JSR Corporation

ANNUAL REPORT 2011

For the year ended March 31, 2011

Materials Innovation

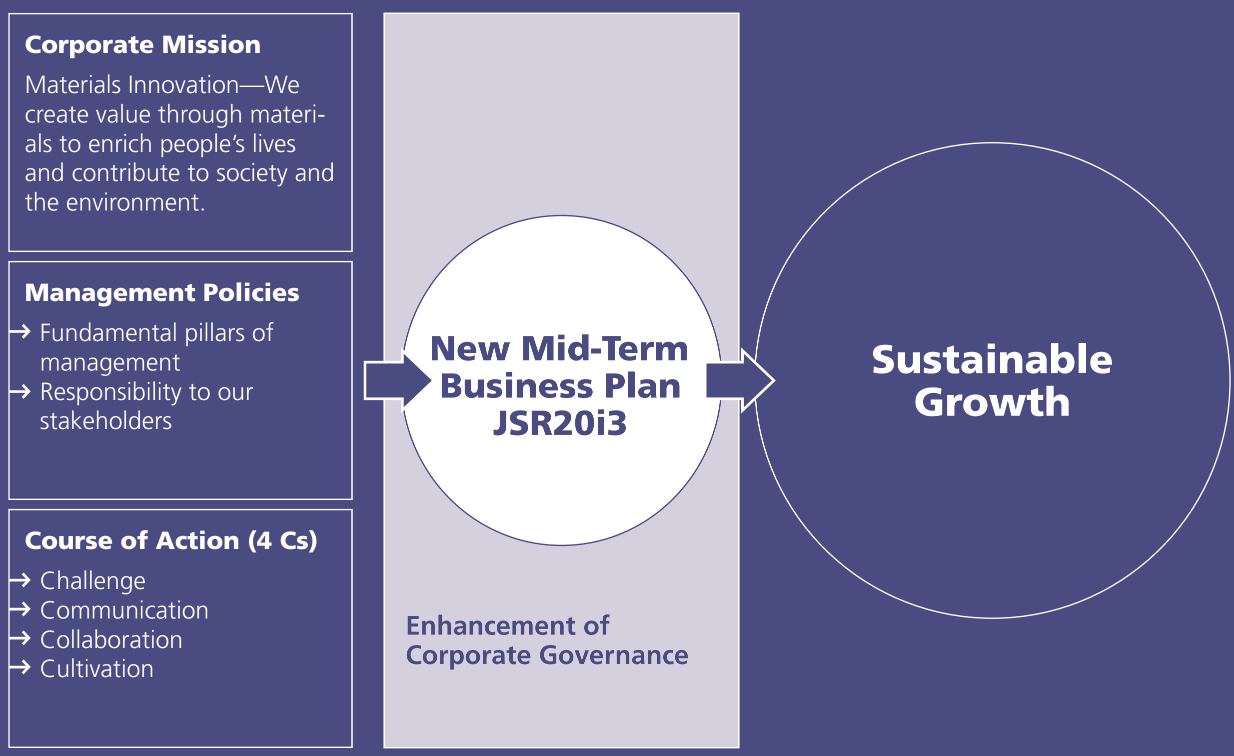
JSR

With chemistry, we can.

JSR Corporation (formerly Japan Synthetic Rubber Co., Ltd.) was established in 1957 with the aim of producing synthetic rubber domestically. Since then, JSR has progressively expanded its business to include the manufacture of emulsions and plastics. The Company has further diversified its operations by utilizing its proprietary polymer technologies to develop such products as semiconductor materials, display materials, and optical materials for the fast-growing information and communication industries. This diversification has been a strong focal point underscoring innovative changes to the Company's business structure.

The JSR Group's Essential Elements

The JSR Group has rearranged its corporate mission in order to address the changing times and business conditions, fulfill its social responsibilities, and generate sound growth. The result of this initiative is the JSR Group's Essential Elements, consisting of three parts—Corporate Mission, Management Policies, and Course of Action—to be observed by all Group employees.



New Mid-Term Business Plan

JSR Corporation recently launched its new mid-term business plan, entitled "JSR20i3," covering the three-year period from April 2011 to March 2014. This plan continues the initiatives pursued in the previous plan, "JUMP2010." Under the new plan, JSR will further enhance the global competitiveness of existing products. It will also continue providing high-performance materials and high-precision processing technologies to emerging fields that are expected to continue growing in the future. Such fields include environment and energy, biomedical materials, and information and electronics. (The reason for using "i" in "20i3" is to emphasize the "innovation" aspect of our corporate mission.)

Business Highlights

- Year-on-year increases in revenue and earnings achieved in fiscal 2011.
- Implemented share buyback aimed at maximizing shareholder value.
- Launched "JSR20i3," a new mid-term business plan covering the three-year period starting April 2011.
- Rearranged corporate governance and corporate mission to further enhance corporate value from April 2011.

Fine Chemicals and Other Products

- Decided to build new R&D facilities at Group companies in South Korea and Taiwan to reinforce R&D on Liquid Crystal Display (LCD) materials.

Petrochemical Products

- Decided to expand production capacity in Yokkaichi Plant, and also decided to form joint venture and construct new solution polymerization styrene butadiene rubber (S-SBR) manufacturing plant in Thailand to meet growing worldwide demand.
- Decided to expand production capacity of ethylene propylene rubber in South Korea.

Strategic Businesses

- Precision materials and processing: Began selling ELART™, a newly developed transparent conductive indium tin oxide (ITO) film for high-end touch panels.
- Succeeded in developing LUCERA™, a high-performance, ultra-heat-resistant optical isotropic film.
- Environment and energy: Launched BIOLLOY™, a bioplastic that delivers improved performance.
- Successfully developed high-performance lithium-ion capacitor of flat prismatic can-type cells.

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Targeting sustained growth over the next 20 to 30 years, the JSR Group reassessed its corporate mission and strengthened corporate governance. We also launched our new mid-term business plan, entitled "JSR20i3."

MITSUNOBU KOSHIBA
Representative Director and President

Performance Overview

In fiscal 2011, ended March 31, 2011, the JSR Group achieved quite healthy results, both in Japan and overseas, with growth in sales and earnings. This was despite the challenges of a nontransparent, uncertain operating environment. Consolidated net sales amounted to ¥340.7 billion, up 9.8% from the previous fiscal year. Operating income jumped 93.2%, to ¥39.1 billion, and net income rose 2.1%, to ¥27.6 billion.

During the year, production in the automobile and tire industries—major sources of demand for the Group—was relatively healthy thanks to recovery in worldwide demand. Despite depressed demand for PCs, the semiconductor industry was buoyed by global expansion of smartphones, multifunctional mobile devices, and other products. Meanwhile, the flat panel display (FDP) sector performed well until around August 2010, both in Japan and overseas.

With respect to raw materials, the price of naphtha, which has been trending higher since the previous fiscal year, showed signs of settling until the first half of fiscal 2011. In the second half, however, prices again turned upward, placing pressure on earnings. Nevertheless, we made a comprehensive Group-wide effort to implement our Cost-Reduction Plan "E-100 Project," including improvements of operation efficiency, while also stepping up sales and marketing activities. In the petrochemical products business, we focused particular attention on expanding sales of high-performance products. At the same time, we sought to adjust our prices to address rising costs of raw materials. We also strove to boost sales of cutting-edge materials in the Fine Chemicals and Other Products business.

As a result, the Group reported significant increases in revenue and earnings and thus regained growth momentum. However, we also confirmed the crucial need to have "drivers" to further increase sales and profits and achieve renewed growth in the current operating environment.

Outlook

In fiscal 2012, ending March 2012, we expected that the Great East Japan Earthquake will continue to have a notable impact on the domestic automobile and paper manufacturing industries. In the Petrochemical Products business, we expect a decline in demand in the automobile and tire sectors as the demand rush ahead of the abolition of government subsidies recedes. However, an increase in exports to newly emerging nations should compensate for this, enabling us to maintain moderate growth. In the Fine Chemicals and Other Products business, as we look forward to relatively healthy expansion underpinned by increased demand for smartphones and multifunctional mobile terminals from the semiconductor and FPD industries.

For fiscal 2012, we forecast consolidated net sales of ¥370 billion (up 8.6% year-on-year), operating income of ¥41 billion (up 4.9%), and net income of ¥28 billion (up

Business Performance Highlights

Net sales:	Operating income:	ROE:
Up 9.8% to **¥340.7** billion	Up 93.2% to **¥39.1** billion	Up 5.2 points to **10.8**%
	Operating income margin Up 6.5 points to **11.5**%	**ROA** Up 3.4 points to **7.1**%

1.6%). These forecasts assume an exchange rate of ¥85 per U.S. dollar and a naphtha price of ¥62,000/kilogram.

The Great East Japan Earthquake did not cause significant damage to the Group's operations. Accordingly, we expect the disaster to have minimal direct impact on our business performance in the year ahead. However, we assume that production of automobiles and electronic components is being affected, and we have factored this in our forecasts. Nevertheless, we also predict that scheduled restrictions on electric power consumption will affect economic activity, while declining purchasing sentiment will have a downward impact on personal consumption.

New Mid-Term Business Plan

Since fiscal 2003, the JSR Group has promoted business structural reforms targeting growth. In the meantime, we have implemented three medium-term business plans. The period under review was the final year of our third plan, entitled JUMP2010, covering the period from April 2008 to March 2011.

Under JUMP2010, we have pursued various initiatives. In the Petrochemical Products business, for example, we have sought to expand sales, especially of high-performance products, while at the same time adjusting our sales prices to reflect the rising costs of main raw materials. In the Fine Chemicals and Other Products business, we have focused on increasing sales of cutting-edge materials, centering on information and electronics materials. In the meantime, we have concentrated on raising profitability by implementing our Cost-Reduction Plan "E-100 Project" and suppressing fixed costs. As a result, we achieved our revised forecasts for the final year of the plan.

Seeking to deliver further growth in the future, the JSR Group has envisaged how it hopes to evolve by 2020 based on its view of society and the business environment in 2030. To this end, we formulated a new mid-term business plan, entitled "JSR20i3," (twenty thirteen) covering the three-year period from April 2011 to March 2014. The reason for using "i" in "20i3" is to emphasize the "innovation" aspect of Material Innovation, which symbolizes our corporate mission.

Future Growth Scenarios under JSR20i3

In order to generate sustained growth into the future, the JSR Group has been analyzing predictions of business conditions through to 2030 based on long-term perspectives. Based on such analyses, we launched JSR20i3 to guide our evolution into the "ideal JSR Group" by 2020. We have positioned this as our "activation toward growth" period, during which we will achieve sustainable growth through 2020. Going forward, we expect business conditions to change more and more dramatically, and the new plan is aimed at allowing us to swiftly address such changes. With this in mind, we have devised a Business Growth Scenario and a Resource Allocation Scenario.

Business Growth Scenario

Between now and 2020, we expect business conditions to become more and more diversified and uncertain. To achieve future growth amid such circumstances, we will emphasize as a core priority the swift establishment and full-scale operation of the Strategic Businesses that we are currently focusing on. In Strategic Businesses, we are concentrating on three areas—precision materials and processing, environment and energy, and biomedical materials. We hope to quickly foster these into major businesses on a par with our core operations in Fine Chemicals and Other Products and Petrochemical Products.

In these ways, we will target growth underpinned by the three aforementioned Strategic Businesses, which will complement our existing mainstay Fine Chemicals and Other Products and Petrochemical Products businesses. By also incorporating "the environment" and "globalization" into this three-business portfolio, we plan to further expand the business domains of each.

