 10,000            |

(Note)

The Group has adopted IFRS since the 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.

The Company classified its Lithium Ion Capacitor business as discontinuing business in FY ended March 2020. As a result, revenue and operating profit for the fiscal year are those from continuing business. The Company made relevant adjustment for the figures for FY ended March 2019 as well.

### 2. Segment Information

| Fiscal Term<br>from / to |             | Revenue           |                   | Operating Profit  |                   |
|--------------------------|-------------|-------------------|-------------------|-------------------|-------------------|
|                          |             | FY ended Mar 2019 | FY ended Mar 2020 | FY ended Mar 2019 | FY ended Mar 2020 |
|                          |             | Apr 2018 Mar 2019 | Apr 2019 Mar 2020 | Apr 2018 Mar 2019 | Apr 2019 Mar 2020 |
| Elastomers               | JPY million | 200,736           | 178,794           | 7,421             | (1,758)           |
| Plastics                 | JPY million | 105,446           | 95,092            | 9,214             | 6,237             |
| Digital Solutions        | JPY million | 142,216           | 144,805           | 32,663            | 30,917            |
| Life Sciences            | JPY million | 43,872            | 50,496            | 781               | 3,594             |
| Other                    | JPY million | 3,083             | 2,779             | 135               | (250)             |
| Adjustment               | JPY million | 1                 |                   | (4,953)           | (5,855)           |
| Total                    | JPY million | 495,354           | 471,967           | 45,261            | 32,884            |

### 3. Consolidated Cash Flow

|                                                                                                            |             | FY ended<br>Mar 2019 | FY ended<br>Mar 2020 |
|------------------------------------------------------------------------------------------------------------|-------------|----------------------|----------------------|
| Cash and cash equivalent at the beginning of the fiscal year                                               | JPY million | 124,956              | 70,785               |
| Net cash provided by operating activities                                                                  | JPY million | 30,940               | 54,228               |
| Net cash provided by investing activities                                                                  | JPY million | (66,266)             | (35,592)             |
| Net cash provided by financing activities                                                                  | JPY million | (18,966)             | (25,264)             |
| Effect of exchange rate changes on cash and cash equivalents                                               | JPY million | 121                  | (1,049)              |
| Cash and cash equivalent included in the assets classified as<br>discontinuing business group for disposal |             |                      | (1,176)              |
| Cash and cash equivalent at the end of the fiscal year                                                     | JPY million | 70,785               | 61,931               |

## Guidance for Online Voting via Internet

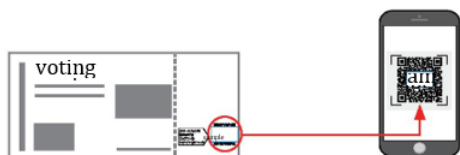
Dear shareholders,

We have provided 2 types online voting measures for your convenience.

Much to our regret, however, both of the following online voting systems are provided only in Japanese language.

### 1. Online voting by using Smartphones / Tablets

If you have a smartphone or a tablet pc, you may be able to exercise your voting rights via internet in a very quick and smart fashion.



1. Please scan QR Code (two dimensional bar code) printed at the righthand bottom of the voting ballot.
2. Then, your smartphone will guide you directly to the site for voting
3. You will be ready for voting following the instructions.

Please note, however, you may be able to use this option only once. If you like to vote for the second time, please use your PC in accordance with the option provided below;

### 2. Online voting by using conventional PCs via internet

You may be able to exercise your voting rights via Internet by accessing our web site designed for online voting. Please also note that you need “Voting Code” and “Password” indicated in the right part of the ballot form.



1. Access:  
Please access <https://www.web54.net>.
2. Login  
Enter the Voting Code provided in the ballot form following the instruction
3. Enter Password  
Enter the Password provided in the ballot form following the instruction
4. Vote  
Now you may be able vote following the instructions

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.

The access to the web site for online voting will be locked if you enter wrong Password a certain time, in such an event, please follow the instructions to be provided on the screen.

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

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