JSR Corporation

ANNUAL REPORT 2010

For the year ended March 31, 2010

Materials Innovation

JSR

With chemistry, we can.

Profile

JSR Corporation (formerly 'Japan Synthetic Rubber Co., Ltd.') was established in 1957 with the aim to commence the domestic production of synthetic rubber. Since then, JSR has continued to expand its business to manufacture emulsions and plastics. JSR further expanded in its operations by utilizing the group's own polymer technologies to introduce products such as semiconductor materials, display materials and optical materials. As such, the developments of these materials in the fields of information and electronics have been a focal point, leading to innovative changes to the company's business structure.

Currently, JSR Corporation's four-year Midterm Business Plan "JUMP2010" (which began in fiscal 2008) is being implemented. "JUMP2010" are ideal goals set for JSR to achieve by 2010; taking a big "jump" towards expediting the changes made to business and the structure, and aiming to take further leaps. In addition to further enhancing global competitiveness with existing projects, JSR will continue to provide our "innovative materials" and "high-precision processing technology and products" to newly-emerging fields in environment, energy, biotechnology and medical materials, as well as in the areas of information and electronics, which are expected to continue to grow in the future.

Corporate Philosophy

Materials Innovation

"To provide new materials, and through their value strive to contribute to the realization of an affluent human society (people, society, and the environment)."

Corporate Slogan

With chemistry, we can.

In December 2007, to celebrate fifty years since the company's founding, JSR established a new corporate slogan: "With chemistry, we can." The slogan exhibits JSR's technological strengths to make possible by chemistry what appears to be impossible, and shows pursuit of cutting-edge technologies to create new values. It also displays JSR's stance to provide solutions to customers and to society, continually meeting challenges for the future.

The corporate slogan shows the scope of our business domains in a clearer way and supplements our corporate philosophy "Materials Innovation". Under the new corporate slogan, we endeavor to enhance our corporate brand.

Contents

Forward-Looking Statements

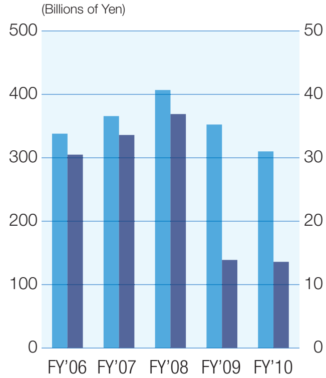
Statements regarding the company's future plans, strategies, projected performance and outlook are based on information available at the time of writing. Readers are cautioned that economic trends in JSR's target markets and other risks and factors beyond the company's control could cause actual results to differ materially from those projected by management.

Consolidated Financial Highlights

Fiscal Year ended March 31

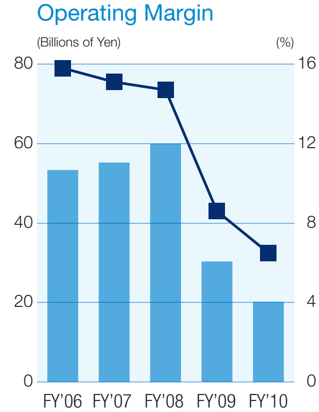
For the purpose of this Annual Report, JSR's accounting period (fiscal year) is defined as the period from April 1 to March 31 of the following year. When noted "fiscal 2010," this indicates the period from April 1, 2009 to March 31, 2010.

Net Sales / Net Income



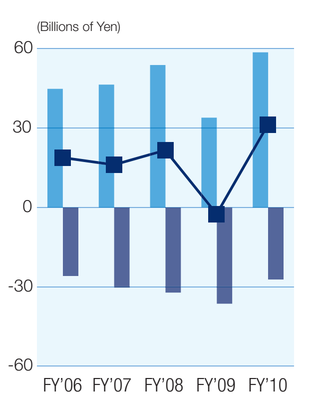
Net Sales [Left]
Net Income [Right]

Operating Income / Operating Margin



Operating Income [Left]
Operating Margin [Right]

Cash Flows



Net Cash Provided by Operating Activities
Net Cash Used in Investing Activities
Free Cash Flow

	FY2001	FY2002	FY2003	FY2004
Results for the year				
Net sales	¥ 231,823	¥ 220,058	¥ 247,139	¥ 275,071
Costs and expenses	222,400	211,246	226,345	242,452
Operating income	9,423	8,812	20,794	32,619
Interest and dividend income	591	411	431	397
Interest expenses	(946)	(757)	(750)	(693)
Income before income taxes and minority interests	9,332	7,915	17,855	30,378
Net income	5,678	4,728	10,991	19,353
Capital expenditures	10,936	13,265	16,048	17,156
Depreciation	17,599	16,507	16,489	14,970
Year-end financial position				
Total assets	283,859	270,054	281,874	308,581
Long-term debt due after one year	24,222	22,934	24,208	13,920
Total liabilities	155,476	135,477	139,682	146,280
Equity	124,684	131,752	139,447	159,497
Current ratio (times)	1.4	1.5	1.6	1.6
Return on assets (%)	2.0	1.8	3.9	6.3
Return on equity (%)	4.6	3.6	7.9	12.9
Equity ratio (%)	43.9	48.8	49.5	51.7
Per share of common stock (Yen and U.S. Dollars)				
Net income	22.20	18.48	42.46	75.12
Cash dividends	6.00	6.00	7.00	9.00
Equity	487.42	514.93	544.94	623.14

Note: U.S. dollar amounts are translated from yen, for convenience only, at a rate of $1=¥93.04; the exchange rate prevailing at March 31, 2010.

FY2003–FY2004

▶ HOP

JSRevolution

The period for establishing a solid foundation in order to promote structural reform and achieve growth.

Net Sales:
¥275.1 billion
Operating Income:
¥32.6 billion

	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010 (Millions of Yen)	FY2010 (Thousands of U.S. Dollars)
	¥ 305,368	¥ 338,160	¥ 365,831	¥ 406,968	¥ 352,503	**¥ 310,184**	**$ 3,333,874**
	260,035	284,803	310,588	346,958	322,155	**289,954**	**3,116,438**
	45,333	53,357	55,243	60,010	30,348	**20,230**	**217,436**
	519	635	1,030	1,309	1,230	**568**	**6,104**
	(475)	(420)	(399)	(256)	(271)	**(172)**	**(1,852)**
	43,471	49,038	53,440	54,867	20,803	**19,458**	**209,135**
	27,564	30,555	33,655	36,994	13,981	**13,645**	**146,656**
	18,134	23,361	22,094	29,076	19,081	**17,707**	**190,317**
	15,245	16,206	18,133	21,180	24,833	**22,380**	**240,537**
	325,031	381,097	408,949	416,951	339,498	**373,566**	**4,015,108**
	13,857	1,607	2,745	1,525	1,500	**1,500**	**16,122**
	139,249	164,389	168,963	159,288	97,512	**122,865**	**1,320,559**
	182,476	212,751	235,186	252,539	240,896	**249,440**	**2,680,999**
	1.8	1.7	1.8	1.9	2.5	**2.3**	
	8.7	8.7	8.2	8.9	4.1	**3.7**	
	16.1	15.5	15.0	15.2	5.7	**5.6**	
	56.1	55.8	57.5	60.6	71.0	**66.8**	
	107.54	119.63	133.10	147.26	56.36	**55.87**	**0.60**
	14.00	20.00	24.00	32.00	32.00	**26.00**	**0.28**
	717.13	836.31	932.47	1,009.27	986.33	**1,021.31**	**10.98**

FY2005–FY2007

FY2008–FY2011

STEP

JSRevolution II

The period for creating operational foundations for next-stage growth businesses and increasing profits for existing businesses.

Net Sales:
¥365.8 billion
Operating Income:
¥55.2 billion

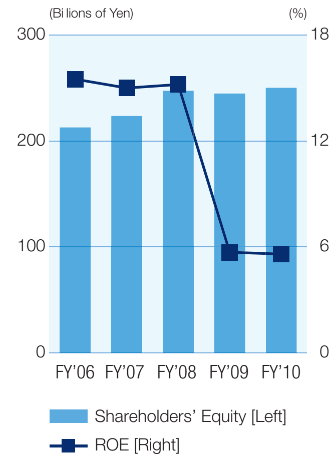
JUMP

JUMP2010

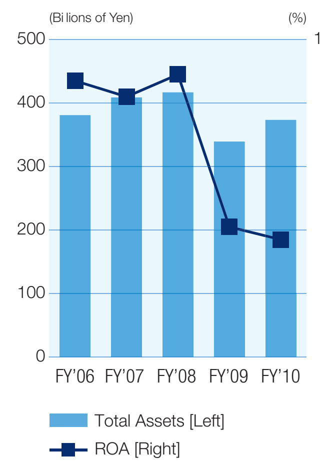
The period for accelerating reform and innovation to achieve a jump forward while continuing growth.

Net Sales:
¥347 billion (Revised in April 2010)
Operating Income:
¥38.0 billion (Revised in April 2010)

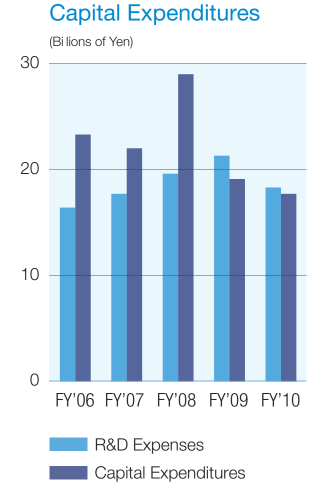
Shareholders' Equity / ROE



Total Assets / ROA



R&D Expenses / Capital Expenditures



To Our Shareholders

MITSUNOBU KOSHIBA
Representative Director and President

1. Fiscal 2010 Results

In fiscal 2010, although the economy showed signs of recovery from the 2008-2009 global financial crisis, compared to levels prior to the downturn, the economy still remained in an unfavorable situation.

In our demand industries, domestic and foreign economic stimulus packages led to demand in liquid crystal display (LCD) TVs to exceed the previous fiscal year, and production of flat panel displays was robust. However, while production of automobiles, automotive tires and semiconductors recovered to year-on-year growth in the second half of the year, whole year production remained below the previous year's level.

Looking at raw materials, there was a large drop in the naphtha price at the end of the previous fiscal year, but the price rebounded at the beginning of fiscal 2010. In addition, cost of utilities and prices of major petrochemical raw materials such as styrene and acrylonitrile monomers rose, resulting in negative pressure on earnings.

Net Sales & Operating Income

(Billions of yen)

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2010 Initial plan	**FY2011 plan**
Net sales	¥ 338.1	¥ 365.8	¥ 407.0	¥ 352.5	¥ 310.2	¥ 290.0	**¥ 347.0**
Operating income	53.3	55.2	60.0	30.3	20.2	15.0	**38.0**
Operating margin	15.8%	15.1%	14.7%	8.6%	6.5%	5.2%	**11.0%**
ROE	15.5%	15.0%	15.2%	5.7%	5.6%	4.0%	**9.7%**

Under these challenging circumstances, JSR put effort into its core businesses, which consist of the petrochemicals and fine chemicals businesses, by streamlining business cost structure to accommodate an appropriate sales size to maintain a reasonable level of profit, in addition to improving global competitiveness by strengthening JSR's presence in growing markets by technological advantage.

In terms of streamlining business cost structure, JSR continued to execute the Cost-Reduction Plan "E-100 Projects" across all group companies, and made additional efforts to reduce fixed costs, exceeding the initial plan and securing earnings.

In order to improve global competitiveness for the petrochemicals business, the company expanded export sales focusing on emerging countries, especially China with technologically differentiated products. In addition, prices of some products were revised in response to rising prices of major raw materials. In the fine chemicals business, further growth of sales in our leading-edge materials, as well as incorporating demand in newly-emerging nations were targeted. However, amidst the global economy still unrecovered to its previous level, decreased demand impacted on our results.

As a result, sales and profit were down in fiscal 2010, consolidated net sales decreased 12% year-on-year to ¥310.2 billion, operating income was down 33.3% to ¥20.2 billion, current income decreased 28.1% to ¥22.4 billion, and current net income decreased 2.4% to ¥13.6 billion.

2. Dividends

JSR views profit returns to shareholders as one of its important management tasks, along with enhancing corporate value. The company's policy is centered on delivering stable dividends, balanced with consideration of the funds necessary for business development and continued growth. In addition, with regard to the buyback of our own shares, this will be conducted as part of flexible capital and shareholder return policies, based on the status of our shares. Our dividends were ¥32 in fiscal 2009 and ¥26 in fiscal 2010. We plan to deliver ¥32 of dividends in fiscal 2011, a ¥6 increase from the previous year.

Petrochemicals

(Billions of yen)

	FY2009	FY2010	**FY2011 plan**
Net sales	¥ 206.1	¥ 196.6	**¥ 192.0**
Operating income	9.9	-0.2	**11.5**

Fine Chemicals and Other Products

(Billions of yen)

	FY2009	FY2010	**FY2011 plan**
Net sales	¥ 146.4	¥ 140.5	**¥ 155.0**
Operating income	20.5	20.5	**26.5**

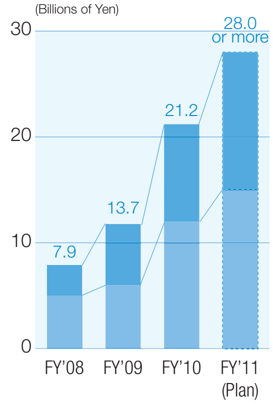
3. Fiscal 2011 Outlook and Strategies

Based on our results for the latter half of fiscal 2010 and the current market conditions, we forecast improved performance in fiscal 2011 with consolidated net sales increasing 11.9% year-on-year to ¥347 billion, operating income increasing 87.8% to ¥38 billion, current income increasing 76.5% to ¥39.5 billion, and net income to improve by 83.2% to ¥25 billion. The above projections assume a yen exchange rate of ¥90 to the US dollar, and a naphtha price of ¥50,000 per kiloliter.

In fiscal 2011, effects of economic stimulus packages which drove Japan's economic recovery thus far will gradually be diminished, with concerns that this will affect personal consumption. However, we expect the economy to continue its recovery supported by exports to recovering overseas economies and an end to declines in capital investment, with the employment and income environment steadily heading

Cost-Reduction Plan

E-100 Projects



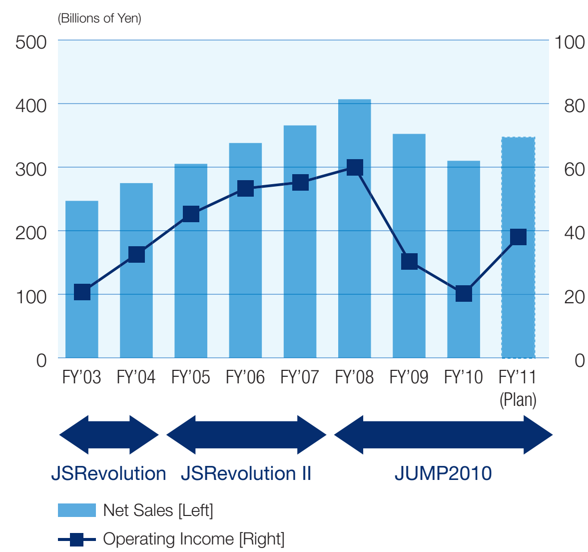
- FY2011 target of ¥21 billion reset in previous fiscal year was already achieved by FY2010 with ¥21.2 billion.
- Aim to achieve reduction of ¥28.0 billion (cumulative total) in FY2011.

E-100 (Petrochemicals)
E-100 (Fine Chemicals and Other Products)

Emergency actions for fixed costs

- FY2010 target was to cut costs by ¥8 billion. Achieved ¥10 billion reduction.

Consolidated Net Sales & Operating Income



towards recovery. In Japan, the automobile, automotive tires and other main demand industries for our petrochemicals business will remain below previous levels; however, global demand for synthetic rubbers for use in fuel-efficient tires is gaining strength with raising awareness of environmental issues. For the semiconductor and flat panel display industries which are the main demand industries of our fine chemicals and other products business, relatively fast growth is expected due to demand in emerging markets. Leading manufacturers of LCD panels are aiming to target China's domestic demand and have expressed their intent for large-scale investment.

In order to enable continued and further growth for JSR, five goals including strengthening cost competitiveness and responding to globalization, ensuring the secure launch of strategic businesses have been set as foci for fiscal 2011. As ongoing measures, JSR will strive to control cost increases consequent upon recovery in demand, as well as implement structural changes that includes the optimization of production bases and restructuring of production lines. In order to focus on emerging markets which are showing rapid growth, especially the Chinese market, a locally attached marketing organization was established, based in our Chinese subsidiary — JSR (Shanghai) Co., Ltd., in March 2010. In addition, we will reinforce our resource allocation to the next-generation growth domains in order to accelerate the establishment of businesses.

At the start of fiscal 2010, the next-generation growth domains of precision materials and processing, medical materials, as well as environment and energy were defined as "strategic businesses" where large future growth is expected. These areas have received and will receive strategic allocation of resources to make these businesses the third pillar of busi-

Strategic Business

Business Area (sector)	Products	Stage
Precision Materials and Processing	ITO sheets/films	Start of sales
Medical Materials	Blocking agents for in-vitro diagnostics and life sciences	Sales of product expanding
	Antibody conjugated magnetic beads	Sales of product expanding
	Chromatography media for antibody purification	Marketing
Environment and Energy	Lithium-ion capacitors	Sales of product expanding
	Binder materials for electrodes of lithium-ion batteries	Marketing and sales of product expanding
	Fuel cell electrolyte membranes	R&D
	LED related materials	Start of sales
	New alignment film materials	Sales of product expanding

ness growth in the next mid-term business plan. As shown in the table, some products are at the sales stage, and another several products are progressing to commercialization. We are striving to combine our strengths to achieve our goals, solidly advancing these initiatives and accelerating our return to another growth track.

4. Next Mid-term Business Plan: Concepts and Initiatives

In fiscal 2011, we will create our next mid-term business plan aiming at continuous growth from the next fiscal year onwards.

