

JSR Corporation



Materials Innovation



With chemistry, we can.

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FINANCIAL SECTION (SUPPLEMENTARY VOLUME)

Forward-Looking Statements

Statements regarding the Company's future plans, strategies, projected performance and outlook are based on information available at the time of writing.

Readers are cautioned that economic trends in JSR's target markets and other risks, and factors beyond the Company's control could cause actual results to differ materially from those projected by management.

PROFILE

JSR Corporation (formerly Japan Synthetic Rubber Co., Ltd.) was established in December 1957 under the Special Measures Law for the Synthetic Rubber Manufacturing Industry with the aim of pioneering synthetic rubber production in Japan. Since that time, the Company has remained among Japan's market share leaders in synthetic rubber and other petrochemical materials. We also apply our polymer technologies in the field of fine chemicals to produce semiconductor materials, display materials, and other products, which command among the highest market shares in the industry.

POLYMER
TECHNOLOGIES



MATERIALS INNOVATION

JSR aims to leverage its stable core businesses of petrochemical products and fine chemical materials, to pursue sustained growth through strategic development of two new businesses: life sciences and lithium ion capacitors (LIC). Our Corporate Mission is “Materials Innovation—We create value through materials to enrich society, people, and the environment.”



BUSINESS OUTLINE

The JSR Group aims to create new value through materials and to help in solving social problems by combining its technologies, human resources, and global capabilities.

Fine Chemicals and Other Products Business

Petrochemical Products Business



Fine Chemicals Business



Strategic Business



Elastomers Business

We supply high-quality products, including general-purpose synthetic rubbers and special-purpose synthetic rubbers, which were our first products after the foundation of JSR, thermoplastic elastomers, which have the characteristics of rubber and plastic, and emulsions, which are developed based on technology for emulsion polymerization of synthetic rubbers and plastics.

Plastics Business

We supply a wide range of ABS resins with unique features achieved by combining the characteristics of multiple polymers, and created by a flexible approach to product design.

Semiconductor Materials Business

Using technologies that have been cultivated in development of polymer materials, JSR develops and supplies many products with top shares at the global level, including lithography materials, chemical mechanical planarization materials (CMPs), and packaging materials, which are essential to the production of semiconductor chips.

Flat Panel Display (FPD) Materials Business

We supply materials including LCD materials and new flat panel display materials for use in production of flat panel displays such as LCD and organic EL displays. Moreover, we supply ARTON™ optical film for thin retardation film application.

Life Sciences Business

Products supplied globally by JSR Group in this field include in-vitro diagnostics, reagents, and bioprocess materials, which meet advanced needs of medical fields such as research and diagnosis, and bioprocess materials for personalized medicine and development of biotechnology-based medicine. We also supply medical polymers for use in production of wide range of medical supplies globally.

Lithium Ion Capacitor Business

We supply globally lithium ion capacitors for electricity storage, a key device for saving energy, being the world's first company to enter mass-production. We have developed characteristics for them that make them ideal devices for the efficient utilization of renewable energy resources, such as wind and solar power, and for the recovery of regenerative energy.

CONSOLIDATED FINANCIAL HIGHLIGHTS

In fiscal 2014, ended March 31, 2014, the Company achieved year-on-year increases in sales and operating income in a generally weak market environment. Nevertheless, net income decreased as a result of deterioration in non-operating income.

¥ **394.3** billion

▲ (+6.1%)

¥ **371.5** billion

Net Sales

Higher sales of synthetic rubber, strong sales of flat panel display materials, and steady progress with sales of advanced semiconductor materials, among other factors.

Operating Income

Year-on-year growth, despite price deterioration in the Petrochemical Products Business and upfront investment in the Fine Chemicals and Other Products Business.

¥ **36.1** billion

▲ (+2.4%)

¥ **35.2** billion

Net Assets

Equity increased by ¥22.6 billion, and the equity ratio rose to 66.1% through increases in retained earnings and other comprehensive income. Net assets also increased.

¥ **337.3** billion

▲ (+6.8%)

¥ **315.7** billion

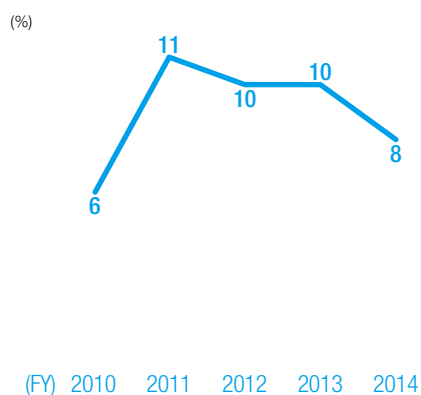
ROI

Despite efforts to increase asset efficiency, ROI declined year on year as a result of lower net income and greater upfront investment.

13.1%
(-3.0%) ▼

10.1%

ROE



ROE

ROE declined year on year due to the decrease in net income and increase in shareholders' equity.

10.3%
(-2.4%) ▼

7.9%

ROI



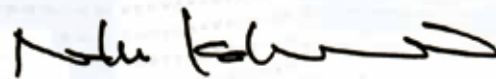
Note: Fiscal year means year ended March 31

TO OUR SHAREHOLDERS

AIMING **for higher revenue and profit building** on the new momentum

The JSR Group launched JSR20i6*, the second mid-term business plan initiated under our vision for 2020, which defines our long-term goals. Under the new plan, we are continuing efforts to put the Group on a growth path with the goal of achieving long-term, sustained growth.

* The "i" in "JSR20i6" (twenty-sixteen) emphasizes the "Innovation" to realize Materials Innovation, which is the heart of our corporate mission.



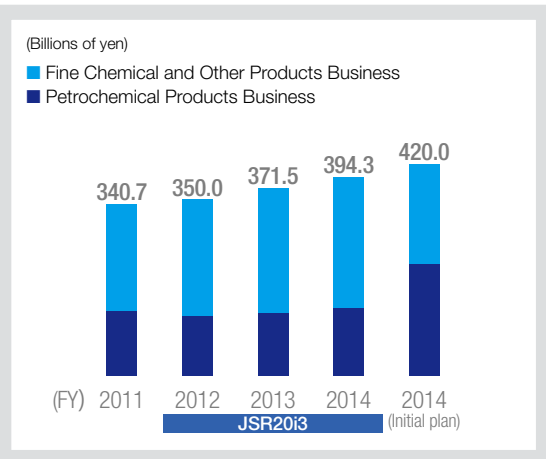
MITSUNOBU (Nobu) KOSHIBA
Representative Director and President



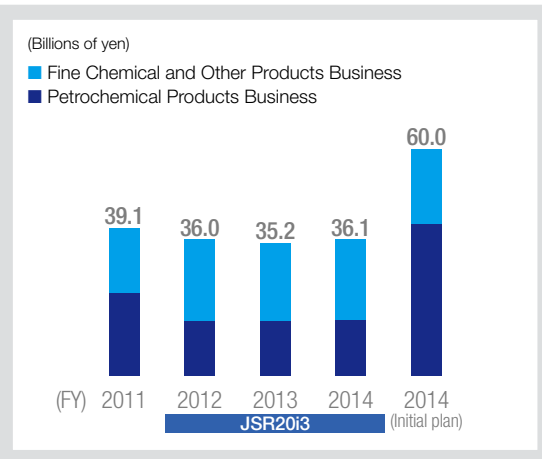
TO OUR SHAREHOLDERS

In a market environment that remains highly uncertain, the JSR Group implemented measures to take the next step forward.

Change in Net Sales under JSR20i3



Change in Operating Income under JSR20i3



Toward Realization of Our Vision for 2020

The JSR Group has drawn up a business vision aiming toward 2020 based on a long-term forecast of the business environment to 2030 and has adopted a long-term management approach to realize this vision. We have set forth three long-term goals: 1) Establish a corporate structure resistant to environmental change on the assumption that the market environment will change significantly; 2) Build competitiveness that makes possible sustained growth, so as to ensure growth in any business environment; and 3) Develop a third business pillar following the Petrochemical Products Business and Fine Chemicals business to develop new growth drivers. By implementing these policies, we aim to achieve our overarching goal of transforming JSR into a company highly valued in the market with market capitalization of one trillion yen.

Note: Fiscal year means year ended March 31

Performance Overview

In fiscal 2014, ended March 31, 2014, the final year of JSR20i3, we achieved year-on-year increases in sales and operating income amid a weak market environment. The shift to yen depreciation provided a tailwind, and solid performance from each business resulted in net sales of ¥394.3 billion, up 6.1% year on year. Operating income increased 2.4% to ¥36.1 billion, despite downward pressure from start-up costs for the new Solution polymerization Styrene-Butadiene Rubber (S-SBR) plant in Thailand and upfront investment in the Fine Chemicals and Other Products Business.

Achievement of the JSR20i3 Objective

The JSR20i3 Mid-term Business Plan covered what we termed the “Activation toward growth” period, the first phase of a three-phase approach toward achievement of our vision for 2020. The plan objective was to convert the JSR Group’s business structure from one based on the core businesses, the Petrochemical Products Business and Fine Chemicals business, to a structure consisting of the core businesses plus Strategic businesses that serve as drivers of growth. Although, regrettably, we did not achieve the earnings target in the plan, we were able to fully lay the groundwork for a shift to the second phase of activities to achieve our long-term vision.

We fell short of our earnings target because of a market factor and an internal factor. The external market factor was continuing adverse business conditions for some of our businesses in an uncertain business environment, and the internal factor was failure of the growth scenario to develop according to plan. We were able to increase sales in the Petrochemical Products Business beyond our initial expectations, despite stagnation of synthetic rubber prices along with prices of raw materials, and achieved record-high earnings during the period of the mid-term business plan. The chief reason for the inability to achieve the earnings target was stagnation in the Fine Chemicals and Other Products Business. We were unable to obtain the desired results from semiconductor materials and FPD materials, partly because we had overestimated the growth rate of the key industries, which fell short of initial assumptions. In addition, we struggled to capture market share of ArF photoresists for the 40nm to 30nm-generation node of

TO OUR SHAREHOLDERS

Top line expansion and internal cost control to put us on a growth path.

New Mid-Term Plan JSR20i6

Vision for 2020

- Establish a corporate structure resistant to changes.
- Build up competitiveness that enables us to achieve sustainable growth.
- Develop a third pillar of business.

Become an esteemed company with ¥1 trillion market capitalization

Post JSR20i6
Sustained Growth

Phase I
JSR20i3
Activation toward Growth

Results of JSR20i3

- Define strategies
- Make upfront investments

Phase II
JSR20i6
Following Our Path to Growth

JSR20i6 Mission

- Transforming upfront investments into results
- Respond to globalization
- Improvement in sustainable competitiveness

semiconductors, and a customer postponed shipment by three months due to a delay in the start-up of fabrication using photoresists for the 20nm-generation node of semiconductors, a product for which we enjoyed competitive advantage. In addition, commoditization of LCD materials proceeded as expected, and more intense competition led to difficult business conditions. Furthermore, there were delays in the start-up of Strategic businesses designated as the Group's third business pillar.

Nevertheless, we achieved several important measures necessary for activation toward growth. In the Petrochemical Products Business, we moved ahead with global expansion of S-SBR products for fuel-efficient tires and have begun development of a supply system that can meet global demand, the start-up of the plant in Thailand and deciding to establish a new production base in Hungary. Through efforts to control the internal costs, we also lowered the break-even point in the Elastomers Business to the 70% range, which resulted in a business model that generates stable earnings. In the Fine Chemicals and Other Products Business, we successfully launched a share recovery effort for semiconductor materials and leading-edge FPD materials and developed a production, sales, and technical development structure in the key geographical areas of South Korea and Taiwan.

We have laid a foundation for the Strategic businesses in preparation for future growth. In the Life Sciences business, we established JSR Life Sciences Corporation and invested in Medical & Biological Laboratories Co., Ltd. (MBL). In the Lithium Ion Capacitor (LIC) business (electricity storage device), we decided to build an additional LIC high-volume production plant which will come on stream in 2016.

Business Scenario Projected in JSR20i6

Now that JSR20i3 has ended, we are implementing JSR20i6, the new mid-term business plan covering the three-year period from fiscal 2015 to fiscal 2017. We have positioned this as a time of "Following our path to growth," the second phase of activities to achieve the vision for 2020. Under JSR20i6, we are engaging in business operation to steadily link the results of the measures implemented in JSR20i3 to revenue and profit in order to achieve our fiscal 2017 targets of ¥500 billion in net sales and ¥50 billion in operating income. In the Strategic businesses segment, we are

TO OUR SHAREHOLDERS

The JSR Group is working in unison to realize the business vision for 2020.

focusing resource allocation on key business sectors: Life Sciences and the Lithium Ion Capacitor business. We are changing the focus of businesses previously classified as Strategic businesses. The Group will apply the technologies of the Performance Chemicals business in the development of new applications in the Petrochemical Products Business, and make the Precision Materials and Processing business a cross-organizational function that adds value to the products of other businesses.

In JSR20i6, we focus on three key priorities: market share expansion in the core businesses, the addition of business area and portfolios, and internal cost control. First of all, in activities to expand market share in the core businesses, we aim to maintain our overwhelmingly high share of the market for high-end S-SBR products through the global three-base S-SBR supply structure. In the Fine Chemicals business, we will pursue share expansion in the advanced materials field. I consider the second point, the addition of business area and portfolios, to be particularly important. Since commoditization has made further progress in the digital industry and the shift in production of LCD materials to East Asia is expected to accelerate, we are reinforcing our business development structure in Asia, beginning with East Asia. In the Life Sciences business and Lithium Ion Capacitor business, I feel that further market development in the U.S. and Europe is necessary. We are accelerating growth in the Fine Chemicals business and Strategic businesses by expanding our business portfolio, emphasizing the Strategic businesses. Finally, as an internal cost control initiative, we are emphasizing on efficiency in business design and portfolio development. Toward this initiative, we plan to concentrate the functions from R&D to production systems for each business field in key geographical areas and optimize business development while ensuring product quality. By steadily implementing these key priorities, the JSR Group is proceeding along a path to growth.

Capital Policies

Under JSR20i6, we plan to make investments over a three year period totaling ¥100 billion, excluding M&A expenses. Specifically, in 2015 we will implement a second phase of plant construction at JSR BST Elastomer Co., Ltd. (JBE) in Thailand, a joint venture, and build a high-volume production plant at JM Energy, and in 2016 we will invest in plant construction in Hungary. I think that these investments will accelerate the global development of the JSR Group. Overseas sales currently account for 50.1% of overall net sales, and we expect that in fiscal 2017 approximately 30% of the Group's employees will be employed outside Japan. Accordingly, we forecast an increase in personnel expenses. We aim to ensure that these upfront investments reliably contribute to revenue and profit. We make decisions on the return of profits to shareholders by comprehensively considering the balance between shareholder returns and the internal reserves necessary for future business development. In accordance with this policy, we paid an annual dividend of ¥38 per share for fiscal 2014, ended March 31, 2014.

Enhancing Corporate Value

In accordance with the Corporate Mission "Materials Innovation—We create value through materials to enrich society, people, and the environment," JSR aspires to be a company that continues to grow and develop globally by pursuing new possibilities created by materials and creating new value. As a member of the chemicals industry, we consider it our corporate responsibility to make possible sustained development. To discharge our corporate social responsibility, we are devoting ourselves to CSR activities, engage in business activities grounded in concern for the environment, safety, and the principle of fair dealing, and further step up initiatives that contribute to the development of society. We are committed to carrying on the benevolent corporate culture that has been built since the founding of the Company and strive to practice expeditious management that can promptly respond to changes in the times, the environment and values, and aspire to be a company deserving of the trust of society and our stakeholders.

I request your continued support for our endeavors in the coming years.

NEW MID-TERM BUSINESS PLAN—PETROCHEMICAL PRODUCTS BUSINESS

Set up a dependable global supply structure for S-SBR and firmly establish a position as the share leader in the S-SBR market.

JSR20i3 Results

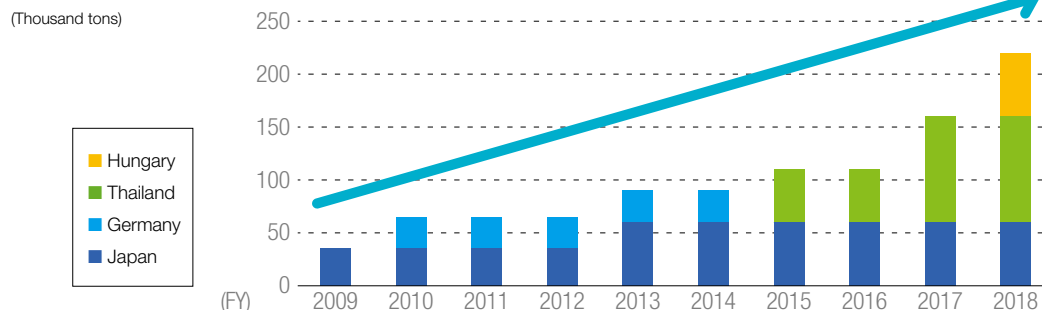
- Furthered global development of the S-SBR business.
- Increased resistance to and the ability to cope with volatility from lowering of the break-even point.

JSR20i6 Strategies

- Maximize capacity utilization at the S-SBR plant in Thailand.
- Continue quality differentiation, ensuring share in high-end market.
- Achieve record-high operating income by implementing a highly profitable business model.
- Establish a global supply structure by ensuring a smooth start for the plant construction in Hungary.

Forecast of JSR's S-SBR Production Capacity

Production capacity of 200,000 tons or more in March 2018 and experience of manufacturing middle-end products.



Now that JSR BST Elastomer Co., Ltd. (JBE) in Thailand, a joint venture, has started full-scale plant operation, the JSR Group is working to steadily and surely capture expanding demand for Solution polymerization Styrene-Butadiene Rubber (S-SBR) products for fuel-efficient tires. By undertaking sales expansion to enable the plant to operate at its full annual capacity of 50,000 tons and smoothly implementing the second phase of plant construction, we aim to set a new earnings record by fiscal 2017 by maximizing revenue and profit from the Petrochemical Products Business and further lowering the break-even point. In addition, to cope with further demand expansion, we started plant construction at JSR MOL Synthetic Rubber Ltd., a joint venture company established in Hungary, and aim to complete the plant start-up on schedule. Since preparation is underway for the manufacture of S-SBR in Europe, we have terminated the capacity rights agreement with Styron Europe GmbH for the manufacture of 30,000

tons of S-SBR per year. Although an increase in supply capacity at synthetic rubber producers is expected to result in excess supply of S-SBR from 2014 into 2015, we will build long-term relationships of trust with customers who do business globally even as we increase production capacity by establishing a global supply structure with production bases in Japan, Thailand, and Hungary. Furthermore, we aim to overcome the soft supply-demand situation and become the global S-SBR market share leader by continuing to achieve quality differentiation through a focus on high-end S-SBR products, not commoditized products.

NEW MID-TERM BUSINESS PLAN—FINE CHEMICALS BUSINESS

Maximize revenue and profit by further increasing market share of semiconductor materials and FPD materials and expanding the Group's product portfolio.

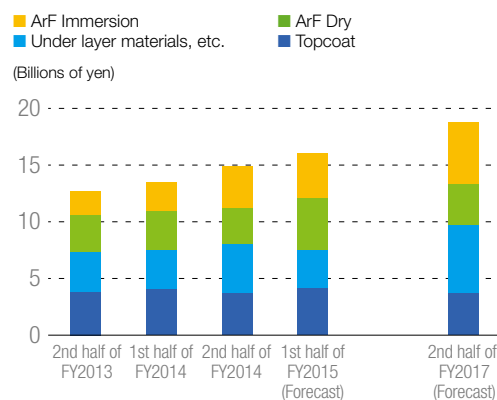
JSR20i3 Results

- Captured high share of photoresists for the 20nm-generation node of semiconductors.
- In the FPD Materials business, set up full-function operations in South Korea and Taiwan and boosted competitiveness in the East Asia.
- Explored new business fields in the Fine Chemicals business.