One objective of JSR20i3 is to achieve growth rates at least twice those of the relevant markets in our core businesses—Petrochemical Products and Fine Chemicals —by fiscal 2014. We will also target world standardization in our quest for the top global market share. Through this globalization process, we hope to expand overseas sales so that they account for at least 65% of net sales by 2020.

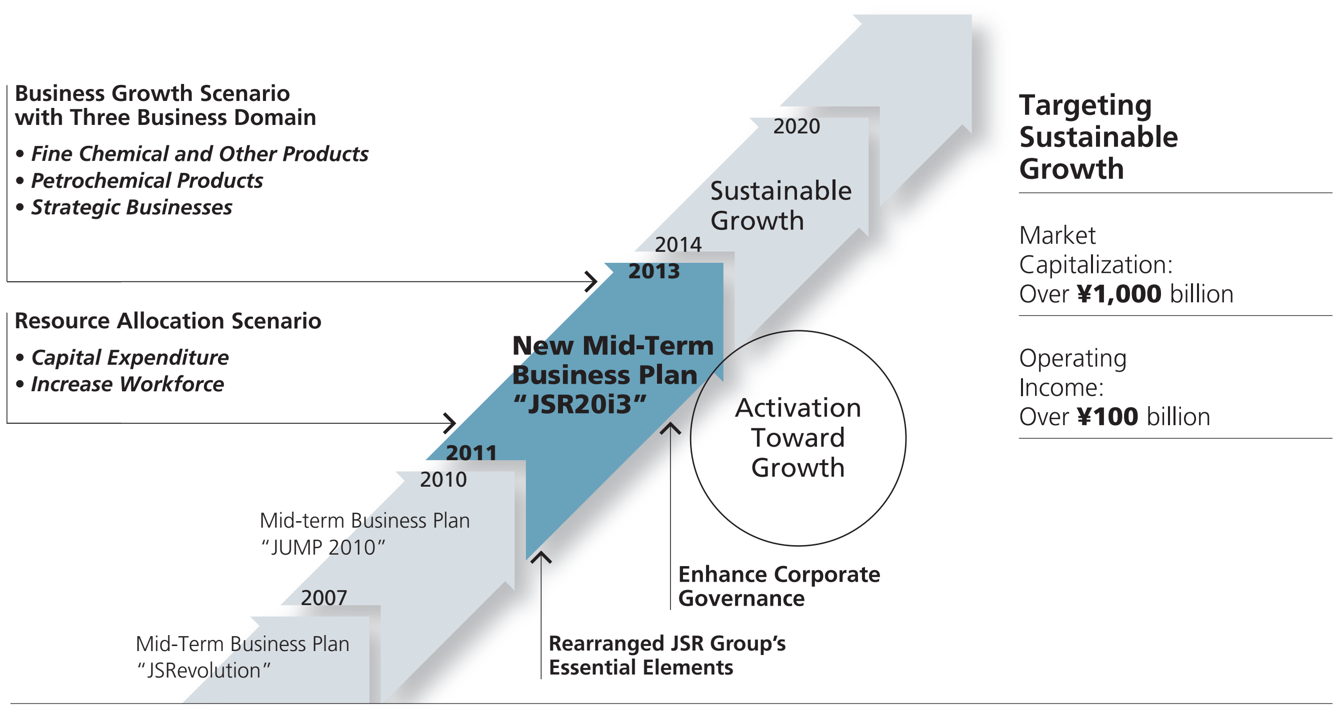
Resource Allocation Scenario

To foster the three Strategic Businesses into major businesses for the Group, we will implement focused investments and resource allocations with respect to capital expenditures and personnel plans.

Under the new mid-term plan, we plan to make annual capital expenditures of around ¥130 billion, which is around double that allocated under the previous plan. Within this total, we plan to spend 25%, or around ¥30 billion, on Strategic Businesses. Of the remainder, we will allot around ¥40 billion to the Fine Chemicals and Other Products segment and around ¥50 billion to the Petrochemical Products segment.

With respect to personnel, we will increase our consolidated Group workforce by 500, from the current level of 5,200 to 5,700. Around 300 of the increased workers will go to overseas Group companies, and we also plan to increase ratio of personnel in R&D to our entire workforce from 35% to 37% (for the purpose of increasing resources for long-range R&D projects). In our quest for worldwide growth, we will also target globalization and diversification of human resources. In R&D-related activities, for example, we will increase the number of personnel to create a 1,000-person R&D workforce by fiscal 2016. Moreover, around 10% of that workforce will be devoted to development of next-generation products.

Since 2009, we have made investments aimed at fully deploying our Strategic Businesses. Going forward, we will continue this process, including by studying M&A opportu-



nities in such fields as precision materials and processing, environment and energy, and biomedical materials.

In these ways, we will expedite the deployment of our Strategic Businesses, which have received heavy investments since fiscal 2010, and nurture them into our third major business pillar. In the process, we are targeting consolidated operating income of ¥60 billion, a record-high level, by fiscal 2014 and total market capitalization of ¥1 trillion by fiscal 2020.

Corporate Mission for Long-Term Growth

In its quest for long-term growth in the future, the JSR Group has rearranged its corporate mission. At the core of this is the JSR Group's Essential Elements: Corporate Mission (signifying our "raison d'être"), Management Policies (criteria for corporate decision-making), and Course of Action (work guidelines for individual employees).

Specifically, the Group plans to create a framework for continued growth by building new corporate cultures and business models that can address changing times, environments, and value propositions. At the same time, we will retain corporate cultures and business models that have served us well in the past.

We will ensure that all employees understand the JSR Group's Essential Elements and behave accordingly while sharing common objectives and values. We will also create a system enabling individual employees to grasp and swiftly resolve any issues they face based upon their own judgment of the Essential Elements. In these ways, we hope to earn the confidence of our many stakeholders.

Diversifying Business Conditions, Diversifying Values

The business environment of the JSR Group has changed dramatically on a global scale in recent years. In light of this, we feel that conditions will become increasingly uncertain and diversified in the years ahead. To address a future environment filled with uncertainty, we will slim down our corporate structure to strengthen our responsiveness.

We will also strive to reassess our value perceptions as we approach the future era of diversification. To this end, we are pursuing the "E2 Initiative™" (original JSR environmental initiative) and the "Personnel Diversity Campaign."

The "E2 Initiative™" is a code of conduct that incorporates "the environment" into all business activities. This is part of our "unwavering management alliance" that stands firm on environmental matters even when times change. The "E2 Initiative™" has two parts: "Energy management" (achieving balance between cost-competitiveness and environmental performance, including reductions in carbon-dioxide emissions) and "Eco-innovation" (identifying business opportunities, such as development of environmentally friendly products).

Under the "Personnel Diversity Campaign," we will aggressively recruit human resources with diverse value perceptions. In the process, we will build an organization with abundant creative power and thus reinforce our competitive edge.

Targeting Further Improvements in Corporate and Shareholder Value

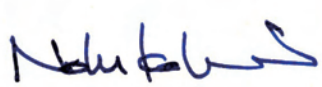
Seeking to maximize corporate and shareholder value, the JSR Group will work to strengthen R&D from a long-term perspective and reinforce its competitiveness by developing highly exceptional products. Here, our aim is to improve our business performance over the long term.

Following this basic policy, we will pay continuous, stable cash dividends while making decisions based on comprehensive consideration of a balance between appropriating profits and retaining earnings necessary for future business advancement. In the year under review, the Company declared total annual dividends of ¥32.00 per share (including the interim dividend). We also undertook share buybacks in order to achieve a flexible capital strategy.

To further raise value for shareholders, we are also focusing on enhancement of corporate governance. We have introduced an executive officer system to boost managerial versatility and adopted an outside corporate auditor system to raise transparency. We also decided to introduce an outside director system, which we will implement in the next fiscal year.

In its quest to achieve stable, continuous growth in the future, the JSR Group will fulfill its social responsibilities and secure solid earnings, while earning the trust and meeting the expectations of shareholders and all other stakeholders.

June 2011



MITSUNOBU KOSHIBA
Representative Director and President

Launch of Strategic Businesses

The JSR Group has been focusing on the full-scale launch of its Strategic Businesses, which will form the Group's third business pillar behind the Fine Chemicals and Petrochemical Products segment. Amid accelerating advances in technologies and materials, the Group's capacity to keep pace with such changes will be a key determining factor in future growth.

JSR has identified three fields with enormous growth potential as Strategic Businesses: precision materials and processing, environment and energy, and biomedical materials. To develop these businesses into the Group's third largest business, JSR is accelerating their launch through the strategic allocation of resources. Our aim is to achieve growth that exceeds that accomplished previously by the Semiconductor Materials and FPD Materials businesses.

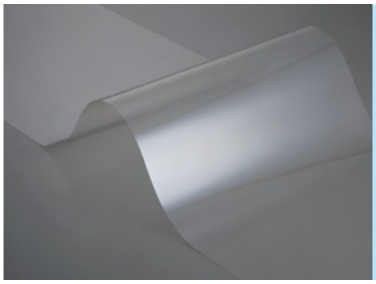
Turning the spotlight on these businesses, this special feature outlines successful R&D initiatives and commercialization, market launches, sales, and market reaction related to the themes tackled by the JSR Group.

Precision Materials and Processing

The adoption of ARTON®, a heat-resistant transparent resin developed by JSR, is increasing in retardation films used in the fast-growing smartphone and multifunctional mobile terminal markets. JSR plans to focus on expanding sales of applications for mobile devices, such as smartphones and tablet PCs, that utilize ARTON®'s high phase contrast in thin films with a thickness of under 20 microns.

Another product aimed at mobile device applications is the recently released ELART™. Developed for use in high-performance touch panels, ELART™ is an electrically conductive film made by fabricating a transparent indium tin oxide (ITO) electrode onto a heat-resistant transparent resin film. This new product can be used in both resistive and capacitance touch panels. JSR will focus on high-end fields for ITO films, which it will produce by introducing manufacturing equipment built using in-house technologies.

A third film in the Precision Materials and Processing field is LUCERA™, a recently developed ultra-heat-resistant transparent film. The film combines a number of properties, including high transparency, optical isotropy, a high refractive index, high heat-resistance, low heat contractility, flame retardance, and low dielectric constancy. JSR plans to target sectors that require high-performance film for applications such as transparent flexible printed substrates and electronic paper materials.

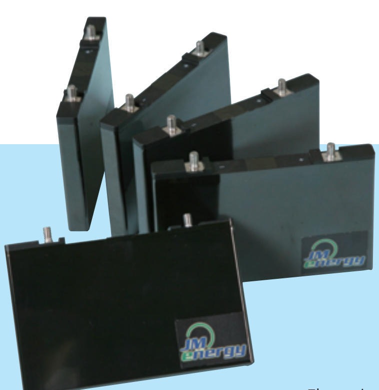


Transparent conductive film, "ELART™"

Environment and Energy

JSR is currently creating new markets for recently developed functional chemical products and environment- and energy-related products. JSR develops these innovative offerings by adding new value to existing materials and technologies.

In the environment and energy field, JSR seeks to expand its business in binders for electrodes used in lithium-ion batteries and lithium-ion capacitors. Also, Group subsidiary JM Energy Corporation is increasing market opportunities for its lithium-ion capacitor business. At a time when the adoption of momentary-drop/blackout compensators is growing, JM Energy has added an ultra low-resistance cell and flat prismatic can-type of lithium-ion capacitor to its product range. The flat prismatic can-type of lithium-ion capacitor is the first of its kind in the world and has a larger surface area than existing cylindrical can-type models, which enables highly efficient heat dissipation. As a result, deterioration due to heat generation during storing and charging is lessened. Because this means cells can be arranged without having to leave a gap, the capacitor is more compact. JSR and JM Energy Corporation plans to expand this business globally by pursuing further applications targeting portable devices.