With a long-term view of analyzing the business and social environments up to the year 2030, we will create a long term vision through 2020, and work to appropriately respond to a diverse and multipolar external environment.

In our forecast for the forthcoming external environment and changes to the social structure, we are focusing on the following key aspects: “uncertainty,” “diversity” and “multipolarity.” More diversity signifies that greater consciousness of energy problems and achieving a low carbon society is bringing a partial shift from the focus on financially-driven economies towards environmentally- and energy- friendly economies. Multipolarity signifies that with the rising presence of emerging countries such as China and India, to match their populations and sizes, our approach to growing and expanding emerging markets will become more important.

Up until 1990, the heavy industrial structure meant supplying a large volume of low-priced commodity products. The year 2000s was the period in which an affluent society appreciated high performance and functionality as added value, and now we predict that there will be a move towards a more diverse and multipolar society from 2010 onwards, with business fields expanding into the new industrial sectors of medical materials and the environment. At the same time, we foresee high quality and high value added goods coexisting with emerging markets, with trends such as the spread of common, reasonable price-ranged goods.

Therefore, in the new plan, we will advance our business management based on the concepts of “uncertainty,” “diversity” and “multipolarity,” aiming towards growth opportunities and pursuit of added value. For diversity, we will fully implement and promote the “E2 Initiative™,” which is JSR’s behavioral principle governing our consciousness of the environment and energy. In information and electronics, we will investigate next-generation growth fields towards the year 2020, narrowing down the products and domains where JSR exhibits its technological advantages. For multipolarity, we will fully utilize our local Chinese subsidiary across all our businesses, and also enter other strategic regions. JSR will also focus on three strategic business sectors: precision materials and processing, medical materials, and environment/energy, using greater focus to accelerate commercialization.

Finally, the JSR Group has made its corporate philosophy of “Materials Innovation” the core of its business activities thus far. Providing value throughout society by developing innovative and competitive materials is the entire group’s identity shared in pursuing our business. To develop our business, JSR’s approach of continuously aiming higher, constantly breaking into new grounds and facing new challenges, are the factors which have underpinned JSR’s progress thus far. In developing our global business, we will keep our fundamental stance of fairness and uphold high ethical standards in our forthcoming business policies.

To our shareholders, we thank you for your continued co-operation and support.

June, 2010

Special Feature

JSR's Environmentally-friendly Products — Materials Innovation —

1. Introduction

The JSR Group is conducting business activities based on its corporate philosophy — Materials Innovation. We believe that broadly providing value to society through developing innovative and competitive materials underlies the entire Group's shared identity in promoting and expanding our business.

The business environment changes over time. Until the 1990s, heavy industries supplying general-purpose products in large volumes at low prices remained the mainstream. In contrast, the first decade of the 2000s assumed the picture of an affluent society where high performance and high functionality were recognized as added value. Information and electronics technologies developed into industries matching the environment of the times in the 2000s. From the 2010s, we expect to see changes in the traditional business environment and a structural transition into a society based on diversity and multipolarity. As values in society become more diverse and awareness of the importance of addressing issues such as energy, lowering carbon dioxide emissions and global warming grows, we believe our society will shift its focus from economic efficiency, to environmental- and energy-consciousness. In recognizing the changing business environment, it is important for us to build a business structure to ensure sustainable growth.

2. JSR's Contributions to Reduce Environmental Impact

To address diverse environmental issues, provision of products with environmentally-friendly features is one of the major tasks a chemical company should perform. The following are examples of JSR's environmentally-friendly products which respond to the needs of a diversified society.

(1) Synthetic Rubber for Fuel-efficient Tires

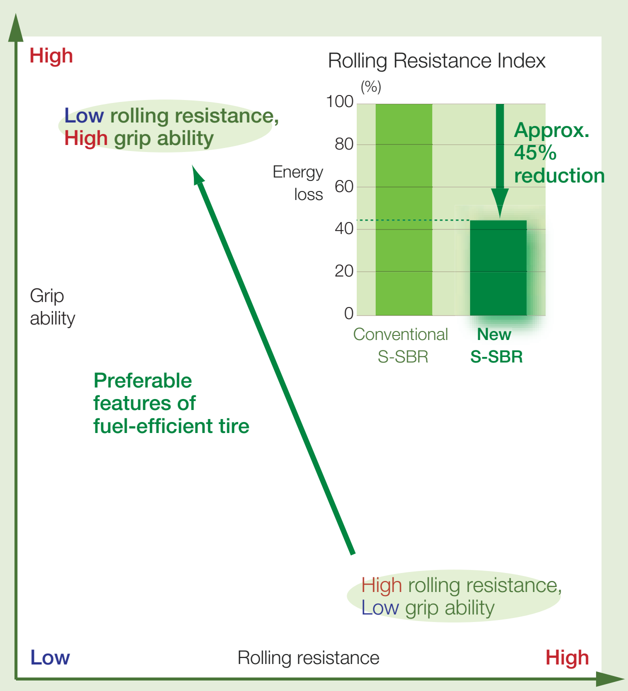
With the increasing awareness toward reducing environmental impact, there is growing demand for fuel-efficient tires. In Europe and Japan, the operation of a labeling system for tires* will be gradually commenced as an effort to promote the adoption of fuel-efficient tires.

* In Europe, the operation will commence in 2012. In Japan, the Japan Automobile Tyre Manufacturers Association established voluntary standards for the industry, entitled "Guidelines for Indication regarding Promotion of Fuel-efficient Tires, etc.," and operation of the labeling system has gradually commenced since January 2010.

In evaluating the life cycle of a tire, it is said that much of its related CO_2 is released while the tire is in use.

As a general rule, reducing the rolling resistance* caused by friction between the tire and road surface is essential to run an automobile more efficiently in terms of energy consumption. However, simply reducing friction may compromise the tire's "grip" on the road surface (the grip ability especially on wet road surfaces), an essential property for steering on curved roads and braking, which produces safety concerns. Two conflicting characteristics (low rolling resistance and strong grip ability) must be satisfied to produce a fuel-efficient tire. To realize such function, a new type of solution polymerization SBR (S-SBR) was developed through the application of long-fostered developmental efforts at JSR. It is designed to reduce the heat generated by friction (energy loss) to 45% below that of conventional rubbers and achieve lower rolling resistance. This was achieved by modifying terminal parts of a molecular chain for easy cross-linking between molecules of the basic rubber material that keeps gripping ability intact.

* Rolling resistance is the resistive force that hinders smooth rotation of the tire, and occurs when a tire rolls across a surface. It is typically caused by deformation of the tire due to contact with irregularities on the road surface and/or friction between these surfaces. This force requires extra engine power. Thus, lower rolling resistance reduces the energy required to drive a car, resulting in higher fuel efficiency.



JM Energy ULTIMO®

(2) Lithium-ion Capacitor

The capacitor is an electrical storage device which stores (charges) and uses (discharges) energy as required. It allows charge and discharge cycles semipermanently, and its ability to store and release energy instantaneously holds great promise for efficient use of energy in a wide range of applications. JM Energy Corporation, a JSR Group company, has developed lithium-ion capacitor technologies that enables much larger energy storage than was previously possible in a compact package.

The market size for this line of products is expected to grow substantially, and development efforts are underway in a variety of applications such as voltage sag compensator, wind and solar renewable energies and industrial machines. JM Energy Corporation has a commercial production plant in Yamanashi Prefecture.

(3) Performance Materials for High-luminance LEDs

There are growing market needs for high-luminance LEDs, which are extensively being used in a variety of applications such as for in-car use, various lighting fixtures and displays, as well as components to reduce environmental impact. In order to respond to such market needs, JSR has developed materials for high-luminance LEDs in five product types (LUMILON™ series), which were launched in March 2010. Two of these are used in LED packaging processes: an organic-inorganic hybrid sealing material and a high refractive index coating material applied to luminous elements for increased luminance efficiency. The other three are materials used in the production processes of LED elements: an inorganic coating material for insulation, the same material with added photosensitivity for patterning, and a lift-off resist material used for electrode formation.

(4) Display Materials for Next-generation LCD TVs

Lower production costs and higher energy efficiency, as well as high performance, are the major objectives in the development of next-generation LCD TVs. To reduce energy consumption, for example, LED modules with higher luminance efficiency are used for backlighting in place of fluorescent tubes, and a wide aperture LCD panel is employed. To address these new technologies, JSR is offering a variety of high performance materials for LCD panels including new alignment films. Global demand for LCD materials is projected to grow and JSR will ensure a stable supply of high-quality products from its three production bases located in Japan, Korea, and Taiwan.

3. Scope for the Future

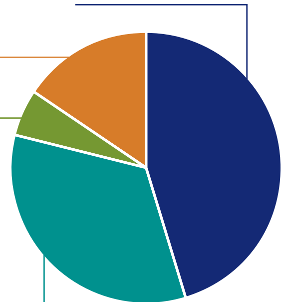
As a chemical company that must respond to environmental issues, the JSR Group has devoted its energy to developing and manufacturing products that contribute to reducing environmental load. To cope effectively with the variety of issues and risks arising from environmental- and energy-related areas, JSR has adopted a new "E2 Initiative™" concept, which guides the way of thought and behavior that should be embedded in all our business processes. All our future efforts in business development will be based on this initiative. The "E2 Initiative™" will be a common platform that prevails in all our business domains, and we are pursuing exploration and start-up of new business opportunities in the environment and energy related business domains, thus creating new environmentally-friendly products and businesses.

Each of our business lines will actively explore opportunities for new environmentally-friendly products based on this consistent way of thought and behavior.

At a Glance

Proportion of Sales

Fine Chemicals and Other Products
45.3%

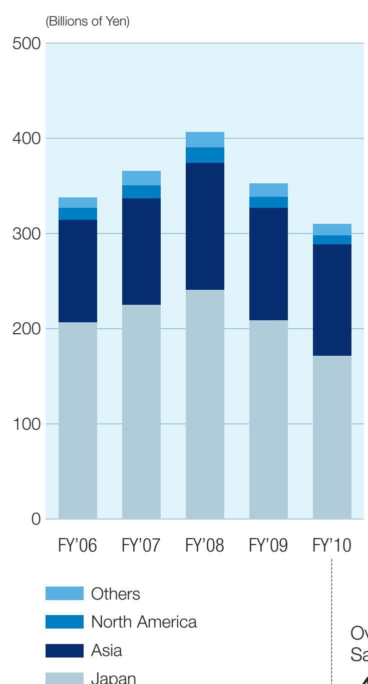


Petrochemicals
Elastomers
33.7%

Emulsions
5.5%

Plastics
15.5%

Overseas Sales

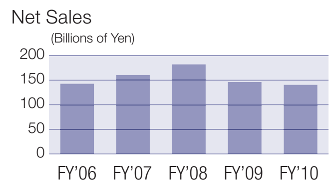


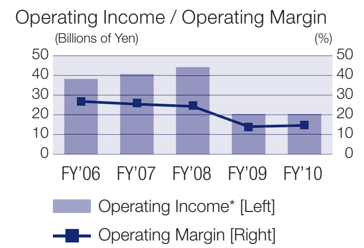
Overseas
Sales Ratio
44.8%

Segments

Fine Chemicals and Other Products

Information and electronics materials, mainly for semiconductors and flat panel displays, are the largest component of this segment.



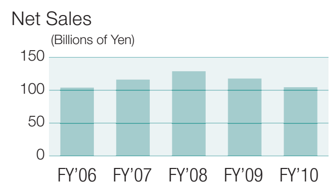


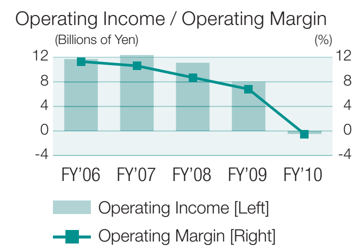
* Operating income includes company-wide costs for fundamental research and development.

Petrochemicals

Elastomers

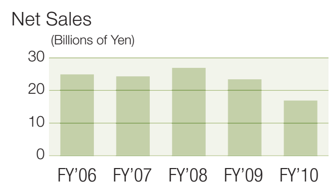
The main products in this segment are synthetic rubbers and thermoplastic elastomers (TPE). JSR is one of the world's largest manufacturers of synthetic rubber.

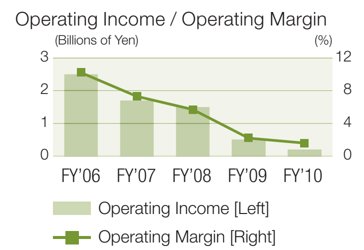




Emulsions

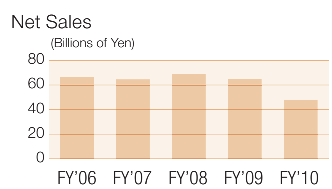
Emulsions are liquids in which synthetic rubber or synthetic resin have been dispersed in water, such as paper coating latex (PCL) and acrylic emulsions.

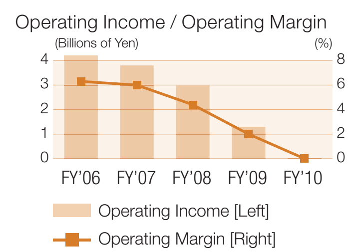




Plastics

The major product in this segment is ABS plastics, a material with well-balanced properties which is used in many applications worldwide.





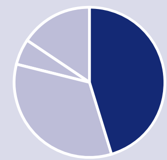
Products	Applications
Semiconductor Materials •Lithography materials (photoresists, multilayer materials and others) •CMP materials (CMP slurries and pads) •Interconnect materials (spin-on low-k materials) •Packaging materials (thick-film photoresists, photosensitive insulation materials and others) Flat Panel Display (FPD) Materials •LCD materials (alignment films, protective coatings, color pigment dispersed resists, photosensitive spacers and others) •Optical films (ARTON® films) Optical Materials •Opto-functional materials (anti-reflective coatings, UV curing optical fiber coatings, heat-resistant transparent resin ARTON®)	Semiconductor Materials •Process materials for semiconductor manufacturing FPD Materials •Process materials for liquid crystal display (LCD) panels •Process materials for plasma display panels (PDP) Optical Materials •Anti-reflection for display surfaces, organic / inorganic hybrid hard coating materials, prism lens, adhesive for optical discs, etc. •Optical fiber coating materials, three-dimensional free-form fabrications •Optical lens, retardation films, light guiding plates, etc.
General-Purpose Synthetic Rubbers •Styrene-butadiene rubber (SBR) •Poly-butadiene rubber (BR) Special-Purpose Synthetic Rubbers •Acrylonitrile-butadiene rubber (NBR) •Butyl rubber (IIR) •Ethylene-propylene rubber (EPR/EPM/EPDM) Thermoplastic Elastomers (TPE) •Syndiotactic 1,2-Poly-Butadiene “JSR RB®” •Hydrogenated polymer “DYNARON®” •Styrene-butadiene block copolymer “JSR TR” •Styrene-isoprene block copolymer “JSR SIS®”	General-Purpose Synthetic Rubbers •Automotive tires Special-Purpose Synthetic Rubbers •Automotive parts, industrial rubbers, etc. Thermoplastic Elastomers (TPE) •Various shoe soles, injection molding items •Hot melt adhesives, hot melt binders
Emulsion Products •Paper coating latex (PCL) •SB latex •Acrylic emulsions Performance Chemicals •High-functional dispersant “DYNAFLOW®” •Organic/inorganic hybrid coating material “GLASCA®” •Standard particles •Particles for clinical diagnostics •Research reagents	Emulsion Products •Carpet backings, various binders •Coating paper for printing purposes •Floor polish, paint, binders, adhesives Performance Chemicals •Anti-staining coating materials •Exterior coatings, various functional coating materials
•Acrylonitrile-butadiene-styrene (ABS) plastics •Acrylonitrile-ethylene-propylene-styrene (AES) plastics	•Automotive parts, electrical appliances, office automation equipment, etc. •Automotive parts, electrical appliances, house-building materials, etc.

Fine Chemicals and Other Products

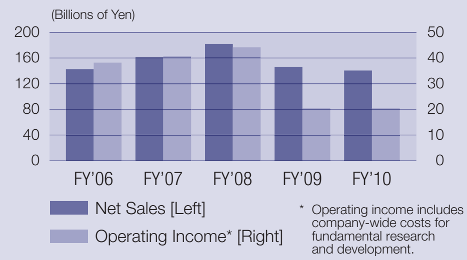
JSR's Fine Chemicals and Other Products mainly consist of materials for semiconductors, flat panel displays (FPDs), and optical materials. These business lines are seeing steady expansions of argon fluoride (ArF) photoresists and multilayer materials used for semiconductors, as well as alignment films and color pigment-dispersed resists used for liquid crystal display (LCD) panels.

Proportion of Sales

45.3%

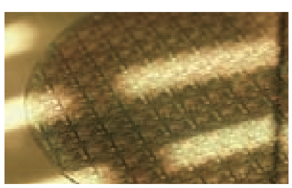


Net Sales and Operating Income



Main Products

Lithography Materials for Immersion Technology



JSR provides advanced ArF photoresists and other materials for immersion technology, such as topcoat materials and multilayer materials, recognized as top-tier products in the global market. Photoresists are photo-sensitive resin materials applied to a silicon substrate to form circuit patterns onto the substrate surface.

OPTMER® AL Series: Alignment Films for LCD Panels

The OPTMER® AL is a material used to align liquid crystal molecules, sandwiched between two glass substrates inside an LCD panel, to a specific orientation. The application of alignment film technologies have improved LCD TV contrast (black/white luminance ratio) and resolved the issue of viewing angle. JSR's alignment films are recognized for technical achievements which include "The Chemical Society of Japan's 58th Award for Technical Development" for contribution to widespread use of LCD TVs today.

Fiscal 2010 Business Performance:

Semiconductor Materials

Demand for semiconductors was seeing clear recovery in Japan, Asia and the U.S., mainly in laptop PCs and smartphones. This led to a recovery of sales in argon fluoride (ArF) photoresists, multilayer materials, and chemical mechanical planarization (CMP) materials. However, sales during the whole year did not reach the levels of the previous year, resulting in lower net sales year-on-year.