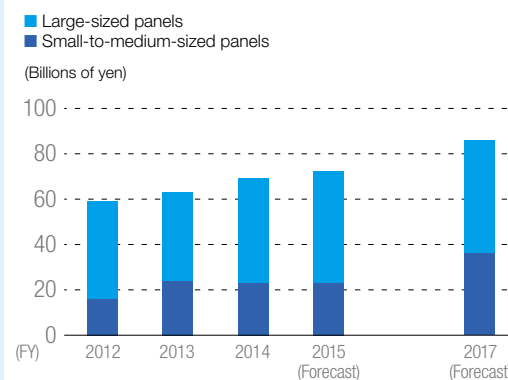
JSR20i6 Strategies

- Steadily increase market share of advanced materials and earnings.
- Obtain adoptions for 14nm and later generation semiconductor materials.
- Increase adoptions of materials for mobile products.
- Expand the Group's product portfolio in the digital industry.
- Concentrate R&D function and production of semiconductor materials at the Yokkaichi Plant and that of FPD materials in South Korea and Taiwan.

Sales of Lithography Materials



Sales of FPD materials



Semiconductor Materials

We are working to increase sales of lithography materials, a field in which we enjoy high market share of leading-edge 20nm-generation products, and engage in development of next-generation 14nm materials to continue to secure high share. Since customers' quality requirements are more strict for semiconductor materials, we are intensively investing in the Yokkaichi Plant to produce materials previously produced globally and optimize the business functions from R&D to production systems. In this way, we are reliably meeting customer requirements by rigorously engaging in manufacturing control and quality control.

FPD Materials

There is a long-term trend of shifting FPD production to East Asia, and we are concentrating all business functions from research to manufacturing in

East Asia. We are pursuing share expansion in growth markets by boosting the competitiveness of materials for large panels by means of competitive cost, very high quality and development of a technical service structure. We are expanding and upgrading the product portfolio of high-performance materials for small-to-medium size panels and increase sales by introducing new products.

Business Field Expansion

The spread of the so-called "Internet of Things" (IoT) in the digital industry has ushered in an era in which people and things are linked by the Internet, and JSR believes that sensors will present a lot of opportunities. We will add to our existing line of products that support the digital industry and expand and upgrade the product portfolio by focusing on the sensors field.

NEW MID-TERM BUSINESS PLAN—STRATEGIC BUSINESSES

Intensively invest in the Life Sciences business and Lithium Ion Capacitor business as Strategic businesses and undertake business expansion to develop these businesses into a third business pillar.

JSR20i3 Results

- Accelerated business development in the Life Sciences business through M&A activities and alliances.
- Established JSR Life Sciences Corporation (JLS).
- Invested in MEDICAL & BIOLOGICAL LABORATORIES CO., LTD. (MBL).
- Decided to construct an additional, high-volume plant for LIC.
- Commenced Corporate Venture Capital activities.

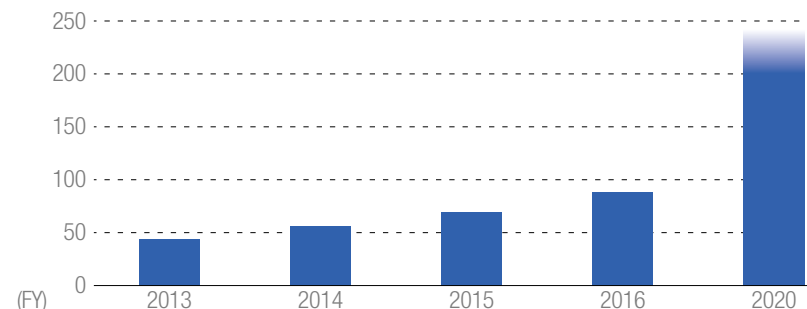
JSR20i6 Strategies

- Expand the Life Sciences business through cooperation with MBL.
- Prepare for full-scale operation of the Lithium Ion Capacitor business by starting up a high-volume production plant.

Estimated Market Size for Large-Capacity Capacitors

Our market-share target: more than 20% in 2020

(Billions of yen)



Life Sciences Business

This business consists of three pillars: 1) diagnostics and other materials for life science research, including reagents used in research of active pharmaceutical ingredients, 2) bioprocess materials used in purification processes for antibody drugs, and 3) medical polymers, ingredients in medical gloves and poultices. JSR Group is expanding the global sales structure dominated by JSR Life Sciences Corporation, which collaborates with JSR Micro, Inc. and JSR Micro N.V. in Europe, and J and W Beijing Biotech Co., Ltd., in China. We are also expanding into the field of advanced diagnostics and development reagents through alliances such as with Medical & Biological Laboratories Co., Ltd. (MBL), which has proprietary technologies and sales channels.

Lithium Ion Capacitor Business

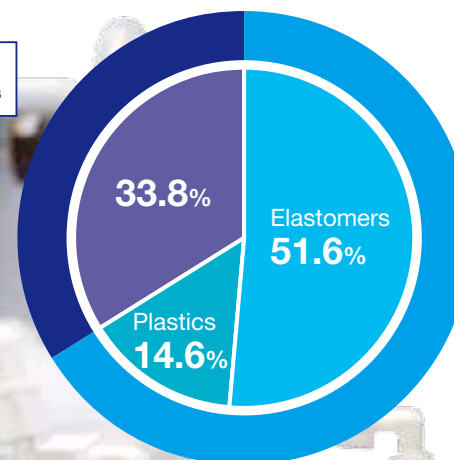
Expansion of application of LICs into various fields is expected, and we have established a track record as a frontrunner in the market. As these materials have come into use in hybrid buses, construction machinery, and health-care applications, we have stayed ahead of competitors in improving the performance balance of ultralow resistance, high voltage, and high durability. We will expand sales with a new plant for high-volume production of compact products, scheduled for 2015. The market for large-capacity capacitors is expected to reach ¥200 billion by 2020, and we aim to capture market share of more than 20%. Furthermore, we are pursuing business scale expansion by developing a highly profitable business model.



REVIEW OF OPERATIONS

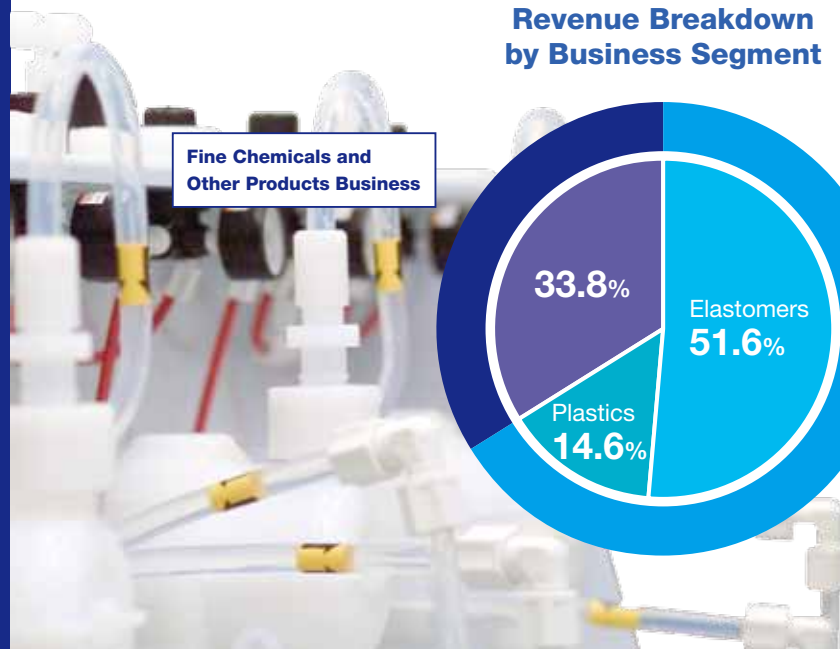
The JSR Group's objective is to secure stable earnings from the Petrochemical Products Business (Elastomers and Plastics) and Fine Chemicals business and increase future profitability by positioning the Life Sciences business and Lithium Ion Capacitor business as Strategic businesses.

**Revenue Breakdown
by Business Segment**



Fine Chemicals and
Other Products Business

Petrochemical
Products Business



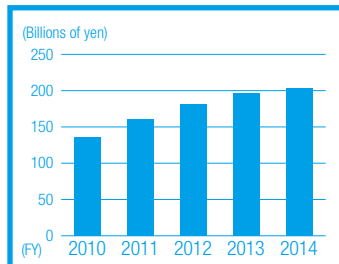
AT A GLANCE

* Note: Fiscal year means year ended March 31

Petrochemical Products Business

Elastomers

Net Sales



General-Purpose Synthetic Rubbers

Solution Styrene-Butadiene Rubber (S-SBR),
Emulsion polymerization Styrene-Butadiene
Rubber (E-SBR), Polybutadiene Rubber (BR)

Special-Purpose Synthetic Rubbers

Nitrile Rubber (NBR), Butyl Rubber (IIR)
Ethylene-Propylene Rubber (EPM/EPDM)

Thermoplastic Elastomers (TPEs)

Syndiotactic 1, 2-Polybutadiene "JSR RB™"
Hydrogenated Polymer "JSR DYNARON™"
Styrene-Butadiene Thermoplastic
Elastomers "JSR TR™"
Styrene-Isoprene Thermoplastic
Elastomers "JSR SIS™," etc.

Emulsion Products

Paper Coating Latex, SB Latex,
Acrylic Emulsions, etc.

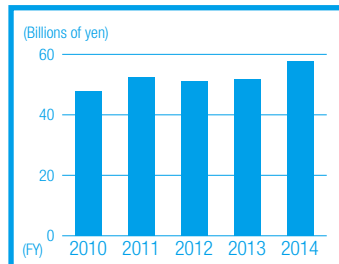
Performance Chemicals*

High-Functional Dispersant "DYNAFLOW™"
Organic/Inorganic Hybrid Coating Materials
"GLASCA™"
Battery Materials
Thermal Management Materials

*Part of Strategic businesses until March 31, 2014.

Plastics

Net Sales

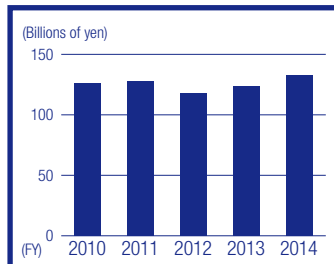


Acrylonitrile-Butadiene-Styrene (ABS) Plastics

Acrylonitrile-Ethylene-Propylene-Styrene (AES)
Plastics
Bioplastics

Fine Chemicals and Other Products Business

Net Sales



Semiconductor Materials



Lithography Materials

(Photoresists, multilayer materials, etc.)

CMP (Chemical Mechanical Planarization) Materials

(CMP slurries and pads)

Interconnect Materials

(spin-on low-k materials)

Packaging Materials

(Thick-film photoresists, photosensitive
insulation materials, etc.)

Flat Panel Display (FPD) Materials



LCD Materials

(Alignment films, protective coatings, color
pigment dispersed resists, photosensitive
spacers, etc.)

New FPD Materials

(Optical Coatings, OLED, etc.)

Strategic Businesses



Lithium Ion Capacitors

Cells and Modules

Life Sciences Materials

Size Standard Particles
Particles for Clinical Diagnostics
Research Agents
Magnetic Particles, etc.

Precision Materials and Processing Business

Heat-Resistant Transparent Resin "ARTON™"
ARTON™ Optical Films
Transparent Conductive Films "ELART™", etc.

Optical Materials

UV Curing Optical Fiber Coatings, etc.

PETROCHEMICAL PRODUCTS BUSINESS



Developing the S-SBR Business Sector

The Petrochemical Products Business has developed a business model for securing stable earnings regardless of raw materials prices and is a source of stable earnings for the company as a whole. The ability to secure stable earnings is an outcome of significant improvement in the break-even point. We will continue to seek scale expansion and stabilization of earning power in this business. Solution polymerization Styrene-Butadiene Rubber (S-SBR) products for fuel-efficient tires is a core business from which JSR expects further growth as a key product of the Elastomer Business. We aim to capture the top global market share in S-SBR by increasing production capacity and cost competitiveness and maintaining technological superiority in Japan and overseas.

Worldwide demand for S-SBR is increasing by about 8% per annum, despite weak demand for passenger car tires. The start of full-scale manufacturing at JBE in Thailand in 2015 to meet this demand is expected to contribute to future earnings. We plan to expand total annual production of S-SBR at three production bases in Japan, Thailand, and Hungary to over 200,000 tons. The Phase 1 plant in Thailand has production capacity of 50,000 tons, and the Phase 2 plant scheduled to go into operation in 2016 will have capacity for 50,000 tons. If the plant scheduled for construction at JSR MOL Synthetic Rubber Ltd., a joint venture company established in Hungary, starts operation in 2017 as planned, 60,000 tons of capacity will be added. Implementing these plans is expected to result in the world's highest production capacity for S-SBR, a growth product, in fiscal 2018.

Note: Fiscal year means year ended March 31

Elastomers

Performance Overview

Net Sales	¥203.5 billion (+3.9%)	Operating Income	¥17.3 billion (-3.3%)
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- The domestic tire and automobile production markets were weak.
- Sales volumes increased slightly, including S-SBR products.
- Net sales increased due to price revisions in line with increases in prices of raw materials.
- The S-SBR Group company in Thailand began sales activities and recorded net sales.
- Operating income decreased as a result of unfavorable prices, higher fixed costs due to inventory reduction, and cost increases at overseas subsidiaries.

Plastics

Performance Overview

Net Sales	¥57.8 billion (+11.6%)	Operating Income	¥3.9 billion (+32.3%)
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- Although sales of products for automobiles recovered in the second half, lackluster sales of plastics for industrial materials resulted in a year-on-year decrease in sales volumes.
- Sales value increased year on year, partly as a result of the shift to yen depreciation.
- Net sales and operating income increased as a result of product price revisions accompanying fluctuation in raw materials prices, cost reduction efforts, and the impact of the weak yen.

PETROCHEMICAL PRODUCTS BUSINESS

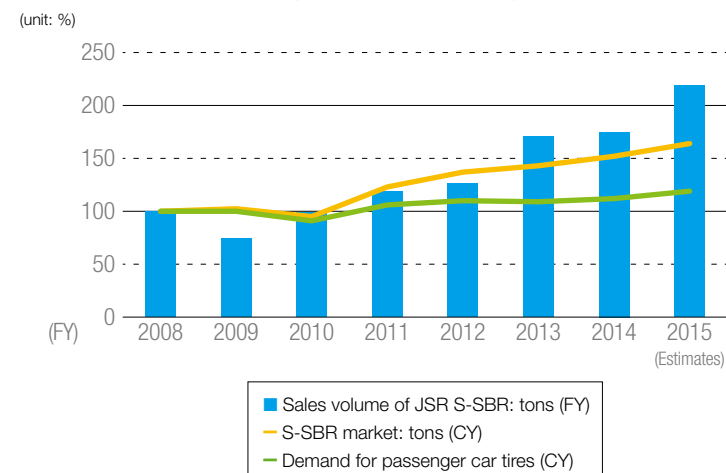
Since future supply shortages of butadiene, a key raw material of S-SBR, are expected to result from factors such as increased use of shale gas, we will develop a structure to secure stable supplies.

Utilization of Performance Chemicals

The Performance Chemicals business has engaged in applications development as a Strategic businesses for the purpose of utilizing elastomer products unique to JSR in product development in the environment and energy conservation fields. Heretofore, this business has utilized technologies cultivated in the development of polymer materials to develop various performance chemicals, such as a high-performance dispersant, high-functional sol-gel materials, particles for industrial use, battery materials, and thermal management materials. Since a certain level of R&D results has been achieved, we will return the Performance Chemicals business to control of the Petrochemical Products Business and focus on sales. In addition, we will engage in the development of original products by applying these technologies in the development of new applications in the Petrochemical Products Business.

Sales Volume of JSR S-SBR

S-SBR market CAGR +8% (Mar. 2011 to Mar. 2014)



How do tires enhance fuel efficiency?

1. Tire distortion is the enemy of fuel efficiency

Energy loss arising from distortion of running tires results in rolling resistance.

2. Reducing energy loss from tire distortion

The key point is to lower the amount of heat generated from friction among rubber molecules and among reinforcing agents, as well as between rubber molecules and reinforcing agents.

3. Secret to synthetic rubber molecules

Simplifying the process of bonding reinforcing agents to synthetic rubber molecule extremities prevents agglutination among reinforcing agents, and the resulting dispersion reduces friction-induced heat generation.

4. JSR's technological strength

JSR's S-SBR excels due to a technology that strengthens the bonding between rubber molecules and reinforcing agents. The result is highly energy-efficient tires that are being widely adopted in the market.

FINE CHEMICALS AND OTHER PRODUCTS BUSINESS



Steady Development of Advanced Materials

The rate of growth in worldwide silicon wafer shipment area during the past three years was minus 1%, and the business environment in the semiconductor market is expected to remain uncertain for some time.

Nevertheless, JSR continues to hold a high market share of materials for the 20nm–16nm generation. Although the semiconductor market is weak, net sales of ArF immersion photoresists are increasing by 50% year on year, and sales of JSR advanced lithography materials are likely to continue to increase.

JSR is steadily increasing sales of lithography materials, including ArF photoresists, and TCX topcoat materials for immersion exposure, as well as spin-on glass (SOG), an intermediate material. To this end, we are pursuing increased quality control and enhanced manufacturing technologies. In order to manufacture and supply photoresists for the 20nm and sub-20nm generations, we put our effort into total defect control from the raw material stage through to the finished product stage. Therefore, we are selectively investing in R&D and manufacturing facilities at our Yokkaichi Plant.

Performance Overview

Net Sales **¥133.1 billion** (+7.4%) Operating Income **¥14.8 billion** (+3.4%)

- Operating income increased year on year despite upfront investment in areas such as development of next-generation leading-edge technologies.
- Sales of FPD materials were strong, and the weak yen contributed to a year-on-year sales increase.
- Full-scale sales of LIC began, and a JSR subsidiary decided to build a high-volume production plant.

Semiconductor Materials

Performance Overview Net Sales **¥50.7 billion** (+7.0%)

- Demand in the semiconductor market was weak.
- Immersion photoresists drove sales of ArF photoresists, while sales of multilayer materials rose only slightly.
- Net sales increased in the weak yen environment.

Flat Panel Display (FPD) Materials

Performance Overview Net Sales **¥62.1 billion** (+14.0%)

- Plant operating rates at LCD panel manufacturers increased by 2% to 3% year on year.
- We recovered market share, mainly color pigmented resists, through further reinforcement of R&D function in South Korea and Taiwan.

FINE CHEMICALS AND OTHER PRODUCTS BUSINESS

Growth Drivers

Steady growth is expected to continue in the FPD market. On a panel area basis, shipments have increased at an annual rate of 8% for the past three years, with materials for large panels rising by 7% and materials for small-to-medium size panels rising by 16%. Commoditization of large panels is accelerating, and in the small-to-medium size panel sector it is necessary to support advanced technologies. Shipment of small-to-medium size panels, 20% of the market on a value basis in fiscal 2014, are still growing. We will continue efforts to increase adoptions of products such as materials for mobile products.

Strategy for FPD Materials

Today, there is increasing proliferation and commoditization of large panel displays, mainly for televisions, with demand centered on manufacturers in South Korea and Taiwan. Consequently, we are shifting our operations, from product development to manufacturing, to those regions and aggressively pursuing cost efficiencies.

Smartphones, tablet PCs, and similar devices that use small-to-medium size panels are becoming increasingly sophisticated. At the same time, the materials used for these panels, such as LCD materials, thin retardation ARTON film, and indium tin oxide (ITO) film for touch panels, need to be high-performance, resulting in high value. We are promoting a "vertical integration strategy" in order to expand our product portfolio in line with the need for enhanced performance and higher added value. JSR's diverse product portfolio covers the different kinds of materials required by high-performance panels.

Expansion into the Sensors Market

In the past, information technology has connected us to the Internet and networks using mainly computers, smartphones, and tablet PCs. But future technical advances are expected to create an Internet of Things (IOT), in which televisions, cameras, audio devices, and other objects become interconnected. Here at JSR, we believe that the IOT will serve as

a driver for future growth in the digital market. As IOT continues to spread, we think that technologies in five areas will be particularly important to the digital industry: interface, connectivity, power, process, and sensors. We think that sensors above all will increase in importance in the future. We plan to open up and develop the sensor market, starting with CMOS image sensor materials, and expand and upgrade our existing product lines in other market sectors.