Flat prismatic can-type lithium-ion capacitors

Today, growing awareness of the environment worldwide is being accompanied by shifts in social values. Against this backdrop, the Company's materials and technologies are creating added value. For example, in November 2010, JSR released BIOLLOY™, a bioplastic made by combining a plant-derived material, polylactic acid, and thermoplastic and plastics.

Other areas of focus for environment- and energy-related applications include thermal management materials, such as heat storage and latent heat materials developed by drawing on JSR's proprietary technologies.

Biomedical Materials

In the strategic business of biomedical materials, JSR is working on the commercialization of superior materials developed in-house. Examples include materials used for molecular diagnosis, column particles, and latex diagnostic agents developed by drawing on the Company's strengths in particle technology based on proprietary emulsion technology, and micro-processing technology.

Magnetic particles "Magnosphere®"

We have used antibody magnetic beads to develop materials for use as molecular diagnostic agents in such domains as DNA sequencing, cell division, and nucleic acid extraction; column particles used in purifying; and latex diagnostic agents designed for markets in emerging economies. JSR seeks to advance biomedical materials as a strategic businesses by fostering in-house technologies while gaining access to technologies, markets, and customers through M&A activities.

By the fiscal year ending March 2014, the JSR Group aims to achieve sales in excess of ¥35.0 billion in its Strategic Businesses, propelling this segment into the third spot behind the Petrochemical Products and Fine Chemicals and Other Products segments.

Enhancing Trust and Achieving Sustained Growth

Materials Innovation—We create value through materials to enrich people's lives and contribute to society and the environment

By putting this corporate mission into action, we at JSR endeavor to further enhance corporate value while maintaining management efficiency, transparency, and soundness to ensure a sustainable future.

JSR is constantly improving its system of corporate governance with the aim of obtaining the trust of shareholders and all other stakeholders and building an appealing corporate constitution.

The Company has been adopting a corporate auditor system, in which its operations are monitored by the Board of Directors and the Board of Auditors. Seeking to further strengthen this oversight function, in the year ending March 2012, JSR has decided to appoint outside directors. By welcoming outside directors with abundant experience and highly impartial, neutral perspectives, we will ensure more appropriate management decision-making and reinforce our ability to monitor the legality of business execution. Going forward, we will continue strengthening and upgrading corporate governance in order to ensure fairness, transparency, and speed of business execution.

JSR's Corporate Governance System (As of June 17, 2011)

Officer System

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

Audit System

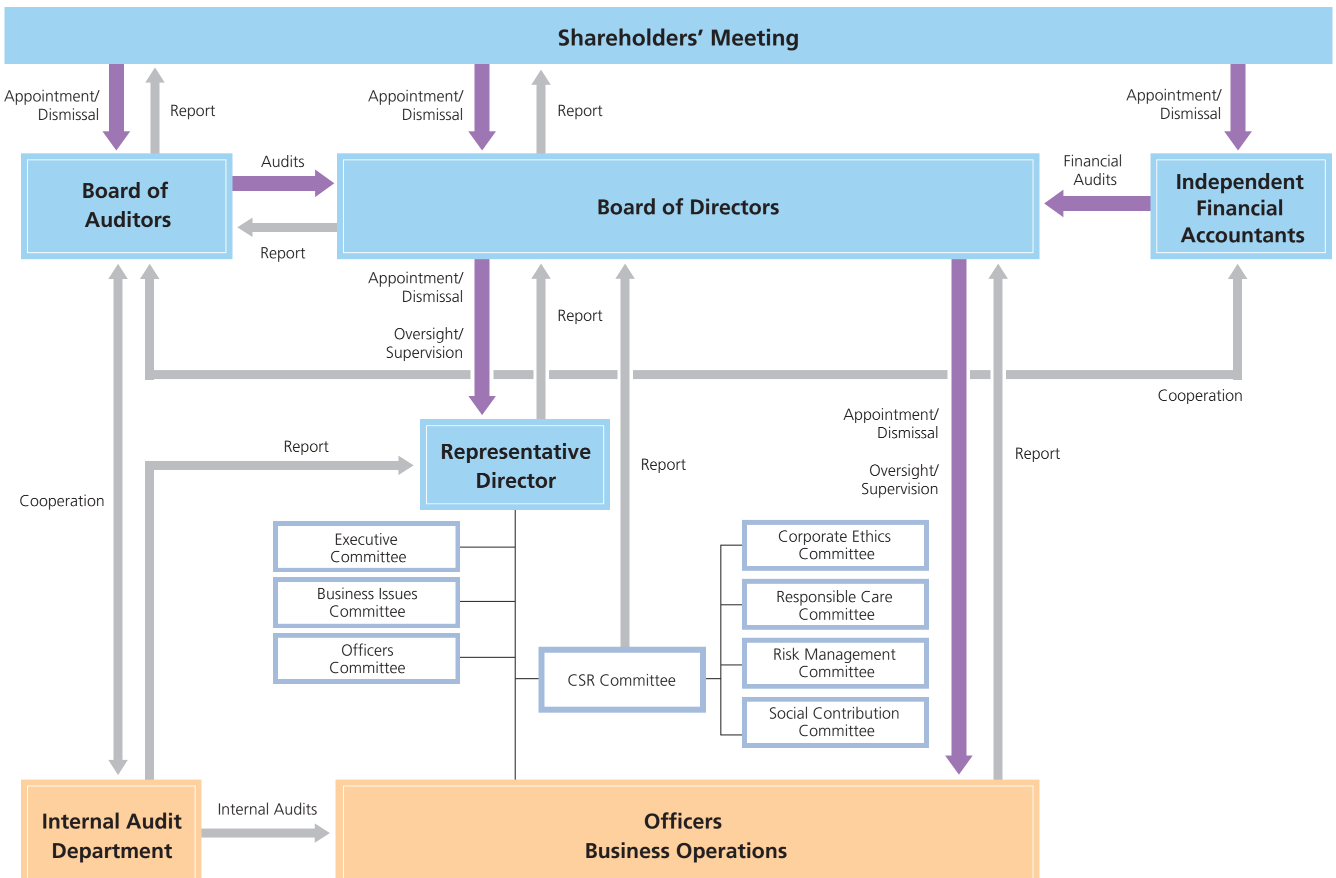
Under the Company's audit system, business execution audits and account audits make significant contributions to fair, transparent, and timely management. Business audits cover the execution of duties by directors, and account audits cover financial statements submitted at Ordinary General Meetings of Shareholders. The Company has four corporate auditors, three of whom are outside auditors and a corporate auditor works full-time.

To ensure fairness and transparency, the Company appoints independent attorneys and certified public accountants as outside corporate auditors.

Internal Control System

In accordance with Japan's Corporation Law, the JSR Group has established a basic policy governing its internal control system. Guided by this policy, the Company works to strengthen and augment its internal controls. The Audit Office systematically audits business execution and compliance systems in each division and Group company, and checks that rigorous legal compliance is observed throughout the Group.

As of June 17, 2011



Board of Directors

The Board of Directors consists of six directors. The Board discusses and makes decisions on important business matters, and also supervises directors' officers execution of business duties. The Board is headed by the chairman, and in principle meetings are held once monthly. The Company's four corporate auditors, including three outside auditors, attend Board of Directors' meetings, where they have the opportunity to state their opinions on matters under discussion. In order to bolster the supervisory function of the Board of Directors, the Company has decided to appoint two outside directors from fiscal 2012. By introducing outside directors with extensive business experience who bring objectivity and neutrality to Board meetings, we seek to reinforce the appropriateness of judgments made by management and monitor the legality of their execution of duties.

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 the president, the executive managing officer, four managing officers, and officers appointed by the president, and responds to important business execution with the aim to expedite decision making and improve the efficiency of such operations. As a rule, this committee meets once a week, and is chaired by the president. The full time corporate auditors also attend these committee meetings, where they discuss and report various items.

Business Issues Committee

The Business Issues Committee engages in broad-ranging debate about items related to fundamental management strategies and policies, basic policies behind specific projects, and changes to business strategies. It also shares information to ensure a common understanding of such matters and discusses company direction, and its findings are reflected in deliberations of the Board of Directors and the Executive Committee. The Business Issues Committee consists of the president (who also serves as chair), the executive managing officer, four managing officers, and officers appointed by the president, and meets once a week.

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 the president, senior officers, officers and full time corporate auditors, except overseas representatives. As a rule, this committee meets twice a month and is chaired by the president.

Board of Auditors

With four 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 deliberation in order to form auditing opinions.

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

Corporate Ethics Committee

The Corporate Ethics Committee chaired by the executive managing officer, in charge of general affairs, was established under the CSR Committee to implement corporate ethics standards and prevent improper actions throughout the JSR Group. The JSR Group Principles of Corporate Ethics have been prepared to provide a code of conduct for executives and employees. The committee oversees corporate ethics throughout the Group and 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 and is also available in English and Chinese.

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 managing officer for safety and 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, chemical substance management and quality assurance. 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).

Risk Management Committee

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

Social Contribution Committee

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

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

JSR has adopted the corporate auditor system. There are four corporate auditors, including three from outside the JSR Group. These auditors are staffed by one individual. Audits are performed as described in the section 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.

Remuneration

The remuneration of the Company's directors consists of a basic salary, a bonus based on consolidated performance for the year, and stock options, which serve as a long-term incentive. The level of remuneration is commensurate with the Company's business results and is compared with those of other companies in the same industry and of similar size.

The total limit for monthly salaries is decided by resolution at the Ordinary General Meeting of Shareholders. Performance-based bonuses and stock options are also approved by resolution at the Ordinary General Meeting of Shareholders. Total remuneration paid in fiscal 2011 was ¥515 million.

Corporate auditors are paid a basic fixed salary that is not performance-based. In fiscal 2011, total salaries paid to corporate auditors amounted to ¥86 million, including ¥16 million paid to outside corporate auditors.

Reasons for Selecting Outside Directors

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

Takuya Goto

Takuya Goto served as Representative Directors and President, and Chairman, Board of Directors of Kao Corporation. Mr. Goto has abundant experience in the management of Kao, a prominent consumer products and chemical company. JSR anticipates that Mr. Goto will help strengthen corporate governance by deploying this experience to ensure reasonable judgments by management, as well as management transparency and soundness. For this reason, Mr. Goto has been named an outside director candidate.

Michio Kariya

Michio Kariya currently serves as Representative Director and Chairman of the Board of Nikon Corporation. Mr. Kariya has abundant experience in the management of Nikon, a globally renowned optical equipment company. JSR anticipates that Mr. Kariya will help strengthen corporate governance by deploying this experience to ensure reasonable judgments by management, as well as management transparency and soundness. For this reason, Mr. Kariya has been named an outside director candidate.

Reasons for Selecting Outside Corporate Auditors

To ensure the fairness and transparency of management, the Company appoints two full-time auditors, as well as three outside auditors. The outside corporate auditors have no personal, financial, or business interests in the Company. They are called upon to ensure the sound governance of the Company while drawing on their respective careers.

Kenji Ito

Kenji Ito does not concurrently hold the position of director in another company. Mr. Ito contributes to ensuring reasonable judgments by management, as well as management transparency and soundness by auditing the Company from a position of independence while drawing on the extensive expertise and a wealth of experience in finance and accounting he possesses as a certified public accountant.