A new advanced lithography materials plant began operating at the Yokkaichi Plant, starting commercial production of ArF photoresists since November 2009. This will respond to higher demand for ArF photoresists due to the full scale launch of 40 nanometer generation semiconductor processes. At the same time, JSR is focusing to further reinforce its competitive advantages in this regard by meeting high quality requirements and building a stronger base that stably and efficiently supplies products.

Flat Panel Display (FPD) Materials

Although a declining trend is seen in prices of LCD panels, domestic and foreign economic stimulus packages boosted LCD TV market demand above that of the previous year, and the release of a new operating system also created firm laptop PC demand, resulting in higher net sales year-on-year.

Our consolidated subsidiary JSR Micro Kyushu Co., Ltd. completed an expansion of its advanced LCD material production facility in August 2009. It went through its trial operation and certification work for customers, and began commercial production in April 2010. JSR will be working to meet the growing demand for LCD materials at our Yokkaichi Plant, JSR Micro Korea, and JSR Micro Taiwan.

Optical Materials

Sales of optical coating materials, the mainstream product of the optical materials division, were steady overall. Despite weak domestic demand for optical fiber cables, there was strong export demand for optical fibers with large growth to China and other emerging markets. Anti-reflective coating materials and protective coating materials were increasingly adopted by the high value-added sector paralleling the trend in flat screen TVs becoming more high-definition. ARTON® resin (heat-resistant transparent resin) saw more intense competition in the optical film sector, but was steady in resin sales and the precision processing sector. For optical materials as a whole, net sales increased year-on-year.

Progress in the Strategic Businesses

We have positioned sectors where large future growth is expected as "strategic businesses": precision materials and processing, medical materials, as well as environment and energy, and have been enhancing the structure to promote these businesses.

Our strategic businesses are producing solid results. For example, in the current fiscal year, JSR launched a new series of high-luminance LED related materials under the name of LUMILON™, such as encapsulants, highly refractive coatings and insulation materials. JSR also began selling samples of touch panel sheets/films for mobile terminals and touch panel PCs, and there is growing domestic and foreign adoption of binder materials for lithium-ion batteries.

Earnings:

Cost reduction efforts were made through the promotion of the Cost-Reduction Plan "E-100 Projects," along with measures that focus on reducing fixed costs. Despite these efforts, profits were the same as in the previous year due to weak demand, the appreciation of the yen, and higher costs in the strategic businesses which receive strategic allocation of resources.

As a result, consolidated net sales in the fine chemicals and other products segment declined 4.0% year-on-year to ¥140.5 billion, with operating income declining 0.2% year-on-year to ¥20.5 billion.

Fiscal 2011 Business Strategy

Core Businesses (semiconductor materials, flat panel display (FPD) materials, optical materials)

Our core businesses are seeing higher demand for final products, especially in emerging countries, with fast overall global growth. However, while these demand industries have increasing needs for materials which require new added-value through development and progress in new technologies, the increasing commoditization of digital technologies is also leading to lower prices. This appears to be a trend towards a polarized market.

Based on this understanding of the business environment, JSR is working to expand its product lines to meet new needs by utilizing cutting-edge technologies. The Company is also actively expanding in emerging markets, especially China. JSR is working to expand the semiconductor materials business by launching new products such as next-generation lithography materials. The Company is also working to expand the flat panel display materials business by accurately meeting user needs, such as the launch of new alignment films. In the Chinese market, JSR is establishing a strongly localized marketing organization with JSR (Shanghai) Co., Ltd. as its base, and is developing the organization to supply high quality products. Additionally, in response to a polarized market, JSR is streamlining business costs and enhancing competitiveness by implementing measures such as further promoting the "E-100 Projects," optimizing the globally expanding production bases, and globalizing the procurement of raw materials.

Strategic Businesses

JSR will further focus on the strategic allocation of resources to accelerate the development of these strategic businesses into a third source of earnings, alongside the petrochemicals business and the information electronics materials business.

Specifically, JSR will accelerate the establishment of the precision materials and processing business, such as touch panel sheets/films. In the medical materials business, the Company will work toward solid progress by building business infrastructure in areas such as immunodiagnostic agents and reagents, based on particle technologies. JSR will work to further expand the environment and energy business by solidly developing a wide range of uses, such as battery materials, LED materials and lithium-ion capacitors. Lithium-ion capacitor devices are increasingly used in devices which compensate for a momentary drop in voltage and power failures; JSR will develop further uses and expand the business globally.

Petrochemicals

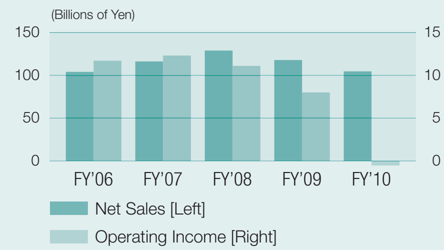
Elastomers

Since its foundation, JSR has offered a wide range of elastomer products for the world market including: general-purpose synthetic rubbers such as styrene-butadiene rubbers (SBR) developed for automotive tires; and special-purpose synthetic rubbers such as acrylonitrile-butadiene rubbers (NBR), butyl rubbers (IIR), and ethylene-propylene rubbers (EPR). JSR also offers thermoplastic elastomer materials (TPE).

Proportion of Sales

33.7%

Net Sales and Operating Income



Main Products

Styrene-butadiene Rubber (SBR)

Styrene-butadiene rubbers (SBR) are used in many applications across industries. JSR products are top class in the Japanese market. The largest application is in automotive tires, and JSR is making a large contribution to increasing the performance of these products through the development of solution polymerization SBR (S-SBR) for high performance energy efficient tires.

Thermoplastic Elastomers (TPE)

TPEs exhibit rubber-like elasticity at room temperature, and at elevated temperature soften to enable molding into any shape. It allows remolding, making it a recycle-friendly material. TPEs are used mainly in shoe soles, however they are increasingly used for automobile components in recent years because they are lighter than synthetic rubber, also reducing CO_2 emissions in the factory due to their simpler production processes, as well as expanding the range of recyclable parts.

Fiscal 2010 Business Performance:

Synthetic Rubbers

With regard to domestic sales of synthetic rubbers, although demand for general-purpose rubbers such as styrene-butadiene rubbers (SBR) and polybutadiene rubbers (BR) for automotive tires showed signs of recovery; overall demand remained low. This resulted in a substantial decline in net sales year-on-year. For high-performance special-purpose rubbers, such as acrylonitrile-butadiene rubbers (NBR) and ethylene-propylene rubbers (EPR), although sales volume in the second half increased year-on-year as a result of recovery in automobile production due to the effects of tax reductions for environmentally-friendly vehicles and other measures, sales volume during the whole fiscal year remained low, and net sales decreased year-on-year. In focusing on exports of general-purpose synthetic rubbers, as a result of sales expansion to Asian countries such as China, which has shown a high growth rate of automobile production; net sales grew substantially year-on-year.

Thermoplastic Elastomers (TPE)

For TPEs, such as butadiene and styrene-butadiene thermoplastic elastomers, sales were low during the first half of the fiscal year. In the second half, along with recovering sales of TPEs for automobile use, foreign demand mainly in TPEs use for shoe soles in Europe, Central and South America became robust. As a result, net sales were the same as in the previous year.

Production Profile

Products	Production Capacity of Plant	Products	Production Capacity of Plant
Styrene-butadiene rubbers (SBR) Acrylonitrile-butadiene rubbers (NBR) High styrene rubbers (HSR)	Yokkaichi — 255,000 tons/year	Butadiene thermoplastic elastomers (JSR RB®)	Chiba — 24,000 tons/year
Polybutadiene rubbers (BR)	Chiba — 72,000 tons/year	Styrene thermoplastic elastomers (SBS, JSR SIS®)	Kashima — 45,000 tons/year (Manufactured by KRATON JSR Elastomers K.K.)
Solution polymerization styrene-butadiene rubbers (S-SBR) Hydrogenated polymer (DYNARON®) and others	Yokkaichi — 45,000 tons/year	Butadiene	Yokkaichi — 148,000 tons/year Chiba — 130,000 tons/year (Manufactured by Tobu Butadiene Co., Ltd.) Kashima — 120,000 tons/year
Polyisoprene rubbers (IR)	Kashima — 41,000 tons/year (Manufactured by KRATON JSR Elastomers K.K.)		
Ethylene-propylene rubbers (EPR)	Kashima — 36,000 tons/year	Isoprene	Kashima — 36,000 tons/year

Earnings:

Cost reduction efforts were made through the promotion of the Cost-Reduction Plan "E-100 Projects," along with measures that focus on reducing fixed costs. Price revision efforts were also made in response to higher raw material prices. Although earnings improved due to recovering demand, a large drop in demand, especially in the first half, as well as inevitable production adjustments resulted in the decline of profit margins which led to an operating deficit.

As a result, consolidated net sales in the elastomers segment declined 11.2% year-on-year to ¥104.6 billion, with operating loss decreasing by ¥8.5 billion year-on-year, leading to a deficit of ¥0.5 billion.

Fiscal 2011 Business Strategy

In the main demand industries in Japan's petrochemical business sector, such as automobiles and automotive tires, there are concerns that large growth cannot be expected in years to come and that long-term stagnation will occur. However, it is expected that needs for high-value-added materials that contribute to the reduction of environmental impact will grow, and that a continuous expansion in emerging markets, mainly in China will be seen. In regards to the management of major raw material supplies, there are also concerns about constrained availability caused by consolidation of domestic ethylene centers.

Amidst this environmental awareness, JSR will work to expand global sales of highly competitive products utilizing our originality and technological superiority, and to optimize the supply chain of the products. Specifically, by utilizing Dow Europe GmbH, for which JSR obtained capacity rights for 30,000 tons, JSR will further strengthen the growing sales of solution polymerization SBRs (S-SBR) for energy conserving and high performance tires for users in Europe and Asia. To respond to the increased demand for butyl rubbers (IIR) used for the inner tubes of large-sized automotive tires for vehicles such as buses and trucks as well as radial tires for vehicles, JSR has decided to increase the production capacity of IIR by 18,000 tons at Japan Butyl Co., Ltd., an equity method affiliate. This increase in production capacity is set to be complete by the end of 2010. JSR will certainly make this capacity enhancement functional and effective.

In expanding and emerging markets, especially the Chinese market, JSR will work to strengthen the marketing system based at JSR (Shanghai) Co., Ltd., and to further expand sales.

In regards to the stable procurement of raw materials, JSR will focus on securing new raw material sources overseas.

To further secure stable profitability, JSR will continue to put efforts into the promotion of the "E-100 Projects," along with drastic cost-structure reforms, such as cutting fixed costs, and dramatic productivity enhancements, including the integration of production lines.

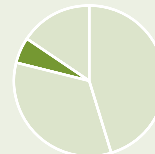
Petrochemicals

Emulsions

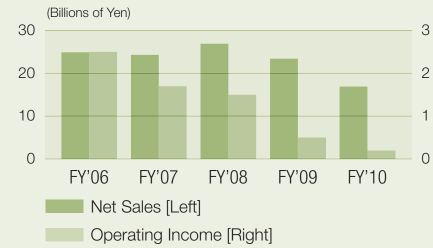
A material with special functions based on emulsion polymerization technology developed through the process of manufacturing synthetic rubbers. A main emulsion product is paper coating latex (PCL), which has the top share in the domestic market. Styrene-butadiene latex is also developed as various types of adhesive, such as carpet backings.

Proportion of Sales

5.5%



Net Sales and Operating Income



Main Products

Paper Coating Latex (PCL)

PCL has a wide range of applications to coat papers, from high-grade art papers for printing art books, to miscellaneous papers for advertising leaflets with excellent adhesive performance and printability.

Production Profile

Products	Production Capacity of Plant
Latex	Yokkaichi — 120,000 tons/year

Fiscal 2010 Business Performance:

For paper coating latex (PCL), the main product of this segment, the drop in production of coated paper contributed to a substantial decline in net sales year-on-year. For general industrial latex, exports had shown steady performance due to growing sales, mainly in China and Taiwan. Nevertheless, low demand in areas related to domestic construction and automobiles resulted in a substantial decrease in net sales year-on-year.

Earnings:

Cost reduction efforts were made through the promotion of the Cost-Reduction Plan “E-100 Projects,” along with measures that focus on reducing fixed costs. Price revision efforts were also made in response to higher raw material prices. Despite these efforts, demand dropped substantially, and profits fell far below those of the previous year.

As a result, in the emulsions segment, consolidated net sales declined 27.5% year-on-year to ¥17.0 billion, with operating income declining 46.2% year-on-year to ¥0.3 billion.

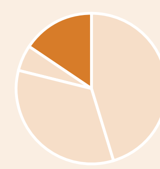
Petrochemicals

Plastics

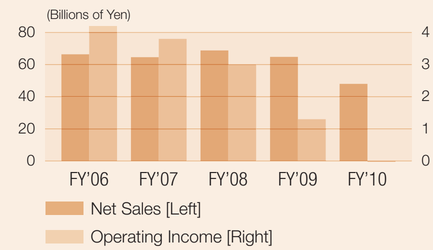
JSR is operating its plastics business under Techno Polymer Co., Ltd. Techno Polymer offers various acrylonitrile-butadiene-styrene (ABS) plastic products that customers seek. The company's ABS products are noted for uniqueness, based on the combined characteristics of various polymers. The company provides ABS products with consistent quality, backed by its worldwide bases of sales and technical services.

Proportion of Sales

15.5%



Net Sales and Operating Income



Main Products

ABS Plastics

ABS Plastics excel in such properties as impact resistance, heat resistance, high rigidity, glossiness, and processability, and are used in various applications, such as industrial products, automotive components, electrical appliances, and game consoles. Flame-resistant grade ABS excels in fluidity and thermal stability, has good practical heat resistance and well-balanced mechanical strength properties as well as excellent impact resistance.

Production Profile

Products	Production Capacity of Plant
Acrylonitrile-butadiene-styrene plastics (ABS) Acrylonitrile-ethylene-propylene-styrene plastics (AES) Acrylonitrile-styrene-plastics (AS)	Yokkaichi — 280,000 tons/year (Manufactured by Techno Polymer Co., Ltd.)

Fiscal 2010 Business Performance:

In the domestic market, although sales for automobiles turned upward, sales volume for the whole fiscal year fell year-on-year. Low sales across demand industries, due to factors including low demand in building materials and in the entertainment sector, resulted in lower net sales year-on-year. Similarly for exports, despite the recovery trend for automobiles, sales volume decreased year-on-year. In addition, low demand both for office automation equipment and in the entertainment sector resulted in a substantial decline in net sales year-on-year.

Earnings:

Cost reduction efforts were made through the promotion of the Cost-Reduction Plan "E-100 Projects," along with measures that focus on reducing fixed costs. Price revision efforts were also made in response to higher raw materials prices. Despite these efforts, the substantial drop in demand, as well as the impact of the appreciation of the yen, did not make up for the decline in profit margins, leading to an operating deficit.

As a result, consolidated net sales of the plastics segment declined 25.9% year-on-year to ¥48.0 billion, with operating loss decreasing by ¥1.3 billion year-on-year, leading to a deficit of ¥3 million.

Research and Development, Intellectual Property

1. Core Technologies and the JSR Business Model

Expertise in polymerization gained from the manufacture of synthetic rubbers and other petrochemical products represents JSR's core technologies. Leveraging this know-how, JSR has grown by responding quickly and accurately to the technological demands of customers concerning information electronics materials. In addition, next-generation businesses will be rooted in the even more effective use of these core technologies. Through this process, JSR is dedicated to developing new materials along with new business domains.

Growth at JSR is driven by the following three business models:

(1) Global Leadership

Information electronics materials products pose unique challenges. Most become outdated rather quickly and no single product makes a significant contribution to sales. For this reason, it is imperative to secure powerful market positions worldwide. This strength provides quick access to information on next-generation technological breakthroughs that can be used for new research projects. With this in mind, JSR began establishing a global presence at an early stage, supplying products to prominent companies in many countries.

(2) De Facto Standards

By transforming diverse user needs into products suitable for many applications, JSR strives to create products that become the de facto standard in their respective categories. Success in the information electronics materials business requires this de facto standard approach. Building ties rooted in trust with the most advanced users in a targeted category is the most effective means of establishing a de facto standard. JSR and these partners can then jointly develop innovative products and quickly bring them into the market.

(3) Clusters

Cluster refers to a business made up of many niche markets, each with annual sales of a few billion yen. JSR gathers a number of interrelated products to create a single business unit. The image is similar to how many grapes combine to make one bunch. Taking this approach raises the efficiency of research, manufacturing and sales. To generate more benefits, JSR is moving quickly to build more clusters.

JSR is confident that adherence to these three business models will give the company a solid base to grow for many years to come.