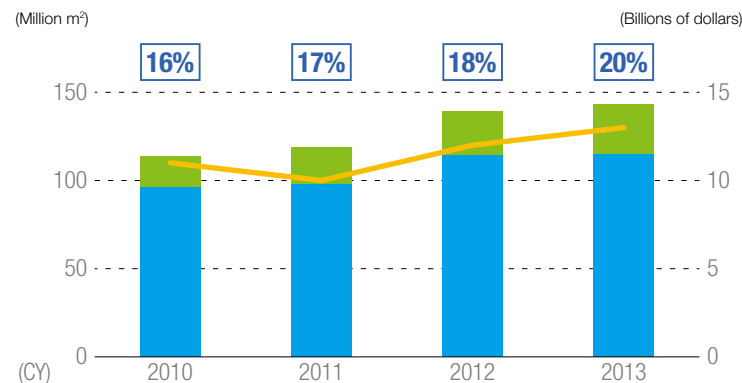
FPD Industry Trends by Panel Area and Amounts

Change in shipments from 2010 to 2013

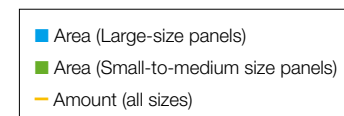
+8% CAGR (area)

(Breakdown of area: large-sized panels +7%; small-to-medium sized panels +16%)

Ratio of Small-to-Medium Size Panel Shipments to Total Shipments



Source: NPD DisplaySearch



FINE CHEMICALS AND OTHER PRODUCTS BUSINESS

Strategic Businesses

Performance Overview

Net Sales

¥20.3 billion
(-9.0%)

- In the results for Strategic businesses and Other business, sales performance of optical fiber coating materials and ARTON film was lackluster.
- Steady results were achieved in the Lithium Ion Capacitor business.
- Sales of life science materials steadily increased.

Aggressive Business Development in Preparation for Scale Expansion

We intend to accelerate the growth of our Strategic businesses, centering on life sciences and lithium ion capacitors. In order to achieve growth, we also recognize the importance of adopting an expansion strategy that considers M&A activities and capital alliances as ways to introduce outside technologies.

Life Sciences

Over many years, the JSR Group has established a solid track record in the diagnostic reagents and medical polymers business. J and W Beijing Biotech Co., Ltd., a joint venture company located in China, engages in the research, manufacturing, and sale of in-vitro diagnostic agents in China and Southeast Asia, where diagnostic reagents for HIV, hepatitis, and other infectious diseases are attracting attention. The Company is growing steadily. In addition, in collaboration with capital alliance partner MEDICAL & BIOLOGICAL LABORATORIES CO., LTD. (MBL), we are expanding our business operations into the diagnostic reagents and biologics drug discovery process markets. We plan to double the size of the business over the next three years from sales of about ¥10 billion in fiscal 2014. JSR is affiliated in the bioprocess materials field concerning refinement technologies of antibody drug production, and is exploring new technology seeds and business fields with the aim of efficiently linking promising technologies and products to growth from the Life Sciences business.

Track Record



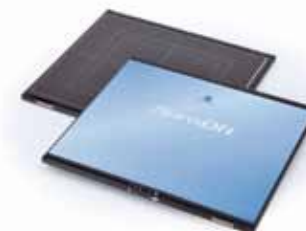
Automatic Guided Vehicles (AGV)



Hybrid Excavators



Hybrid Buses



Radiographic Cassettes

Lithium Ion Capacitors

JSR believes that customer trust and quality assurance are important in the storage device business, and we have established a track record of adoptions by about ten companies. Net sales in fiscal 2014 increased threefold year on year, and JSR subsidiary JM Energy Corporation decided to build a high-volume production plant for LICs in preparation for full-scale business operation. The new plant, which will have production capacity of three million cells per year, is expected to start commercial production in 2015. Future plans call for expansion of the Lithium Ion Capacitor business to a variety of applications, starting with large vehicles and hybrid cars.

GLOBAL R&D, PRODUCTION, AND MARKETING OPERATIONS



Number of Patents

The number of patents held by JSR is steadily increasing in Japan and overseas, mainly in the Fine Chemicals and Other Products Business.

As of March 31		2008	2009	2010	2011	2012	2013	2014
Japan	Petrochemical Products	428	428	374	377	387	358	334
	Fine Chemicals and Other Products	1,103	1,269	1,465	1,685	1,972	2,331	2,633
	Others	67	73	75	67	79	89	104
	Subtotal	1,598	1,770	1,914	2,129	2,438	2,778	3,071
Overseas	Petrochemical Products	493	512	492	489	507	523	516
	Fine Chemicals and Other Products	1,721	1,955	2,164	2,365	2,516	2,741	2,957
	Others	36	34	39	36	33	34	33
	Subtotal	2,250	2,501	2,695	2,890	3,056	3,298	3,506
Total	3,848	4,271	4,609	5,019	5,494	6,076	6,577	

Global R&D Strategy

Opening Up New Technology Fields Globally as a Technology-Oriented Company

JSR got its start in the petrochemicals field, making synthetic rubbers as its core business, and then expanded into the field of information and electronics materials. We subsequently expanded into precision materials and processing, life sciences, and the environment and energy fields and have provided the world with numerous high-performance materials made possible by unique technologies. JSR's comprehensive research and development capabilities support this business development.

JSR currently engages in R&D at four sites in Japan: the Yokkaichi Research Center, the Precision Processing Technology Group, Tsukuba Research Laboratories, and the JSR Functional Materials Research Center.

Furthermore, in recent years we have established research bases at Group companies in South Korea and Taiwan and we are now developing a global research structure for display materials.

JSR's R&D centers and laboratories are responsible for supporting the creation of new businesses as well as supporting existing businesses. To achieve this goal, the centers and laboratories work closely with involved business divisions to set research themes that anticipate the needs of the market and maintain and strengthen a flexible research organization that responds quickly to the circumstances of users. JSR also conducts consignment research, joint research, and consortium projects, working with clients, universities, research institutions, and other parties in Japan and overseas, with the goal of identifying the latest technologies and knowledge, incorporating them in the Company's R&D at the first opportunity, and utilizing them on a trial basis.

Guided by the belief that successful research and development activities shape the future of JSR, we will further cultivate our core polymer technologies and aggressively expand into new fields by fusing polymer technologies with photochemistry, inorganic chemistry, precision processing, and biotechnologies.

GLOBAL R&D, PRODUCTION, AND MARKETING OPERATIONS

Global Operations—Petrochemical Products Business

Strengthening the Global Supply System with a Focus on Asia and Europe

For some years, the Petrochemical Products Business, which engages mainly in synthetic rubbers and plastic products, has been building a global manufacturing and sales network. The Group has sales operations in major centers in China and Southeast Asia to closely monitor the needs of local customers in the automobile and electronics industries.

We are also upgrading operations that manufacture synthetic rubber used in automobile parts and fuel-efficient tires, which have enjoyed growing demand in recent years. In addition to producing synthetic rubber for fuel-efficient tires at the Yokkaichi Plant in Japan, we established JSR BST Elastomer Co., Ltd. in collaboration with Bangkok Synthetics Co., Ltd., a local business partner in Thailand. The Company is the Thailand's first Solution polymerization Styrene-Butadiene Rubber (S-SBR) manufacturing plant that started operations in 2013. We have also decided to manufacture and sell S-SBR at a plant in Hungary, which will act as a supply base for Europe.

Global Operations—Fine Chemicals and Other Products Business

Development of a Global System to Meet Market Needs

Fine Chemicals: Semiconductor Materials

In the semiconductor materials business, Silicon Valley based JSR Micro, Inc. and JSR Micro N.V. in Belgium manufacture, provide technical support and sell cutting-edge lithography materials. It has also introduced exposure equipment comparable with that of client companies in order to support R&D on leading-edge products. We are currently boosting competitiveness by concentrating R&D investment in advanced fields on activities at the Yokkaichi Research Center.

Fine Chemicals: FPD Materials

In South Korea and Taiwan, which have the largest world markets for FPDs, JSR Micro Korea Co., Ltd. and JSR Micro Taiwan Co., Ltd. hold important positions. Both companies have expanded the scale of production and the items they handle in order to meet demand from the rapidly expanding FPD market. To enhance and accelerate their future responses

to customers, they are building new research laboratories.

Meanwhile, many LCD panel manufacturers are planning to build new production facilities in China. They include local companies, as well as major corporations from Japan, South Korea, and Taiwan. To address the needs of those customers, the JSR Group is working to provide technical services and build a product development system in China.

Strategic Businesses: Life Sciences

In the life sciences sector, JSR Life Sciences Corporation was split off as a separate company that offers advanced diagnostic reagents and bioprocess materials developed in-house along with medical polymers, elastomer materials for medical applications previously commercialized as part of the Petrochemical Products Business. In 2012, JSR established J and W Beijing Biotech Co., Ltd., a joint venture company with Beijing Wantai Biological Pharmacy Enterprise Co., Ltd., a diagnostic reagents manufacturer located in Beijing. J and W Beijing Biotech develops, manufactures, and sells latex reagents and chemiluminescent reagent intermediates. In addition, JSR has entered into a capital alliance with Medical & Biological Laboratories Co., Ltd. (MBL), the diagnostic reagents market leader in Japan.

JSR has also invested in and entered into operating alliances with Austria-based BIA Separations and Switzerland-based ChromaCon, and Canada-based Matrix, leaders in purification and separation process technologies in the field of biologics manufacturing. We plan to bring products to market more quickly by utilizing the technologies of these companies.

Strategic Businesses: Lithium Ion Capacitors

JSR subsidiary JM Energy Corporation plays a central role in developing the Lithium Ion Capacitor business in collaboration with Group operations in Europe and the North America. JM Energy Corporation, which operates the world's first facilities for the mass production of large-capacity LICs, has decided to build a large high-volume production plant on the grounds of its current plant to reinforce the supply structure. JSR Micro, a JSR subsidiary with operations in Europe and North America, covers these geographical areas. These business operations in Japan and overseas will accelerate global development of the Lithium Ion Capacitor business.



CREATING SUSTAINABLE VALUE

JSR has made possible sustained growth as a company while contributing to the realization of a sustainable society by engaging in CSR activities in accordance with the Corporate Mission. As an environmental protection measure, we have incorporated into management the E2 Initiative™, a group-wide code of conduct for energy management, reduction of greenhouse gas emissions, and development of “Eco-innovation” businesses. We work to enhance corporate value through the interaction between the management structure for implementing the Corporate Mission and CSR.

Becoming a Company That Grows Continuously While Contributing to Society



THE JSR GROUP'S ESSENTIAL ELEMENTS

The JSR Group's Essential Elements consists of its Corporate Mission (significant of existence), Management Policies (evaluation standards), and Course of Action (individual work styles). In this process, it is important that we act with integrity as a good corporate citizen and live up to the trust that our stakeholders place in us. Our Group CSR represents the initiatives we employ to successfully achieve our mission, and as such we view CSR as a key management issue.

Corporate Mission

Materials Innovation

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

The corporate mission of the JSR Group clearly identifies the company's raison d'être. By supplying materials that are indispensable to human societies, JSR aims to be trusted.

Management Policies

The JSR Group has established management policies as a framework for decision-making and activities, and to set standards to serve as the basis for the decisions of each JSR team member. As group-wide management policies for sustainable growth, it consists of two basic components— fundamental pillars of management, and responsibility to our stakeholders— both of which represent JSR's commitment as a good corporate citizen.

Fundamental Pillars of Management

Continuous creation of businesses

As society evolves, so does the demand for specialized materials and advanced products. JSR continuously evolves to anticipate and respond to changing marketing needs and, in doing so, achieve dynamic growth.

Enhancement of corporate culture

As society evolves, so will our organization. JSR will build on its existing positive corporate culture to create an organization and management style with the vitality to keep evolving.

Increase in corporate value

JSR will position itself to increase our overall corporate value by creating businesses through materials with focuses on customer satisfaction and the fulfillment of employees.

Responsibility to Our Stakeholders

Responsibility to our customers / business partners

When interacting with our business partners and customers, the JSR Group will:

- Constantly evolve to meet the demand for new materials
- Always strive to increase customer satisfaction
- Act in good faith and maintain fair and equitable business relations
- Continue to be socially and environmentally conscious throughout the supply chain

Responsibility to our employees

All employees should expect:

- To be evaluated and rewarded based on fair standards
- Continuous opportunities to grow by challenging themselves
- Acceptance of the diversity of fellow colleagues and to be provided a place where all employees can work together as a team

THE JSR GROUP'S ESSENTIAL ELEMENTS

Responsibility to society

All members of the JSR Group will honor our responsibility to both the local and global communities through:

- Responsible and respectful business practices (Responsible Care) that consider the environment and safety
- Support of environmental conservation by providing eco-friendly products
- Reduction of our environmental impact throughout the entire product lifecycle
- Active contribution to conserving biodiversity throughout its business activities and the entire product lifecycle

Responsibility to shareholders

Group will maintain its responsibility to its shareholders by:

- Aiming to increase corporate value by creating business opportunities through materials
- Constantly enhancing its management efficiencies
- Inspiring trust by being highly transparent and conducting sound corporate management practices

Course of Action (4Cs)

Challenge

All employees of JSR Group should share a common, global focus and desire to succeed. Employees should feel confident to autonomously take on new challenges, learning from successes while viewing setbacks as opportunities to learn, grow and improve.



Communication

All employees should feel comfortable and confident maintaining open lines of bi-directional communication at all levels within the JSR Group. Employees should strive for organizational transparency through direct conversations as the best means to share value and achieve common goals, especially in the face of growth and diversification.

Collaboration

Employees will work together in the spirit of cooperation valuing common, corporate goals over internal or departmental barriers. Employees will also be encouraged to actively collaborate with external resources and not be bound to conventional ideas.

Cultivation

All employees will cultivate an environment that supports bi-directional communication between managers and subordinates and provides opportunities to develop together as individuals and as members of productive, supportive teams.

Corporate Slogan

With chemistry, we can.

JSR is determined to keep providing solutions that benefit not only customers but also the broader society. The company's slogan highlights the word "chemistry" to succinctly convey its corporate identity and business positioning, and also expresses the confidence JSR professionals feel in the face of every challenge.

CORPORATE SOCIAL RESPONSIBILITY

Contributing to Society through Materials Innovation

The JSR Group practices a unique brand of CSR. For us, CSR is about becoming a company that continuously grows while contributing to society through the provision of essential materials and a company that discharges its responsibilities to stakeholders in accordance with the Corporate Mission.

CSR Management

CSR Advancement Structure

JSR promotes CSR through a system of committees and a CSR Department established to reinforce CSR-related initiatives. There are four committees that function under the supervision of the CSR Committee: the Corporate Ethics Committee, which implements corporate ethics standards and works to prevent improper actions throughout the Group; the Responsible Care Committee, which works to realize a sustainable society through the implementation of initiatives that safeguard the environment, health, and safety; the Risk Management Committee, which seeks to further strengthen the Group's risk management system; and the Social Contribution Committee, which devises and promotes activities to help the Group make a contribution to society.

Compliance

The JSR Group's concept of legal compliance is grounded in the principle of ethical action based on compliance with the law. The Corporate Ethics Committee promotes activities to encourage employees to maintain high ethical standards and act with fairness and integrity. We conduct a Corporate Ethics Awareness Survey at business sites in Japan and overseas to ascertain the state of awareness of corporate ethics among employees and identify issues and we prepare a follow-up plan to address any issues identified in the survey. To strengthen compliance, in April 2013 we prepared the Compliance Handbook containing key points concerning laws and regulations to be observed and distributed it to all employees in Japan.

Risk Management

The JSR Group considers preventing major crises from occurring and minimizing the effects of crises on business activities an important management priority and engages in risk management activities. Using an independently developed system, each division and Group company each year periodically identifies, assesses, and formulates countermeasures against a wide range of risks, including explosion, fire, major earthquake, and pandemic outbreak. We designate particularly serious risks as "major company-wide risks," and the Risk Management Committee and the CSR Committee manage improvement in risk management. In October 2013 we conducted the first-ever business continuity management (BCM) drill at JSR headquarters as a means of final confirmation and verification of the JSR BCM system. We will work to perfect the system in preparation for a group-wide rollout in fiscal 2015.

Responsibility to Our Stakeholders

The JSR's Group's Essential Elements include values to be shared among all JSR employees to enable them to act responsibly and with confidence towards all stakeholders. For JSR, the term "stakeholder" refers to all customers and business partners, employees, society, and shareholders.

CORPORATE SOCIAL RESPONSIBILITY

Responsibility to Customers and Business Partners

We believe that the JSR Group's most important role is to offer innovative materials and excellent products that meet customer needs and contribute to a better society. We devote effort to initiatives to ensure the quality and safety of our products so that our customers can use them with peace of mind. These efforts are recognized and appreciated, and we have received top-rank supplier awards from global customers.

Responsibility to Our Employees

The JSR Group develops mechanisms and fosters a corporate culture that enables all employees to accurately recognize and solve issues and that maintains and enhances organizational capabilities. We have put in place the JSR Group global personnel system and engage in personnel development and management at the Group and global levels. Throughout the JSR Group, synergies are generated through the contributions of a diverse workforce.

Responsibility to Society

The JSR Group engages in responsible care management by means including the creation of highly trustworthy business sites and initiatives to reduce environmental impacts. We also engage in activities that contribute to development of a sustainable society, such as the promotion of biodiversity conservation and socially beneficial activities.

Responsibility to Shareholders

Through investor relations activities, we strive to promptly and accurately communicate to shareholders and investors information about the business situation and corporate policies. We hold the Ordinary General Meeting of Shareholders at an early date, promptly send the notice of convocation to shareholders, enable the exercise of voting rights via the Internet, and take other measures to ensure smooth exercise of voting rights by shareholders. We hold quarterly results briefings, seminars for

institutional investors and analysts, and technical seminars (JSR Tech Seminars) and promote wide-ranging two-way communication.

Aiming to increase corporate value by creating business opportunities through materials

- Constantly enhancing its management efficiencies
- Inspiring trust by being highly transparent and conducting sound corporate management practices
- In April 2009, the JSR Group became a participant in the United Nations Global Compact. Amid growing calls for corporate social responsibility, the Global Compact enables companies that operate on a worldwide level to declare their commitment to observing the Compact's ten principles. The principles include human rights, labor, the environment, and anti-corruption. Having declared its participation in the Global Compact and its commitment to act responsibly as a member of the international community, the JSR Group will work even harder to actively fulfill its social responsibilities.

Ratings from Outside Organizations

JSR's CSR activities are rated highly by overseas and domestic investment-related organizations.

In fiscal 2014, the JSR Group was selected for inclusion in the following Social Responsibility Indices.

- FTSE4 Good Index Series
- Ethibel Pioneer & Excellence Label
- Morningstar's MS-SRI Index

CORPORATE GOVERNANCE SYSTEM

Aiming to Maintain a Trusted, Appealing Corporate Constitution

By putting our corporate mission into action, we at JSR endeavor to further enhance corporate value while maintaining management efficiency, transparency, and soundness to ensure a sustainable future. JSR is constantly improving its system of corporate governance with the aim of obtaining the trust of shareholders and all other stakeholders and building an appealing corporate constitution.

Overview of the Corporate Governance System

Organizational structure:

Company that employs the audit & supervisory board member system under which the Board of Directors and Audit & Supervisory Board members are monitoring the execution of the businesses of the Company.