Hiroichi Uekusa

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

Nobuko Kato

Ms. Kato is currently Fellow, Assistant to Vice President and Officer, Central Research, Bridgestone Corporation. As a major customer and major shareholder of JSR Corporation, Bridgestone Corporation falls under the category of "specified related business entity." Ms. Kato contributes to ensuring reasonable judgments by management, as well as management transparency and soundness by auditing the Company. Here, she draws on her expertise and extensive experience in business and in R&D on elastomers.

Directors, Corporate Auditors, and Officers

(As of June 17, 2011)

Directors and Corporate Auditors

Yoshinori Yoshida
Chairman

Mitsunobu Koshiba
Representative Director and President

Masaki Hirose
Representative Director and Executive Managing Officer, CSR, General Affairs, Legal, Human Resources

Hozumi Sato
Director and Managing Officer, Research & Development, Strategic Businesses

Takuya Goto
Outside Director

Michio Kariya
Outside Director

Corporate Auditors:

Nobuo Bessho
Corporate Auditor (Full-time)

Kenji Ito
Corporate Auditor (Outside)

Hiroichi Uekusa
Corporate Auditor (Outside)

Nobuko Kato
Corporate Auditor (Outside)

Officers

Yasuki Sajima
Managing Officer, Fine Chemicals Sector

Kouichi Kawasaki
Managing Officer, Petrochemical Products Sector (including plastics), Safety and Environment Affairs, General Manager of Petrochemical Products Div. and President of Techno Polymer Co., Ltd.

Hisao Hasegawa
Managing Officer, Procurement, Logistics, Manufacturing and Technology, Product Safety & Quality Assurance, Information Technology, General Manager of Manufacturing and Technology Group

Atsushi Kumano
Senior Officer, Research & Development (Deputy), General Manager of R&D Department

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

Yasuhisa Nagahiro
Senior Officer, Yokkaichi Plant Manager

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

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

Takatoshi Nagatomo
Officer, Petrochemical Products Sector (Deputy), 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, Accounting, Finance, Corporate Communications, General Manager of Finance Department

Katsuya Inoue
Officer, Corporate Planning, Group Company, General Manager of Corporate Planning Department and Group Company Coordination Department

Fumio Tsutsumi
Officer, Strategic Businesses (Deputy), General Manager of Performance Chemicals Division and Manager of Performance Chemicals Department II

Kazumasa Yamawaki
Officer, General Manager of Business Planning Department, Petrochemical Products

Eric Johnson
Officer, President of JSR Micro, Inc.

Eiichi Kobayashi
Officer, Vice President of J.M. Energy Corporation

At a Glance

Effective the year under review, the Group applied "Accounting Standard for Disclosure of Segment Information" and changed its segment classification accordingly. There are now three segments: Fine Chemicals and Other Products, Elastomers, and Plastics. The Fine Chemicals and Other Products segment encompasses Semiconductor Materials, Flat Panel Display (FPD) Materials, and Strategic Businesses and Other. Meanwhile, the Petrochemical Products business is now segregated into the Elastomers segment and the Plastics segment. As a results, the former Emulsion segment is now included in Elastomers segment.

Segment | Products

Fine Chemicals and Other Products

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

Semiconductor Materials

- Lithography Materials (photoresists, multilayer materials, etc.)
- CMP (Chemical Mechanical Planarization) Materials (CMP slurries and pads)
- Interconnect Materials (spin-on low-k materials)
- Packaging Materials (thick-film photoresists, photosensitive insulation materials, etc.)

FPD Materials

- LCD Materials (alignment films, protective coatings, color pigment dispersed resists, photosensitive spacers, etc.)
- Anti-Reflective Coatings

Strategic Businesses and Other

Precision Materials and Processing Business	■ Heat-Resistant Transparent Resin ARTON®, ARTON® Optical Films, Transparent Conductive Films
Environment and Energy Business	■ Lithium-ion Capacitors Cells and Modules
Biomedical Materials	■ Standard Particles, Particles for Clinical Diagnostics, Research Agents
Performance Chemicals	■ High-Functional Dispersant "DYNAFLOW®", Organic/Inorganic Hybred Coating Materials "GLASCA®", Battery Materials, etc.
Optical Materials	■ UV Curing Optical Fiber Coatings, etc.

Petrochemical Products

Elastomers

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

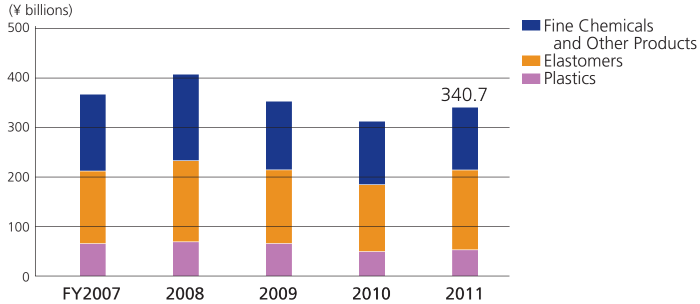
General-Purpose Synthetic Rubbers	■ Styrene-Butadiene Rubber (SBR)/Polybutadiene Rubber (BR)
Special-Purpose Synthetic Rubbers	■ Acrylonitrile-Butadiene Rubber (NBR) ■ Butyl Rubber (IIR) ■ Ethylene-Propylene Rubber (EPM/EPDM)
Thermoplastic Elastomers (TPEs)	■ Syndiotactic 1,2-Poly-Butadiene "JSR RB®" ■ Hydrogenated Polymer "DYNARON®" ■ Styrene-Butadiene Block Copolymer "JSR TR" ■ Styrene-Isoprene Block Copolymer "JSR SIS®," etc.
Emulsion Products	■ Paper Coating Latex ■ SB Latex ■ Acrylic Emulsions, etc.

Plastics

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

- Acrylonitrile-Butadiene-Styrene (ABS) Plastics
- Acrylonitrile-Ethylene-Propylene-Styrene (AES) Plastics

Consolidated Net Sales

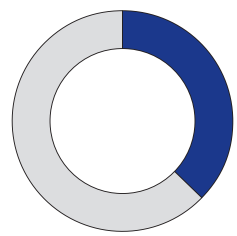


Applications

- Process materials for semiconductor manufacturing

- Process materials for liquid crystal display (LCD) panels

- Anti-reflection for display surfaces, organic/inorganic hybrid hard coating materials, prism lens, adhesive for optical discs, etc.



37.4%

- Touch panel sheets/films
- Optical lens, retardation films, light guiding plates, etc.

- Voltage sag mitigation system, UPS, industrial machinery, transportation, etc.

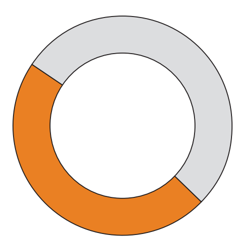
- In-vitro diagnostics and life sciences, antibody conjugated magnetic beads and chromatography media for anthibody purification

- Anti-staining coating materials
- Exterior coatings, various functional coating materials

- Optical fiber coating

- Automotive tires

- Automotive parts, industrial rubbers, etc.

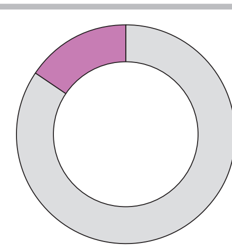


47.2%

- Various shoe soles, injection molding items
- Hot melt adhesives, hot melt binders

- Carpet backings, various binders
- Coating paper for printing purposes
- Floor polish, paint, binders, adhesives

- Automotive parts, electrical appliances, office automation equipment, etc.
- Automotive parts, electrical appliances, house-building materials, etc.

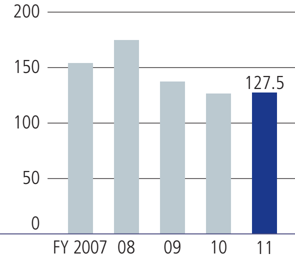


15.4%

Fine Chemicals and Other Products

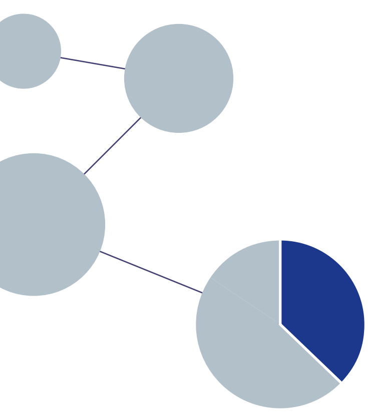
Net Sales of Fine Chemicals and Other Products

(¥ billions)



In the fiscal year ended March 31, 2011, consolidated sales in this segment edged up 1.0% year-on-year, to ¥127.5 billion. Operating income rose 9.7% year-on-year, to ¥21.8 billion. These increase were attributable to expanded sales and profits, which outweighed the impact of a rapidly appreciating yen.

The Fine Chemicals and Other Products segment comprises three core businesses: Semiconductor Materials, Flat Panel Display Materials, and Strategic Businesses and Other.



37.4%

Business Performance

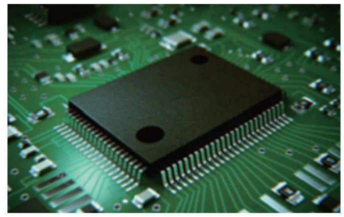
Semiconductor Materials

Photoresists are the mainstay product in JSR's Semiconductor Materials business. In the year under review, production of certain semiconductor products declined from the third quarter due to lower-than-expected growth in demand for personal computers. However, worldwide growth in demand for smartphones and multifunctional mobile terminals contributed to sales expansion, centering on argon fluoride (ArF) photoresists for immersion lithography and multilayer materials. Sales by the Company's subsidiaries in Europe and the United States also increased on the back of strong demand for semiconductors in those regions. The business also reported healthy sales of packaging materials and chemical mechanical planarization (CMP) materials. As a result, total sales of semiconductor materials were higher compared with the previous year.

In 2009, JSR built a new production facility at the Yokkaichi Plant in order to increase production of photoresists. We intend to cement our dominance in the photoresist field, by not only meeting customer needs, but also satisfying demand for high quality and strengthening the structure for the stable and efficient supply of products.

Flat Panel Display (FPD) Materials

In the first half of the year under review, economic stimulus policies by the Japanese government and foreign governments contributed to expansion of the LCD television market. The personal computer market was also strong, although demand was not as high as anticipated. However, in the second half of the year, LCD panel manufacturers made significant cuts to operating rates stemming from a downturn in the LCD television and personal computer markets, as well as weak exports due to the strong yen. By contrast, JSR recorded a marked increase in shipments of alignment layers used in high-resolution LED-LCD televisions. Meanwhile, sales of anti-reflective coatings and protective coatings decreased amid market saturation. As a result, sales of



FPD materials remained mostly unchanged from the previous year.

JSR's customers for FPD materials are concentrated in the Asian region. Therefore, in order to reinforce research and development of LCD materials in South Korea and Taiwan, we have decided to establish research laboratories in those countries. Accordingly, we are building new research facilities with clean rooms at Group subsidiaries JSR Micro Korea Co., Ltd. and JSR Micro Taiwan Co., Ltd. The two new facilities are scheduled for completion in June 2011 and December 2011, respectively.

The Company will meet future expansion in demand for LCD materials by reinforcing the integrated manufacturing, sales, and R&D structure it has in Japan, South Korea, and Taiwan.

Strategic Businesses and Other

JSR has identified precision materials and processing, environment and energy, and biomedical materials as three fields with potential for significant growth. Accordingly, we are targeting full-scale business development and sales growth in each of these fields.

In the precision materials and processing field, sales of retardation films made using the heat-resistant transparent resin ARTON® increased year-on-year. The growing adoption of thin retardation film in the rapidly expanding smartphone and multifunctional mobile device markets contributed to this sales growth. During the year, we also began selling a newly developed transparent conductive indium tin oxide (ITO) film for high-end touch panels used in mobile phones.