2. R&D and Intellectual Property Organization and R&D Alliances

(1) R&D and Intellectual Property Organization

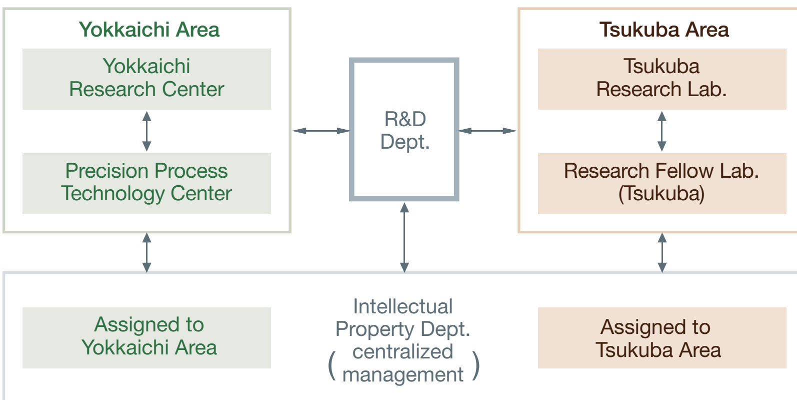
As of June 18, 2010

Yokkaichi Research Center	Performance Polymer Research Laboratories	Polymer Materials Lab.	Rubber for tires, specialty rubbers, functional elastomers, thermoplastic elastomers, etc.
		Performance Chemicals Lab.	Latex for paper coating, functional emulsions etc.
	Display Materials Research Laboratories	LCD Materials 1st Lab.	Protective coatings and color pigment dispersed resists for LCDs, etc.
		LCD Materials 2nd Lab.	Alignment film for LCD,etc.
	Fine Electronic Materials Research Laboratories	Semiconductor Materials Lab.	Photoresists for semiconductors, etc.
		Packaging and Assembly Materials Lab.	Thick film photoresists, photo sensitive insulation materials for LSI, etc.
	Process Development & Engineering Group	Petrochemical Process Dept.	Development of manufacturing processes and engineering for the petrochemicals business
		Fine Chemical Process Dept.	Development of manufacturing processes and engineering of fine chemicals, medical materials and other new businesses
		High Performance Resin Process Dept.	Product development of new types of high performance resins, development of manufacturing processes and engineering
	Research Fellow Lab. (Yokkaichi)		Functional materials for LIB, encapsulation materials for LED, etc.
	Microfabrication Process Materials Lab.		CMP materials (slurries, pads), etc.
	Material Characterization & Analysis Lab.		Physical properties, analysis, characterization, CAC, etc.
	Yokkaichi R&D Administration Dept.		R&D administration in Yokkaichi area
Precision Processing Technology Center	Precision Processing Research Laboratories	Processing Research Laboratories	Technological development for precision processing
		Processing Materials Lab.	Converting products on optical films, ARTON® film, etc.
Tsukuba Research Laboratories			Optical fiber coating, radiation curing materials, particles for diagnosis, low-k films for LSI, etc.
Research Fellow Laboratories (Tsukuba)			Materials for fuel cells, etc.
Research & Development Department			R&D strategic initiatives and administration
Intellectual Property Department			Business related to intellectual property rights

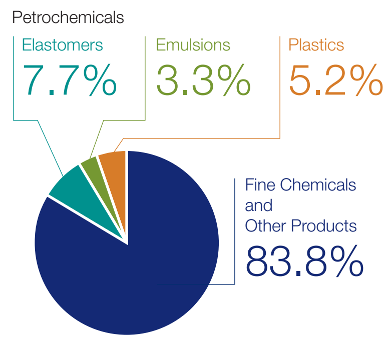
Yokkaichi Research Center

Tsukuba Research Laboratories

R&D Organization



R&D Expenses by Business Segment for Fiscal Year 2010



Total ¥18.2 billion

(2) R&D Alliances

JSR establishes R&D alliances as required to achieve strategic objectives. Most alliances are with customers conducting businesses that use leading-edge technologies.

3. Summary of R&D Segments and Intellectual Property

JSR aims to build and enhance intellectual property (IP) networks in all its R&D segments by creating IP, such as patents, knowhow, designs, and trademarks, as well as by acquiring and utilizing IP on a global scale. By strategically utilizing these networks, JSR aims to attain a predominant position over competitors in its businesses.

One priority is information electronics materials and other businesses outside the petrochemicals field. The goal is to acquire IP that can support global expansion. In this regard, JSR is focusing not only on Europe and North America, but also on Asia, chiefly South Korea, Taiwan and China, as a source of IP to build and expand its IP network.

Another theme is creating IP in fields where JSR aims to create new businesses that use sophisticated technologies.

4. Policy for Acquisition and Management of Intellectual Property

(1) Strategy for Intellectual Property

JSR uses intellectual policy based on an intellectual property strategy that is made up of the following four components:

a. Participation in the creation of intellectual property

JSR takes part in 3C analysis of intellectual property and technological information beginning at the stage of searching for R&D themes. The results of this analysis are incorporated in R&D activities. Furthermore, by being selective in its intellectual property rights applications, JSR will enhance consistency between its technological development and patent application strategies.

b. Acquisition of intellectual property

JSR always seeks to secure the broadest possible rights to its R&D achievements. The aim is to acquire “usable rights” that can contribute to industry-wide progress and be licensed to other companies. Portfolio management of intellectual property is conducted in accordance with potential earnings and the degree of innovation. Clearances are received for the use of patents in JSR products and JSR acquires strategic patents that have the potential of becoming more valuable in the future.

c. Use of intellectual property rights

JSR makes effective use of its own patent rights and utilizes the intellectual property of other companies by entering into individual licensing and cross-licensing agreements. The goal is to preserve the continuity of business activities and the freedom of R&D programs. JSR also assesses and manages potential risks in its intellectual property portfolio.

d. A global perspective

JSR will secure a competitive edge in its businesses by devising a global intellectual property strategy that covers not only patents, but also trademarks and brands. In addition, JSR is upgrading the skills of its Intellectual Property Department and strengthening ties with patent offices in other countries. This will allow JSR to acquire and utilize intellectual property rights according to the circumstances of each country and region.

(2) Framework for Using Intellectual Property

JSR's framework for using intellectual property is distinguished by two elements: a system closely linked to R&D laboratories, which identifies ideas that should be patented, and a centralized management system for intellectual property.

JSR's Intellectual Property Department assigns staff members to work in the Yokkaichi area and Tsukuba area. By maintaining close ties with R&D activities, this approach allows the department to help create intellectual property and quickly submit well-prepared patent applications.

In addition, JSR and its group companies use an organized approach to effectively use their intellectual property and obtain worldwide patents. All matters concerning intellectual property are managed by the JSR head office to keep this information confidential and prevent leaks of technological information.

JSR has an intellectual property award and bonus system to increase motivation to come up with new ideas and follow through with inventions. The system distributes payments in line with JSR's workplace invention system when patent applications are submitted, when a patent is registered and when a patent generates earnings.

(3) Acquisition Policy of Intellectual Property

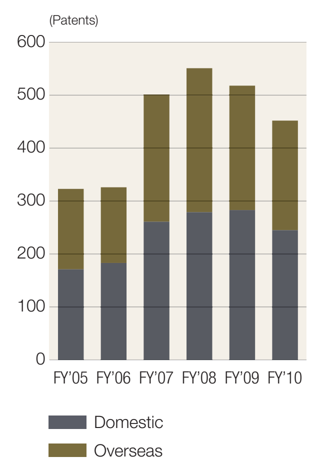
JSR will continue to proactively acquire intellectual property especially in new technological fields for growing markets all over the world based on a mid-term business plan. The expenses will be concentrated in acquiring strong and competitive intellectual properties.

5. Contribution of Patents

JSR is continuing to acquire patents and is expanding its business globally. The following table summarizes patents held by JSR:

	Petrochemicals		Fine Chemicals and Other Products		Others		Total	
As of	09.3.31	**10.3.31**	09.3.31	**10.3.31**	09.3.31	**10.3.31**	09.3.31	**10.3.31**
Patents (Japan)	428	**374**	1,269	**1,465**	73	**75**	1,770	**1,914**
Patents (Overseas)	512	**492**	1,955	**2,164**	34	**39**	2,501	**2,695**

Number of Patents acquired in each Fiscal Year



6. Policy Regarding Intellectual Property Portfolio

JSR follows a policy of retaining rights to intellectual property that can be used to give its products a competitive edge. Other intellectual property having potential applications is retained or, if necessary, provided to other companies through licensing agreements. JSR does not keep rights to intellectual property that have no potential applications.

7. Information Regarding Risk

There are no risks involved with JSR's patents or licensing agreements that could have a material impact on cash flows. Furthermore, in its business operations, JSR exercises care with regard to the patents and rights of other companies, quickly conducting investigations where necessary and strictly complying with all laws.

The JSR Corporate Social Responsibility Report

The JSR Group mission is to act with integrity as a "good corporate citizen," to live up to the trust our stakeholders place in us, and to contribute to the realization of a more prosperous human society through our business activities. Our Group CSR represents the initiatives we employ to successfully achieve these missions and as such, we view CSR as a key management issue.

The world faces many important issues today, whether it is global warming, depletion of resources and food supplies, or the issue of human rights. The impact that corporate activities have with regard to these issues is quite significant, and the activities of the JSR Group are no exception. Based on this understanding, the JSR Group established the CSR Committee[*1] in fiscal 2004, which has since been involved in CSR activities focusing on corporate ethics and environmental/safety efforts. In June 2008, in order to take these initiatives to an even higher level, we launched a new Corporate Social Responsibility Department, which is advancing CSR efforts in the two areas of "corporate obligations" and "social contribution." For details about CSR activities of the JSR Group, please refer to the CSR Report (to be issued in July 2010).

Major CSR Activities

1. Initiatives to Prevent Global Warming

With regard to reducing the amount of carbon dioxide emissions, JSR has advanced measures concentrated on energy saving. Instead of maintaining our previous target for reducing energy unit consumption, JSR has set a new target for reducing the absolute amount of CO_2 emissions (reducing emissions in fiscal 2013 by 6 % compared with fiscal 1991).

A large-scale natural gas-fired gas turbine cogeneration system (newly-established cogeneration system) was installed at the Yokkaichi Plant in April 2010. Compared with the current coal-/C heavy oil-fired steam boiler and steam turbine condenser system, carbon dioxide emissions are expected to be cut through the use of natural gas as fuel. The effect of reducing the emissions will be confirmed at the end of this fiscal year.

2. Participating in the United Nations Global Compact

On April 14 2009, the JSR Group became a participant of the Global Compact policy advocated by the United Nations. By doing so, we declare as a global organization that we are acting responsibly in the international community and are working hard to proactively execute "corporate social responsibility."

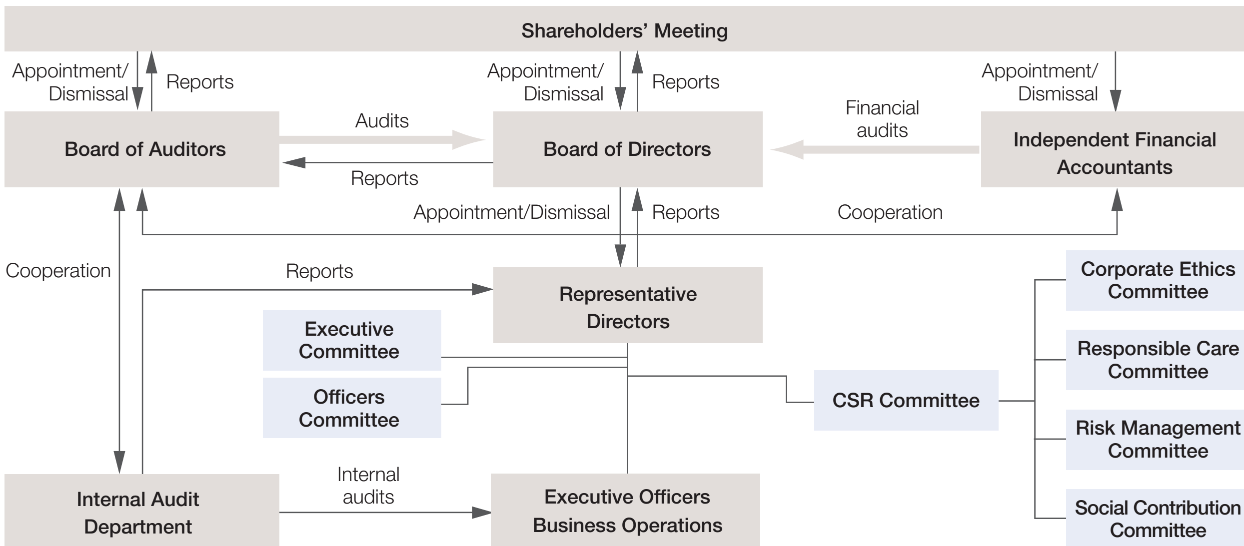
3. Social Contribution Activities that Befit JSR

A major challenge facing Japanese society today is our children's waning interest in science. In response, JSR is working with local Board of Educations to conduct science classes at junior high schools. This year, the program was implemented at Yokkaichi City, Mie Prefecture and Kamisu City, Ibaraki Prefecture. Students are taught that all matter is made up of molecules and that properties of a substance differ depending on the way in which these molecules are joined together. They also learn that everyday items around them consist of materials which contain molecules joined together in a variety of combinations. In order for children to become more interested in science, students are given explanations with teaching materials and experiments that are not available as part of the usual school curriculum.

http://www.jsr.co.jp/jsr_e/csr/index.shtml

Corporate Governance and Compliance

As of June 18, 2010



Fundamental Position Regarding Corporate Governance

JSR is dedicated to translating into actions its corporate philosophy: Materials Innovation — Supplying new materials and using the value generated to help create a better world (for people, society and the environment). JSR's goal is to constantly generate corporate value by sustaining the efficiency, transparency and soundness of its operations, while functioning as an appealing company that earns the trust of and satisfies all stakeholders.

JSR uses the executive officer system in order to expedite decision making and business execution, as well as to reinforce management supervisory functions. JSR has secured and improved the effectiveness of internal control, by strengthening the cooperation between the Internal Audit Department, which conducts internal audits, and the corporate auditors. Moreover, improving the reporting system enables important matters to be reported to the corporate auditors or the Board of Auditors appropriately and at the right time. Furthermore, attorneys and certified public accountants are appointed as external auditors in order to secure independence and the expertise of auditors to reinforce management supervisory functions. Through these various measures, JSR has worked to increase management efficiency and reinforce internal control functions and management supervisory functions.

JSR will continue to strengthen and expand corporate governance. By fully utilizing the current management system, JSR intends to conduct business operations in a manner that is fair, transparent and speedy.

Business Execution, Audit/Supervision, Appointments, Payroll Decisions and Other Matters

1. Reasons for Adoption of the Current Governance System

JSR has adopted the corporate auditor system. The Board of Directors and the corporate auditors monitor and supervise business execution.

The adoption of the executive officer system made it possible to improve the efficiency of decision making and business execution, as well as to reinforce management supervisory functions. JSR has also appointed external auditors with a high level of independence and expertise, and has improved the reporting system so that important matters are reported to the corporate auditors or the Board of Auditors appropriately and at the right time. These measures have reinforced auditing functions and secured reasonableness, transparency and fairness in management judgments. In addition, in accordance with the "Basic Policy to Establish a Sound Internal Control System," JSR has worked to reinforce the monitoring and supervisory functions of management through various measures, such as the establishment of the internal control system, including the Internal Audit Department, which conducts internal audits, and strengthening the cooperation between the internal control departments and the corporate auditors. Although there are no external directors, JSR believes that there has been a well-functioning system for both aspects of securing reasonableness, transparency and fairness in management judgments, and the monitoring functions of management from objective and neutral standpoints.

Furthermore, transparency is enhanced through easy-to-understand information disclosure in an appropriate and timely manner, and through proactive relations with investors. The appointment of all directors and the approval of board members' bonuses are conducted at the Annual General Meeting of Shareholders. In addition to these efforts, by holding the General Meeting of Shareholders and in sending notification of convening the Meeting at an early date, as well as through the participation in voting rights, JSR has striven to manage the General Meeting of Shareholders in a manner that is easily supervised and governed by shareholders.

2. Board of Directors

There are nine directors on the Board of Directors. They are charged with discussing and reaching decisions concerning important items associated with the execution of business operations. They are also charged with supervising the execution of the directors' function. As a rule, the directors hold monthly meetings that are chaired by JSR's chairman. In addition, five corporate auditors, including three external auditors, attend meetings of the Board of Directors and state opinions as required.

3. Executive Committee

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 all the directors, 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 every Monday except the third Monday of the month, and is chaired by the president. The full time corporate auditors also attend these committee meetings, where they discuss and report various items.

4. Officers Committee

This committee is held in order to hear reports 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 all the directors, senior officers, officers and full time corporate auditors, except overseas representatives. As a rule, this committee meets every third Monday of the month and is chaired by the president.

5. Board of Auditors

With five members, including three external auditors, this board meets every month as stipulated in the regulations governing this body. The corporate auditors receive reports on important matters, hold discussions and reach decisions.

In accordance with standards for audits by corporate auditors, the auditors attend meetings of the Board of Directors, Executive Committee and other important committees to monitor how important decisions are reached and business activities are executed. The auditors also receive reports from the independent financial accountants, directors and others. Through these activities, the Board of Auditors hold discussions in order to form auditing opinions.

6. CSR Committee

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 Committee is chaired by the executive managing director responsible for CSR, with an executive managing director, three managing directors and two directors. 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

The Corporate Ethics Committee chaired by the managing director for 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. The committee oversees corporate ethics throughout the Group as well as provides guidance regarding specific items.

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 new hotline in September 2008 which is linked to a specialized external agency, also available in English and Chinese.

8. Responsible Care Committee

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 director for safety environmental affairs, demonstrating Responsible Care's 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 and handle chemicals responsibly. Details and results of Responsible Care activities are disclosed through Responsible Care reports prepared by individual plants as well as for the company as a whole. These reports are audited by third parties to improve the reliability and transparency of the data. Through these activities, the committee is dedicated to earning greater trust from customers and preventing any concerns among residents in the neighborhoods of JSR's facilities.

Since fiscal 2007, JSR has elevated the position of its CSR report by revamping it to include more information on CSR activities, based on JSR's fundamental stance regarding the three core elements of CSR: the economy, the environment and the community. To make the information widely available, these reports are posted on the JSR website (http://www.jsr.co.jp/jsr_e/csr/index.shtml).

9. Risk Management Committee

In the event of a large crisis, JSR considers actions to limit the impact on operations to be a critical management task. In this light, the company established the Risk Management Committee under the CSR Committee with the executive managing director responsible for CSR as committee chair. The Committee decides policies and plans in response to crises, both present and potential, and promotes crisis management training that simulates the occurrence of large scale disasters.

10. Social Contribution Committee

To examine and promote social contribution activities that befit JSR, the Social Contribution Committee was established under the CSR Committee with the executive managing director responsible for CSR as committee chair. 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. In fiscal 2010, new programs were started, such as "Table for Two", the "ecocap" campaign, foreign coin fund-raising, and the permitting of teaching staff to attend training sessions during the summer.

11. Status of Internal Audits, Audits by Corporate Auditors and Financial Audits

JSR has adopted the corporate auditor system. There are currently five corporate auditors, including three from outside the JSR Group. These auditors are staffed by one individual. Audits are performed as described in item 5 concerning the Board of Auditors.