Board of Directors:

consisting of 7 directors, including 3 independent outside members

Audit & Supervisory Board:

consisting of 3 Audit & Supervisory Board members including 2 independent outside members who have highly professional careers either as lawyers or certified public accountants

Strengthening Corporate Governance

2004

- Term of office of directors reduced from 2 years to 1 year

2005

- Introduction of the officer system
- Discontinuation of the retirement bonus system for directors and audit & supervisory board members

2011

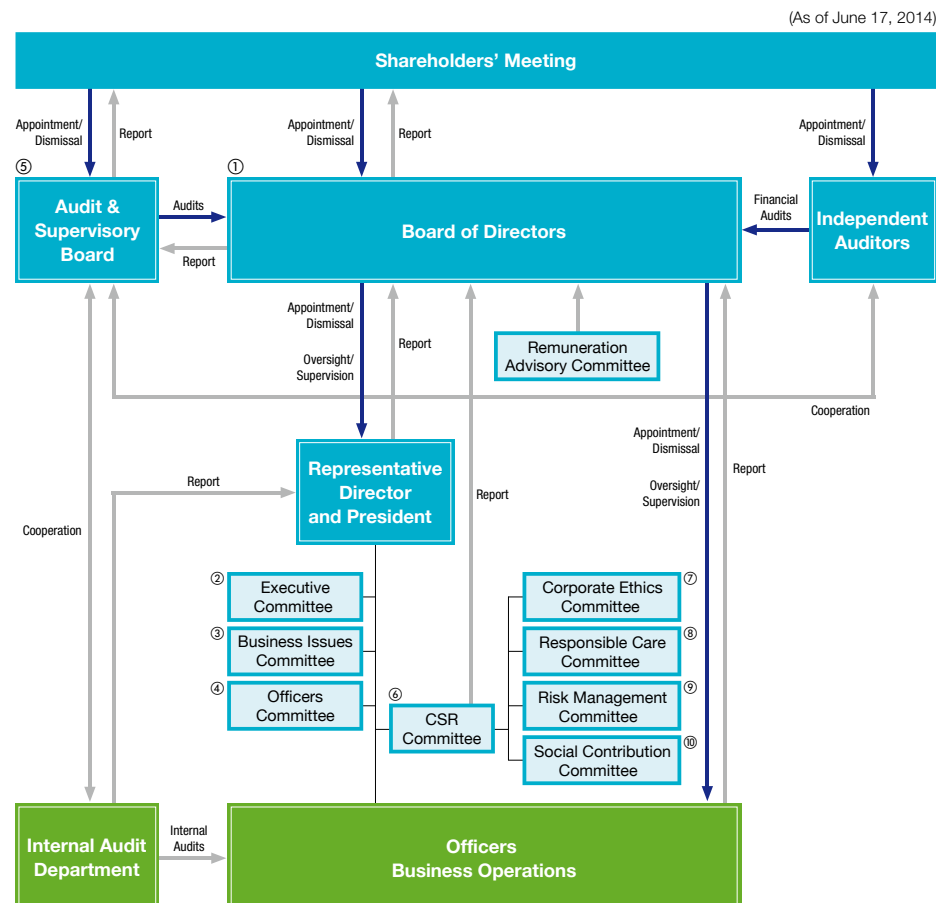
- Invitation of 2 independent outside directors to its Board of Directors consisting of 6 directors

2012

- Establishment of the Remuneration Advisory Committee, with participation by outside directors

2014

- Appointment of 3 independent outside directors to its Board of Directors consisting of 7 directors and appointment of 2 independent outside Audit & Supervisory Board members to its Audit & Supervisory Board consisting of 3 members



CORPORATE GOVERNANCE SYSTEM

■ Officer System

Clear segregation of the management and business execution functions

JSR has introduced an officer system to separate Company-wide management monitoring by directors and business execution by officers. The system accelerates decision-making from the functions of business execution by directors and officers, respectively, and also strengthens the supervisory function of directors and clarifies roles and responsibilities.

■ Audit System

Enhancement of the management monitoring function and assurance of transparency

Under the Company's audit system, business execution audits and account audits make significant contributions to fair, transparent, and timely management. Business audits cover the execution of duties by directors, and account audits cover financial statements submitted at Ordinary General Meetings of Shareholders. In order to further enhance monitoring and checking functions of its audit & supervisory board, the Company appoints independent attorney and certified public accountant as outside audit & supervisory board member.

■ Internal Control System

Efforts to ensure the effectiveness of and improve internal controls

In accordance with The Companies Act of Japan, the JSR Group has established a basic policy governing its internal control system. Guided by this policy, the Company works to strengthen and augment its internal controls. The Internal Audit Department systematically audits business execution and compliance systems in each division and Group company, and confirms that rigorous legal compliance is observed throughout the Group.

① Board of Directors

Management decisions that reflect outside opinions

The Board of directors discusses and makes decisions on important business matters, and also supervises directors and officers' execution of

business duties. The Board holds meetings monthly, in principle. It also includes three outside directors who, together with three audit & supervisory board members (including two outside ones) engage in robust exchanges of opinions at Board meetings. By introducing independent and neutral outside directors with extensive business experience, we seek to reinforce the appropriateness of judgments made by management and monitor the legality of their execution of duties.

② Executive Committee

Rapid response to changes in the business environment

The Executive Committee holds extensive discussions on items concerning fundamental management initiatives, management policies, and management plans, along with important matters concerning the execution of business activities at each department. The committee thus gives direction concerning these issues. As required, certain items submitted to this committee are passed on to the Board of Directors for further discussion.

This committee is made up of the president, officers with directorship status, and officers appointed by the president, and responds to important business execution with the aim to expedite decision-making and improve the efficiency of such operations. As a rule, this committee meets once a week, and is chaired by the president. The standing audit & supervisory board member also attends these committee meetings.

③ Business Issues Committee

Review of policies and strategies for individual projects

The Business Issues Committee engages in broad-ranging debate about items related to fundamental management strategies and policies, basic policies behind specific projects, and changes to business strategies. It also shares information to ensure a common understanding of such matters and discusses company directions. Its findings are reflected in deliberations of the Board of Directors and the Executive Committee. The Business Issues Committee, which meets once a week, consists of the president, officers with directorship status, and officers appointed by the president.

CORPORATE GOVERNANCE SYSTEM

④ Officers Committee

Sharing of information on business conditions and issues

This committee is held in order to share information from all departments concerning the execution of business activities, to ensure members' thorough understanding of important business matters and to enhance their communications. This committee consists of the president, senior officers, officers and a standing audit & supervisory board member, except overseas representatives. As a rule, this committee meets twice a month and is chaired by the president.

⑤ Audit & Supervisory Board

Auditing by specialists in an independent position

This board meets every month as stipulated in the regulations governing this body. The audit & supervisory board receive reports on important matters, hold discussions, and make decisions.

In accordance with standards for audits by audit & supervisory board members of the Company, the audit & supervisory board members attend meetings of the Board of Directors, and the standing corporate auditor attends Executive Committee and other important committee meetings to monitor how important decisions are reached and business activities are executed. The audit & supervisory board members also receive reports from the independent auditors, directors, and others. Through these activities, the Audit & Supervisory Board holds deliberations in order to form auditing opinions.

⑥ CSR Committee

Implementation of CSR activities and rigorous compliance

The CSR Committee was established to ensure that JSR fulfills its responsibilities to society and complies with laws and regulations. Under the CSR Committee, four committees were established: the Corporate Ethics Committee, the Responsible Care Committee, the Risk Management Committee, and the Social Contribution Committee. The CSR Committee integrates and guides the activities of the above four committees and meets four times each year along with special meetings as necessary to further strengthen the Company's CSR efforts.

The CSR Committee is chaired by the officer responsible for CSR and consists of officers, senior officers, and officers. Bureaus of the four committees listed above also attend meetings of the CSR Committee. The Committee clarifies the Company's stance toward CSR and works to strengthen CSR efforts at JSR.

⑦ Corporate Ethics Committee

Promotion of ethical business activities group-wide

The Corporate Ethics Committee, chaired by the officer in charge of general affairs, was established under the CSR Committee to implement corporate ethics standards and prevent improper actions throughout the JSR Group. The JSR Group Principles of Corporate Ethics have been prepared to provide a code of conduct for executives and employees. It is also prepared in Traditional Chinese, Thai, and Korean, in addition to English and Simplified Chinese, so that Group employees all over the world can become better acquainted with the Principles. As for the reporting system, along with the internal hotline linked to the Corporate Ethics Committee and the external hotline linked to an external attorney, JSR introduced a hotline that is linked to a specialized external agency and is also available in English, Chinese, Korean and Thai.

⑧ Responsible Care Committee

Working to enhance safety, the environment, and quality

JSR conducts a Responsible Care program to fulfill its obligations to achieve sustainable development. The Responsible Care Committee was established under the CSR Committee to ensure that Responsible Care activities are conducted effectively across the entire company. The committee is chaired by the managing officer for safety and environmental affairs, demonstrating Responsible Care position as a core component of JSR's management. This committee approves Responsible Care plans, evaluates and verifies results of activities, and helps to maintain and upgrade JSR's programs to eliminate accidents, reduce environmental impact, manage chemical substances, and ensure safety of products. Details and results of Responsible Care activities are disclosed through the CSR Report and Responsible Care Reports prepared by individual plants.

CORPORATE GOVERNANCE SYSTEM

The CSR Report is audited by a third party to improve the reliability and transparency of the data. Through these activities, the committee is dedicated to winning greater trust from customers and addressing any concerns among residents in the neighborhoods of JSR's facilities.

To make the information widely available, the CSR Report is posted on the JSR website (http://www.jsr.co.jp/jsr_e/csr/index.shtml).

⑨ Risk Management Committee

Further strengthening risk management systems

JSR places strong management priority on preventing serious crises from occurring and on minimizing the impact of crises that do occur on its business activities. To this end, the Company established the Risk Management Committee under the CSR Committee, with the officer responsible for Corporate Planning as chair. The Committee decides policies and plans in response to crises, both present and potential, and promotes continuous improvement.

⑩ Social Contribution Committee

Examining and promoting socially beneficial activities

The Social Contribution Committee was established under the CSR Committee and is chaired by the officer responsible for Corporate Communications. JSR has been involved in many activities that contribute to society at the local level. JSR will expand its activities to cover the whole society and provide more active approaches. The Social Contribution Committee studies the formulation of new programs and pursues initiatives according to its "Basic Approach to Social Contribution," published in January 2009.

Status of Internal Audit, Audits by Audit & Supervisory Board Members and Financial Audits

Management oversight from various perspectives

JSR has adopted the audit & supervisory board member system. There are three audit & supervisory board members, including two from outside the JSR Group. These auditors are staffed by one individual. Audits are performed as described in the section concerning the Audit & Supervisory Board.

The audit & supervisory board members work closely with the independent auditors. The audit & supervisory board members receive reports on the financial accountant's audit plan and audit results. Furthermore, the audit & supervisory board members and financial accountants exchange information and opinions as necessary in the course of each fiscal year. The internal audit has been conducted by the Internal Audit Department as a specialized internal auditing unit. The audit & supervisory board members receive reports on the audit plan and audit results from the Internal Audit Department regularly, exchange opinions, and enhance the auditing system.

Remuneration

Advice on remuneration for corporate officers from the Remuneration Advisory Committee

The remuneration of the Company's directors consists of a basic salary, a bonus based on consolidated performance for the year, and stock options that serve as a long-term incentive. The level of remuneration is commensurate with the Company's business results and is compared with those of other companies in the same industry and of similar size. The total limit for monthly salaries is decided by resolution at the Ordinary General Meeting of Shareholders. Performance-based bonuses and stock options are also approved by resolution at the Ordinary General Meeting of Shareholders. Total remuneration paid in fiscal 2014, ended March 31, 2014, was ¥260 million, paid to eight directors, including three outside directors and a director who retired during fiscal 2014.

Audit & supervisory board members are paid a basic fixed salary that is not performance-based. In fiscal 2014, total salaries paid to audit & supervisory board members amounted to ¥39 million, including ¥27 million paid to internal audit & supervisory board members and ¥12 million to outside corporate auditors.

The Company recently established the Remuneration Advisory Committee, which deliberates about matters such as the basic remuneration policies, the remuneration system, and the annual bonus scheme and reports to the Board of Directors.

DIRECTORS, AUDIT & SUPERVISORY BOARD MEMBERS, AND OFFICERS (AS OF JUNE 17, 2014)

Directors and Corporate Auditors

Representative Director
and President
Mitsunobu KoshibaRepresentative Director
Hozumi SatoDirector
Hisao HasegawaDirector
Hayato HiranoStanding Audit &
Supervisory Board Member
Shoichi KataokaOutside Director
Takuya GotoOutside Director
Michio KariyaOutside Director
Kazunori YagiOutside Audit & Supervisory
Board Member**Hiroichi Uekusa**Outside Audit & Supervisory
Board Member**Hisako Kato**

Officers (*Directors)

Hozumi Sato*Executive Vice President
Research and Development, Strategic
Businesses, Director of MEDICAL &
BIOLOGICAL LABORATORIES CO., LTD.**Koichi Kawasaki**Executive Managing Officer
Petrochemicals Sector (including Plastics),
General Manager of Petrochemical
Products Div., President of ELASTOMIX
CO., LTD., Vice President of Kraton JSR
Elastomers K.K., President of Japan Butyl
Co., Ltd., President of JSR MOL Syn-
thetic Rubber Ltd.**Hisao Hasegawa**Managing Officer
Procurement, Logistics, Manufacturing
and Technology, Product Safety & Quality
Assurance, IT Strategy, General Manager
of Manufacturing and Technology Group,
President of Tobu Butadiene Co., Ltd.**Yasuhisa Nagahiro**Managing Officer
Display Materials Business, Optical Materials
Business, Safety and Environment Affairs**Atsushi Kumano**Senior Officer
President of JSR Micro Korea Co., Ltd.**Nobuo Kawahashi**Senior Officer
Research & Development (deputy),
General Manager of R&D Department**Kazuyoshi Nakazawa**Senior Officer
Yokkaichi Plant, Yokkaichi Plant Manager**Hayato Hirano***Senior Officer
CSR, Accounting and Finance, Corporate
Communications, Group Company
Coordination, General Manager of Group
Companies Coordination Department**Katsuya Inoue**Senior Officer
Business Planning, Fine Chemicals
Business, General Manager of Business
Planning, Fine Chemicals Business**Takatoshi Nagatomo**Officer
President of JSR BST Elastomer Co., Ltd.**Takeshi Sugimoto**Officer
Electronic Materials Business, General
Manager of Electronic Materials Division
and General Manager of Lithography
Materials Department**Tsuyoshi Watanabe**Officer
China Business, Chairman of J&W Beijing
Biotech Co., Ltd., Chairman of JSR
(Shanghai) Co., Ltd.**Fumio Tsutsumi**Officer
Petrochemical Products Business (deputy),
General Manager of New Business
Development, Petrochemical Products**Kazumasa Yamawaki**Officer
Petrochemical Products Sector (deputy)
General Manager of Department for
Global Business Alliance, Petrochemical
Products**Eric Johnson**Officer
President of JSR Micro, Inc.**Eiichi Kobayashi**Officer
Strategic Businesses (deputy), President
of JM Energy Corporation**Makoto Doi**Officer
Legal, General Affairs, General Manager
of Legal Department**Takao Shimizu**Officer
Corporate Planning, General Manager of
Corporate Planning Department**Tsutomu Shimokawa**Officer
Yokkaichi Research Center, General
Manager of Yokkaichi Research Center**Yoshio Shiota**Officer
Human Resources, General Manager
of Human Resource Development
Department**Hiroaki Nemoto**Officer
Chairman of JSR Micro Taiwan Co., Ltd.**Yoichi Mizuno**Officer
General Manager of Optical Materials
Business

OUTSIDE DIRECTORS

The Company has appointed three outside directors in order to further reinforce the monitoring function of the Board of Directors. By welcoming outside directors with extensive experience and highly impartial, neutral perspectives, we will ensure more appropriate management decision-making and reinforce our ability to monitor the legality of business execution.



Takuya Goto

Takuya Goto served as Representative Director and President, and Chairman, Board of Directors of Kao Corporation. Mr. Goto has extensive experience in the management of Kao, a prominent international consumer products and chemical company. He has helped strengthen corporate governance by deploying this experience to ensure reasonable judgments by management from external, independent and neutral perspectives, as well as management transparency and soundness. For this reason, Mr. Goto has been named an outside director, as he was in the previous year.

Major activities in the year under review

Mr. Goto participated in 17 of the 18 meetings of the Board of Directors held during the year under review, at which he contributed amply to fair and reasonable management decisions and transparent and sound management by addressing the Board as appropriate concerning matters under discussion. Mr. Goto brought to the Board an independent outside perspective based on his extensive experience in the management of a company that operates an international business in consumer products and industrial-use chemicals.



Michio Kariya

Michio Kariya served as president, CEO and COO of Nikon Corporation and is currently a executive advisor. Mr. Kariya has extensive experience in the management of Nikon, a globally renowned optical equipment company. He has helped strengthen corporate governance by deploying this experience to ensure reasonable judgments by management from external, independent and neutral perspectives, as well as management transparency and soundness. For this reason, Mr. Kariya has been named an outside director, as he was in the previous year.

Major activities in the year under review

Mr. Kariya participated in all 18 meetings of the Board of Directors held during the year under review, at which he contributed amply to fair and reasonable management decisions and transparent and sound management by addressing the Board as appropriate concerning matters under discussion. Mr. Kariya brought to the Board an independent outside perspective based on his extensive experience in the management of a company that operates an international business in optical machinery and equipment.



Kazunori Yagi

Kazunori Yagi is a corporate advisor for Yokogawa Electric Corporation. Mr. Yagi has extensive experience in the management of Yokogawa Electric, a globally renowned producer of control systems and measurement instruments. JSR anticipates that Mr. Yagi will help strengthen corporate governance by deploying this experience to ensure reasonable judgments by management from external, independent and neutral perspectives, as well as management transparency and soundness. For this reason, Mr. Yagi has been named an outside director.

Major activities in the year under review

Mr. Yagi participated in all 18 meetings of the Board of Directors held during the year under review, at which he contributed amply to fair and reasonable management decisions and transparent and sound management by addressing the Board as appropriate concerning matters under discussion. Mr. Yagi brought to the Board an independent outside perspective based on his extensive experience in the management of a company that operates an international business in control systems and measurement instruments.

OUTSIDE AUDIT & SUPERVISORY BOARD MEMBERS

To ensure the fairness and transparency of management, the Company appoints one standing audit & supervisory board members, as well as one outside audit & supervisory board member. The outside audit & supervisory board members have no personal, financial, or business interests in the Company. They are called upon to ensure the sound governance of the Company while drawing on their respective careers.



Hiroichi Uekusa

Hiroichi Uekusa does not concurrently hold the position of director in another company. Mr. Uekusa contributes to ensuring reasonable judgments by management, as well as management transparency and soundness by auditing the Company from a position of independence while drawing on the extensive knowledge and experience in legal matters he possesses as an attorney.



Hisako Kato (New appointee)

Ms. Kato will greatly contribute to further enhance its corporate governance by providing fair and reasonable judgment for, and accountable and sound management of, the businesses of the Company through utilization of her range of professional knowledge and vast experience on counting and tax matters as a Certified Public Accountant both in Japan and US and as a Certified Tax Accountant, as well as neutral and independent view point as an independent outsider.

Major activities in the year under review

Mr. Uekusa attended all 18 meetings of the Board of Directors and all 18 meetings of the Audit & Supervisory Board held during the year under review. He contributed amply to the auditing of the Company and to fair and reasonable management decisions and transparent and sound management by addressing the Board of Directors and Audit & Supervisory Board as appropriate concerning matters under discussion. Mr. Uekusa brought to both boards an independent outside perspective based on his extensive experience as an attorney at law and his expert knowledge in a broad range of legal matters.

JSR GLOBAL NETWORK

HEAD OFFICE

JSR Corporation

1-9-2, Higashi-Shinbashi, Minato-ku, Tokyo
105-8640, Japan

BRANCH OFFICES

Nagoya Branch

A Wallisellen Branch (Switzerland)

B Taiwan Office

C Singapore Branch

PLANTS

Yokkaichi Plant

100 Kawajiri-cho Yokkaichi, Mie 510-8552, Japan

Chiba Plant

5, Chigusakaigan, Ichihara, Chiba 229-0108, Japan

Kashima Plant

34-1, Tohwada, Kamisu, Ibaraki 314-0102, Japan

JAPAN

Elastomers Business

ELASTOMIX CO., LTD.

Compounding of crude rubber and sales of compounded products.