In the environment and energy field, we launched a bioplastic called BIOLLOY™. This new offering features enhanced performance achieved through the adoption of a proprietary technology. We also reported increased shipments of biomedical materials, such as antibody magnetic beads used in molecular diagnosis. In these and other ways, our activities are reaping steady benefits. Meanwhile, sales of optical fiber coating materials declined year-on-year due to intense competition in the overseas optic fiber sector.

Future Strategies

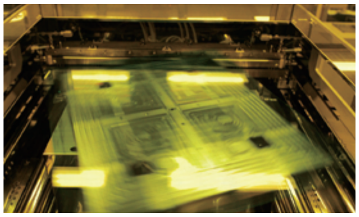
In the semiconductor and FPD industries, which are the main sources of demand for products made by the Fine Chemicals segment, there is escalating demand for LCD televisions, PCs, smartphones, and multifunctional mobile devices, principally in emerging economies. Going forward, the forecast is for high global growth. Although there is rising demand in these industries for the development of new technologies and new materials, the advancing shift to lower prices is likely to result in increasing market polarization.

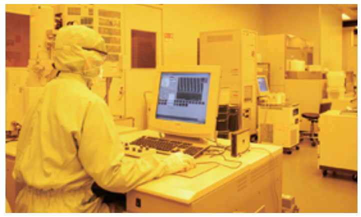
Amid these circumstances, JSR will strive to expand the Semiconductor Materials business by incorporating new technologies and value for achieving further miniturization, as well as working on the development of next-generation lithography materials. We will strive to expand the FPD materials business by proactively introducing new products amid ongoing diversification in application devices.

Semiconductor Materials

In the field of lithography materials, JSR will focus on boosting global sales of materials used for immersion lithography. At the same time, we will increase our global market share for ArF photoresists to 40%, and expand sales of multilayer materials. The Company is also gearing up for the commercial production of cutting-edge materials adopted in a next-generation exposure technology called extreme ultraviolet (EUV) exposure.

In the field of process materials for semiconductor manufacturing, we will enhance the competitiveness of the CMP materials we produce from the perspectives of both cost and quality. With respect to cutting-edge packaging materials, we will take steps to ensure market dominance. We will do this by increasing JSR's market shares for thick-film photoresists and photosensitive insulating films, and by advancing global standardization of materials used in fusion devices. As a means of addressing growing commoditization, we will strengthen cost competitiveness and differentiate our products by improving manufacturing technologies.





Adhering to these strategies, we aim to achieve annual growth of 15.0% in the semiconductor materials business, a market with an estimated annual growth rate of 4-5%.

FPD Materials

Our strategy for the FPD Materials business is to strengthen production in Japan, South Korea, Taiwan, and China and increase our market shares for alignment layers, color pigment-dispersed resists, and other mainstay products, with the aim of achieving growth rates in excess of market expansion. To this end, we will bolster the research and development functions of our bases in South Korea and Taiwan. In addition, we will boost involvement in growth fields, including materials for larger 3D televisions and materials for high-end mobile devices, such as smartphones and tablet PCs.

In China, where production of LCD panels continues to climb, JSR (Shanghai) Co., Ltd. will establish a marketing organization tailored to local needs. We will reinforce supply of high-quality products to the market in China through collaborative efforts between bases in Japan, South Korea, and Taiwan.

In response to the worldwide trend toward lower prices, we will improve competitiveness by increasing sales and profits. We will adopt a range of measures for achieving cost reductions, including continued promotion of our increasing sales and profit, global optimization of production sites, and global procurement of raw materials. In addition, we will consider establishing a new manufacturing base in China. Under these strategies, JSR aims to achieve an annual growth rate of 13.0% in the LCD panel market, which has an estimated growth rate of 2-3%.

Strategic Businesses and Other

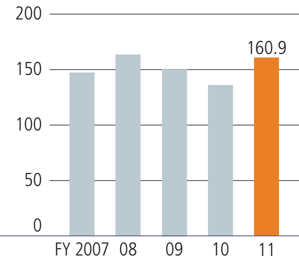
The JSR Group is strategically allocating resources, including research resources and funding, in order to develop Strategic Businesses into its third largest earnings pillar, behind the Petrochemical Business and Fine Chemicals and Other Products Business.

In the precision materials and processing field, we will develop products with a market advantage by harnessing the synergistic effects of materials development, precision processing technologies, and functionality. As a first step, we will expand our ITO film business. We will increase sales of thin retardation films used in mobile devices that exploit the distinctive features of the heat-resistant transparent resin ARTON® and lenses used in mobile phones. In addition, we will strive to develop applications for the newly developed ultra-heat-resistant transparent film LUCERA™, targeting fields that require high performance.

With respect to the environment and energy, the Group will seek to expand sales of binders used in lithium-ion batteries and lithium-ion capacitors. Group subsidiary JM Energy Corporation develops and manufactures lithium-ion capacitors. At a time when lithium-ion capacitors are being increasingly adopted in momentary voltage-drop and blackout compensators, JM Energy has added an ultra-low resistance, flat prismatic can-type cell to its product lineup. JM Energy has already commenced marketing activities for this new offering used in portable applications. Drawing on such successes, JM Energy will target further applications as it works to expand this business on a global scale. JSR is introducing proprietary thermal management materials, and for the unique bioplastic BIOLLOY™. Through strategies such as these, we aim to steadily establish new businesses.

JSR is building up a biomedical materials business underpinned by the development of first-class materials. For example, by leveraging our expertise in particle technology and micro-processing technology as differentiation factors, we are able to develop materials used in molecular diagnosis, column particles, and latex diagnostic agents.

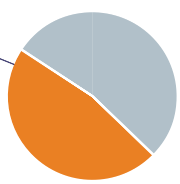
Net Sales of Elastomers
(¥ billions)



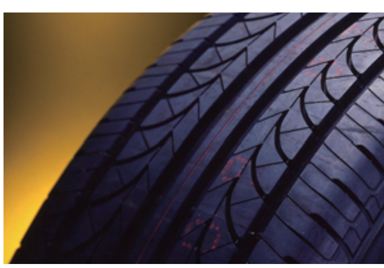
Petrochemical Products

Elastomers

In the Elastomers business segment, which comprises styrene-butadiene rubber (SBR), thermoplastic elastomers (TPEs), and emulsions, consolidated sales in fiscal 2011 rose 18.2%, to ¥160.9 billion, owing to a recovery in demand and price revisions. Thanks to Group-wide cost reductions, operating income also increased by a huge 3,860.1%, from ¥0.4 billion in fiscal 2010 to ¥14.7 billion.



47.2%



Business Performance

Styrene-Butadiene Rubber (SBR)

In Japan, we reported year-on-year growth in both sales volumes and revenues of general-purpose synthetic rubber, such as styrene-butadiene rubber (SBR) and polybutadiene rubber (BR). Contributing factors were a return to healthy production levels in the automobile tire industry, along with price revisions in response to higher costs of raw materials. Special-purpose rubber, such as nitrile rubber, also recorded higher sales volumes and revenues owing to an increase in automobile production and price revisions made in response to higher raw material prices.

Sales volumes of exports of general-purpose synthetic rubber and special-purpose rubber declined year-on-year, although sales revenues rose owing to price revisions as a result of higher raw material prices.

On the production side, JSR decided to increase production capacity for solution polymerization SBR (S-SBR) at the Yokkaichi Plant to keep up with growing demand in Japan and Europe for fuel-efficient tires. The manufacturing line is scheduled for completion in November 2011. In Thailand, we have decided to establish a joint venture for the manufacture of S-SBR. We will build a new manufacturing plant, and aim to commence production at the plant in June 2013. In Europe, we will use JSR's capacity right agreement with Styron Europe GmbH (formerly Dow Europe) to serve the S-SBR business by bolstering our production and supply structure in Japan, Europe, and Asia.

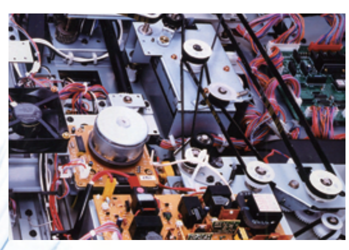
In the ethylene-propylene rubber (EPR) business, JSR plans to build a new manufacturing plant with the aim of increasing the production capacity of South Korean joint venture company Kumho Polychem Co., Ltd. The plant is scheduled for completion in June 2013. The combined production capacity of this new plant and the Kashima Plant will be 186,000 tons per year, making JSR a leading EPR manufacture and enabling it to meet globally expanding demand for this product.

Thermoplastic Elastomers (TPEs)

Sales of thermoplastic elastomers (TPEs), such as butadiene and styrene-butadiene TPEs, were strong in Japan for plastic modification used by the food container sector. Demand for exports of butadiene TPEs for footwear applications recovered in Europe and Central and South America. Sales volumes and revenues of TPEs for both domestic customers and exports rose year-on-year owing to price revisions made in response to rising raw material prices.

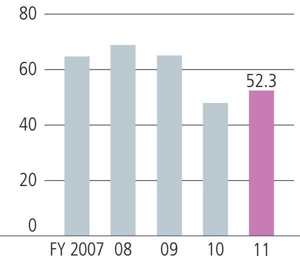
Emulsions

JSR worked hard to increase sales of paper coating latex (PCL), the mainstay emulsions product, amid stagnating production of high-grade art paper. These efforts combined with price revisions to compensate for higher prices for major raw materials resulted in higher sales volume and earnings. Healthy sales of general industrial latex used in exterior wall paint and automotive applications contributed to year-on-year increases in both sales volumes and earnings.



Net Sales of Plastics

(¥ billions)

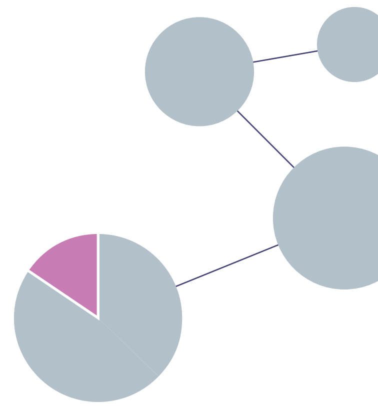


Plastics

In the year under review, consolidated sales of the Plastics business grew 9.4% year-on-year, to ¥52.3 million, despite a temporary deterioration in profitability due to the sharp appreciation of the yen. Fortified efforts as part of the Cost-Reduction Plan and other measures contributed to a significant improvement in operating income, from ¥0.0 billion in fiscal 2010, to ¥2.6 billion.

Technopolymer Co., Ltd., a 100% subsidiary of JSR, is operating plastic Business.

15.4%



Business Performance

In Japan, sales volume and revenue in the Plastics business grew in the year under review. Contributing factors were healthy production levels in the automobile industry, the largest customer base for plastics products, along with steady demand from a recovering construction materials sector and

product price hikes in response to higher raw material prices. Exports also increased in both sales volumes and revenues on the back of a recovery in demand from the automobile and office equipment sectors, as well as higher product prices to compensate for raw material prices.

During the year, Techno Polymer introduced and launched bioplastic called BIOLLOY™, jointly with JSR.

Future Strategies for the Petrochemical Products Business

There are concerns of a decline in domestic demand from the automobile and automotive tire industries, the major user industries for products made by the Petrochemical Products segment. However, we forecast growth in global demand for high-value-added products, such as fuel-efficient tires, that have a low environmental impact, as well as ongoing expansion in demand for general-purpose products in emerging markets, primarily China.