The corporate auditors work closely with the independent financial accountant. The corporate auditors receive reports on the financial accountant's audit plan and audit results. Furthermore, the corporate auditors 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 corporate auditors receive reports on the audit plan and audit results from the Internal Audit Department regularly, exchange opinions, and enhance the auditing system.

Actions during Fiscal 2010 to Improve Corporate Governance

• As for corporate ethics activities, in fiscal 2010, JSR held ethics training for executives conducted by external experts (August 2009). The contents of the training were then shared with domestic managers of JSR and group companies. Through this, the company has worked to raise people's individual awareness of ethics. In addition, to get a firm grasp of the status of corporate ethics at JSR and each Group company, the company held a corporate ethics awareness survey for all employees (October–November 2009). This was the fourth survey, following on from the previous survey, which was conducted in 2007.

• A risk management drill was conducted by the JSR head office and plants to strengthen the risk management framework. This drill confirmed that JSR can appropriately respond to an accident, fire or damage from a natural disaster at a plant. Drills cover the head office Disaster Response Headquarters, plant disaster response departments, corporate communications units and other components of the JSR organization (December 2009).

JSR also identified and evaluated the potential risks, and formulated countermeasures against the risks for all domestic departments, including Group companies (September–October 2009).

• JSR conducts environmental and safety audits on a regular basis. In fiscal 2010, audits were conducted at 14 establishments of ten domestic group companies. To strengthen compliance efforts, JSR has verified and improved the status of compliance at the whole group, including overseas locations since fiscal 2008. In fiscal 2010, such verification and improvement were conducted at 19 domestic companies and 14 overseas companies from April to September.

Directors, Corporate Auditors, and Executive Officers

As of June 18, 2010

Kenji Ito Nobuko Kato Hozumi Sato Yasuki Sajima Nobuo Bessho
Yoshio Tamaki Kouichi Kawasaki Masaki Hirose Hisao Hasegawa Hiroichi Uekusa

Seiichi Hasegawa Mitsunobu Koshiba Yoshinori Yoshida Tsugio Haruki

Directors and Corporate Auditors

Yoshinori Yoshida
Representative Director and Chairman

Mitsunobu Koshiba
Representative Director and President

Tsugio Haruki
Executive Managing Director, Accounting and Finance, Corporate Communications, CSR

Seiichi Hasegawa
Executive Managing Director, Procurement, Logistics, Information Technology

Masaki Hirose
Managing Director, Corporate Planning, Group Companies Coordination, Human Resources, General Affairs, Legal

Hozumi Sato
Managing Director, Research & Development, Strategic Business

Yasuki Sajima
Managing Director, Fine Chemicals Sector

Kouichi Kawasaki
Director and Senior Officer, Petrochemicals Sector (including Plastics), Safety Environmental Affairs

Hisao Hasegawa
Director and Senior Officer, Manufacturing and Technology, Product Safety & Quality Assurance

Yoshio Tamaki
Corporate Auditor (Full-time)

Nobuo Bessho
Corporate Auditor (Full-time)

Kenji Ito
Corporate Auditor

Hiroichi Uekusa
Corporate Auditor

Nobuko Kato
Corporate Auditor

Officers

Atsushi Kumano
Senior Officer, General Manager of Research & Development

Shin-ichiro Iwanaga
Senior Officer, General Manager of Tsukuba Research Laboratories

Yasuhisa Nagahiro
Senior Officer, Yokkaichi Plant Manager

Takashi Wakabayashi
Officer, General Manager of Business Planning Department, Fine Chemicals

Nobuo Kawahashi
Officer, President of JSR Micro Korea Co., Ltd.

Takatoshi Nagatomo
Officer, Deputy General Manager of Petrochemical Products Division

Takeshi Sugimoto
Officer, General Manager of Electronic Materials Division

Tsuyoshi Watanabe
Officer, General Manager of Yokkaichi Research Center

Hayato Hirano
Officer, General Manager of Finance Department

Katsuya Inoue
Officer, General Manager of Corporate Planning Department

Company Network

HEAD OFFICE
JSR Corporation
1-9-2, Higashi-Shinbashi,
Minato-ku, Tokyo
105-8640, Japan

BRANCH OFFICES
Nagoya Branch
A Wallisellen Branch
B Shanghai Office
C Taiwan Office
D Singapore Office

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

★Styron Europe GmbH
(formerly Dow Europe GmbH)
Schkopau, Germany
* A production plant of synthetic rubbers where JSR owns a capacity right of 30,000 tons/year.

JAPAN

Fine Chemicals Business

JSR MICROTECH INC.
Production and sales of printed circuit boards and IC testing fixtures.

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 photoresists for 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
Design, development, product and sales of lithium-ion capacitors.

Tri Chemical Laboratories, Inc.(*)
Production and sales of precursors for semiconductors, optical fibers and compound semiconductor and others.

Elastomers Business

Kyushu Gomu Kako Co., Ltd.
Compounding of crude rubbers and sales of compounded products.

ELASTOMIX CO., LTD.
Compounding of crude rubbers and sales of compounded products.

Japan Butyl Co., Ltd.(*)
Production and sales of butyl rubbers.

KRATON JSR ELASTOMERS K.K.(*)
Production, purchase, and sales of thermoplastic rubbers.

Emulsions Business

Emulsion Technology Co., Ltd.
Compounding and sales of crude latex.

Plastics Business

JAPAN COLORING CO., LTD.
Coloring of synthetic resin and sales of colored products.

Techno Polymer Co., Ltd.
Production, sales and R&D of ABS resin.

Business in Other Fields

JSR Trading CO., LTD.
Exports and imports, purchase and sales of the following: various chemicals, machinery, equipment, physical distribution materials, living necessities, foodstuffs, beverages, real estate.

JSR LOGISTICS CO., LTD.
Freight forwarding, warehousing, delivery management.

JSR ENGINEERING CO., LTD.
Engineering and consultation for chemical engineering equipment.

JSR Business Service Co., Ltd.
Non-life insurance agency, purchase, sales and leasing of real estate, undertaking of financing, payroll accounting calculation. Development and sales of computer software and hardware.

Nichigo Kogyo Co., Ltd.
Product packaging, undertaking of civil engineering & general construction.

OVERSEAS

Fine Chemicals Business

1 JSR Micro N.V.
Development, production and sales of semiconductor materials.

2 JSR Micro, Inc.
Development, production and sales of semiconductor materials.

3 JSR Micro Korea Co., Ltd.
Development, production and sales of materials for flat panel displays and others.

4 JSR Micro Taiwan Co., Ltd.
Development, production and sales of materials for flat panel displays.

Elastomers Business

5 JSR AMERICA, INC.
Sales of synthetic rubbers.

6 Kumho Polychem Co., Ltd.(*)
Production and sales of EPRs.

7 ELASTOMIX (THAILAND) CO., LTD.
Compounding of crude rubbers and sales of compounded products.

8 ELASTOMIX (FOSHAN) CO., LTD.
Compounding of crude rubbers and sales of compounded products.

9 Tianjin Kuo Cheng Rubber Industry Co., Ltd.(*)
Compounding of crude rubbers and sales of compounded products.

Plastics Business

10 TECHNO POLYMER HONG KONG CO., LTD.
Sales and technical services of synthetic resins in Hong Kong and neighboring regions.

11 Techno Polymer (Thailand) Co., Ltd.
Sales and technical services of synthetic resins in ASEAN region.

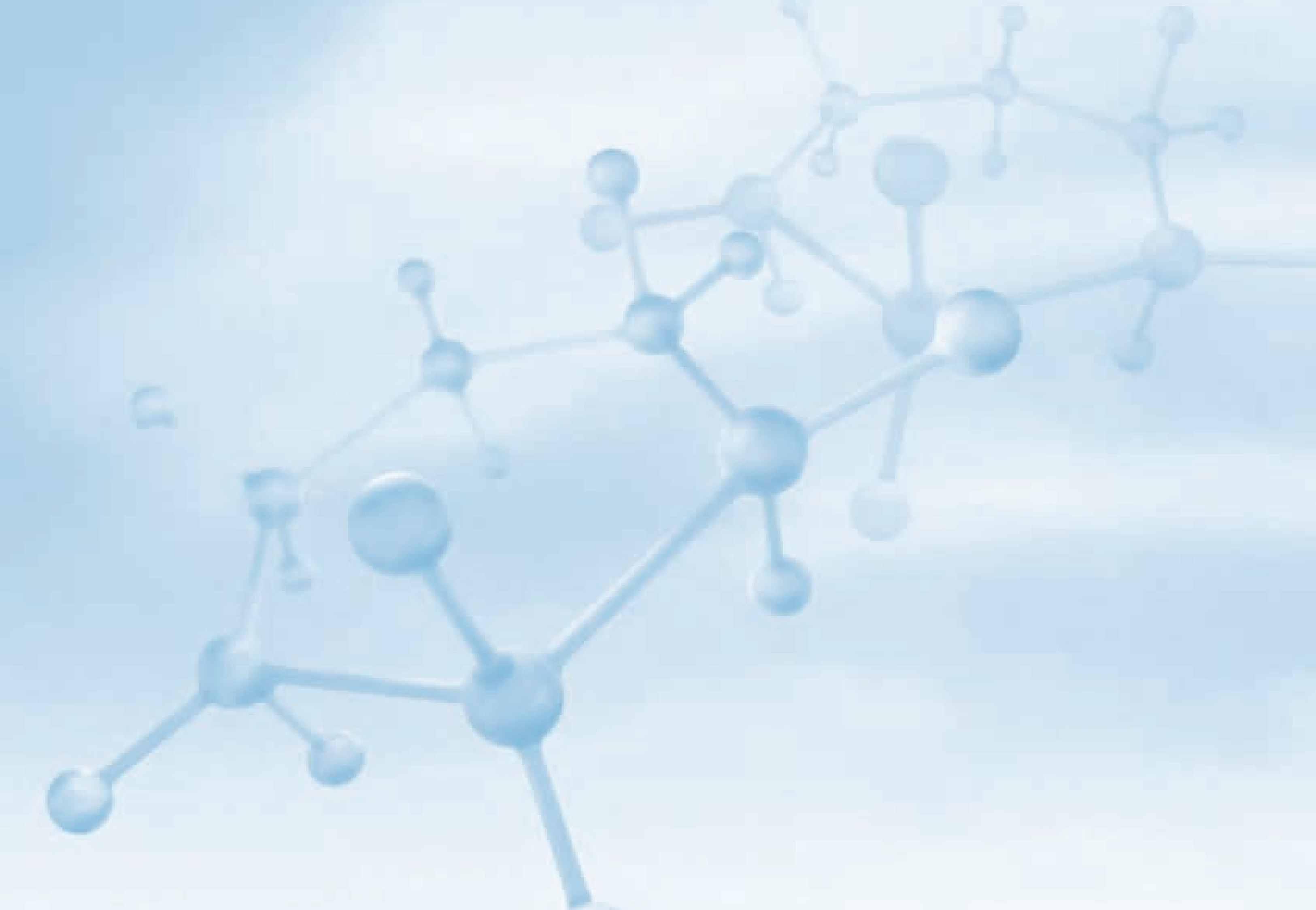
12 Techno Polymer (Shanghai) Co., Ltd.
Sales and technical services of synthetic resins in China.

13 TECHNO POLYMER AMERICA, INC.
Sales of plastics, technical services related to plastics in North America.

14 Shanghai Rainbow Color Plastics Co., Ltd.
Coloring of synthetic resins and sales of colored products.

15 **JSR (Shanghai) Co., Ltd.**
Sales and marketing of JSR products.

(*) Equity method affiliate



Financial Section

For the purpose of this Annual Report, JSR’s accounting period (fiscal year) is defined as the period from April 1 to March 31 of the following year.
When noted “fiscal 2010,” this indicates the period from April 1, 2009 to March 31, 2010.

Management's Discussion and Analysis

(April 1, 2009 to March 31, 2010)

Business Results Analysis

Business Results for Fiscal 2010

Japan's economy in fiscal 2010 (April 1, 2009 to March 31, 2010) bottomed out at the end of fiscal 2009, and since then slowly headed towards recovery. This was due to the recovery in exports to improving economies in Asia, especially China, as well as the additional effects of economic policies and increased production due to progress in inventory adjustments. However, there are concerns arising from the continuing low level of capital investment due to factors such as large supply/demand gaps, and the continuing harsh employment and income environments. Conditions were still harsh compared to the level before the global economic crisis.

In our demand industries, domestic and foreign economic stimulus packages led to demand in Liquid Crystal Display (LCD) TVs exceeding the previous fiscal year, and production of flat panel displays was robust. However, while production of automobiles, automotive tires and semiconductors recovered to year-on-year growth in the second half of the year, whole year production remained below the previous year's level. Looking at raw materials, there was a large drop in the naphtha price at the end of the previous fiscal year, but the price rebounded at the beginning of fiscal 2010. In addition, prices rose for utilities and major petrochemical raw materials such as styrene monomer and acrylonitrile, putting negative impact on earnings.

Under these challenging circumstances, JSR put effort into its core businesses, which consist of the petrochemicals and fine chemicals businesses, by streamlining business cost structure to accommodate an appropriate sales size to maintain a reasonable level of profit, in addition to improving global competitiveness by strengthening JSR's presence in growing markets by technological advantage.

In terms of streamlining business cost structure, JSR continued to execute the Cost-Reduction Plan "E-100 Projects" across all group companies, and made additional efforts to reduce fixed costs, resulting in exceeding the initial plan and securing earnings.

In order to improve global competitiveness for the petrochemicals business, the company expanded export sales focusing on emerging countries, especially China with technically differentiated products. In addition, prices of some products were revised in response to rising prices of major raw materials. In the fine chemicals business, further growth of sales in our leading-edge materials, as well as incorporating demand in newly-emerging nations were targeted. However, amidst the global economy still unrecovered to its previous level, decreased demand impacted on our results.

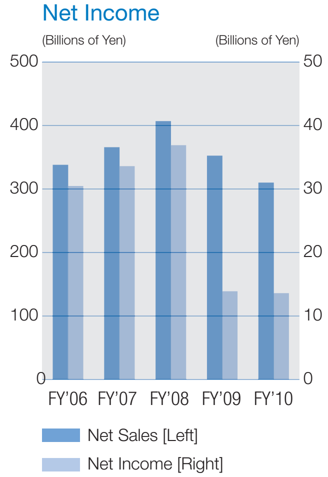
As a result, sales and profit were down in fiscal 2010, consolidated net sales decreased 12% year-on-year to ¥310.2 billion, operating income was down 33.3% to ¥20.2 billion, current income decreased 28.1% to ¥22.4 billion, and current net income decreased 2.4% to ¥13.6 billion.

Results by Business Segment

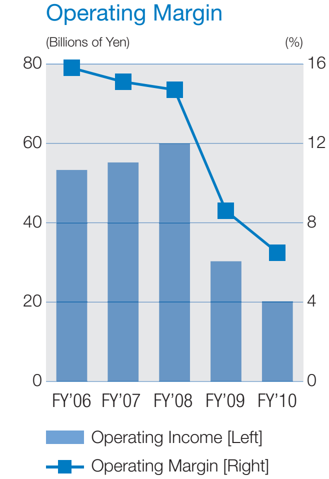
Elastomers Segment

With regard to domestic sales of synthetic rubbers, although demand for general-purpose rubbers such as styrene-butadiene rubbers (SBR) and polybutadiene rubbers (BR) for automotive tires showed signs of recovery; overall demand remained low. This resulted in a substantial decline in net sales year-on-year. For high-performance special-purpose rubbers, such as acrylonitrile-butadiene rubbers (NBR) and ethylene-propylene rubbers (EPR), although sales volume in the second half increased year-on-year as a result of recovery in automobile production due to the effects of tax reductions for environmentally-friendly vehicles and other measures, sales volume during the whole fiscal year remained low, and net sales decreased year-on-year. In focusing on exports of general-purpose synthetic rubbers, as a result of sales expansion to Asian countries such as China, which has shown a high growth rate of automobile

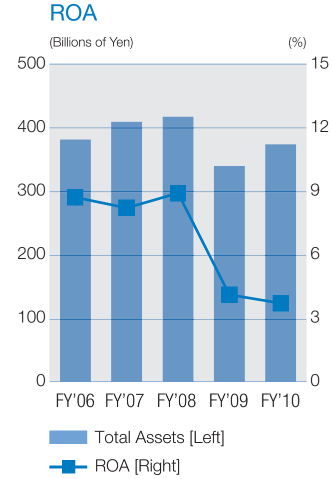
Net Sales / Net Income



Operating Income / Operating Margin



Total Assets / ROA



production; net sales grew substantially year-on-year.

For TPEs, such as butadiene and styrene-butadiene thermoplastic elastomers, sales were low during the first half of the fiscal year. In the second half, along with recovering sales of TPEs for automobile use, foreign demand mainly in TPEs use for shoe soles in Europe, Central and South America became robust. As a result, net sales were the same as in the previous year.

For earnings, cost reduction efforts and price revision efforts in response to higher raw materials prices were made. Although earnings improved due to recovering demand, a large drop in demand, especially in the first half, as well as inevitable production adjustments resulted in the decline of profit margins which led to an operating deficit.

As a result, consolidated net sales in the elastomers segment declined 11.2% year-on-year to ¥104.6 billion, with operating loss decreasing by ¥8.5 billion year-on-year, leading to a deficit of ¥0.5 billion.

Emulsions Segment

Paper coating latex (PCL), the main product of the segment, faced a decreased production of coated paper. General industrial latex saw higher export sales, mainly to China and Taiwan. Nevertheless, low demand in areas related to domestic construction and automobiles led to consolidated net sales in the emulsions segment declining 27.5% year-on-year to ¥17.0 billion.

For earnings, cost reduction efforts and price revision efforts in response to higher raw material prices were made. Despite these efforts, demand dropped substantially, and operating income decreased 46.2% year-on-year to ¥0.3 billion.