Japan Butyl Co., Ltd.

Production, processing, and sales of butyl rubber.

KRATON JSR ELASTOMERS K. K.

Production, purchase, and sales of thermoplastic rubber.

Emulsion Technology, Co., Ltd.

Production and sale of acrylic emulsions, latex processed products including CL, adhesives, and cement admixture.

Plastics Business

Techno Polymer Co., Ltd.

Production, sales, and R&D of synthetic resin.

JAPAN COLORING CO., LTD.

Coloring of synthetic resin and sales of colored products.

Fine Chemicals and Other Products Business

D-MEC LTD.

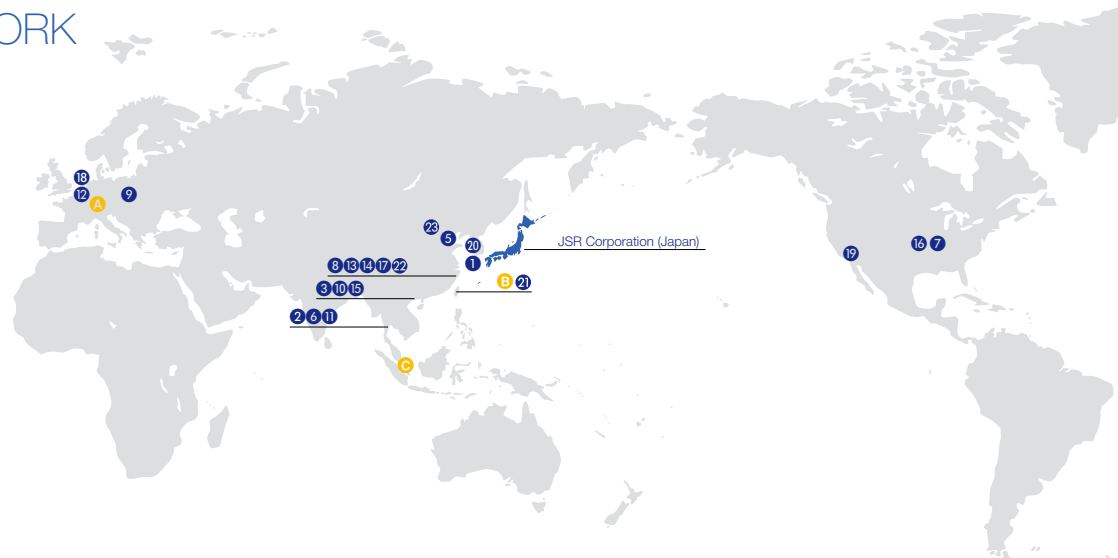
Commissioned generation of 3D models, sales of solid modeling systems, and optically hardened resins, and commissioned analysis by CAE.

JSR Micro Kyushu Co., Ltd.

Production of photoresist, semiconductors, and materials for flat panel displays.

JSR Optech Tsukuba Co., Ltd.

Production of UV curing type optical fiber coating materials.



JAPAN FINE COATINGS Co., Ltd.

Sales of coating materials for fiber-optic cables reinforced by ultraviolet or electron radiation and for other apparatus.

JM Energy Corporation

Development, manufacturing, and sales of lithium ion capacitors and modules.

Tri Chemical Laboratories Inc.

Production and sales of semiconductor materials and other materials for compound semiconductors.

JSR Life Sciences Corporation

Production and sales of life science related materials.

MEDICAL & BIOLOGICAL LABORATORIES CO., LTD.

Research, development, manufacturing, and sales of diagnostic and research reagents.

SCIVAX Life Sciences, Inc.

Sales of three-dimensional (3D) cell culture plates, technology development, commissioned business, and consulting related to 3D cell culture.

Business in Other Fields

JSR Trading Co., Ltd.

Export, import, purchase, and sales of the following: various chemicals, machinery, equipment, physical distribution materials, living necessities, foodstuffs, beverages, and non-life insurance.

JEY-TRANS CO., LTD.

Freight forwarding, warehousing, and delivery management.

JSR Logistics & Customer Center Co., Ltd.

Customer service agent and logistics management.

JSR ENGINEERING CO., LTD.

Engineering and consultation for chemical engineering equipment.

JSR Business Services Co., Ltd.

Undertaking of general affairs, accounting, payroll calculation, and welfare.

Tobu Butadiene Co, Ltd.

Production and technical services of butadiene.

JN System Partners Co., Ltd.

Computer system design, programming and system operation, and maintenance.

OVERSEAS

Elastomers Business

1 Kumho Polychem Co., Ltd.(*)

Production and sales of ethylene-propylene rubber (EPR).

2 ELASTOMIX (THAILAND) CO., LTD.

Compounding of crude rubber and sales of compounded products.

3 PT.ELASTOMIX INDONESIA

Compounding of crude rubber and sales of compounded products.

4 ELASTOMIX (FOSHAN) CO., LTD.

Compounding of crude rubber and sales of compounded products.

5 Tianjin Kuo Cheng Rubber Industry Co., Ltd.(*)

Compounding of crude rubber and sales of compounded products.

6 JSR BST Elastomer Co., Ltd.

Sales and manufacturing of S-SBR (Solution Polymerization Styrene-Butadiene Rubber).

7 JSR Trading, Inc.

Purchases and sales of synthetic rubber.

8 JSR Trading (Shanghai) Co., Ltd.

Export, import, and purchases of industrial-use chemical products.

9 JSR MOL Synthetic Rubber, Ltd.

Sales and manufacturing of Solution Polymerization Styrene-Butadiene Rubber (S-SBR).

Plastics Business

10 TECHNO POLYMER HONG KONG CO., LTD.

Sales and technical services of synthetic resin in Hong Kong and neighboring regions.

11 Techno Polymer (Thailand) Co., Ltd.

Sales and technical services of synthetic resin in ASEAN region.

12 Techno Europe N.V.

Sales and technical services of synthetic resin in Europe.

13 Techno Polymer (Shanghai) Co., Ltd.

Sales and technical services of synthetic resin in China.

14 Techno Polymer Shanghai Technical Development Co., Ltd.

Production and processing of plastics and technical services related to plastics in China.

15 Techno Polymer Guangzhou Co., Ltd.

Sales and technical services of synthetic resin in Guangzhou and neighboring regions.

16 TECHNO POLYMER AMERICA, INC.

Sales of plastics and technical services related to plastics in North America.

17 Shanghai Rainbow Color Plastics Co., Ltd.

Coloring of ABS resin and sales of colored products in China.

Fine Chemicals and Other Products Business

18 JSR Micro N.V.

Production and sales of semiconductor materials.

19 JSR Micro, Inc.

Production and sales of semiconductor materials.

20 JSR Micro Korea Co., Ltd.

Production, development, and sales of display materials and semiconductor materials.

21 JSR Micro Taiwan Co., Ltd.

Production, development, and sales of display materials.

22 JSR (Shanghai) Co., Ltd.

Sales agency of products such as synthetic rubber, semiconductor materials, liquid crystal display materials, and performance chemicals.

23 J&W Beijing Biotech Co., Ltd.

R&D of intermediate diagnostics, wholesale of intermediate diagnostics, processed goods, electronic products, and hardware. Import and export of cargo, commission agency services (exclude auction), assignment of technologies, consulting, and services.

CORPORATE DATA (AS OF MARCH 31, 2014)

JSR Corporation

Established

December 10, 1957

Capital (Common Stock)

¥23,320 million

Employees

5,548

Closing date

JSR books are closed on March 31, each year.

Shareholders Information (As of March 31, 2014)

Stock Listing

Tokyo Stock Exchange

Number of Shares Issued

237,973,205 shares

Number of Shareholders

18,767

Major Shareholders

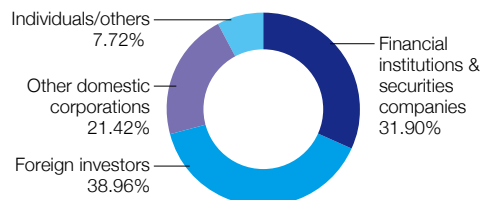
	Percentage of shares held (%)	Number of shares held (thousands)
Bridgestone Corporation	15.59	36,666
The Master Trust Bank of Japan, Ltd. (Trust Account)	4.27	10,046
Japan Trustee Services Bank, Ltd. (Trust Account)	4.09	9,620
STATE STREET BANK AND TRUST COMPANY 505223	2.63	6,195
JP MORGAN CHASE BANK 380055	2.59	6,090
Mizuho Bank, Ltd.	1.98	4,675
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1.87	4,398
Nippon Life Insurance Company	1.68	3,957
The Master Trust Bank of Japan, Ltd. (Number of Retirement Allowance Trust Shares of Mitsubishi Chemical Corporation)	1.63	3,848
Meiji Yasuda Life Insurance Company	1.54	3,631

* 2,862,706 shares of treasury stock held by the Company are not included in the above breakdown of major shareholders.

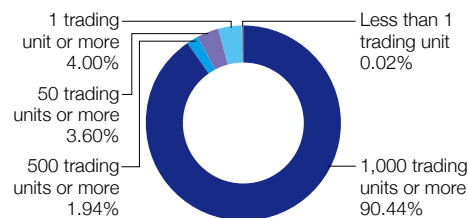
Composition of Shareholders

	Shareholders	Shares held (thousands)
Individuals and others	17,960	18,363
Foreign corporations and individuals	438	92,725
Other domestic corporations	248	50,965
Financial institutions	87	74,462
Securities companies	34	1,459
Total	18,767	237,973

By Type of Shareholders



By Number of Shares Held



Ordinary General Meeting of Shareholders

The annual general meeting of shareholders is held in June each year. The 2014 annual general meeting was held on June 17, 2014.

Transfer Agent and Register

The Chuo Mitsui Trust and Banking Co., Ltd.

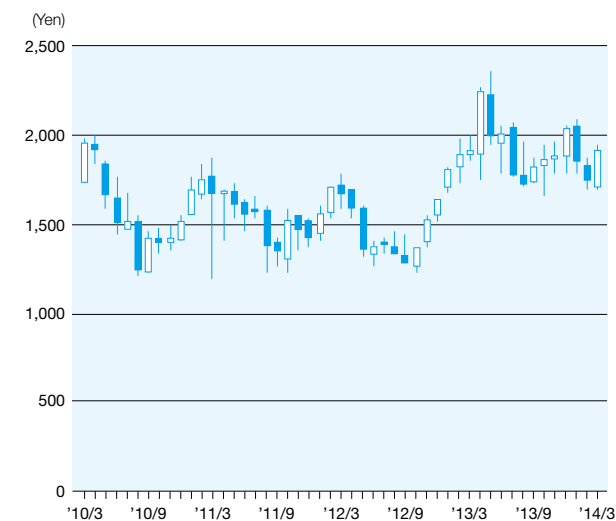
Auditors

KPMG AZSA & Co.

Common stock price range

(Yen/share: Tokyo Stock Exchange)

		1st Q	2nd Q	3rd Q	4th Q
FY2004	High	1,477	2,080	2,540	2,435
	Low	1,141	1,429	1,795	2,055
FY2005	High	2,520	2,180	2,265	2,255
	Low	1,892	1,655	1,790	2,040
FY2006	High	2,395	2,635	3,150	2,810
	Low	2,000	2,175	2,370	3,040
FY2007	High	3,710	2,930	3,170	3,240
	Low	2,535	2,280	2,505	2,530
FY2008	High	2,985	3,120	3,020	2,875
	Low	2,540	2,445	2,465	1,886
FY2009	High	2,460	2,180	1,397	1,312
	Low	2,000	1,246	795	990
FY2010	High	1,687	1,960	1,959	1,974
	Low	1,162	1,561	1,545	1,714
FY2011	High	1,999	1,666	1,543	1,875
	Low	1,436	1,201	1,341	1,183
FY2012	High	1,724	1,655	1,582	1,790
	Low	1,413	1,221	1,218	1,408
FY2013	High	1,695	1,455	1,644	1,994
	Low	1,255	1,274	1,224	1,670
FY2014	High	2,360	2,073	2,049	2,085
	Low	1,748	1,713	1,663	1,694



JSR Corporation

FINANCIAL SECTION 2 0 1 4

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- 01** TEN-YEAR SUMMARY
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 - 09** CONSOLIDATED STATEMENTS OF INCOME
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- 13** NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
- 30** INDEPENDENT AUDITORS' REPORT



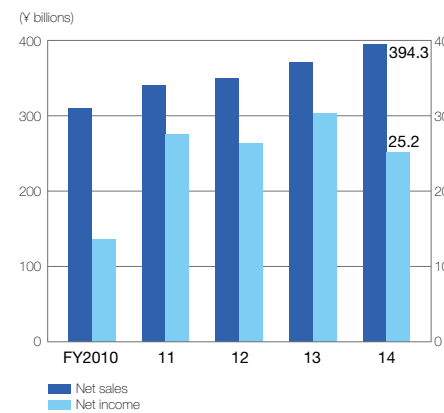
TEN-YEAR SUMMARY

Fiscal year means year ended March 31

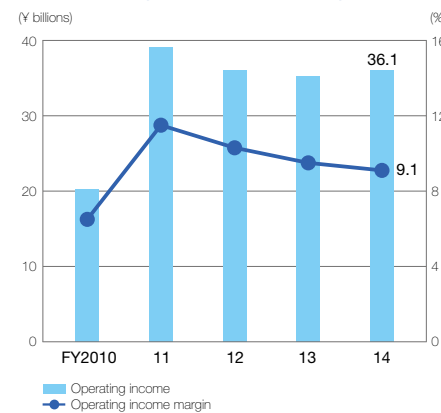
	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2014
										Millions of yen	Thousands of U.S. dollars
For the fiscal year											
Net sales	¥305,368	¥338,160	¥365,831	¥406,968	¥352,503	¥310,184	¥340,666	¥349,947	¥371,487	¥394,309	\$3,831,221
Costs and expenses	260,035	284,803	310,588	346,958	322,155	289,954	301,571	313,982	336,281	358,247	3,480,834
Operating income	45,333	53,357	55,243	60,010	30,348	20,230	39,095	35,964	35,206	36,062	350,387
Interest and dividend income	519	635	1,030	1,309	1,230	568	626	634	809	916	8,901
Interest expenses	(475)	(420)	(399)	(256)	(271)	(172)	(146)	(147)	(126)	(142)	(1,375)
Income before income taxes and minority interests	43,471	49,038	53,440	54,867	20,803	19,458	40,674	41,245	42,847	36,956	359,077
Net income	27,564	30,555	33,655	36,994	13,981	13,645	27,571	26,407	30,278	25,173	244,584
Capital expenditures	18,134	23,361	22,094	29,076	19,081	17,707	11,801	19,728	27,608	21,499	208,888
Depreciation	15,245	16,206	18,133	21,180	24,833	22,380	19,245	17,784	19,145	18,096	175,823
At fiscal year-end											
Total assets	325,031	381,097	408,949	416,951	339,498	373,566	390,591	430,693	482,935	501,320	4,870,964
Long-term debt due after one year	13,857	1,607	2,745	1,525	1,500	1,500	1,028	500	6,626	11,069	107,552
Total liabilities	139,249	164,389	168,963	159,288	97,512	122,865	126,475	148,335	167,202	164,060	1,594,051
Equity ratio (%)	182,476	212,751	235,186	252,539	240,896	249,440	262,679	280,955	308,641	331,284	3,218,849
Current ratio (times)	1.8	1.7	1.8	1.9	2.5	2.3	2.4	2.3	2.3	2.5	2.5
Return on assets (%)	8.7	8.7	8.2	8.9	4.1	3.7	7.1	6.4	6.6	5.1	5.1
Return on equity (%)	16.1	15.5	15.0	15.2	5.7	5.6	10.8	9.7	10.3	7.9	7.9
Equity ratio (%)	56.1	55.8	57.5	60.6	71.0	66.8	67.3	65.2	63.9	66.1	66.1
Per share data (Yen and U.S. dollars)											
Net income	107.54	119.63	133.10	147.26	56.36	55.87	113.07	109.46	126.13	106.10	1.03
Cash dividends	14.00	20.00	24.00	32.00	32.00	26.00	32.00	32.00	34.00	38.00	0.37
Equity	717.13	836.31	935.47	1,009.27	986.33	1,021.31	1,088.87	1,164.63	1,299.77	1,409.06	13.69

Note: U.S. dollar amounts are translated, for convenience only, at ¥102.92 = US\$1.00, the rate prevailing on March 31, 2014.

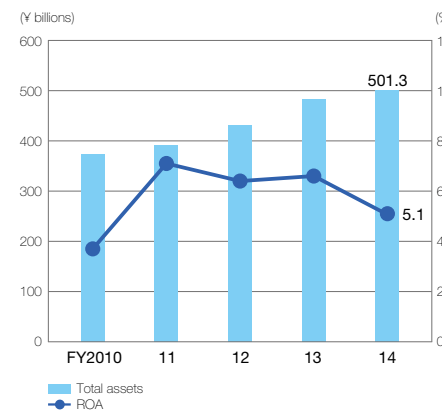
Net Sales/Net Income



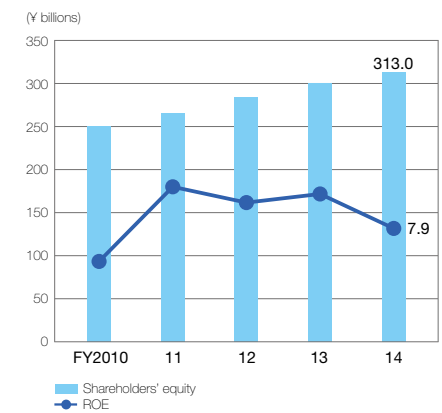
Operating Income/ Operating Income Margin



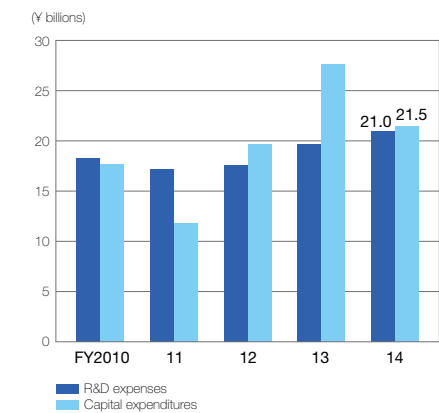
Total Assets/ROA



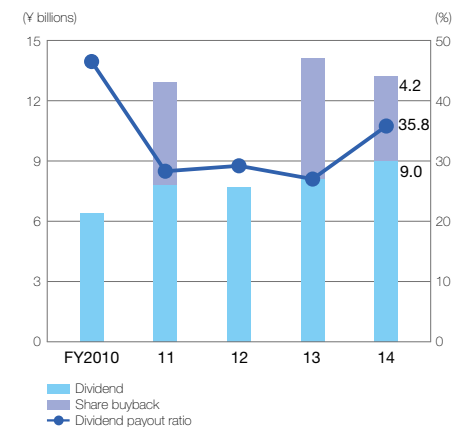
Shareholders' Equity/ROE



R&D Expenses/ Capital Expenditures



Shareholder Return/ Dividend Payout Ratio



MANAGEMENT'S DISCUSSION AND ANALYSIS

Analysis of Operating Results

Overview of FY2014, ended March 31, 2014

Summarizing trends in the main industries where JSR Group customers do business, in automobile tires, production increased for the year in China and the rest of Asia and achieved slight growth in North America and Europe while remaining at the same level in Japan. Automobile production in North America and China was up year on year, and Europe started to show signs of a recovery, but Japan was flat despite a second-half recovery. In the semiconductor industry, production rebounded in the second half, but full-year results remained at the same level owing to the effects of a first-half slowdown. In flat panel displays (FPDs), production expanded year on year as a result of strong sales of small- and medium-size panels for mobile devices such as smartphones.

Under these circumstances, the JSR Group drove expanded sales of its technically superior products, while it also sought to maintain profits by revamping product pricing in the face of volatile raw material prices and by pushing forward with cost reductions through the E-100plus cost restructuring initiative. The weakening yen was the primary factor lifting net sales, but further growth in operating income was held in check by other factors, namely the deteriorating position of our products in the Petrochemical Products Business and forward-looking investments in the Fine Chemical and Other Products Business.