In this business environment, JSR will focus on strengthening its global business structure and capturing the top global market share in each of our main product areas. We will target growth that outstrips levels achieved by the industries we supply, by expanding operations and reinforcing supply capacity. To this end, we will adopt a portfolio management strategy to ensure business operations befitting each product range with the aim of achieving return on sales ratio of 10%.

First, we will position S-SBR and butyl rubber as the "A" category. The outlook for these products is for strong demand growth, and the Group can also demonstrate its technological superiority. We will develop these businesses into global players with the aim of achieving an annual growth rate of approximately 30% through active reinforcement of production capacity and sales expansion activities. In the field of S-SBR for fuel-efficient tire applications, JSR has decided to increase production capacity in both Japan and Thailand. Together with our production structure in Europe, we will strengthen the Group's global supply structure with the aim of capturing the largest share in the world market.

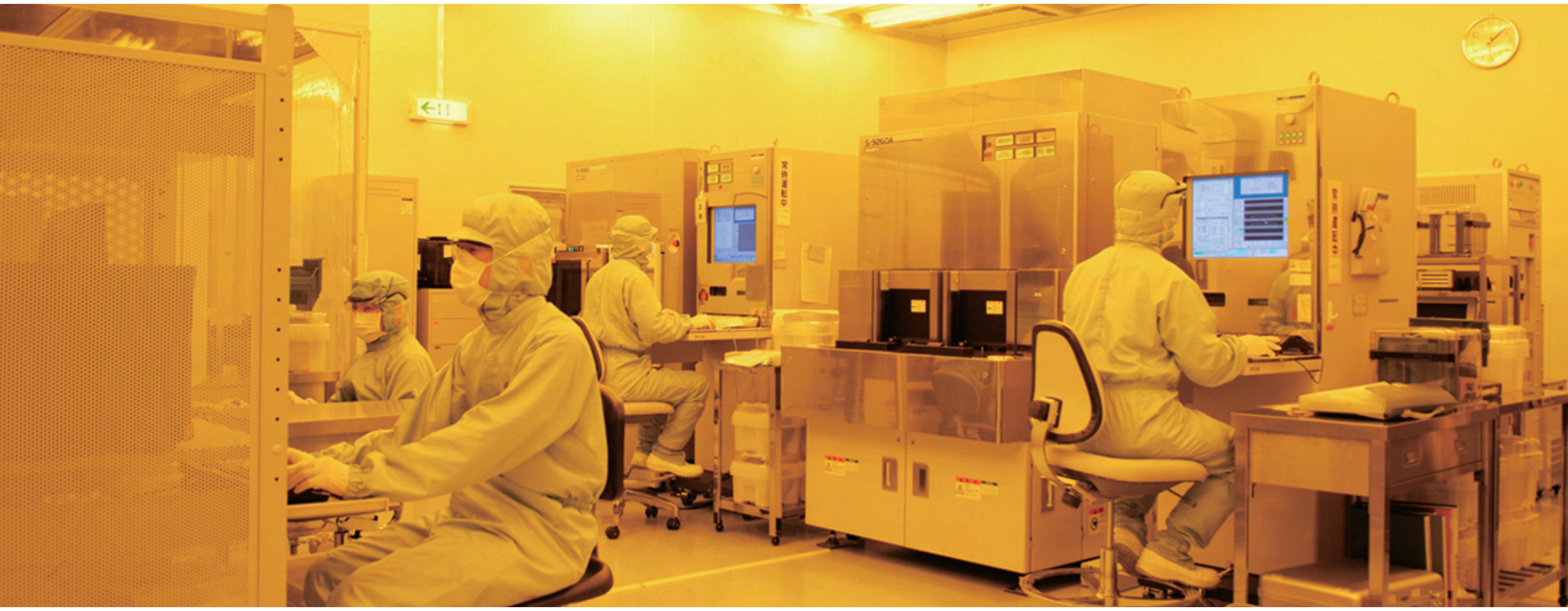
The "B" category includes products underpinned by proprietary technologies, such as olefin and butadiene TPEs and hydrogenated polymers. Going forward, we will develop new applications and new markets for these products by expanding business volume while increasing production capacity in line with demand.

JSR aims to take full advantage of existing resources to maximize earnings by classifying certain offerings under the "C" category. We forecast ongoing growth and stable earnings for these products, which include emulsion polymerization SBR (E-SBR), nitrile rubber, ethylene propylene rubber, emulsions, and ABS plastics. We estimate an annual growth rate of 1.0 to 3.0% for this "C" business, achieved by raising productivity, developing distinctive applications, and enhancing operational efficiency.

In China, a rapidly expanding emerging market, JSR will endeavor to further expand sales by reinforcing the marketing organization of JSR (Shanghai) Co., Ltd.

The JSR Group will continue bolstering the Cost-Reduction Plan E-100 Project, directed at strengthening profitability under the new name E-100plus Project. We will continue working hard to reduce variable and fixed costs from the bottom up. We will also implement cost-structure reforms by introducing new technologies and methods, while raising productivity and enhancing supply chain efficiency. We will strive to bolster earnings by applying these strategies not only to all Group companies, but to outsourced activities as well.

The JSR Group seeks to transform this business segment into an organization with a highly profitable business structure. We will achieve this by reviewing our earnings structure, including by strengthening initiatives targeting the procurement of butadiene, which is predicted to be in short supply in the near future.



Contribution of Patents

	FY2007	FY2008	FY2009	FY2010	**FY2011**
In Japan					
Fine Chemicals and Other Products	894	1,103	1,269	1,465	**1,685**
Petrochemical Products	500	428	428	374	**377**
Others	73	67	73	75	**67**
	1,467	1,598	1,770	1,914	**2,129**
Overseas					
Fine Chemicals and Other Products	516	493	512	492	**489**
Petrochemical Products	1,415	1,721	1,955	2,164	**2,365**
Others	30	36	34	39	**36**
	1,961	2,250	2,501	2,695	**2,890**
Total	3,428	3,848	4,271	4,609	**5,019**

Business Expansion Driven by R&D

"Successful research and development activities are the cornerstone of JSR Corporation." Guided by this belief, JSR has tackled the challenges of expanding technology domains, ranging from core polymer technology to photochemistry, inorganic chemistry, and precision chemistry. Leveraging the cutting-edge technologies accumulated within the Group, JSR will continue joint development and exchanges with major global customers, universities, and research institutions with whom it has forged close relationships.

JSR will focus its R&D activities on three fields: precision materials and processing, environment and energy, and biomedical materials. While pursuing long-term basic research and short-term research into product commercialization, we will concentrate on achieving the goals we have set for 2020.

As a technology-oriented materials organization, the JSR Group has aggressively entered these three new fields with the backing of earlier activities in synthetic rubber and petrochemicals. This new research and development work is already bearing fruit. Since its founding, the JSR Group has contributed to the advancement of society through the creation of groundbreaking materials. The Group possesses unique strengths in R&D, and currently holds a total of 5,019 patents, primarily in diversified products.

JSR's R&D organization consists of several facilities, each focusing on specific themes. At the core is the Yokkaichi Research Center, located in the same area as the main Yokkaichi Plant. There is also the Precision Processing Technology Center, Tsukuba Research Laboratories, and the JSR Functional Materials Research Center. Together, these facilities engage in the development of next-generation key products. We have decided to establish research laboratories overseas at the facilities of JSR Group operations in South Korea and Taiwan, where there is a concentration of semiconductor and LCD technology production bases.

Global Strategy

JSR is developing manufacturing, sales, and R&D bases covering both Petrochemical Products segment and the Fine Chemicals and Other Products segment in Asia, North America, and Europe, which are the main sources of demand for its products. Many of our offerings have become the global standard, and we will forge ahead with the aim of becoming a comprehensive materials supplier needed by customers around the world.

We will upgrade our development, production, and sales structures as we seek to increase the ratios of sales in Asia, North America, and Europe to consolidated net sales.

Global Structure of Fine Chemicals and Other Products Segment

The JSR Group has manufacturing and sales operations in countries and regions that provide the main source of global demand for products made by the Fine Chemicals and Other Products segment. In South Korea and Taiwan, which have the largest world markets for flat panel displays, JSR Micro Korea Co., Ltd. and JSR Micro Taiwan Co., Ltd. hold important positions. Both companies have expanded the scale of production and the items they handle in order to meet demand from the rapidly expanding FPD market. To meet further customer demand, we have decided to build new research laboratories to strengthen the R&D functions of these two subsidiaries. The new laboratories are scheduled for completion in June 2011 and December 2011, respectively.

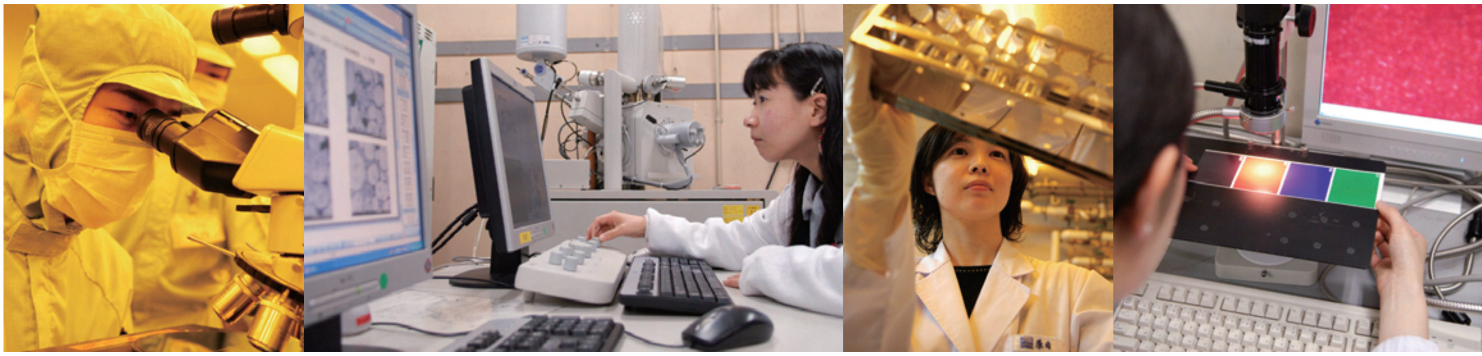
In the Semiconductor Materials business, JSR Micro, Inc., in California's Silicon Valley in the United States, and JSR Micro N.V. (Belgium) manufacture and/or sell cutting-edge ArF photoresists. In addition, they have introduced exposure equipment comparable with that of their client companies in order to support R&D on leading-edge products.