Plastics Segment

An improving trend is seen for automobile sales both in Japan and overseas, but the sales volume for the whole fiscal year fell year-on-year, with low sales across demand industries due to factors including low demand in the building materials and entertainment sectors. Consolidated net sales of the plastics segment decreased 25.9% year-on-year to ¥48.0 billion. For earnings, cost reduction efforts and price revision efforts in response to higher raw material prices were made. Despite these efforts, the substantial drop in demand, as well as the impact of the appreciation of the yen, did not make up for the decline in profit margins, leading to an operating deficit. Operating loss decreased by ¥1.3 billion year-on-year and led to a deficit of ¥3 million.

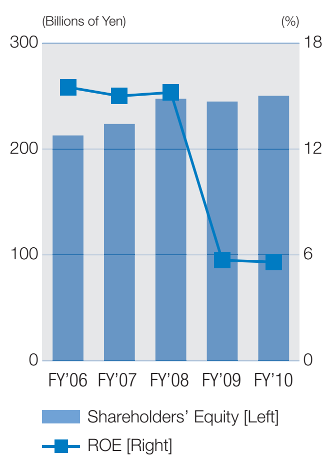
Fine Chemicals and Other Products Segment

In the semiconductor materials division, demand for semiconductors was seeing clear recovery in Japan, Asia and the U.S., mainly in laptop PCs and smartphones. This led to a recovery of sales in argon fluoride (ArF) photoresists, multilayer materials, and chemical mechanical planarization (CMP) materials. However, sales during the whole year did not reach the levels of the previous year, resulting in lower net sales year-on-year.

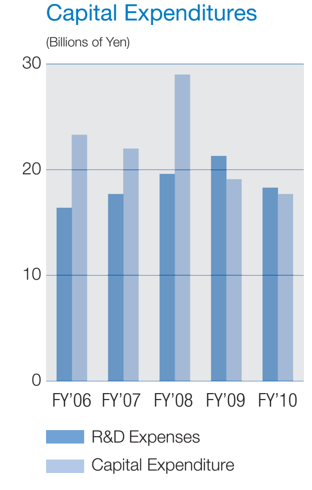
In the FPD materials division, although a declining trend is seen in LCD panel prices, domestic and foreign economic stimulus packages boosted LCD TV market demand above that of the previous year, and the release of a new operating system also created firm laptop PC demand, resulting in higher net sales year-on-year.

Sales of optical fiber coating materials, the mainstream product of the optical materials division, were steady overall. Despite weak domestic demand of optical fiber cables, there was strong export demand for optical fibers with large growth to China and other emerging markets. Anti-reflective coating materials and protective coating materials were increasingly adopted by the high value-added sector paralleling the trend in flat screen TVs becoming more high-definition. ARTON® resin (heat-resistant transparent resin) saw more intense competition in the optical film sector, but was steady in resin sales and the precision processing sector. For optical materials as a whole, net sales increased year-on-year.

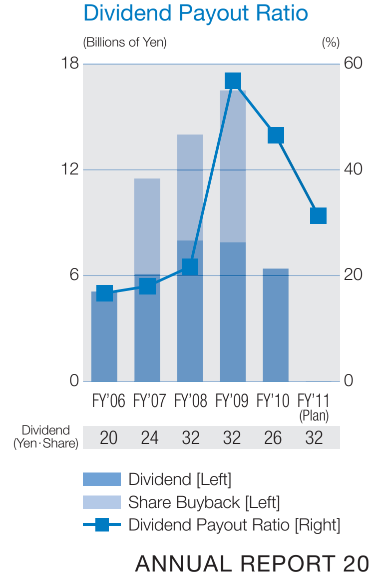
Shareholders' Equity / ROE



R&D Expenses / Capital Expenditures



Shareholder Return / Dividend Payout Ratio



Sectors where large future growth is expected are positioned as "strategic businesses": precision materials and processing, medical materials, as well as environment and energy. Our strategic businesses are producing solid results. For example, in the current fiscal year, JSR launched a new series of high-luminance LED related materials under the name of LUMILON™, such as encapsulants, highly refractive coatings and insulation materials. JSR also began selling samples of touch panel sheets/films for mobile terminals and touch panel PCs, and there is growing domestic and foreign adoption of binder materials for lithium-ion batteries.

For earnings, cost reduction efforts were also made. Despite these efforts, profits were the same as in the previous year due to weak demand, the appreciation of the yen, and higher costs in the strategic businesses which receive strategic allocation of resources.

As a result, consolidated net sales in the fine chemicals and other products segment declined 4.0% year-on-year to ¥140.5 billion, with operating income declining 0.2% year-on-year to ¥20.5 billion.

Analysis of Assets, Liabilities and Net Assets

Total assets at the end of fiscal 2010 increased by ¥34.1 billion compared with the end of fiscal 2009, to ¥373.6 billion.

The main changes in current assets compared to the end of fiscal 2009 were: cash and deposits increased ¥19.8 billion, marketable securities increased ¥12.5 billion, notes and accounts receivable-trade increased ¥20.4 billion, and inventories decreased ¥18.8 billion. In the second half of fiscal 2009, the economic crisis resulted in decreased sales and inventory buildup, but sales rebounded from a bottom in the fourth quarter due to demand recovery and active sales growth in fiscal 2010. This led to decrease in inventories, while notes and accounts receivable-trade and cash on hand increased.

The main changes in fixed assets compared to the end of fiscal 2009 were: machinery, equipment and vehicles decreased ¥3.4 billion, other tangible fixed assets decreased ¥3.5 billion, and investment securities increased ¥4.6 billion. Tangible fixed assets decreased as JSR held down capital investment, but investment securities increased due to a rise in the value of securities held.

Major capital expenditures by the JSR Group during fiscal 2010 included a new production facility of advanced lithography materials and expansion of production capacity of advanced LCD materials (JSR Micro Kyushu, Co., Ltd.). Total capital expenditures were approximately ¥17.7 billion.

The main changes in liabilities compared to the end of fiscal 2009 were: notes and accounts payable-trade increased ¥20.0 billion, and accrued income taxes increased ¥4.9 billion. Notes and accounts payable-trade increased due to increased production and higher raw material prices.

Net assets were ¥250.7 billion. This was comprised of ¥250.2 billion shareholders' equity, negative ¥0.7 billion valuation and translation adjustments, ¥0.4 billion subscription rights to shares, and ¥0.8 billion minority interests. The main changes compared to the end of fiscal 2009 were: a ¥5.3 billion increase in retained earnings, and unrealized gains on securities increased ¥3.0 billion. Total net assets increased ¥8.7 billion.

Cash Flow Analysis

Consolidated basis cash and cash equivalents (hereafter, "cash") as of the end of fiscal 2010 increased by ¥24.3 billion over the end of fiscal 2009, to ¥61.4 billion.

Cash Flows from Operating Activities

Fiscal 2010 operating cash flows increased 72.9% year-on-year to ¥58.7 billion.

The main adjustments to reconcile net income before income taxes and minority interests were: ¥22.4 billion depreciation and amortization (¥24.8 billion in fiscal 2009), ¥20.5 billion increase in notes and accounts receivable-trade (¥30.2 billion decrease in fiscal 2009), ¥19.5 billion decrease in inventories (¥7.1 billion increase in fiscal 2009), and ¥18.9 billion increase in notes and accounts payable-trade (¥38.0 billion decrease in fiscal 2009).

Fiscal 2010 cash flows from operating activities increased by ¥24.7 billion over the previous period, mainly due to decreased inventories and income tax payments.

Cash Flows from Investing Activities

Investing cash flows in fiscal 2010 were a negative ¥27.3 billion (down 25.0% from fiscal 2009). The main components were ¥19.0 billion (¥22.7 billion in fiscal 2009) due to payments for purchase of fixed assets, and ¥6.0 billion due to payments for purchase of securities.

Net cash used in investing activities decreased by ¥9.1 billion compared to fiscal 2009, mainly due to the elimination of payments for purchase of investment of subsidiaries and affiliates.

Risks

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, 2010.

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) Higher 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 petrochemicals 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.

(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 expenditures. 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 United States, 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

March 31, 2009 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2009	2010	2010
Current assets:			
Cash (Note 3)	¥ 16,910	¥ 36,677	$ 394,204
Notes and accounts receivable — trade (Note 4)	52,782	73,133	786,035
Short-term investment securities (Notes 3 and 5)	21,492	34,000	365,434
Inventories	76,955	58,130	624,786
Deferred tax assets (Note 8)	3,108	4,291	46,118
Other current assets (Notes 8 and 12)	19,216	23,340	250,862
Total current assets	190,463	229,571	2,467,439
Property, plant and equipment (Notes 6 and 9):			
Buildings and structures	29,290	30,654	329,467
Machinery, equipment and vehicles	32,591	29,201	313,856
Land	16,870	19,435	208,890
Construction in progress	4,097	3,855	41,433
Other tangible assets	8,629	5,176	55,638
	91,477	88,321	949,284
Intangible assets	6,723	5,883	63,234
Investments and other non-current assets:			
Investment securities (Note 5)	24,159	28,735	308,844
Longterm loans receivable	4,928	2,635	28,316
Deferred tax assets (Note 8)	8,703	6,299	67,707
Other assets (Notes 4 and 12)	13,045	12,122	130,284
	50,835	49,791	535,151
	¥ 339,498	¥ 373,566	$ 4,015,108

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen 2009	Millions of yen 2010	Thousands of U.S. dollars (Note 1) 2010
Current liabilities:			
Notes and accounts payable — trade	¥ 39,636	¥ 59,653	$ 641,157
Short-term loans payable and current portion of long-term debt (Note 6)	14,340	14,161	152,207
Income tax payable (Note 8)	971	5,837	62,733
Other current liabilities (Notes 8 and 12)	21,223	21,100	226,781
Total current liabilities	76,170	100,751	1,082,878
Long-term liabilities:			
Employees retirement benefits (Note 7)	14,821	15,903	170,931
Allowance for environmental expenses	3,205	3,184	34,222
Other long-term liabilities (Notes 6, 8 and 12)	3,316	3,027	32,528
Total long-term liabilities	21,342	22,114	237,681
Contingent liabilities (Note 14)			
Net assets (Note 10)			
Shareholders' equity			
Common stock:			
Authorized — 696,061,000 shares			
Issued — 255,885,166 shares in 2009 and 2010	23,320	23,320	250,647
Capital surplus	25,179	25,179	270,630
Retained earnings	218,515	223,891	2,406,394
Less treasury stock, at cost			
11,648,666 shares in 2009 and 11,650,235 shares in 2010	(22,217)	(22,219)	(238,818)
Valuation and translation adjustments			
Unrealized gains on securities, net of taxes	645	3,610	38,802
Foreign currency translation adjustments	(4,546)	(4,341)	(46,657)
Subscription rights to shares (Note 11)	311	427	4,589
Minority interests	779	834	8,962
Total net assets	241,986	250,701	2,694,549
	¥ 339,498	¥ 373,566	$ 4,015,108

Consolidated Statements of Income

JSR Corporation

Years ended March 31, 2008, 2009 and 2010

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2008	2009	2010	2010
Net sales (Note 16)	¥ 406,968	¥ 352,503	¥ 310,184	$ 3,333,874
Costs and expenses (Notes 15 and 16):				
Cost of sales	284,431	263,018	235,479	2,530,941
Selling, general and administrative expenses	62,527	59,137	54,475	585,497
	346,958	322,155	289,954	3,116,438
Operating income (Note 16)	60,010	30,348	20,230	217,436
Other income (expenses):				
Interest and dividend income	1,309	1,230	568	6,104
Interest expenses	(256)	(271)	(172)	(1,852)
Loss on disposal of inventories	(1,799)	—	(1,728)	(18,574)
Gain (loss) on sale and disposal of property, plant and equipment	(1,574)	399	—	—
Foreign exchange gains (losses)	(2,036)	(993)	962	10,342
Equity in earnings of affiliated companies	1,249	1,150	1,764	18,965
Gain on sales of investment securities	377	—	—	—
Depreciation expenses of idle assets	(740)	(1,091)	(750)	(8,057)
Impairment loss of fixed assets (Note 9)	—	(6,042)	—	—
Loss on devaluation of investment securities	—	(1,887)	—	—
Loss on devaluation of inventories	—	(1,686)	—	—
Restructuring (Note 9)	—	—	(1,191)	(12,804)
Other — net	(1,673)	(354)	(225)	(2,425)
	(5,143)	(9,545)	(772)	(8,301)
Income before income taxes and minority interests	54,867	20,803	19,458	209,135
Income taxes (Note 8):				
Current	18,112	6,217	6,643	71,399
Deferred	(776)	(76)	(882)	(9,480)
	17,336	6,141	5,761	61,919
	37,531	14,662	13,697	147,216
Minority interests in net income of consolidated subsidiaries	(537)	(681)	(52)	(560)
Net income	¥ 36,994	¥ 13,981	¥ 13,645	$ 146,656

	Yen			U.S. dollars (Note 1)
	2008	2009	2010	2010
Per share of common stock:				
Net income	¥ 147.26	¥ 56.36	¥ 55.87	$ 0.60
Diluted net income	147.19	56.31	55.81	0.60
Cash dividends applicable to the year	32.00	32.00	26.00	0.28

See accompanying notes.

Consolidated Statements of Changes in Net Assets

JSR Corporation

Years ended March 31, 2008, 2009 and 2010

	Number of shares of common stock (thousands)	Millions of yen Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Unrealized gains on securities, net of taxes	Foreign currency translation adjustments	Subscription rights to shares	Minority interests
Balance at March 31, 2007	255,885	¥ 23,320	¥ 25,179	¥ 183,374	¥ (8,300)	¥ 10,087	¥ 1,526	¥ 70	¥ 4,730
Net income	—	—	—	36,994	—	—	—	—	—
Increase of treasury stock	—	—	—	—	(5,328)	—	—	—	—
Disposal of treasury stock	—	—	—	(5)	5	—	—	—	—
Cash dividends paid	—	—	—	(7,044)	—	—	—	—	—
Decrease resulting from increase in consolidated subsidiaries	—	—	—	(1,048)	—	—	—	—	—
Increase resulting from increase in affiliated companies by equity method	—	—	—	232	—	—	—	—	—
Net changes other than shareholders' equity	—	—	—	—	—	(5,280)	(1,173)	124	200
Balance at March 31, 2008	255,885	23,320	25,179	212,503	(13,623)	4,807	353	194	4,930
Net income	—	—	—	13,981	—	—	—	—	—
Increase of treasury stock	—	—	—	—	(8,611)	—	—	—	—
Disposal of treasury stock	—	—	—	(10)	17	—	—	—	—
Cash dividends paid	—	—	—	(7,959)	—	—	—	—	—
Net changes other than shareholders' equity	—	—	—	—	—	(4,162)	(4,899)	117	(4,151)
Balance at March 31, 2009	255,885	¥ 23,320	¥ 25,179	¥ 218,515	¥ (22,217)	¥ 645	¥ (4,546)	¥ 311	¥ 779
Net income	—	—	—	13,645	—	—	—	—	—
Increase of treasury stock	—	—	—	—	(2)	—	—	—	—
Disposal of treasury stock	—	—	—	—	—	—	—	—	—
Cash dividends paid	—	—	—	(7,083)	—	—	—	—	—
Decrease resulting from increase in consolidated subsidiaries	—	—	—	(1,186)	—	—	—	—	—
Net changes other than shareholders' equity	—	—	—	—	—	2,965	205	116	55
Balance at March 31, 2010	255,885	¥ 23,320	¥ 25,179	¥ 223,891	¥ (22,219)	¥ 3,610	¥ (4,341)	¥ 427	¥ 834
		Thousands of U.S. dollars (Note 1)							
Balance at March 31, 2009		$ 250,647	$ 270,630	$2,348,616	$ (238,790)	$ 6,934	$ (48,861)	$ 3,338	$ 8,366
Net income		—	—	146,656	—	—	—	—	—
Increase of treasury stock		—	—	—	(28)	—	—	—	—
Disposal of treasury stock		—	—	—	—	—	—	—	—
Cash dividends paid		—	—	(76,127)	—	—	—	—	—
Decrease resulting from increase in consolidated subsidiaries		—	—	(12,751)	—	—	(160)	—	—
Net changes other than shareholders' equity		—	—	—	—	31,868	2,364	1,251	596
Balance at March 31, 2010	255,885	$ 250,647	$ 270,630	$2,406,394	$ (238,818)	$ 38,802	$ (46,657)	$ 4,589	$ 8,962

See accompanying notes.