Financial results for FY2014 consist of net sales of ¥394.3 billion (up 6.1% year on year), operating income of ¥36.1 billion (up 2.4%), and net income of ¥25.2 billion (down 16.9%).

Review of Operations

Elastomers Business Segment

The Company's sales volume in synthetic rubber products was flat, as domestic production remained constant in the automobile tire

industry, one of our chief sources of demand; yet net sales value recorded a year-on-year gain. In other regions, particularly Asia, increased supply capacity at synthetic rubber firms upset the demand-supply balance and worsened market conditions. To retain its profit levels, JSR implemented a new pricing structure and cost reduction measures in the face of price volatility for raw materials. Despite these efforts, operating income was down year on year.

As a result, the Elastomers Business segment had net sales of ¥203.5 billion (up 3.9% year on year) and operating income of ¥17.4 billion (down 3.3%).

Plastics Business Segment

Sales volumes in synthetics rubber were down from the previous fiscal year. Although products for automobiles rebounded in the second half, those for use in industrial materials including amusement and general applications fell. Net sales and operating income, on the other hand, both managed to increase for the year as a result of cost reduction measures and a restructuring of product pricing in response to changes in raw material costs. Yen depreciation also helped boost these results.

Owing to these factors, the Plastics Business segment had net sales of ¥57.8 billion (up 11.6% year on year) and operating income of ¥3.9 billion (up 32.3%).

Fine Chemicals and Other Products Business Segment

In semiconductor materials, net sales rose year on year, driven in the second half by the start of high-volume production among major customers in leading-edge 20nm generation processing, where JSR boasts a high market share. The lower yen exchange rates also contributed to this result. In FPD materials, yen effects were also prevalent, and the operating ratios of principal customers trended firmly upward, resulting in a year-on-year increase in net sales. Among

Segment Sales/Operating Income (¥ millions)

Years ended March 31	2010	2011	2012	2013	2014
Elastomers Business	¥136,086	¥160,854	¥180,835	¥195,797	¥203,478
Operating income	372	14,739	19,358	17,923	17,330
Plastics Business	47,812	52,297	51,236	51,759	57,764
Operating income	(1)	2,563	2,138	2,962	3,919
Fine Chemicals and Other Products Business	126,286	127,515	117,876	123,931	133,067
Operating income	19,859	21,793	14,468	14,321	14,813
Net Sales	310,184	340,666	349,947	371,487	394,309
Operating income	¥ 20,230	¥ 39,095	¥ 35,964	¥ 35,206	¥ 36,062

the strategic business and other products, net sales rose steadily in biomedical materials, but sales volumes of optical film in the precision materials and process field lost momentum.

In electricity storage devices, the segment started full-scale sales of lithium ion capacitors (LIC) and committed to construction of a high-volume production facility.

For the Fine Chemical and Other Products Business segment overall, FY2014 net sales and operating income both surpassed the corresponding results from FY2013, despite the downward pressure on operating income exerted by the JSR Group's commitment to forward-looking investment for the development of next-generation, leading-edge technology.

Key results in the segment for the year were net sales of ¥133.1 billion (up 7.4% year on year) and operating income of ¥14.8 billion (up 3.4%).

Business Outlook for FY2015

For FY2015, among the main customer industries, the JSR Group expects the automobile tire and semiconductor markets to benefit from demand growth in line with the improving global economy, which will return them to a recovery track in the first half. Our outlook for the FPD market is for continued firm growth in small- and medium-size

panels for smartphones and tablets. However, mounting geopolitical risks and global economic uncertainty make our forecasts for these markets subject to unclear and unpredictable conditions.

In the Elastomers Business, the rate of demand growth for synthetic rubber is expected to fluctuate depending upon the rebound in the tire industry. Meanwhile, because S-SBR is showing good prospects for steady growth as the eco-tire market heats up, we are engaged in an effort to expand global sales by making use of a tire joint venture and plant in Thailand that has entered full-scale operation.

In the Fine Chemical and Other Products Business, we are embarking on sales expansion plans in both semiconductor materials and FPD materials. In semiconductors, our efforts will focus on lithography materials, mainly photoresist, which are tied to the momentum for advanced 20nm generation high-volume production by the industry's major players. In FPD materials, we will concentrate on small- to medium-size panel products, whose production outlook is quite favorable.

In consideration of the above, our consolidated earnings forecast for FY2015 consists of net sales of ¥410.0 billion (a 4.0% year-on-year increase), operating income of ¥38.0 billion (a 5.4% increase), and net income of ¥28.0 billion (an 11.2% increase). The assumptions behind this forecast are an exchange rate of ¥100.0 per U.S. dollar and a naphtha price of ¥70,000 per kiloliter.

Analysis of Financial Position

Total assets at the fiscal year-end on March 31, 2014, amounted to ¥501.3 billion, up ¥18.4 billion from a year earlier.

Current assets totaled ¥326.5 billion, up ¥6.1 billion, due to increases in inventories, cash and deposits, and securities.

Noncurrent assets totaled ¥174.8 billion, up ¥12.3 billion. Major factors were an increase in investment securities as a result of capital contributions in Japan and overseas and changes in the market value of certain securities in addition to an increase in plant, property and equipment as a result of plant construction in Thailand.

Total liabilities amounted to ¥164.1 billion, down ¥3.1 billion from a year earlier. Major factors include an increase in long-term loans payable and a decrease in notes and accounts payable—trade.

Net assets amounted to ¥313.0 billion, including a ¥12.5 billion increase in shareholders' equity. Accumulated other comprehensive income was ¥18.3 billion, up ¥10.2 billion year on year. After subscription rights to shares and minority interests are also accounted for, total net assets come to ¥337.3, up ¥21.5.

Analysis of Cash Flows

Cash and cash equivalents ("funds") on March 31, 2014, stood at ¥91.1 billion, up ¥37.3 billion from a year earlier.

Net cash provided by operating activities was a net inflow of ¥35.5 billion, down ¥12.2 billion from a year earlier.

Major factors include income before income taxes and minority interests of ¥37.0 billion, depreciation and amortization of ¥18.1 billion, a decrease in notes and accounts payable of ¥14.5 billion, and income taxes paid of ¥11.9 billion.

Net cash from investing activities was a net inflow of ¥8.2 billion,

up ¥66.9 billion from the previous year. Major factors include an inflow of ¥28.5 billion from a decrease in short-term investment securities and an outflow of ¥21.1 billion from purchase of noncurrent assets.

Net cash used in financing activities was a net outflow of ¥8.1 billion, down ¥2.0 billion from the previous year. Major factors include ¥8.5 billion for payment of cash dividends, ¥4.2 billion for purchase of treasury stock, and ¥4.5 billion for proceeds from long-term loans payable.

Profit Appropriation

The Company regards its most critical challenge to be the long-term enhancement of business earnings. To this end, we strive to strengthen our research and development from a long-term standpoint and intend to enhance our business competitiveness through new business expansion.

In conformance with this approach, the JSR Group has set a basic policy to appropriate profits, including repurchase of Company shares, in line with consolidated performance while continuing to pay a stable cash dividend. The determination of cash dividends is based on comprehensive consideration of the balance between appropriating profits and retaining the necessary funds for future business advancement.

We allocate retained earnings to R&D connected to future growth and to strategic investments, and we work hard to enhance corporate value so that we can return profits to our shareholders.

In accordance with this policy, we have decided to pay a year-end dividend of ¥19 per share as previously announced. This amount is the same as the interim dividend, and the total annual dividend for fiscal year 2014, including the interim dividend already paid, will be ¥38.00 per share.

For the next fiscal year (FY2015 ending on March 31, 2015), we plan in consideration of the business outlook to increase the cash dividend to ¥40 per year, consisting of an interim dividend of ¥20.00 and a year-end dividend of ¥20.00.

Risk Information

The JSR Group is exposed to the following risks that may impact on operating results, financial position, cash flows and other aspects of performance. Forward-looking statements in this discussion are based on JSR's judgments as of March 31, 2014. Risks at JSR include, but are not limited to, the following items:

(1) Changes in Demand due to Economic Trends

In the major industries where the JSR Group's products are sold, such as automobiles and electronics, demand is influenced by the economic climate in a country or region. An economic slowdown could reduce demand in an industry and adversely affect the JSR Group's operating results.

(2) Fluctuation in Prices for Crude Oil, Naphtha and Other Major Raw Materials

Higher prices for crude oil and naphtha, or changes in the markets for JSR's major raw materials, could raise prices of raw materials and adversely affect the JSR Group's operating results, especially in the petrochemical products sector of elastomers, emulsions and plastics.

(3) Fluctuation in Exchange Rates

As the JSR Group undertakes product exports in foreign currencies and imports goods such as raw materials, the Company takes measures to reduce risks such as entering into forward exchange contracts; however, fluctuation in exchange rates could give rise to adverse outcomes. In addition, operating results of consolidated subsidiaries and equity-method affiliates located overseas are converted into Japanese yen amounts for the purposes of preparing the consolidated financial statements. However, due to the yen's appreciation, the JSR Group's business results could be adversely affected.

(4) Procurement of Raw Materials

The JSR Group works to ensure a stable supply of raw materials by procuring materials from a number of sources. However, an interruption to the supply of raw materials due to an accident, bankruptcy or quality problem at a supplier could adversely affect production activities and the JSR Group's operating results.

(5) Development of New Products

Rapid technological progress is constantly taking place in the electronics industry, which is the primary source of demand for semiconductor manufacturing materials, FPD materials and optical materials, the major products of the JSR Group's fine chemicals and other products business. JSR is constantly working on developing state-of-the-art materials in line with this progress. However, unforeseen changes in the industry or market could prevent the timely development of new products and adversely affect the JSR Group's operating results.

(6) R&D Involving Next-Stage Growth Businesses

The JSR Group makes substantial investments in R&D to create next-stage growth businesses. However, there is no guarantee that these R&D activities will always yield worthwhile results. Depending on R&D results, there could be an adverse effect on the JSR Group's operating results.

(7) Protection of Intellectual Property

Protection of intellectual property is extremely important for the JSR Group's business activities. JSR has established a system for protecting its intellectual property and takes various actions as required. However, a dispute about intellectual property with another company or an infringement on JSR's intellectual property by another company could adversely affect the JSR Group's operating results.

(8) Product Quality Assurance and Product Liability

The JSR Group has a product quality assurance system and product liability insurance. However, damage or injury caused by a product manufactured by the JSR Group could adversely affect the JSR Group's operating results.

(9) Natural Disasters and Accidents

To minimize the negative effect on its business activities of any disruption to manufacturing activities, all JSR Group manufacturing facilities have established countermeasures based on the identification of all potential sources of a crisis and conducts periodic inspections of facilities. The Group also works constantly on safety measures with regard to earthquakes and other natural disasters. However, a major natural disaster or accident that damages a production facility or disrupts manufacturing could adversely affect the JSR Group's operating results.

JSR's main production facility, the Yokkaichi Plant, houses private power generation equipment, and the Kashima Plant is able to access electric power from shared power generation facilities when necessary. In the event that electric power shortages become severe due to natural disasters and the like, however, the JSR Group's operating results could be affected.

(10) Environmental Issues

Positioning environmental protection as an important element of its operations, the JSR Group complies with all laws and regulations concerning the environment. The Group also takes actions aimed at reducing its environmental impact, lowering and eliminating waste materials, and cutting energy and resource consumption. The Group has taken many actions to prevent the external release of all types of chemicals.

However, in the event that a spill occurs or that environmental regulations become stricter, the Group's business activities could be restricted, the Group may have to pay compensation and other expenses, or the Group may have to make substantial capital expen-

ditures. Any of these events could adversely affect the JSR Group's operating results.

(11) Overseas Operations

The JSR Group is aggressively expanding operations on a global scale, conducting manufacturing, sales and other activities in countries and regions in the North America, Europe, Asia and other parts of the world. Overseas operations are exposed to a number of risks that include, but are not limited to, an unfavorable political environment or economic trends; labor disputes and other problems due to differences in labor laws and other working conditions; difficulty in recruiting and retaining employees; an adverse impact on business activities due to an inadequate social infrastructure; and the impact of wars, terrorism and other social instability. Any of these events could adversely affect the JSR Group's operating results.

(12) Laws and Regulations

In the countries where it operates, the JSR Group is subject to various laws and regulations involving business and investment permits, export and import activities, trade, labor relations, intellectual property, taxes, foreign exchange and other items. The Group has established a clear compliance policy in order to ensure strict observance of laws and regulations as well as ethical standards. In the event that a law or regulation is violated, or a law or regulation becomes stricter or is significantly altered, there could be limitations to the Group's business activities or additional compliance costs. Any of these events could adversely affect the JSR Group's operating results.

(13) Litigation

In conjunction with its business activities in Japan and overseas, the JSR Group may be sued or be involved in other litigation concerning a dispute with a supplier, customer or other external party. The outcome of significant litigation could adversely affect the JSR Group's operating results.

CONSOLIDATED BALANCE SHEETS

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2013 and 2014

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2014	2014
Current assets:			
Cash and deposits (Notes 3 and 5)	¥ 32,190	¥ 33,391	\$ 324,436
Notes and accounts receivable—trade, net (Notes 4, 5 and 17)	91,512	87,614	851,281
Short-term investment securities (Notes 3, 5 and 6)	79,412	81,005	787,066
Inventories	74,687	78,690	764,570
Accounts receivable—other (Note 17)	28,883	30,663	297,934
Other (Notes 3, 5, 9 and 14)	13,735	15,142	147,119
Total current assets	320,419	326,504	3,172,406
Noncurrent assets:			
Property, plant and equipment (Notes 7, 10 and 16):			
Buildings and structures, net	27,824	30,623	297,544
Machinery, equipment and vehicles, net	25,801	37,267	362,099
Land	18,685	18,626	180,979
Other, net	20,895	9,114	88,550
Total property, plant and equipment	93,205	95,630	929,172
Intangible assets	6,309	7,250	70,444
Investments and other assets			
Investment securities (Notes 5 and 6)	50,532	60,952	592,231
Other, net (Notes 4, 9 and 16)	12,470	10,984	106,711
Total investments and other assets	63,002	71,936	698,942
Total noncurrent assets	162,516	174,816	1,698,558
Total assets (Note 16)	¥482,935	¥501,320	\$4,870,964

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2014	2014
Current liabilities:			
Notes and accounts payable—trade (Notes 5 and 17)	¥ 97,226	¥ 85,334	\$ 829,126
Short-term loans payable (Notes 5 and 7)	14,211	15,579	151,368
Income taxes payable	6,888	6,396	62,150
Other (Notes 9 and 14)	23,522	25,133	244,201
Total current liabilities	141,847	132,442	1,286,845
Noncurrent liabilities:			
Long-term loans payable (Notes 5 and 7)	6,626	11,069	107,552
Provision for retirement benefits	15,211	—	—
Net defined benefit liability (Note 8)	—	15,243	148,104
Provision for environmental measures	2,101	1,734	16,848
Other (Notes 9 and 14)	1,417	3,572	34,702
Total noncurrent liabilities	25,355	31,618	307,206
Total liabilities	167,202	164,060	1,594,051
Net assets (Note 12)			
Shareholders' equity			
Common stock:			
Authorized—696,061,000 shares			
Issued—237,973,205 shares in 2013 and 2014	23,320	23,320	226,585
Capital surplus	25,179	25,180	244,656
Retained earnings	253,009	269,621	2,619,713
Treasury stock			
515,440 shares in 2013 and 2,862,706 shares in 2014	(930)	(5,087)	(49,430)
Accumulated other comprehensive income			
Unrealized gains on securities, net of taxes	8,470	11,467	111,419
Foreign currency translation adjustment	(407)	6,972	67,741
Remeasurements of defined benefit plans (Note 8)	—	(189)	(1,835)
Subscription rights to shares (Note 13)	728	793	7,702
Minority interests	6,364	5,183	50,362
Total net assets	315,733	337,260	3,276,913
	¥482,935	¥501,320	\$4,870,964

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2014	2014
Net sales (Notes 16 and 17)	¥371,487	¥394,309	\$3,831,221
Costs and expenses (Note 15):			
Cost of sales	279,162	294,924	2,865,570
Selling, general and administrative expenses	57,119	63,323	615,264
	336,281	358,247	3,480,834
Operating income (Note 16)	35,206	36,062	350,387
Other income (expenses):			
Interest income	370	257	2,497
Dividends income	439	659	6,404
Interest expenses	(126)	(142)	(1,375)
Foreign exchange gains	2,976	1,672	16,247
Share of profit of entities accounted for using equity method	4,732	1,546	15,023
Depreciation	(141)	(320)	(3,105)
Loss on abandonment of noncurrent assets	(146)	(296)	(2,877)
Gain on sales of investment securities (Note 6)	214	—	—
Restructuring loss (Note 10)	—	(2,410)	(23,411)
Loss on abandonment of inventories	(742)	—	—
Other, net (Note 6)	65	(72)	(713)
	7,641	894	8,690
Income before income taxes and minority interests	42,847	36,956	359,077
Income taxes (Note 9):			
Current	12,948	11,637	113,067
Deferred	(392)	1,124	10,920
	12,556	12,761	123,987
Income before minority interests	30,291	24,195	235,090
Minority interests in net income of consolidated subsidiaries	13	(978)	(9,494)
Net income	¥ 30,278	¥ 25,173	\$ 244,584
	Yen		U.S. dollars (Note 1)
	2013	2014	2014
Per share of common stock:			
Net income	¥ 126.13	¥ 106.10	\$ 1.03
Diluted net income	125.86	105.85	1.03
Cash dividends applicable to the year	34.00	38.00	0.37

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2014	2014
Income before minority interests	¥30,291	¥24,195	\$235,090
Other comprehensive income			
Unrealized gains on securities, net of taxes	4,274	2,968	28,839
Foreign currency translation adjustment	5,755	4,335	42,116
Share of other comprehensive income of associates accounted for using equity method	2,046	3,134	30,452
Other comprehensive income (Note 11)	12,075	10,437	101,407
Comprehensive income	¥42,366	¥34,632	\$336,497
Comprehensive income attributable to			
Comprehensive income attributable to owners of the parent	¥41,484	¥35,548	\$345,401
Comprehensive income attributable to minority interests	882	(916)	(8,904)

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2013 and 2014

	Millions of yen									
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains on securities, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Subscription rights to shares	Minority interests
Balance at April 1, 2012	255,885	¥23,320	¥25,179	¥263,100	¥(27,321)	¥ 4,218	¥(7,541)	—	¥656	¥746
Changes of items during the period										
Dividends of surplus	—	—	—	(7,961)	—	—	—	—	—	—
Net income	—	—	—	30,278	—	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	(6,001)	—	—	—	—	—
Disposal of treasury stock	—	—	—	(4)	39	—	—	—	—	—
Retirement of treasury stock	(17,912)	—	—	(32,353)	32,353	—	—	—	—	—
Change of scope of consolidation	—	—	—	(51)	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	4,252	7,134	—	72	5,618
Total changes of items during the period	(17,912)	—	—	(10,091)	26,391	4,252	7,134	—	72	5,618
Balance at March 31, 2013	237,973	¥23,320	¥25,179	¥253,009	¥ (930)	¥ 8,470	¥ (407)	—	¥728	¥6,364
Changes of items during the period										
Dividends of surplus	—	—	—	(8,549)	—	—	—	—	—	—
Net income	—	—	—	25,173	—	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	(4,182)	—	—	—	—	—
Disposal of treasury stock	—	—	1	—	25	—	—	—	—	—
Retirement of treasury stock	—	—	—	—	—	—	—	—	—	—
Change of scope of consolidation	—	—	—	(12)	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	2,997	7,379	(189)	65	(1,181)
Total changes of items during the period	—	—	1	16,612	(4,157)	2,997	7,379	(189)	65	(1,181)
Balance at March 31, 2014	237,973	¥23,320	¥25,180	¥269,621	¥ (5,087)	¥11,467	¥ 6,972	¥(189)	¥793	¥5,183