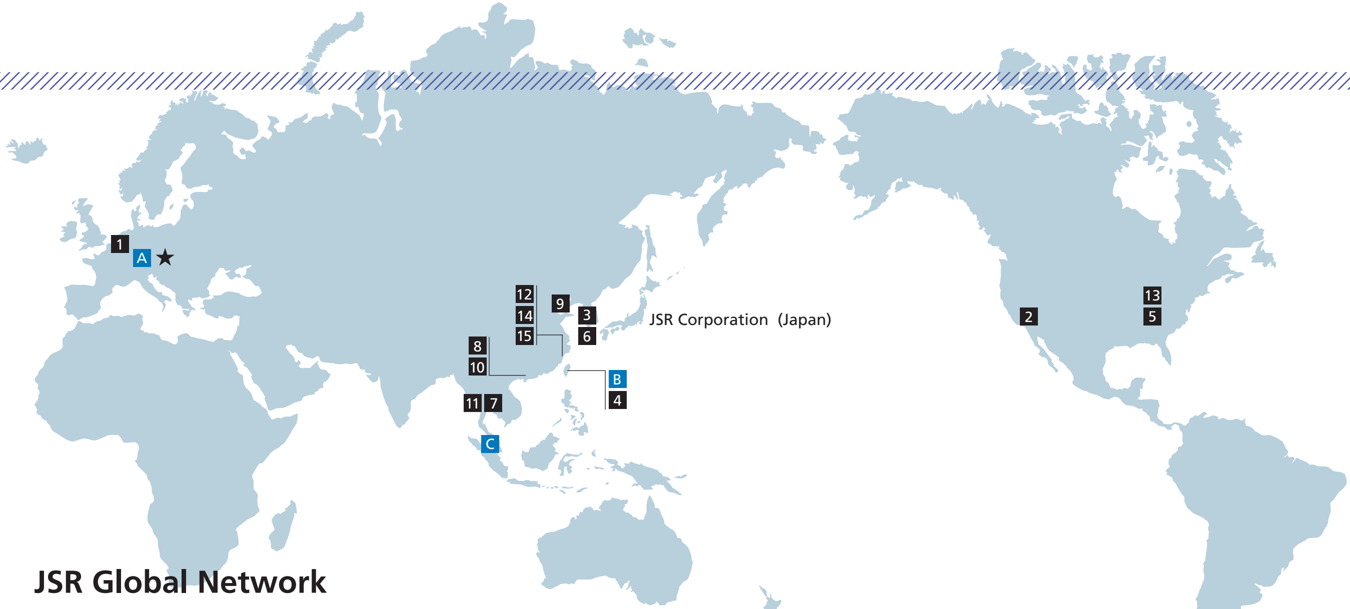
Global Structure of Petrochemical Products Segment

For some years, the Petrochemical Products segment, which engages mainly in synthetic rubber and synthetic resin products, has been building a global manufacturing and sales network. The Group has sales operations in major centers in China and Southeast Asia to closely monitor the needs of local customers in the automobile and electronics industries. The Company is establishing manufacturing bases in Asia to manufacture various products, ranging from synthetic rubber to carbon masterbatch (CMB).

We are also upgrading operations that manufacture synthetic rubber used in automotive parts and fuel-efficient tires, which have enjoyed growing demand in recent years. In addition to producing synthetic rubber for fuel-efficient tires at the Yokkaichi Plant in Japan, we also make and sell this product in collaboration with Styron Europe GmbH (formerly Dow Europe). Following the Company's recent decision to build a manufacturing site in Thailand, we are working to expand our production and sales operations, centering on Japan, Europe, and Asia.

Elastomix (Thailand) Co., Ltd. engages in the stable production and supply of CMB—a raw material used in synthetic rubber parts—for local automakers and parts manufacturers.





JSR Global Network

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

BRANCH OFFICES
Nagoya Branch
A Wallisellen Branch (Switzerland)
B Taiwan Office
C Singapore 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 and Other Products 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.

●Elastomers Business

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.

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

●Plastics Business

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

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

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.
Undertaking of general affairs, accounting, payroll calculation, welfare, computer system design, programing and system operation and maintenance.

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

OVERSEAS

●Fine Chemicals and Other Products 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 and 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

Each year, JSR publishes its CSR Report, both in English and Japanese. The report describes the Company's activities over a one-year period.

The JSR Group recognizes that corporate social responsibility (CSR) is a key management issue for sustained future growth. In line with this belief, we place top priority on legal compliance and fulfilling our responsibilities on a Group-wide basis.

JSR works to enhance CSR initiatives through business activities that focus on the environment and safety.

We believe that it is our social responsibility, as well as our duty to investors and all other stakeholders, to behave properly as a citizen of society and create a corporate culture that is worthy of everyone's trust.

Participation in United Nations Global Compact

In April 2009, the JSR Group became a participant in 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 fulfill our corporate social responsibilities.

Environmentally Friendly and Safety-Conscious Activities

As a chemicals manufacturer, the JSR Group has a responsibility to protect the global environment and pursue responsible care (RC) in order to ensure the safety and health of all employees, local residents, and customers. The Group adopts a range of RC initiatives at all plants in Japan and overseas. Specific examples include the introduction of machinery and equipment that help prevent global warming, initiatives aimed at reducing the amount of volatile organic compounds released into the atmosphere, and initiatives for the safe operation of plants. In addition to these on-site activities, we also encourage all Group employees to save energy at home.

Cogeneration system installed at the Yokkaichi Plant.

Social Contribution Activities

As a global corporate group with social responsibilities, the JSR Group has devised its own fundamental policy concerning the contributions it makes to society. Each plant makes use of its expertise to engage in activities at local schools and community facilities.

Individual employees also have their own way of contributing to local communities. To assist our employees, JSR has introduced a holiday system to encourage participation in volunteer activities. Also, Many members of the JSR Group implement social contribution activities, including companies in Taiwan and Belgium.

Yokkaichi employees conduct a lecture at local school.

In FTSE4 Good Index Series for 8th Consecutive Year

In 2010, JSR Corporation was included in the FTSE4 Good Index Series, an index that measures Socially Responsible Investment (SRI), for the eighth year in a row. The Index was established by the U.K.-based FTSE Group (an investing company jointly owned by the Financial Times and the London Stock Exchange). Investors worldwide with an interest in CSR use the benchmark index as an important tool when making investment decisions.

FTSE4Good

Ten-Year Summary

Fiscal year means year ended March 31

	FY2002	FY2003	FY2004	FY2005
For the fiscal year				
Net sales	¥220,058	¥247,139	¥275,071	¥305,368
Costs and expenses	211,246	226,345	242,452	260,035
Operating income	8,812	20,794	32,619	45,333
Interest and dividend income	411	431	397	519
Interest expenses	(757)	(750)	(693)	(475)
Income before income taxes and minority interests	7,915	17,855	30,378	43,471
Net income	4,728	10,991	19,353	27,564
Capital expenditures	13,265	16,048	17,156	18,134
Depreciation	16,507	16,489	14,970	15,245
At fiscal year-end				
Total assets	270,054	281,874	308,581	325,031
Long-term debt due after one year	22,934	24,208	13,920	13,857
Total liabilities	135,477	139,682	146,280	139,249
Equity	131,752	139,447	159,497	182,476
Current ratio (times)	1.5	1.6	1.6	1.8
Return on assets (%)	1.8	3.9	6.3	8.7
Return on equity (%)	3.6	7.9	12.9	16.1
Equity ratio (%)	48.8	49.5	51.7	56.1
Per share data (Yen and U.S. dollars)				
Net income	18.48	42.46	75.12	107.54
Cash dividends	6.00	7.00	9.00	14.00
Equity	514.93	544.94	623.14	717.13

Note: U.S. dollar amounts are translated, for convenience only, at ¥83.15 =US$1.00, the rate prevailing on March 31, 2011.

					Millions of yen	Thousands of U.S. dollars
FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2011
¥338,160	¥365,831	¥406,968	¥352,503	¥310,184	¥340,666	$4,097,001
284,803	310,588	346,958	322,155	289,954	301,571	3,626,832
53,357	55,243	60,010	30,348	20,230	39,095	470,169
635	1,030	1,309	1,230	568	626	7,530
(420)	(399)	(256)	(271)	(172)	(146)	(1,756)
49,038	53,440	54,867	20,803	19,458	40,674	489,165
30,555	33,655	36,994	13,981	13,645	27,571	332,872
23,361	22,094	29,076	19,081	17,707	11,801	141,921
16,206	18,133	21,180	24,833	22,380	19,245	231,452
381,097	408,949	416,951	339,498	373,566	390,591	4,697,425
1,607	2,745	1,525	1,500	1,500	1,028	12,367
164,389	168,963	159,288	97,512	122,865	126,475	1,521,043
212,751	235,186	252,539	240,896	249,440	262,679	3,159,098
1.7	1.8	1.9	2.5	2.3	2.4	
8.7	8.2	8.9	4.1	3.7	7.1	
15.5	15.0	15.2	5.7	5.6	10.8	
55.8	57.5	60.6	71.0	66.8	67.3	
119.63	133.10	147.26	56.36	55.87	113.07	1.37
20.00	24.00	32.00	32.00	26.00	32.00	0.38
836.31	935.47	1,009.27	986.33	1,021.31	1,077.29	12.96

Business Performance

In fiscal 2011 (April 1, 2010 to March 31, 2011), the JSR Group reported consolidated net sales of ¥340.7 billion, up 9.8% from the previous fiscal year. Operating income jumped 93.3%, to ¥39.1 billion, and net income rose 102.1%, to ¥27.6 billion. A major factor boosting revenue was a 15.9% increase in sales of the Petrochemical business, which complemented a 1.0% sales increase in the Fine Chemicals and Other Products business. Main reasons for the jump in operating income were the fact that cost of sales rose only 5.9% (vis-à-vis the 9.8% increase in net sales) and a 4.0% decline in selling, general, and administrative expenses.

Below is a report on the Group's performance by business segment. Effective the year under review, the Group applied "Accounting Standard for Disclosure of Segment Information" and changed its segment classification accordingly. There are now three segments: Fine Chemicals and Other Products, Elastomers, and Plastics. The Fine Chemicals and Other Products segment encompasses Semiconductor Materials, FPD Materials, and Strategic Businesses and Other. Meanwhile, the Petrochemical Products business is now segregated into the Elastomers segment and the Plastics segment. (the former Emulsion segment is now included Elastomers segment)

Business Segments

The JSR Group classifies its business according to product segments underpinned by business divisions and core Group companies. There are three business segments: Fine Chemicals and Other Products, Elastomers, and Plastics.

The Fine Chemicals and Other Products segment mainly covers the manufacture and sale of photoresist for semiconductor device fabrication, color LCD display materials, and optical fiber coating materials. The Elastomers segment mainly encompasses the manufacture and sale of general-purpose synthetic rubber for automobile tires, special high-performance rubber for automotive components, thermoplastic elastomers for plastic enhancement, and emulsion for paper coating. The Plastics segment mainly covers the manufacture and sale of ABS plastics for use in automobiles, OA equipment, and amusement machines.

Fine Chemicals and Other Products

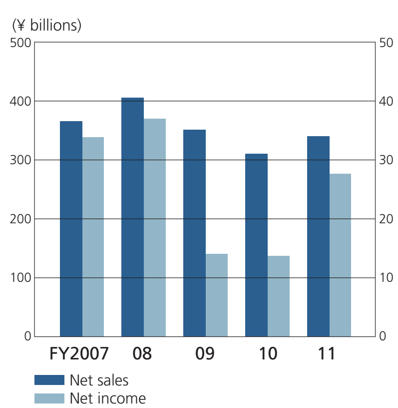
In fiscal 2011, sales in the Fine Chemicals and Other Prod-

Segment Sales/Operating Income

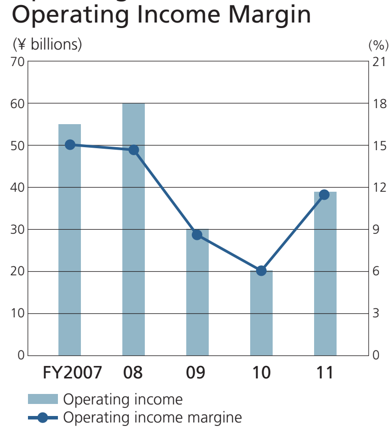
(¥ millions)

	FY2007	08	09	10	11
Fine Chemicals and Other Products Business	¥154,112	¥174,702	¥137,396	¥126,286	¥127,515
Operating income	36,398	43,805	20,082	19,859	21,793
Elastomer Business	147,105	163,421	150,085	136,086	160,854
Operating income	14,979	13,192	8,951	372	14,739
Plastics Business	64,614	68,845	65,022	47,812	52,297
Operating income	3,866	3,013	1,315	(1)	2,563
Net Sales	365,831	406,968	352,503	310,184	340,666
Operating income	¥55,243	¥60,010	¥30,348	¥20,230	¥39,095

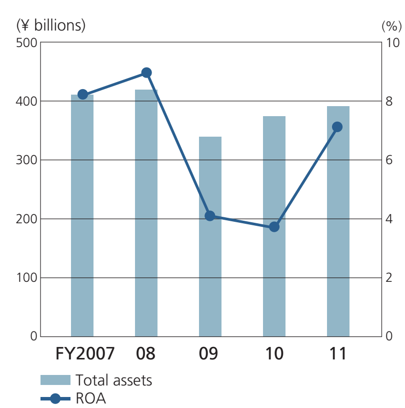
Net Sales/Net Income



Operating Income/
Operating Income Margin



Total Assets/ROA



ucts segment edged up 1.0% year-on-year, to ¥127.5 billion. However, operating income increased 9.7%, to ¥21.8 billion. The operating margin rose 1.4 points, from 15.7% to 17.1%.