Consolidated Statements of Cash Flows

JSR Corporation

Years ended March 31, 2008, 2009 and 2010

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2008	2009	2010	2010
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 54,867	¥ 20,803	¥ 19,458	$ 209,135
Adjustments to reconcile income before income taxes and minority interests to cash provided by operating activities:				
Depreciation and amortization	21,180	24,833	22,380	240,537
Interest and dividend income	(1,309)	(1,230)	(568)	(6,104)
Interest expenses	256	271	172	1,852
Equity in earnings of affiliated companies	(1,249)	(1,150)	(1,764)	(18,965)
Loss (gain) on sales and disposal of property, plant and equipment	1,574	(399)	—	—
Impairment loss of fixed assets	—	6,042	—	—
Loss on devaluation of investment securities	—	1,887	—	—
Loss (gain) on sales of investment securities	(377)	—	—	—
Changes in operating assets and liabilities — net:				
Decrease (increase) in notes and accounts receivable — trade	5,379	30,235	(20,453)	(219,833)
Decrease (increase) in inventories	(5,693)	(7,105)	19,484	209,419
Increase (decrease) in notes and accounts payable — trade	(2,352)	(38,012)	18,891	203,038
Other	(79)	11,217	(1,328)	(14,267)
Total	72,197	47,392	56,272	604,812
Interest and dividends received	2,530	2,592	2,090	22,463
Interest expenses paid	(254)	(276)	(175)	(1,875)
Income taxes paid	(20,583)	(15,787)	468	5,031
Net cash provided by operating activities	53,890	33,921	58,655	630,431
Cash flows from investing activities:				
Payments for purchase of securities	—	—	(6,000)	(64,488)
Payments for purchase of property, plant and equipment and intangible assets	(27,122)	(22,736)	(18,982)	(204,021)
Payments for purchase of investment of subsidiaries and affiliates	(491)	(6,384)	—	—
Proceeds from sales of property, plant and equipment and intangible assets	—	408	—	—
Payments for purchase of investment securities	(1,653)	(636)	—	—
Proceeds from sales of investment securities	601	8	189	2,026
Proceeds from redemption of investment securities	500	2,000	—	—
Payments for loans receivable	(2,683)	(5,802)	(3,548)	(38,134)
Collection of loans receivable	1,576	2,880	2,618	28,138
Other — net	(2,968)	(6,203)	(1,620)	(17,406)
Net cash used in investing activities	(32,240)	(36,465)	(27,343)	(293,885)
Cash flows from financing activities:				
Net increase (decrease) in short-term loans payable	(222)	(1,162)	(221)	(2,370)
Repayment of long-term debt	(476)	(1,234)	(4)	(45)
Cash dividends paid	(7,033)	(7,974)	(7,082)	(76,117)
Cash dividends paid to minority shareholders	(341)	(167)	(11)	(124)
Purchase of treasury stock	(5,329)	(8,612)	(2)	(28)
Other — net	0	(3)	(5)	(52)
Net cash used in financing activities	(13,401)	(19,152)	(7,325)	(78,736)
Effect of exchange rate changes on cash and cash equivalents	(819)	(2,903)	37	398
Net increase (decrease) in cash and cash equivalents	7,430	(24,599)	24,024	258,208
Cash and cash equivalents at beginning of year	53,656	61,725	37,125	399,026
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	639	—	255	2,744
Cash and cash equivalents at end of year (Note 3)	¥ 61,725	¥ 37,126	¥ 61,404	$ 659,978

See accompanying notes.

Notes to Consolidated Financial Statements

JSR Corporation

Years ended March 31, 2008, 2009 and 2010

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 Securities 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 the 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 with necessary amendments for consolidated financial statements. 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 Securities 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, 2010, which was ¥93.04 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 28 significant subsidiaries in 2010 (28 significant subsidiaries in 2008 and 2009).

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

JM Energy Corporation and JSR Trading (Shanghai) Co., Ltd. have been consolidated since 2010 due to the principle of materiality, and Excel Tokai Co., Ltd. has been excluded from the scope of consolidation since 2010 due to transfer of all shares.

Effective June 16, 2009, JSR Service Co., Ltd. merged with JNT System Co., Ltd. and changed its corporate name into JSR Business Service Co., Ltd..

JSR Micro Taiwan Co., Ltd. and Elastomix (Foshan) Co., Ltd. have been consolidated since 2008 due to the principle of materiality.

(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. 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.

(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) Marketable 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. 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).

(i) The accounting change

Effective April 1, 2008, the Company and domestic consolidated subsidiaries adopted "Accounting Standard for Measurement of Inventories" (Statement No.9 by ASBJ on July 5, 2006). As a result of this change, Operating income and Income before income taxes and minority interests decreased by ¥2,859 million and ¥1,934 million for the year ended March 31, 2009 respectively.

(f) Property, plant and equipment, and depreciation — Property, plant and equipment are stated at cost. Depreciation is computed 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, 2007, the Company and domestic consolidated subsidiaries changed the depreciation method for property, plant and equipment acquired on or after April 1, 2007 in accordance with the revised Corporation Tax Law of Japan. As a result of this change, income before income taxes and minority interests decreased by ¥851 million for the year ended March 31, 2008 from the corresponding amounts which would have been recorded under the previous method.

(ii) Additional information

Effective April 1, 2008, the Company and its domestic consolidated subsidiaries reviewed the economic useful life to depreciate machinery and equipment, responding to the revision of the Corporation Tax Law of Japan. The impact of this change did not have a material effect on net income.

Effective from the year ended March 31, 2008, property, plant and equipment acquired before April 1, 2007 for which the allowable limit on the depreciable amount has been reached are to be depreciated evenly over five years from the following fiscal year. As a result of this change, income before income taxes and minority interests decreased by ¥1,429 million for the year ended March 31, 2008.

(g) Intangible assets — Goodwill is amortized over five years using the straight-line method.

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

(h) Leased assets —

(i) The accounting change

Effective April 1, 2008, the Company and domestic consolidated subsidiaries adopted "Accounting Standard for Lease Transactions" (Statement No.13 by ASBJ on March 30, 2007) and the Guidance on Accounting Standard for Lease Transactions (Implementation Guidance No.16 by ASBJ on March 30, 2007).

The method of accounting for finance leases that do not transfer ownership of leased property to the lessee changed from treating such leases as rental transactions to treatment as sale/purchase transactions, recognizing them as leased assets.

Under the existing accounting standards, finance leases, commenced prior to April 1, 2008, which do not transfer ownership of leased property to the lessee are permitted to be accounted for in the same manner as operating leases if certain "as if capitalized" information is disclosed in a note to the lessee's financial statements.

The impacts of this change did not have a material effect on net income.

(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) Severance and retirement benefits — 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 allowances 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.

The prior service costs are recognized as expenses using the straight-line method over three years, which falls within the estimated average remaining service lives, commencing with the following period. Actuarial differences of the Companies are recognized as expenses at once in the following period.

(i) The accounting change

Effective for the year ended March 31, 2010, the Companies adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part3)" (Statement No.19 by ASBJ on July 31, 2008). The impact of this change did not have a material effect on projected benefits obligation and net income.

(k) Allowance for environmental expenses — An allowance for expenses 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, foreign currency swaps 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) For derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on these derivatives are deferred until maturity of the hedged transactions.

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 valuation and translation adjustments 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) Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements —

(i)The accounting change

Effective April 1, 2008, the Company adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No.18 issued on May 17, 2006). According to this rule, the Company made necessary adjustments for significant differences between Japanese GAAP and IFRS or U.S.GAAP. The adoption of this rule did not have a material effect on net income.

(r) Accounting standard for statement of changes in net assets — Effective for the year ended March 31, 2007, the Companies newly adopted "Accounting Standard for Statement of Changes in Net Assets" (Statement No.6 by ASBJ on December 27, 2005), and "Implementation Guidance for the Accounting Standard for Statement of Changes in Net Assets" (Implementation Guidance No.9 by ASBJ on December 27, 2005).

Accordingly, the Company prepared the statement of changes in net assets for the year ended March 31, 2007.

(s) Stock options — Effective from the year ended March 31, 2007, the Company newly adopted "Accounting Standard for Share-based Compensation" (Statement No.8 by ASBJ on December 27, 2005) and "Guidance on Accounting Standard for Share-based Compensation" (Implementation Guidance No.11 by the ASBJ on May 31, 2006).

The adoption of these accounting standards did not have a material effect on net income.

(t) 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.

3. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2008, 2009 and 2010 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2008	2009	**2010**	**2010**
Cash	¥ 16,537	¥ 16,910	**¥ 36,677**	**$ 394,204**
Short-term investment securities	46,484	21,492	**34,000**	**365,434**
Time deposits over three months	(1,296)	(1,277)	**(9,273)**	**(99,660)**
Cash and cash equivalents	¥ 61,725	¥ 37,125	**¥ 61,404**	**$ 659,978**

4. Allowance for doubtful accounts

Allowance for doubtful accounts of March 31, 2009 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
Allowance for doubtful accounts	2009	**2010**	**2010**
Current asset : Notes and accounts receivable — trade	¥ (554)	**¥ (766)**	**$ (8,232)**
Investments and other non-current assets: Other assets	(148)	**(103)**	**(1,110)**

5. Marketable Securities and Investment Securities

(1) The following tables summarize the acquisition cost, book value and fair value of available-for-sale securities with available fair value as of March 31, 2009 and 2010:

(a) Securities with book value exceeding acquisition cost

	Millions of yen		
	2009		
	Acquisition cost	Book value	Difference
Equity securities	¥ 8,069	¥ 11,323	¥ 3,254

	Millions of yen		
	2010		
	Acquisition cost	Book value	Difference
Equity securities	**¥ 9,787**	**¥ 16,136**	**¥ 6,349**

	Thousands of U.S. dollars		
	2010		
	Acquisition cost	Book value	Difference
Equity securities	**$ 105,188**	**$ 173,432**	**$ 68,244**

(b) Securities with book value not exceeding acquisition cost

	Millions of yen		
	2009		
	Acquisition cost	Book value	Difference
Equity securities	¥ 6,040	¥ 3,926	¥ (2,114)

	Millions of yen		
	2010		
	Acquisition cost	Book value	Difference
Equity securities	**¥ 2,296**	**¥ 2,035**	**¥ (261)**

	Thousands of U.S. dollars		
	2010		
	Acquisition cost	Book value	Difference
Equity securities	**$ 24,682**	**$ 21,875**	**$ (2,807)**

(2) The following tables summarize the book value of available-for-sale securities with no available fair value as of March 31, 2009 and 2010:

	Millions of yen		Thousands of U.S. dollars
	2009	**2010**	**2010**
Non-listed equity securities	¥ 1,066	**¥ 2,866**	**$ 30,801**
Commercial paper	7,492	**—**	**—**
Certificate of deposit	10,000	**30,000**	**322,442**
Other	4,000	**4,000**	**42,992**
Total	¥ 22,558	**¥ 36,866**	**$ 396,235**

(3) Redemption schedule of available-for-sale securities with fixed maturities are as follows:

	Millions of yen				
	Within one year	Over one year within five years	Over five years within ten years	Over ten years	Total
March 31, 2009:	¥ 21,492	¥ —	¥ —	¥ —	¥ 21,492
March 31, 2010:	**¥ 34,000**	**¥ —**	**¥ —**	**¥ —**	**¥ 34,000**

	Thousands of U.S. dollars				
	Within one year	Over one year within five years	Over five years within ten years	Over ten years	Total
March 31, 2010:	**$ 365,434**	**$ —**	**$ —**	**$ —**	**$ 365,434**

(4) Total sales of available-for-sale securities sold and the related gains and losses for the years ended March 31, 2008, 2009 and 2010 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2009	**2010**	**2010**
Total sales	¥ 493	¥ 8	**¥ 177**	**$ 1,897**
Gain	377	—	**37**	**400**
Loss	—	2	**—**	**—**

6. Short-Term Loans Payable and Long-Term Debt

Short-term loans payable represent primarily overdrafts from banks bearing interest at 1.2% and 0.9% per annum (weighted average interest rate) at March 31, 2009 and 2010, respectively.

Long-term debt at March 31, 2009 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	**2010**	**2010**
Loans principally from banks and insurance companies due through 2014 with interest rates 1.2% in 2009 and 2010:			
Secured	1	**1**	**11**
Unsecured	1,503	**1,499**	**16,111**
	1,504	**1,500**	**16,122**
Less amount due within one year	(4)	**—**	**—**
	¥ 1,500	**¥ 1,500**	**$ 16,122**
Lease liability	18	**30**	**326**
Less amount due within one year	(5)	**(8)**	**(86)**
	¥ 13	**¥ 22**	**$ 240**

At March 31, 2010, property, plant and equipment, at book value of ¥9,669 million ($103,919 thousand) were pledged as collateral for secured loans.

The annual maturities of long-term debt at March 31, 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars	
Year ending March 31,	Long-term loans payable	Lease liability	Long-term loans payable	Lease liability
2011	¥ —	¥ 8	$ —	$ 86
2012	500	7	5,374	80
2013	1,000	8	10,748	81
2014	—	4	—	47
2015	—	3	—	32
2016 and thereafter	—	—	—	—
	¥ 1,500	¥ 30	$ 16,122	$ 326

7. Employees' Severance and Retirement Benefits

Employees' retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2009 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Projected benefit obligation	¥ 49,493	¥ 49,044	$ 527,134
Less fair value of pension assets	(33,268)	(34,361)	(369,317)
Unfunded retirement benefit liabilities	16,225	14,683	157,817
Unrecognized actuarial differences	(1,693)	1,220	13,114
Net retirement benefit liabilities	14,532	15,903	170,931
Prepaid pension costs	(289)	—	—
Employees' retirement benefits	¥ 14,821	¥ 15,903	$ 170,931

Included in the consolidated statements of income for the years ended March 31, 2008, 2009 and 2010 were severance and retirement benefit expenses consisting of the following:

	Millions of yen			Thousands of U.S. dollars
	2008	2009	2010	2010
Service costs—benefits earned during the year	¥ 1,789	¥ 2,292	¥ 1,758	$ 18,897
Interest cost on projected benefits obligation	896	877	946	10,170
Expected return on plan assets	(445)	(368)	(324)	(3,483)
Amortization of prior service costs	(61)	(61)	—	—
Amortization of actuarial differences	(51)	417	1,679	18,045
Severance and retirement benefit expenses	¥ 2,128	¥ 3,157	¥ 4,059	$ 43,629

The discount rates used by the Companies for the years ended March 31, 2009 and 2010 are mainly 2.1% and 2.2%, respectively. The rates of expected return on plan assets used by the Companies for the years ended March 31, 2009 and 2010 are mainly 1.1% and 1.0%, respectively. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years.

8. Income Taxes

Income taxes in the accompanying consolidated statements of income comprise corporation, enterprise and inhabitants' taxes. The aggregated normal effective tax rate was approximately 40.7%.

The following table summarizes the significant differences between the statutory tax rate and the Companies' effective tax rates for financial statement purposes for the years ended March 31, 2008, 2009 and 2010:

	2008	2009	2010
Statutory tax rate	40.7%	40.7%	40.7%
Tax credit on research and development costs	(3.2)	(4.4)	(6.9)
Lower tax rates for foreign consolidated subsidiaries	(5.0)	(5.5)	(6.8)
Equity in earnings of affiliated companies	(0.9)	(2.2)	(3.7)
Valuation allowance	(0.4)	3.0	6.0
Other	0.4	(2.1)	0.3
Effective tax rate	31.6%	29.5%	29.6%

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2009 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Deferred tax assets:			
Excess retirement benefits	¥ 5,845	¥ 6,409	$ 68,883
Impairment loss of fixed assets	2,452	1,904	20,464
Excess bonuses accrued	1,630	1,603	17,229
Provision for environmental expenses	1,303	1,294	13,912
Unrealized gain on sale of inventories	769	1,179	12,676
Unrealized gain on sale of property, plant and equipment	1,094	1,054	11,332
Other	3,012	4,727	50,792
Sub-total	16,105	18,170	195,288
Valuation allowance	(709)	(2,254)	(24,220)
Total deferred tax assets	15,396	15,916	171,068
Deferred tax liabilities:			
Deferred gain on sale of fixed assets	(2,963)	(2,807)	(30,171)
Net unrealized holding gains on securities	(447)	(2,475)	(26,599)
Other	(902)	(726)	(7,806)
Total deferred tax liabilities	(4,312)	(6,008)	(64,576)
Net deferred tax assets	¥ 11,084	¥ 9,908	$ 106,492

9. Impairment of Fixed Assets

The Companies recognized impairment losses on the following group of fixed assets for the year ended March 31, 2009 and 2010.

		Millions of yen			
		2009			
Use	Location	Buildings and structures	Machinery, equipment and vehicles	Others	Total
Facility for a heat-resistant	Ichihara City, Chiba Prefecture	¥ 455	¥ 1,950	¥ 101	¥ 2,506
transparent resin	Yokkaichi City, Mie Prefecture	781	1,921	236	2,938
Facility for plastic products	Satte City, Saitama Prefecture	256	245	97	598

		Millions of yen			
		2010			
Use	Location	Buildings and structures	Machinery, equipment and vehicles	Others	Total
Facility for compounding of crude rubber	Tosu City, Saga Prefecture	¥ 117	¥ 68	¥ 26	¥ 211

		Thousands of U.S. dollars			
		2010			
Use	Location	Buildings and structures	Machinery, equipment and vehicles	Others	Total
Facility for compounding of crude rubber	Tosu City, Saga Prefecture	$ 1,259	$ 732	$ 272	$ 2,263

The impairment loss for the year ended March 31, 2010, is included in restructuring of ¥1,191 million ($12,804 thousand) in the other expenses section of the consolidated statement of income.

The companies have grouped their fixed assets into business units. Fixed assets that are idle or are not being used for business activities are assessed individually. The book value of machinery and equipment etc. was written down to its recoverable value.

10. Net Assets

Under 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 new shares as additional paid-in capital, which is included in capital surplus.

Under 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 legal earnings reserve may not be distributed as dividends. Under the Law, however, all 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 Japanese laws and regulations.

At the annual shareholders meeting held on June 18, 2010, the shareholders resolved cash dividends amounting to ¥3,175 million ($34,125 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2010. Such appropriations are recognized in the period in which they are resolved.