	Thousands of U.S. dollars (Note 1)									
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains on securities, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Subscription rights to shares	Minority interests
Balance at April 1, 2013	237,973	\$226,585	\$244,650	\$2,458,311	\$ (9,046)	\$ 82,299	\$ (3,955)	—	\$7,077	\$ 61,837
Changes of items during the period										
Dividends of surplus	—	—	—	(83,061)	—	—	—	—	—	—
Net income	—	—	—	244,584	—	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	(40,635)	—	—	—	—	—
Disposal of treasury stock	—	—	6	—	251	—	—	—	—	—
Retirement of treasury stock	—	—	—	—	—	—	—	—	—	—
Change of scope of consolidation	—	—	—	(121)	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	29,120	71,696	(1,835)	625	(11,475)
Total changes of items during the period	—	—	6	161,402	(40,384)	29,120	71,696	(1,835)	625	(11,475)
Balance at March 31, 2014	237,973	\$226,585	\$244,656	\$2,619,713	\$(49,430)	\$111,419	\$67,741	\$(1,835)	\$7,702	\$ 50,362

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2014	2014
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 42,847	¥ 36,956	\$ 359,077
Adjustments to reconcile income before income taxes and minority interests to cash provided by operating activities:			
Depreciation and amortization	19,232	18,096	175,823
Interest and dividends income	(809)	(916)	(8,901)
Interest expenses	126	142	1,375
Share of profit of entities accounted for using equity method	(4,732)	(1,546)	(15,023)
Restructuring Loss	—	2,410	23,411
Changes in operating assets and liabilities—net:			
Decrease (increase) in notes and accounts receivable—trade	203	6,050	58,786
Decrease (increase) in inventories	(7,952)	(2,262)	(21,976)
Increase (decrease) in notes and accounts payable—trade	11,688	(14,467)	(140,566)
Other, net	(2,885)	1,234	11,995
Subtotal	57,718	45,697	444,001
Interest and dividends income received	2,566	1,751	17,017
Interest expenses paid	(124)	(125)	(1,210)
Income taxes paid	(12,440)	(11,848)	(115,123)
Net cash provided by operating activities	47,720	35,475	344,685
Cash flows from investing activities:			
Decrease (increase) in time deposits	1,000	6,736	65,449
Net decrease (increase) in short-term investment securities	(26,000)	28,500	276,914
Purchase of noncurrent assets	(27,869)	(21,108)	(205,089)
Purchase of investment securities	(2,092)	(1,003)	(9,746)
Purchase of stocks of subsidiaries and affiliates	(4,500)	(1,036)	(10,063)
Payments for investments in capital of subsidiaries and associates	—	(2,800)	(27,206)
Payments of loans receivable	(2,007)	(3,226)	(31,344)
Collection of loans receivable	2,914	2,699	26,224
Other, net	(143)	(541)	(5,260)
Net cash provided by (used in) investing activities	(58,697)	8,221	79,879
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(1,113)	144	1,398
Repayment of long-term loans payable	(1,000)	—	—
Proceeds from long-term loans payable	5,417	4,538	44,094
Proceeds from stock issuance to minority shareholders	540	—	—
Purchase of treasury stock	(6,001)	(4,182)	(40,635)
Cash dividends paid	(7,961)	(8,464)	(82,238)
Cash dividends paid to minority shareholders	(19)	(146)	(1,420)
Other, net	(23)	(12)	(114)
Net cash used in financing activities	(10,160)	(8,122)	(78,915)
Effect of exchange rate change on cash and cash equivalents	1,773	1,723	16,734
Net increase (decrease) in cash and cash equivalents	(19,364)	37,297	362,383
Cash and cash equivalents at beginning of year	67,198	53,818	522,913
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	5,984	—	—
Cash and cash equivalents at end of year (Note 3)	¥ 53,818	¥ 91,115	\$ 885,296

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2013 and 2014**1. Basis of Consolidated Financial Statements**

The accompanying consolidated financial statements of JSR Corporation (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of the Company's overseas subsidiaries and affiliates are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile and make necessary amendments for consolidated financial statements required by Practical Issues Task Force No. 18 issued by ASBJ. The accompanying consolidated financial statements have been restructured and translated into

English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2014, which was ¥102.92 to U.S.\$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(a) Consolidation—The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries (30 and 28 subsidiaries in 2013 and 2014, respectively).

All significant intercompany accounts and transactions have been eliminated in consolidation.

JSR MICROTECH INC. and Nichigo Kogyo Co., Ltd. were excluded from the scope of consolidation in the fiscal year ended March 31, 2014 due to transfer of all shares thereof.

JSR BST Elastomer Co., Ltd. and JSR Life Sciences Corporation have been consolidated since 2013 due to increase of materiality.

In order to improve the disclosure of consolidated financial information, from the fiscal year ended March 31, 2014 the accounting periods of TECHNO POLYMER HONG KONG CO., LTD., Techno Polymer (Thailand) Co., Ltd., and TECHNO POLYMER AMERICA, INC., were changed from a year ending on December 31 year-end to a March 31 year-end.

As a result, these above companies' results for a 15-month fiscal period from January 1, 2013 to March 31, 2014 have been included in consolidation. The impact on the profit and loss of changing account closing date is immaterial.

(b) Equity method—Investments in affiliated companies (all of those 20% to 50% owned and certain others 15% to 20% owned) were accounted for by the equity method (6 and 8 affiliated companies in 2013 and 2014, respectively). Unconsolidated subsidiaries and the other affiliated companies are stated at cost since their net income and retained earnings in the aggregate are not material compared to consolidated net income and retained earnings, respectively.

Medical & Biological Laboratories Co. and JN System Partners Co., Ltd. have been included in the scope of the equity method since 2014 due to the increase of materiality and establishment, respectively.

(c) Cash and cash equivalents—In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(d) Short-term securities and investment securities—The Company and its consolidated subsidiaries (the "Companies") had no trading securities or held-to-maturity debt securities. Equity securities issued by subsidiaries and affiliated companies, which are not consolidated or accounted for using the equity method, are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value and unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets via the Consolidated Statements of Comprehensive Income. Realized gains and losses on sale of such securities are computed using moving-average cost. Available-for-sale securities with no available fair market values are stated at moving-average cost or amortized cost.

(e) Inventories—Inventories are stated at cost, which is determined mainly based on the average method (for the value stated on the balance sheet, book value is written down to reflect the lower profitability).

(f) Property, plant and equipment, and depreciation—Property, plant and equipment are stated at cost. Depreciation is calculated using the declining-balance method at rates based on their estimated useful lives except for buildings acquired after March 31, 1998, which are depreciated based on the straight-line method.

(i) The accounting change

Effective April 1, 2012, due to a revision of the corporate tax law in Japan, the Company and its domestic consolidated subsidiaries have applied a depreciation method based on the revised

law for tangible assets purchased on or after April 1, 2012.

(g) Intangible assets—Goodwill is amortized by the straight-line method over the estimated useful lives up to twenty years.

Software for its own use is amortized over the estimated useful life (five years) using the straight-line method.

(h) Leased assets—Assets of finance leases are depreciated over the lease term using the straight-line method that residual value is zero.

(i) Allowance for doubtful accounts—Allowance for doubtful accounts is provided in amounts sufficient to cover possible losses on collection. Allowance for doubtful accounts consists of the estimated uncollectible amount with respect to specific items, and the amount calculated using the actual percentage of collection losses in the past with respect to other items.

(j) Net Defined Benefit Liability—Employees of the Companies are entitled, under most circumstances, to lump-sum severance payments or pension payments upon reaching the mandatory retirement age, or earlier in the case of voluntary or involuntary termination, based on the compensation at the time of severance and years of service.

The Companies provided provision and expenses for employees' severance and retirement benefits at year-end based on the estimated amounts of projected benefits obligation and the fair value of the pension assets.

In calculating the retirement benefit obligation, the method of attributing expected benefit to the accounting period is based on mainly a straight-line basis.

Actuarial differences are recognized as expenses at once in the following period.

(i) The Accounting Change

Effective from the end of the fiscal year ended March 31, 2014, "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 issued on May 17, 2012, hereinafter "Retirement Benefits Accounting Standard") and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 issued on May 17, 2012, hereinafter "Retirement Benefits Guidance") are adopted (with the exception of the main clause of Article 35 of the Retirement Benefits Accounting Standard and the main clause of Article 67 of the Retirement Benefits Guidance), where the method was changed with benefit obligation net of the amount of plan assets recorded as net defined benefit liability and unrealized actuarial difference recorded as net defined benefit liability.

The Retirement Benefits Accounting Standard is applied in accordance with the transitional handling set forth in Article 37 of the Retirement Benefits Accounting Standard, and the effected amounts due to such change are adjusted in remeasurements of defined benefit plans under accumulated other comprehensive income at the end of the fiscal year ended March 31, 2014.

As a result of the above, ¥15,243 million (\$148,104 thou-

sand) was recorded as net defined benefit liability at the end of the fiscal year ended March 31, 2014. In addition, accumulated other comprehensive income decreased by ¥189 million (\$1,835 thousand).

The effects of this change in equity per share decreased by ¥0.80 (\$0.01).

(k) Provision for environmental measures—A provision for environmental measures is provided based on estimated costs for the disposal of polychlorinated biphenyl (PCB) as mandated by the Law Concerning Special Measures Against PCB Waste.

(l) Income taxes—The Companies provide for income taxes applicable to all items included in the consolidated statements of income regardless of when such taxes are payable. Income taxes based on temporary differences between tax and financial reporting purposes are reflected as deferred income taxes in the consolidated financial statements using the asset and liability method.

(m) Derivative and hedging activities—The Companies use derivative financial instruments to manage their exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Companies to reduce foreign currency exchange and interest rate risks. The Companies do not enter into derivatives for trading purposes or speculative purposes. Derivative financial instruments and foreign currency transactions are classified and accounted for as follows:

- (i) All derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on these derivative transactions are recognized in the consolidated statements of income.
- (ii) The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income as incurred.

(n) Foreign currency transactions—The Companies translate assets and liabilities denominated in foreign currencies into Japanese yen at exchange rates prevailing at the balance sheet dates. Resulting exchange gains or losses are credited or charged to income as incurred.

(o) Translation of foreign currency financial statements—Financial statements of overseas subsidiaries are translated into Japanese yen using the respective year-end rate for assets and liabilities, the average rate for revenues and expenses, and the historical rates for shareholders' equity accounts. Foreign currency translation adjustments are contained in accumulated other comprehensive income and minority interests.

(p) Amounts per share of common stock—The computation of net income per share of common stock is based on the average number of shares outstanding during each fiscal year. Treasury stock has been excluded in the calculation of amounts per share of common stock.

Cash dividends per share represent actual amounts applicable to

the respective years.

(q) Reclassifications—Certain prior year amounts have been reclassified and restated to conform to the current year presentation.

These reclassifications and restatements had no effect on previously reported results of operations or retained earnings.

(r) New accounting pronouncements—

Accounting standard for retirement benefits

“Accounting Standard for Retirement Benefits” (Statement No. 26 by ASBJ on May 17, 2012) and “Guidance on Accounting Standard for Retirement Benefits” (Guidance No. 25 by ASBJ on May 17, 2012) have been issued.

Major changes are as follows:

- (i) Treatment in the consolidated balance sheets, statements of income and the statements of comprehensive income

As described in Note 2 (j), the amended rule has been effective from the end of the fiscal year ended March 31, 2014.

(ii) Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate

The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to discount rate.

This accounting standard and the guidance for (ii) above are effective from the beginning of fiscal years ending on March 31, 2015. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Companies expected to apply the revised accounting standard from the fiscal year ending March 31, 2015, and is in the process of measuring the effects of applying the revised accounting standard.

3. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2013 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Cash and deposits	¥ 32,190	¥ 33,391	\$ 324,436
Short-term investment securities	79,412	81,005	787,066
Time deposits over three months	(61,282)	(26,081)	(253,410)
Current assets: Other	3,498	2,800	27,204
Cash and cash equivalents	¥ 53,818	¥ 91,115	\$ 885,296

4. Allowance for doubtful accounts

Allowance for doubtful accounts as of March 31, 2013 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Allowance for doubtful accounts			
Current asset: Notes and accounts receivable—trade	¥(460)	¥(332)	\$(3,222)
Investments and other assets: Other	(356)	(152)	(1,474)

5. Fair Value of Financial Instruments

The following is a summary of the amount on consolidated balance sheet, fair value and the difference between these two items by major

financial instruments as of March 31, 2013 and 2014. Financial instruments which fair value is extremely difficult to estimate is excluded from the following table.

	Millions of yen		
	Book value	Fair value	Difference
March 31, 2013:			
(1) Cash and deposits	¥ 32,190	¥ 32,190	¥ —
(2) Notes and accounts receivable—trade	91,972	91,972	—
(3) Short-term investment securities and investment securities	109,250	110,865	1,615
(4) Current assets—other (short-term loans receivable)	3,498	3,498	—
Total assets	¥236,910	¥238,525	¥1,615
(5) Notes and accounts payable—trade	97,226	97,226	—
(6) Short-term loans payable	14,211	14,211	—
(7) Long-term loans payable	6,626	6,623	(3)
Total liabilities	¥118,063	¥118,060	¥ (3)

March 31, 2014:			
(1) Cash and deposits	¥ 33,391	¥ 33,391	¥ —
(2) Notes and accounts receivable—trade	87,945	87,945	—
(3) Short-term investment securities and investment securities	114,615	113,819	(796)
(4) Current assets—other (short-term loans receivable)	2,800	2,800	—
Total assets	¥238,751	¥237,955	¥ (796)
(5) Notes and accounts payable—trade	85,334	85,334	—
(6) Short-term loans payable	14,794	14,794	—
(7) Long-term loans payable (included repayment due within one year)	11,854	11,773	(81)
Total liabilities	¥111,982	¥111,901	¥ (81)

	Thousands of U.S. dollars		
	Book value	Fair value	Difference
March 31, 2014:			
(1) Cash and deposits	\$ 324,436	\$ 324,436	\$ —
(2) Notes and accounts receivable—trade	854,503	854,503	—
(3) Short-term investment securities and investment securities	1,113,631	1,105,894	(7,737)
(4) Current assets—other (short-term loans receivable)	27,204	27,204	—
Total assets	\$2,319,774	\$2,312,037	\$(7,737)
(5) Notes and accounts payable—trade	829,126	829,126	—
(6) Short-term loans payable	143,746	143,746	—
(7) Long-term loans payable (included repayment due within one year)	115,174	114,386	(788)
Total liabilities	\$1,088,046	\$1,087,258	\$ (788)

1. Method to determine the estimated fair values of financial instruments and other matters related to securities and derivative transactions

- (1) Cash and cash equivalents, and time deposits
The carrying values of cash and cash equivalents, and time deposits approximate fair value because of their short maturities.
- (2) Notes and accounts receivable—trade
The carrying values of notes and accounts receivable—trade approximate fair value because of their short maturities.

- (3) Short-term investment securities and investment securities
The fair value of securities and investment securities are measured at the quoted market price of the stock exchange for the equity instruments. Negotiable deposit, commercial paper and cash in trust approximate fair value.
- (4) Current assets—other (short-term loans receivable)
The carrying values of short-term loans receivable approximate fair value because of their short maturities.

(5) Notes and accounts payable—trade

The carrying values of notes and accounts payable—trade approximate fair values because of their short maturities.

(6) Short-term loans payable

Short-term loans payable approximate fair value.

(7) Long-term loans payable

The fair value of long-term loans payable is measured at the present value by discounting expected repayments of principal and interest in the remaining period using an assumed interest

rate on an equivalent new loan.

The fair value of long-term loans payable subject to a special accounting method for interest rate swaps which qualify for hedge accounting meet specific matching criteria is measured at the present value by discounting expected repayments of principal and interest together with the interest rate swaps in the remaining period using an assumed interest rate on an equivalent new loan.

2. Financial instruments for which it is extremely difficult to estimate the fair values were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Non-listed equity securities	¥20,694	¥27,342	\$265,667
Investments in capital	1,587	4,578	44,477

3. Redemptions schedule of monetary claims and securities with fixed maturities were as follows:

	Millions of yen				
	Due within one year	Due after one year and within five years	Due after five years and within ten years	Due over ten years	Total
March 31, 2013:					
(1) Cash and deposits	¥ 8,583	¥200	¥—	¥—	¥ 8,783
(2) Notes and accounts receivable—trade	91,972	—	—	—	91,972
(3) Short-term investment securities and investment securities					
Available-for-sale securities with fixed maturities					
Other	79,412	—	—	—	79,412
(4) Current assets—other (short-term loans receivable)	3,498	—	—	—	3,498
Total	¥183,465	¥200	¥—	¥—	¥183,665
March 31, 2014:					
(1) Cash and deposits	¥ 2,081	¥—	¥—	¥—	¥ 2,081
(2) Notes and accounts receivable—trade	87,945	—	—	—	87,945
(3) Short-term investment securities and investment securities					
Available-for-sale securities with fixed maturities					
Other	81,057	—	—	—	81,057
(4) Current assets—other (short-term loans receivable)	2,800	—	—	—	2,800
Total	¥173,883	¥—	¥—	¥—	¥173,883

March 31, 2014:

	Thousands of U.S. dollars				
	Due within one year	Due after one year and within five years	Due after five years and within ten years	Due over ten years	Total
March 31, 2014:					
(1) Cash and deposits	\$ 20,219	\$—	\$—	\$—	\$ 20,219
(2) Notes and accounts receivable—trade	854,503	—	—	—	854,503
(3) Short-term investment securities and investment securities					
Available-for-sale securities with fixed maturities					
Other	787,575	—	—	—	787,575
(4) Current assets—other (short-term loans receivable)	27,204	—	—	—	27,204
Total	\$1,689,501	\$—	\$—	\$—	\$1,689,501

March 31, 2014:

	Thousands of U.S. dollars				
	Due within one year	Due after one year and within five years	Due after five years and within ten years	Due over ten years	Total
March 31, 2014:					
(1) Cash and deposits	\$ 20,219	\$—	\$—	\$—	\$ 20,219
(2) Notes and accounts receivable—trade	854,503	—	—	—	854,503
(3) Short-term investment securities and investment securities					
Available-for-sale securities with fixed maturities					
Other	787,575	—	—	—	787,575
(4) Current assets—other (short-term loans receivable)	27,204	—	—	—	27,204
Total	\$1,689,501	\$—	\$—	\$—	\$1,689,501

4. See Note 7 for scheduled repayments of long-term debt.

6. Short-term investment securities and Investment Securities

(1) The following tables summarize the acquisition cost and book value of available-for-sale securities with available fair value as of March 31, 2013 and 2014:

(a) Securities with book value exceeding acquisition cost

	Millions of yen		
	2013	2014	2014
	Acquisition cost	Book value	Difference
Equity securities	¥9,026	¥22,517	¥13,491

	Millions of yen		
	2013	2014	2014
	Acquisition cost	Book value	Difference
Equity securities	¥10,349	¥27,785	¥17,436

	Thousands of U.S. dollars		
	2013	2014	2014
	Acquisition cost	Book value	Difference
Equity securities	\$100,549	\$269,968	\$169,419

(b) Securities with book value not exceeding acquisition cost

	Millions of yen		
	2013	2014	2014
	Acquisition cost	Book value	Difference
Equity securities	¥2,782	¥2,338	¥(444)

	Millions of yen		
	2013	2014	2014
	Acquisition cost	Book value	Difference
Equity securities	¥1,440	¥1,273	¥(167)

	Thousands of U.S. dollars		
	2013	2014	2014
	Acquisition cost	Book value	Difference
Equity securities	\$13,995	\$12,374	\$(1,621)

(2) Total sales of available-for-sale securities sold and the related gains and losses for the years ended March 31, 2013 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Total sales	¥341	¥62	\$601
Gain	223	22	215
Loss	(9)	(0)	(2)

7. Short-Term Loans Payable and Long-Term Loans Payable

Short-term loans payable represent primarily overdrafts from banks bearing interest at 0.7% per annum (weighted average interest rate) at March 31, 2013 and 2014.