11. Stock Option Plans

The shareholders of the Company approved the issuance of stock options to the directors and 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, 2008	50,300 shares	36,000 shares	48,500 shares
Exercise price per share	1	1	1
	$ 0.01	$0.01	$0.01

Date of resolution of the general shareholders' meeting	June 13, 2008	June 16, 2009
The maximum number of shares to be issued	73,900 shares	80,200 shares
Exercisable period of stock options	From July 16, 2008 to July 15, 2028	From July 15, 2009 to July 14, 2029
Stock subscription rights which have been vested		
Outstanding as of March 31, 2008	73,900 shares	80,200 shares
Exercise price per share	1	1
	$ 0.01	$ 0.01

12. Derivative Transactions

(1) Qualitative disclosure about derivatives

The Companies enter into foreign exchange forward contracts, foreign currency swap 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. Foreign currency swap transactions are made in order to mitigate foreign exchange risks on loans receivable denominated in foreign currencies. 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 hedge instruments and the hedge 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 and foreign currency swaps 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, 2009 and 2010 were as follows:

(a) Related to currencies

	Millions of yen			
	Contract amount	Over one year	Market value	Recognized gains or losses
March 31, 2009:				
Items not traded on exchanges				
Foreign exchange forward contracts				
Selling: U.S. Dollars	¥ 5,041	¥ —	¥ 5,161	¥ (120)
Euro	415	—	407	8
Buying: U.S. Dollars	38	—	37	(1)
Euro	51	—	54	3
Swiss Franc	5	—	6	1
Foreign currency swaps				
receiving Japanese Yen paying, Korean won	3,065	—	804	804
receiving Japanese Yen paying, Taiwanese dollar	5,739	3,594	1,066	1,066
Total	¥ —	¥ —	¥ —	¥ 1,761
March 31, 2010:				
Items not traded on exchanges				
Foreign exchange forward contracts				
Selling: U.S. Dollars	¥ 6,671	¥ —	¥ 6,750	¥ (79)
Euro	588	—	573	15
Buying: U.S. Dollars	444	—	445	1
Euro	32	—	32	(0)
Swiss Franc	7	—	7	0
Foreign currency swaps				
receiving Japanese Yen paying, Taiwanese dollar	3,594	2,909	564	564
Total	¥ —	¥ —	¥ —	¥ 501

	Thousands of U.S. dollars			
March 31, 2010:				
Items not traded on exchanges				
Foreign exchange forward contracts				
Selling: U.S. Dollars	$ 71,700	$ —	$ 72,551	$ (851)
Euro	6,325	—	6,163	162
Buying: U.S. Dollars	4,773	—	4,783	10
Euro	348	—	347	(1)
Swiss Franc	75	—	78	3
Foreign currency swaps				
receiving Japanese Yen paying, Taiwanese dollar	38,624	31,268	6,063	6,063
Total	$ —	$ —	$ —	$ 5,386

Market values are calculated using foreign exchange forward rates.

(b) Related to interests

Interest rate swap contracts, for which hedge accounting is adopted, are excluded from being an object of disclosure.

13. Information for Certain Lease Payments

As described in Note 1.(h), under the existing accounting standards, finance leases, commenced prior to April 1, 2008, which do not transfer ownership of leased property to the lessee are accounted for in the same manner of operating leases:

(1) Equivalent amounts of purchase price, accumulated depreciation and book value of leased properties were as follows (including the interest portion thereon):

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Machinery, equipment and vehicles:			
Purchase price equivalent	¥ 37	¥ 149	$ 1,606
Accumulated depreciation equivalent	20	108	1,164
Book value equivalent	¥ 17	¥ 41	$ 442
Tools, furniture and fixtures:			
Purchase price equivalent	¥ 101	¥ 62	$ 666
Accumulated depreciation equivalent	60	38	408
Book value equivalent	¥ 41	¥ 24	$ 258
Total:			
Purchase price equivalent	¥ 138	¥ 211	$ 2,272
Accumulated depreciation equivalent	80	146	1,572
Book value equivalent	¥ 58	¥ 65	$ 700

(2) Lease commitments (including the interest portion thereon):

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Due within one year	¥ 25	¥ 35	$ 382
Due over one year	33	30	318
	¥ 58	¥ 65	$ 700

(3) Lease expenses and depreciation equivalent:

	Millions of yen			Thousands of U.S. dollars
	2008	2009	2010	2010
Lease expenses	¥ 147	¥ 119	¥ 56	$ 604
Depreciation equivalent	147	119	56	604

Depreciation equivalent is computed using the straight-line method over the term of each lease with no residual value.

There is no impairment loss on finance leases.

14. Contingent Liabilities

At March 31, 2010, the Company and certain consolidated subsidiaries were contingently liable as guarantors for loans of employees and others in the amount of ¥50 million ($532 thousand).

15. Research and Development Expenses

Research and development expenses of the Companies for the years ended March 31, 2008, 2009 and 2010 were ¥19,118 million, ¥21,061 million and ¥18,052 million ($194,027 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 four business segments ranked in order of importance: (1) elastomers business (2) emulsions business, (3) plastics business, and (4) 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, 2008, 2009 and 2010 were as follows:

	Millions of yen						
	Elastomers	Emulsions	Plastics	Fine chemicals and other products	Total	Elimination and/or corporate	Consolidated
For 2008:							
Sales to external customers	¥ 128,953	¥ 26,994	¥ 68,845	¥ 182,176	¥ 406,968	¥ —	¥ 406,968
Inter-segment sales/transfers	537	4,300	—	15,358	20,195	(20,195)	—
Costs and expenses	118,322	29,752	65,832	153,247	367,153	(20,195)	346,958
Operating income	¥ 11,168	¥ 1,542	¥ 3,013	¥ 44,287	¥ 60,010	¥ —	¥ 60,010
Identifiable assets	¥ 130,586	¥ 24,861	¥ 34,375	¥ 160,524	¥ 350,346	¥ 66,605	¥ 416,951
Depreciation and amortization	5,075	1,501	1,546	13,058	21,180	—	21,180
Capital expenditures	7,185	1,226	1,835	18,831	29,077	—	29,077
For 2009:							
Sales to external customers	¥ 117,856	¥ 23,433	¥ 64,829	¥ 146,385	¥ 352,503	¥ —	¥ 352,503
Inter-segment sales/transfers	522	4,180	—	16,931	21,633	(21,633)	—
Costs and expenses	110,351	27,096	63,521	142,820	343,788	(21,633)	322,155
Operating income	¥ 8,027	¥ 517	¥ 1,308	¥ 20,496	¥ 30,348	¥ —	¥ 30,348
Identifiable assets	¥ 120,322	¥ 19,313	¥ 30,145	¥ 131,341	¥ 301,121	¥ 38,377	¥ 339,498
Depreciation and amortization	6,001	1,787	1,619	15,426	24,833	—	24,833
Impairment loss	—	—	598	5,444	6,042	—	6,042
Capital expenditures	6,205	2,039	1,640	9,198	19,082	—	19,082
For 2010:							
Sales to external customers	¥ 104,606	¥ 16,997	¥ 48,041	¥ 140,540	¥ 310,184	¥ —	¥ 310,184
Inter-segment sales/transfers	433	2,953	—	11,965	15,351	(15,351)	—
Costs and expenses	105,543	19,672	48,045	132,045	305,305	(15,351)	289,954
Operating income	¥ (504)	¥ 278	¥ (4)	¥ 20,460	¥ 20,230	¥ —	¥ 20,230
Identifiable assets	¥ 121,914	¥ 17,524	¥ 26,652	¥ 134,758	¥ 300,848	¥ 72,717	¥ 373,566
Depreciation and amortization	7,082	1,582	1,445	12,271	22,380	—	22,380
Impairment loss	211	—	—	—	211	—	211
Capital expenditures	5,395	840	921	10,551	17,707	—	17,707
	Thousands of U.S. dollars						
For 2010:							
Sales to external customers	$ 1,124,303	$ 182,689	$ 516,350	$ 1,510,532	$ 3,333,874	$ —	$ 3,333,874
Inter-segment sales/transfers	4,659	31,739	—	128,602	165,000	(165,000)	—
Costs and expenses	1,134,382	211,441	516,389	1,419,226	3,281,438	(165,000)	3,116,438
Operating income	$ (5,420)	$ 2,987	$ (39)	$ 219,908	$ 217,436	$ —	$ 217,436
Identifiable assets	$ 1,310,339	$ 188,354	$ 286,461	$ 1,448,383	$ 3,233,537	$ 781,571	$ 4,015,108
Depreciation and amortization	76,113	17,003	15,531	131,890	240,537	—	240,537
Impairment loss	2,263	—	—	—	2,263	—	2,263
Capital expenditures	57,986	9,031	9,894	113,406	190,317	—	190,317

Costs and expenses in elimination and/or corporate that cannot be allocated to business segments are related mainly to fundamental research and development. Assets in elimination and/or corporate are related mainly to Cash, Marketable Securities and Investment Securities of the Company. Capital expenditures are recognized on an accrual basis.

As noted in Note 2. (e) (i) , effective April 1, 2008, the Company and its domestic consolidated subsidiaries adopted the "Accounting Standards for Measurement of Inventories" (Statement No.9, by ASBJ ,on July 5, 2006), and used the value method to devaluate the book value to reflect the lower profitability. As a result of this change, the operating income decreased ¥1,102 million in the Elastomers segment, ¥17 million in the Emulsions segment, ¥57 million in the Plastics segment and ¥1,683 million in the Fine chemicals and other products segment.

As noted in Note 2. (f) (i), effective April 1, 2007, the Company and its domestic consolidated subsidiaries changed depreciation methods. As a result of this change, depreciation expenses increased ¥178 million in the Elastomers segment, ¥41 million in the Emulsions segment, ¥51 million in the Plastics segment and ¥581 million in the Fine chemicals and other products segment.

Also, effective from the year ended March 31, 2008, property, plant and equipment acquired before April 1, 2007 for which the allowable limit on the depreciable amount has been reached are to be depreciated evenly over five years from the following fiscal year. As a result of this change, depreciation expenses increased ¥889 million in the Elastomers segment, ¥252 million in the Emulsions segment, ¥60 million in the Plastics segment and ¥180 million in the Fine chemicals and other products segment.

Geographic segment information with respect to net sales, costs and expenses, operating income, and identifiable assets for the years ended March 31, 2008, 2009 and 2010 were as follows:

	Millions of yen					
	Japan	Asia	Others	Total	Elimination and/or Corporate	Consolidated
For 2008:						
Sales to external customers	¥ 308,758	¥ 74,552	¥ 23,658	¥ 406,968	¥ —	¥ 406,968
Inter-segment sales/transfers	64,878	67	4,423	69,368	(69,368)	—
Costs and expenses	319,680	70,236	26,410	416,326	(69,368)	346,958
Operating income	¥ 53,956	¥ 4,383	¥ 1,671	¥ 60,010	¥ —	¥ 60,010
Identifiable assets	¥ 296,347	¥ 34,874	¥ 19,125	¥ 350,346	¥ 66,605	¥ 416,951
For 2009:						
Sales to external customers	¥ 262,324	¥ 71,655	¥ 18,524	¥ 352,503	¥ —	¥ 352,503
Inter-segment sales/transfers	54,040	72	4,600	58,712	(58,712)	—
Costs and expenses	291,227	67,939	21,701	380,867	(58,712)	322,155
Operating income	¥ 25,137	¥ 3,788	¥ 1,423	¥ 30,348	¥ —	¥ 30,348
Identifiable assets	¥ 257,380	¥ 28,222	¥ 15,519	¥ 301,121	¥ 38,377	¥ 339,498
For 2010:						
Sales to external customers	**¥ 232,135**	**¥ 65,234**	**¥ 12,815**	**¥ 310,184**	**¥ —**	**¥ 310,184**
Inter-segment sales/transfers	**51,620**	**173**	**4,768**	**56,561**	**(56,561)**	**—**
Costs and expenses	**267,897**	**61,231**	**17,387**	**346,515**	**(56,561)**	**289,954**
Operating income	**¥ 15,858**	**¥ 4,176**	**¥ 196**	**¥ 20,230**	**¥ —**	**¥ 20,230**
Identifiable assets	**¥ 254,968**	**¥ 30,296**	**¥ 15,584**	**¥ 300,848**	**¥ 72,717**	**¥ 373,566**
	Thousands of U.S. dollars					
For 2010:						
Sales to external customers	**$ 2,495,004**	**$ 701,140**	**$ 137,730**	**$ 3,333,874**	**$ —**	**$ 3,333,874**
Inter-segment sales/transfers	**554,817**	**1,858**	**51,254**	**607,929**	**(607,929)**	**—**
Costs and expenses	**2,879,377**	**658,110**	**186,880**	**3,724,367**	**(607,929)**	**3,116,438**
Operating income	**$ 170,444**	**$ 44,888**	**$ 2,104**	**$ 217,436**	**$ —**	**$ 217,436**
Identifiable assets	**$ 2,740,414**	**$ 325,624**	**$ 167,499**	**$ 3,233,537**	**$ 781,571**	**$ 4,015,108**

The geographical segments consist in Japan, Asia and Others. Effective from the year ended March 31, 2008, the region previously reflected as Others has been divided into Asia and Others, considering the materiality of the sales in Asia. Main countries and regions included in each geographical segment were as follows:

Asia : China, Korea, Taiwan, Thailand

Others : United States, Belgium

Overseas sales for the years ended March 31, 2008, 2009 and 2010 were as follows:

	Millions of yen			
	Asia	North America	Others	Total
For 2008:				
Overseas sales	¥ 133,837	¥ 15,864	¥ 16,689	¥ 166,390
Consolidated net sales	—	—	—	406,968
Percentage of overseas sales to consolidated sales	32.9%	3.9%	4.1%	40.9%
For 2009:				
Overseas sales	¥ 117,657	¥ 12,078	¥ 13,811	¥ 143,546
Consolidated net sales	—	—	—	352,503
Percentage of overseas sales to consolidated sales	33.4%	3.4%	3.9%	40.7%
For 2010:				
Overseas sales	**¥ 117,503**	**¥ 9,077**	**¥ 12,300**	**¥ 138,880**
Consolidated net sales	**—**	**—**	**—**	**310,184**
Percentage of overseas sales to consolidated sales	**37.9%**	**2.9%**	**4.0%**	**44.8%**
	Thousands of U.S. dollars			
For 2010:				
Overseas sales	**$ 1,262,926**	**$ 97,557**	**$ 132,204**	**$ 1,492,687**
Consolidated net sales	**—**	**—**	**—**	**3,333,874**

Overseas sales are segmented into Asia, North America and Others. Main countries and regions included in each segment were as follows:

Asia : China, Korea, Taiwan, Thailand, Singapore

North America : United States

Others : Europe

17. Related Parties

Significant transactions and balances with related parties as of and for the years ended March 31, 2008, 2009 and 2010 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2009	**2010**	**2010**
BRIDGESTONE Corporation (a major shareholder):				
Sales	¥ 38,878	¥ 38,663	**¥ 27,749**	**$ 298,244**
Notes and accounts receivable	12,855	9,157	**13,328**	**143,254**
KRATON JSR Elastomers K.K. (an affiliated company):				
Purchases	12,117	10,867	**—**	**—**
Notes and accounts payable	5,435	4,219	**—**	**—**
JM Energy Corporation (an affiliated company):				
Loans	—	3,000	**—**	**—**
Loans receivable	—	3,000	**—**	**—**
Tobu Butadiene Co., Ltd. (an affiliated company):				
Purchases	13,632	—	**9,855**	**105,919**
Notes and accounts payable	6,507	—	**4,827**	**51,877**
Provision of materials for processing	11,642	—	**7,607**	**81,758**
Accounts receivable — other	5,327	—	**3,960**	**42,566**

18. Subsequent Events

At the June 18, 2010 annual meeting, the Companies' shareholders approved the following appropriations of retained earnings: Payment of a year-end cash dividend of ¥13.00 per share aggregating ¥3,175 million ($34,125 thousand).

Independent Auditors' Report

KPMG

Independent Auditors' Report

To the Shareholders and Board of Directors of
JSR Corporation

We have audited the accompanying consolidated balance sheets of JSR Corporation and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in net assets and cash flows for each of the three years in the period ended March 31, 2010, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of JSR Corporation and subsidiaries as of March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2010, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 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 & Co.

(KPMG AZSA & Co.)

Tokyo, Japan
June 18, 2010

Corporate Data

(As of June 18, 2010)

Company Name
JSR Corporation

Established
December 10, 1957

Capital
¥23,320,165,484

Employees
5,212 (As of March 31, 2010)

Closing Date
JSR's books are closed on March 31 each year.

Annual General Meeting
The annual general meeting of shareholders is held in June each year.

The 2010 annual general meeting was held on June 18.

Transfer Agent and Register
The Chuo Mitsui Trust and Banking Co., Ltd.

Auditors
KPMG AZSA & Co.

Home Page
http://www.jsr.co.jp/jsr_e/index.html

Investor Information

(As of March 31, 2010)

Number of Shares Issued
255,885,166 shares

Number of Shareholders
21,927

Major Shareholders

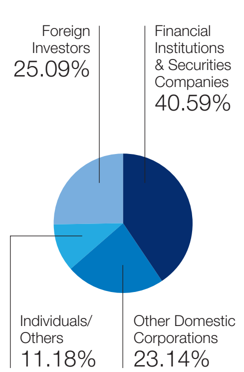
Name	Percentage of shares held (%)	Number of shares held (thousands)
Bridgestone Corporation	15.97	40,866
The Master Trust Bank of Japan,Ltd. (Trust Account)	6.38	16,318
Japan Trustee Services Bank,Ltd. (Trust Account)	6.29	16,082
The Master Trust Bank of Japan,Ltd. (Number of Retirement Allowance Trust Shares of Mitsubishi Chemical Corporation)	3.86	9,888
Nippon Life Insurance Company	2.34	5,998
Japan Trustee Services Bank,Ltd. (Trust Account 9)	2.20	5,622
The Chase Manhattan Bank 385036	2.17	5,546
Mizuho Corporate Bank,Ltd.	2.00	5,125
Meiji Yasuda Life Insurance Company	1.58	4,034
Kyowa Hakko Kirin Co.,Ltd.	1.49	3,821

* 11,650,235 shares of treasury stock held by the Company are not included in the above breakdown of major shareholders.

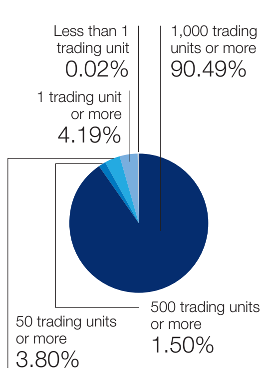
Composition of Shareholders

Shareholders by category	Number	Shares held (thousands)
Individuals and Others	21,092	28,598
Foreign Corporation and Individuals	403	64,204
Other Domestic Corporations	292	59,210
Financial Institutions	93	102,460
Securities Companies	47	1,411
Total	21,927	255,885

By type of shareholders



By number of shares held



1 trading unit: 100 Shares

Common Stock Price Range

(Tokyo Stock Exchange)

		1st quarter	2nd quarter	3rd quarter	4th quarter
FY2003	High	1,135	1,033	1,238	1,282
	Low	856	780	900	1,109
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	3,810
	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

Stock Listing
Tokyo Stock Exchange, Osaka Securities Exchange

Monthly Stock Price

(As of May 31, 2010)

JSR Corporation

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