Long-term loans payable at March 31, 2013 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Loans principally from banks and insurance companies due through 2020 with interest rates 1.7% and 2.0% per annum (weighted average interest rate) in 2013 and 2014, respectively:			
Secured	¥ 1	¥ 1	\$ 10
Unsecured	6,625	11,853	115,164
	6,626	11,854	115,174
Less amount due within one year	—	785	7,622
	¥6,626	¥11,069	\$107,552

At March 31, 2014, property, plant and equipment, at book value of ¥6,740 million (\$65,488 thousand) were pledged as collateral for secured loans.

The annual maturities of long-term debt at March 31, 2014 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2015	¥ 785	\$ 7,622
2016	1,445	14,040
2017	2,771	26,921
2018	2,271	22,063
2019	2,271	22,063
2020 and thereafter	2,311	22,465
	¥11,854	\$115,174

8. Employees' Severance and Retirement Benefits

The Company and domestic consolidated subsidiaries have corporate pension fund plan and lump-sum payment plan as defined benefit plan.

Defined benefit plans

1. Movement in retirement benefit obligation

	Millions of yen		Thousands of U.S. dollars
	2014	2014	2014
Balance at April 1, 2013	¥50,080		\$486,589
Service cost	2,061		20,026
Interest cost	727		7,067
Actuarial loss (gain)	1,080		10,495
Benefits paid	(3,104)		(30,160)
Other	(582)		(5,658)
Balance at March 31, 2014	¥50,262		\$488,359

2. Movements in plan assets

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Balance at April 1, 2013	¥35,310	\$343,082
Expected return on plan assets	288	2,800
Actuarial loss (gain)	787	7,644
Contributions paid by the employer	1,076	10,459
Benefits paid	(2,300)	(22,346)
Other	(142)	(1,384)
Balance at March 31, 2014	¥35,019	\$340,255

3. Reconciliation from retirement benefit obligation and plan assets to liability (assets) for retirement benefit

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Funded retirement benefit obligation	¥ 39,705	\$ 385,783
Plan assets	(35,019)	(340,255)
	4,686	45,528
Unfunded retirement benefit obligation	10,557	102,576
Total Net liability (assets) for retirement benefit at March 31, 2014	15,243	148,104
Liability for retirement benefit	15,243	148,104
Total Net liability (assets) for retirement benefit at March 31, 2014	¥ 15,243	\$ 148,104

4. Retirement benefit costs

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Service cost	¥2,061	\$20,026
Interest cost	727	7,067
Expected return on plan assets	(288)	(2,800)
Net actuarial loss amortization	(441)	(4,292)
Total retirement benefit costs for the fiscal year ended March 31, 2014	¥2,059	\$20,001

5. Accumulated adjustments for retirement benefit

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Actuarial gains and losses that are yet to be recognized	(293)	(2,851)
Total balance at March 31, 2014	¥(293)	\$(2,851)

6. Plan assets

(1) Plan assets comprise:

	2014
Bonds	80.3%
Equity securities	9.8
Cash and cash equivalents	0.9
Other	9.0
Total	100.0%

(2) Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered to determine long-term expected rate of return.

7. Actuarial assumptions

The followings were principal actuarial assumptions at March 31, 2014

Discount rate	mainly	1.53%
Long-term expected rate of return	mainly	0.55%

9. Income Taxes

Income taxes in the accompanying consolidated statements of income comprise corporation, enterprise and inhabitants' taxes. The statutory income tax rate was approximately 38.0%.

Amendments to the Japanese tax regulations were enacted into law on March 31, 2014. As a result of these amendments, the statutory income tax rate will be reduced from 38.0% to 35.6% effective from the year beginning April 1, 2014, thereafter.

Consequently, the statutory income tax rate utilized for deferred tax assets and liabilities expected to be settled or realized in the period on or after April 1, 2014 is 35.6%. The impact of this change did not have a material effect.

The following table summarizes the significant differences between the statutory income tax rate and the Companies' effective tax rates for financial statement purposes for the years ended March 31, 2013 and 2014:

	2013	2014
Statutory income tax rate	38.0%	38.0%
Tax credit on research and development costs	(3.5)	(4.8)
Share of profit of entities accounted for using equity method	(4.2)	(1.6)
Lower tax rates for foreign consolidated subsidiaries	(4.3)	(0.3)
Valuation allowance	2.4	2.9
Other	0.9	0.3
Effective tax rate	29.3%	34.5%

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2013 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Deferred tax assets:			
Provision for retirement benefits	¥ 5,402	¥ —	\$ —
Net defined benefit liability	—	5,300	51,495
Loss carried forward	2,956	3,905	37,947
Impairment loss	1,267	1,642	15,952
Accrued bonuses	1,518	1,415	13,752
Unrealized gain on sale of inventories	1,179	1,330	12,920
Unrealized gain on sale of noncurrent assets	916	971	9,431
Provision for environmental measures	748	617	5,999
Other	3,644	2,806	27,262
Sub-total	17,630	17,986	174,758
Valuation allowance	(3,911)	(4,910)	(47,711)
Total deferred tax assets	13,719	13,076	127,047
Deferred tax liabilities:			
Unrealized gains on securities	(4,712)	(6,352)	(61,718)
Deferred gain on sales of noncurrent assets	(3,060)	(2,988)	(29,029)
Other	(1,290)	(1,620)	(15,738)
Total deferred tax liabilities	(9,062)	(10,960)	(106,485)
Net deferred tax assets	¥ 4,657	¥ 2,116	\$ 20,562

10. Restructuring Loss

The Companies recognized a loss on restructuring of production base of Elastomers business and Fine chemicals and other products business. This loss is composed of Impairment loss of noncurrent assets ¥645 million (\$6,268 thousand), Loss on valuation of invento-

ries ¥713 million (\$6,924 thousand), Repair expenses associated with restructuring ¥565 million (\$5,485 thousand) and Depreciation expenses incurred during the period in which production was stopped ¥229 million (\$2,221 thousand).

Impairment loss of Noncurrent Assets

The Companies recognized impairment losses on the following group of noncurrent assets for the year ended March 31, 2014.

Use	Location	Millions of yen		Thousands of U.S. dollars
		2014	2014	2014
Assets for fine chemicals and other products business	Hidaka City, Saitama Prefecture, Japan	Land	¥ 67	\$ 651
	Chungcheongbuk-do, South Korea	Machinery, equipment and vehicles	573	5,571
		Other	5	46

The Companies have grouped their noncurrent assets into business units. Noncurrent assets that are idle or not being used for business activities are assessed individually. The book value of noncurrent asset was written down to its recoverable value.

11. Comprehensive income

Amounts reclassified to net income in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income were as follows;

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Unrealized gains on securities:			
Occurrence amount	¥ 6,832	¥ 4,578	\$ 44,483
Recycling	(205)	30	295
Total	¥ 6,627	¥ 4,608	\$ 44,778
Foreign currency translation adjustments			
Occurrence amount	¥ 5,755	¥ 4,335	\$ 42,116
Total	¥ 5,755	¥ 4,335	\$ 42,116
Share of other comprehensive income of associates accounted for using equity method			
Occurrence amount	¥ 2,046	¥ 3,134	\$ 30,452
Total	¥ 2,046	¥ 3,134	\$ 30,452
Total other comprehensive income before tax	¥14,428	¥12,077	\$117,346
Tax effect	¥ (2,353)	¥ (1,640)	\$ (15,939)
Other comprehensive income, net of tax	¥12,075	¥10,437	\$101,407

All tax effect of other comprehensive income arise from unrealized gains on securities.

12. Net Assets

Under the Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Japanese Corporate Law ("the Law"), in the case where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividends or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Japanese laws and regulations.

At the annual shareholders meeting held on June 17, 2014, the shareholders resolved cash dividends amounting to ¥4,467 million (\$43,404 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2014. Such appropriations are recognized in the period in which they are resolved.

13. Stock Option Plans

The shareholders of the Company approved the issuance of stock options to the directors and the executive officers of the Company as follows:

Date of resolution of the general shareholders' meeting	June 17, 2005	June 16, 2006	June 15, 2007
The maximum number of shares to be issued	62,500 shares	39,100 shares	48,500 shares
Exercisable period of stock options	From June 18, 2005 to June 17, 2025	From August 2, 2006 to June 16, 2026	From July 11, 2007 to July 10, 2027
Stock subscription rights which have been vested outstanding as of March 31, 2014	35,100 shares	28,000 shares	38,700 shares
Exercise price per share	¥ 1 \$0.01	¥ 1 \$0.01	¥ 1 \$0.01
Date of resolution of the general shareholders' meeting	June 13, 2008	June 16, 2009	June 18, 2010
The maximum number of shares to be issued	73,900 shares	80,200 shares	84,200 shares
Exercisable period of stock options	From July 16, 2008 to July 15, 2028	From July 15, 2009 to July 14, 2029	From July 14, 2010 to July 13, 2030
Stock subscription rights which have been vested outstanding as of March 31, 2014	66,900 shares	78,200 shares	84,200 shares
Exercise price per share	¥ 1 \$0.01	¥ 1 \$0.01	¥ 1 \$0.01
Date of resolution of the general shareholders' meeting	June 17, 2011	June 15, 2012	June 21, 2013
The maximum number of shares to be issued	81,000 shares	95,200 shares	50,100 shares
Exercisable period of stock options	From July 13, 2011 to July 12, 2031	From July 11, 2012 to July 10, 2032	From July 17, 2013 to July 16, 2033
Stock subscription rights which have been vested outstanding as of March 31, 2014	81,000 shares	95,200 shares	50,100 shares
Exercise price per share	¥ 1 \$0.01	¥ 1 \$0.01	¥ 1 \$0.01

The compensation cost recognized for these stock options for the years ended March 31, 2013 and 2014 was ¥107 million and ¥91 million (\$880 thousand) respectively, and was included in selling, general and administrative expenses in the consolidated statements of income.

14. Derivative Transactions

(1) Qualitative disclosure about derivatives

The Companies enter into foreign exchange forward contracts and interest rate swap contracts as derivative financial instruments. The Companies deal with foreign exchange forward transactions to hedge exchange rate risks of trade receivables and payables denominated in foreign currency. Interest rate swap transactions are made in order to reduce interest rate risks on loans payable.

The Companies do not enter into derivatives for speculative transaction purposes. Hedge accounting is used for interest rate swaps in the case where there is a high degree of correlation between the hedging instruments and the hedged items.

Significant conditions surrounding hedging instruments are the same as those for the items hedged, the risks of which will likely continue to be hedged through hedge transactions.

Foreign exchange forward contracts that the Companies entered have risks due to fluctuations in foreign exchange rates. Interest rate

swap contracts that the Companies entered have risks due to fluctuations in interest rates. Due to the fact that counterparties to the Companies represent major financial institutions that have high creditworthiness, the Companies believe that the overall credit risk related to its financial instruments is insignificant.

Derivative transactions are executed and controlled based on the Companies' internal rules and are approved by the responsible officials. The balances of such transactions with counterparties are periodically confirmed.

(2) Quantitative disclosure about derivatives

The following contract amounts are only nominal or notional amounts of derivatives, and do not necessarily indicate the magnitude of market risk associated with the derivative transactions.

Contract amounts, market values and recognized gains or losses on the derivative transactions, except those accounted for using hedge accounting, at March 31, 2013 and 2014 were as follows:

(a) Related to currencies

		Millions of yen			
		Contract amount	Over one year	Market value	Recognized gains or losses
March 31, 2013:					
Items not traded on exchanges					
Foreign exchange forward contracts					
Selling:	U.S. Dollars	¥1,829	¥—	¥ (91)	¥ (91)
	Euro	605	—	(36)	(36)
Buying:	U.S. Dollars	619	—	1	1
	Euro	79	—	(1)	(1)
	Swiss Franc	19	—	0	0
	Australian dollar	2	—	0	0
Total		¥ —	¥—	¥(127)	¥(127)

		Millions of yen			
		Contract amount	Over one year	Market value	Recognized gains or losses
March 31, 2014:					
Items not traded on exchanges					
Foreign exchange forward contracts					
Selling:	U.S. Dollars	¥1,664	¥—	¥(10)	¥(10)
	Euro	907	—	(31)	(31)
Buying:	U.S. Dollars	170	—	3	3
	Euro	98	—	0	0
	Swiss Franc	8	—	0	0
	Australian dollar	1	—	0	0
	Japanese Yen	532	—	(1)	(1)
Total		¥ —	¥—	¥(39)	¥(39)

		Thousands of U.S. dollars			
		Contract amount	Over one year	Market value	Recognized gains or losses
March 31, 2014:					
Items not traded on exchanges					
Foreign exchange forward contracts					
Selling:	U.S. Dollars	\$16,164	\$—	\$ (94)	\$ (94)
	Euro	8,815	—	(302)	(302)
Buying:	U.S. Dollars	1,651	—	34	34
	Euro	950	—	3	3
	Swiss Franc	78	—	1	1
	Australian dollar	9	—	0	0
	Japanese Yen	5,166	—	(14)	(14)
Total		\$ —	\$—	\$(372)	\$(372)

Market values are calculated using foreign exchange forward rates.

(b) Related to interests

		Millions of yen		
		Contract amount	Over one year	Market value
March 31, 2013:				
Special treatment for interest rate swaps Interest rate swaps (paid fix / received floating) (Hedged item: Long-term loans payable)				
		¥6,126	¥6,126	¥(120)
Total		¥6,126	¥6,126	¥(120)

		Millions of yen		
		Contract amount	Over one year	Market value
March 31, 2014:				
Special treatment for interest rate swaps Interest rate swaps (paid fix / received floating) (Hedged item: Long-term loans payable)				
		¥11,354	¥10,569	¥(31)
Total		¥11,354	¥10,569	¥(31)

		Thousands of U.S. dollars		
		Contract amount	Over one year	Market value
March 31, 2014:				
Special treatment for interest rate swaps Interest rate swaps (paid fix / received floating) (Hedged item: Long-term loans payable)				
		\$110,316	\$102,694	\$(304)
Total		\$110,316	\$102,694	\$(304)

15. Research and Development Expenses

Research and development expenses of the Companies for the years ended March 31, 2013 and 2014 were, ¥19,458 million and ¥20,801 million (\$202,108 thousand), respectively, which are included in selling, general and administrative expenses or manufacturing costs.

16. Segment Information

The Companies' business segments are classified into the following three business segments: (1) Elastomers business, (2) Plastics business, and (3) Fine chemicals and other products business.

A summary of net sales, costs and expenses, operating income, identifiable assets, depreciation, impairment loss and capital expenditures by segment of business activities for the years ended March 31, 2013 and 2014 were as follows:

	Millions of yen					
	Elastomers	Plastics	Fine chemicals and other products	Total	Reconciliation	Consolidated
For 2013:						
Sales to external customers	¥195,797	¥51,759	¥123,931	¥371,487	¥ —	¥371,487
Inter-segment sales / transfers	5,039	—	—	5,039	(5,039)	—
Sales total	200,836	51,759	123,931	376,526	(5,039)	371,487
Operating income	¥ 17,923	¥ 2,962	¥ 14,321	¥ 35,206	¥ —	¥ 35,206
Identifiable assets	¥214,427	¥35,961	¥124,607	¥374,995	¥107,940	¥482,935
Depreciation and amortization	7,714	1,144	10,287	19,145	—	19,145
Impairment loss	—	—	—	—	—	—
Capital expenditures	14,154	855	12,599	27,608	—	27,608
Amortization of goodwill	—	44	—	44	—	44
Goodwill	—	708	—	708	—	708

	Millions of yen					
	Elastomers	Plastics	Fine chemicals and other products	Total	Reconciliation	Consolidated
For 2014:						
Sales to external customers	¥203,478	¥57,764	¥133,067	¥394,309	¥ —	¥394,309
Inter-segment sales / transfers	4,469	—	—	4,469	(4,469)	—
Sales total	207,947	57,764	133,067	398,778	(4,469)	394,309
Operating income	¥ 17,330	¥ 3,919	¥ 14,813	¥ 36,062	¥ —	¥ 36,062
Identifiable assets	¥223,584	¥38,943	¥131,521	¥394,048	¥107,272	¥501,320
Depreciation and amortization	7,384	1,105	9,607	18,096	—	18,096
Impairment loss	—	—	645	645	—	645
Capital expenditures	10,800	1,086	9,613	21,499	—	21,499
Amortization of goodwill	—	44	—	44	—	44
Goodwill	—	664	—	664	—	664

	Thousands of U.S. dollars					
	Elastomers	Plastics	Fine chemicals and other products	Total	Reconciliation	Consolidated
For 2014:						
Sales to external customers	\$1,977,052	\$561,247	\$1,292,922	\$3,831,221	\$ —	\$3,831,221
Inter-segment sales / transfers	43,420	—	—	43,420	(43,420)	—
Sales total	2,020,472	561,247	1,292,922	3,874,641	(43,420)	3,831,221
Operating income	\$ 168,381	\$ 38,077	\$ 143,929	\$ 350,387	\$ —	\$ 350,387
Identifiable assets	\$2,172,403	\$378,384	\$1,277,897	\$3,828,684	\$1,042,280	\$4,870,964
Depreciation and amortization	71,747	10,737	93,339	175,823	—	175,823
Impairment loss	—	—	6,268	6,268	—	6,268
Capital expenditures	104,933	10,553	93,402	208,888	—	208,888
Amortization of goodwill	—	430	—	430	—	430
Goodwill	—	6,453	—	6,453	—	6,453

Assets in reconciliation are related mainly to Cash, Short-term investment securities and Investment securities of the Company.

Geographic segment information with respect to net sales for the years ended March 31, 2013 and 2014 were as follows:

	Millions of yen				
	Japan	Korea	China	Others	Total
For 2013:	¥196,966	¥36,401	¥35,261	¥ 102,859	¥371,487
For 2014:	¥196,824	¥43,932	¥41,173	¥112,380	¥394,309

	Thousands of U.S. dollars				
	Japan	Korea	China	Others	Total
For 2014:	\$1,912,402	\$426,853	\$400,047	\$1,091,919	\$3,831,221

The geographical segments consist of Japan, Korea, China and Others. Japan, Korea and China have been divided as independent segments considering the materiality of the sales. Main countries included in Others segment were as follows;

Taiwan, Thailand, United States, Belgium

Geographic segment information with respect to property, plant and equipment for the years ended March 31, 2013 and 2014 were as follows:

	Millions of yen			
	Japan	Thailand	Others	Total
For 2013:	¥68,247	¥13,725	¥11,233	¥93,205
For 2014:	¥69,007	¥16,258	¥10,365	¥95,630

	Thousands of U.S. dollars			
	Japan	Thailand	Others	Total
For 2014:	\$670,491	\$157,972	\$100,709	\$929,172

The geographical segments consist of Japan, Thailand and Others. Japan and Thailand have been divided as independent segments considering the materiality of the property, plant and equipment. Main countries included in Others segment were as follows;

Korea, China, Taiwan, United States, Belgium

17. Related Parties

Related party transactions

Significant transactions and balances with related parties as of and for the years ended March 31, 2013 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
BRIDGESTONE Corporation (a major shareholder):			
Net Sales	¥39,522	¥37,383	\$363,221
Notes and accounts receivable—trade, net	16,998	15,151	147,216
Tobu Butadiene Co., Ltd. (an affiliated company):			
Purchases	14,393	14,769	143,497
Notes and accounts payable—trade	7,131	7,242	70,368
Supply of raw material gas	11,723	12,044	117,022
Accounts receivable—other	6,884	6,033	58,622
KRATON JSR Elastomers K.K. (an affiliated company):			
Purchases	10,385	12,008	116,674
Notes and accounts payable—trade	5,573	4,851	47,132
Supply of raw material gas	4,945	5,688	55,267
Accounts receivable—other	3,154	2,565	24,924

18. Subsequent Events

At the June 17, 2014 annual meeting, the Companies' shareholders approved the following appropriations of retained earnings: Payment of a year-end cash dividend of ¥19.00 (\$0.18) per share aggregating ¥4,467 million (\$43,404 thousand).



Independent Auditor's Report

To the Board of Directors of JSR Corporation:

We have audited the accompanying consolidated financial statements of JSR Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2014 and 2013, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of JSR Corporation and its consolidated subsidiaries as at March 31, 2014 and 2013, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2014 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

KPMG AZSA LLC
June 17, 2014
Tokyo, Japan