Petrochemical Products

◆Elastomers

Sales in the Elastomers segment—including styrene-butadiene rubber, polybutadiene rubber, and emulsions—jumped 18.2%, to ¥160.9 billion, and operating income surged 3,860.1%, to ¥14.7 billion. The operating margin thus rose significantly, from 0.3% to 9.2%.

◆Plastics

In the Plastics segment, sales increased 9.4%, to ¥52.3 billion, and operating income rose from ¥0 million in the previous year to ¥2.6 billion in the year under review. Accordingly, the operating margin grew from 0% to 4.9%.

Financial Position

Assets

At March 31, 2011, total assets amounted to ¥390.6 billion, up ¥17.0 billion from a year earlier. Current assets rose ¥29.1 billion, to ¥258.7 billion. This was due mainly to a ¥7.6 billion increase in cash and a ¥22.0 billion rise in short-term investment securities.

Property, plant, and equipment declined ¥8.5 billion, to ¥79.8 billion. Intangible assets decreased ¥0.6 billion, to ¥5.3 billion, and investments and other non-current assets were down ¥3.1 billion, to ¥46.7 billion. Major changes compared with the previous fiscal year-end were a ¥4.4 billion decline in machinery, equipment, and vehicles and a ¥1.8 billion decrease in buildings and structures.

Liabilities

Total liabilities increased ¥3.6 billion, to ¥126.5 billion. Within this amount, current liabilities rose ¥6.1 billion, to ¥106.8 billion, and long-term liabilities declined ¥2.5 billion, to ¥19.6 billion. Major changes during the year included a ¥5.7 billion increase in notes and accounts payable—trade stemming from an increase in production activities and rising prices of raw materials. Another factor was a ¥2.9 billion rise in income taxes payable.

Net Assets

At fiscal year-end, the JSR Group had net assets of ¥264.1 billion, up ¥13.4 billion from a year earlier. During the year, shareholders' equity increased ¥15.4 billion, to ¥265.6 billion, and valuation and translation adjustments fell from minus ¥0.7 billion to minus ¥2.9 billion. Subscription rights to shares increased ¥0.1 billion, to ¥0.5 billion, and minority interests rose ¥0.1 billion, to ¥0.9 billion. Major changes within shareholders' equity included a ¥20.5 billion increased in retained earnings (boosted by net income) and a ¥2.2 billion decrease in foreign currency translation adjustment. As a result, the equity ratio rose 0.5 point, to 67.3%. Net assets per share increased ¥67.56, to ¥1,088.87.

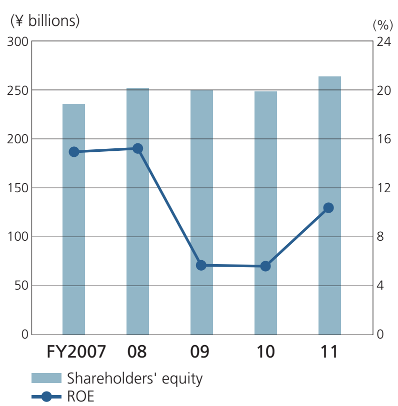
Cash Flows

At March 31, 2011, cash and cash equivalents stood as ¥67.5 billion, up ¥6.1 billion from a year earlier.

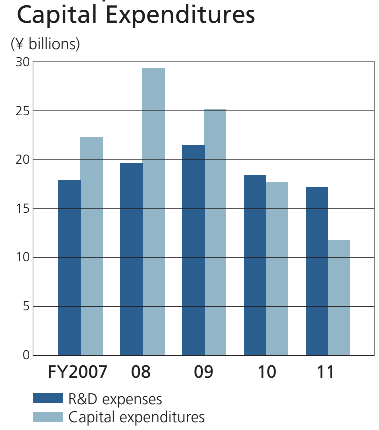
Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥54.3 billion, down ¥4.4 billion from the previous year. This was mainly due to an increase in income taxes paid accompanying a rise in income before income taxes. Another factor was a refund of income taxes in the previous fiscal year.

Shareholders' Equity/ROE



R&D Expenses/
Capital Expenditures



Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥35.1 billion, up ¥7.8 billion from the previous year. This was mainly due to an increase in fixed deposits (with terms of more than 3 months), which contrasted with a decrease in payments for purchase of property, plant, and equipment and intangible assets.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥12.3 billion, up ¥5.0 billion from the previous year. Major factors included cash dividends paid and purchase of treasury stock.

Profit Appropriation

With respect to profit appropriation, the Company strives to steadily increase cash dividends and strengthen its financial position, including through reinforcement of retained earnings. Retained earnings are allocated mainly to research and development and strategic investments, and the Company also emphasizes return to shareholders via purchases of treasury stock over the medium and long terms. Total cash dividends for the year under review amounted to ¥32.00 per share (including the interim dividend). The Company plans to pay annual dividends of ¥32.00 per share (including the interim dividend) in fiscal 2012.

Risk Information

The JSR Group is exposed to the following risks that may impact on operating results, financial position, cash flows and other aspects of performance. Forward-looking statements in this discussion are based on JSR's judgments as of March 31, 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 Petrochemical Products sector of elastomers, emulsions and plastics.

(3) Fluctuation in Exchange Rates

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

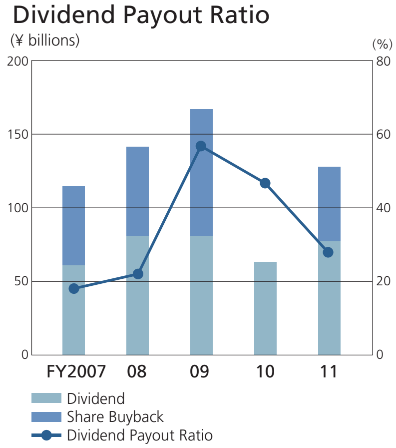
(4) Procurement of Raw Materials

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

(5) Development of New Products

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

Shareholder Return / Dividend Payout Ratio



products and adversely affect the JSR Group's operating results.

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

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

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

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

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

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

However, in the event that a spill occurs or that environmental regulations become stricter, the group's business activities could be restricted, the group may have to pay compensation and other expenses, or the group may have to make substantial capital 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 and Consolidated Subsidiaries
March 31, 2010 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2010	2011	2011
Current assets:			
Cash (Notes 3 and 5)	¥ 36,677	¥ 44,238	$ 532,024
Notes and accounts receivable — trade (Notes 4 and 5)	73,133	73,324	881,827
Short-term investment securities (Notes 3, 5 and 6)	34,000	55,996	673,439
Inventories	58,130	57,854	695,775
Deferred tax assets (Note 9)	4,291	4,523	54,397
Other current assets (Note 14)	23,340	22,780	273,965
Total current assets	229,571	258,715	3,111,427
Property, plant and equipment (Notes 7 and 10):			
Buildings and structures	30,654	28,857	347,048
Machinery, equipment and vehicles	29,201	24,831	298,634
Land	19,435	19,150	230,303
Construction in progress	3,855	3,099	37,271
Other tangible assets	5,176	3,911	47,033
Property, plant and equipment, net	88,321	79,848	960,289
Intangible assets	5,883	5,294	63,664
Investments and other non-current assets:			
Investment securities (Notes 5 and 6)	28,735	29,066	349,559
Deferred tax assets (Note 9)	6,299	5,146	61,892
Other assets (Notes 4 and 14)	14,757	12,522	150,594
Total investments and other non-current assets	49,791	46,734	562,045
Total assets	¥373,566	¥390,591	$4,697,425

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen 2010	Millions of yen 2011	Thousands of U.S. dollars (Note 1) 2011
Current liabilities:			
Notes and accounts payable — trade (Note 5)	¥ 59,653	¥ 65,381	$ 786,298
Short-term loans payable and current portion of long-term debt (Notes 5 and 7)	14,161	14,612	175,727
Income tax payable (Note 9)	5,837	8,780	105,592
Other current liabilities (Notes 9, 11 and 14)	21,100	18,058	217,178
Total current liabilities	100,751	106,831	1,284,795
Long-term liabilities:			
Allowance for retirement benefits (Note 8)	15,903	14,176	170,481
Allowance for environmental expenses	3,184	2,961	35,609
Other long-term liabilities (Notes 7, 9 and 14)	3,027	2,507	30,158
Total long-term liabilities	22,114	19,644	236,248
Contingent liabilities (Note 16)			
Net assets (Note 12)			
Shareholders' equity			
Common stock:			
Authorized — 696,061,000 shares			
Issued — 255,885,166 shares in 2010 and 2011	23,320	23,320	280,459
Capital surplus	25,179	25,179	302,819
Retained earnings	223,891	244,413	2,939,428
Less treasury stock, at cost 11,650,235 shares in 2010 and 11,648,666 shares in 2011	(22,219)	(27,320)	(328,569)
Accumulated other comprehensive income			
Unrealized gains on securities, net of taxes	3,610	3,606	43,369
Foreign currency translation adjustments	(4,341)	(6,519)	(78,408)
Subscription rights to shares (Note 13)	427	545	6,555
Minority interests	834	892	10,729
Total net assets	250,701	264,116	3,176,382
Total liabilities and net assets	¥373,566	¥390,591	$4,697,425

Consolidated Statements of Income

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2009, 2010 and 2011

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2010	2011	2011
Net sales (Note 18)	¥352,503	¥310,184	¥340,666	$4,097,001
Costs and expenses (Note 17):				
Cost of sales	263,018	235,479	249,281	2,997,968
Selling, general and administrative expenses	59,137	54,475	52,290	628,864
	322,155	289,954	301,571	3,626,832
Operating income (Note 18)	30,348	20,230	39,095	470,169
Other income (expenses):				
Interest and dividend income	1,230	568	626	7,530
Interest expenses	(271)	(172)	(146)	(1,756)
Loss on disposal of inventories	—	(1,728)	—	—
Gain (loss) on sale and disposal of property, plant and equipment	399	—	—	—
Foreign exchange gains (losses)	(993)	962	—	—
Equity in earnings of affiliated companies	1,150	1,764	3,206	38,553
Depreciation expenses of idle assets	(1,091)	(750)	—	—
Impairment loss of fixed assets (Note 10)	(6,042)	—	—	—
Loss on devaluation of investment securities	(1,887)	—	(1,063)	(12,785)
Loss on devaluation of inventories	(1,686)	—	—	—
Restructuring charges (Note 10)	—	(1,191)	(422)	(5,081)
Loss on disaster (Note 11)	—	—	(445)	(5,348)
Other — net	(354)	(225)	(177)	(2,117)
	(9,545)	(772)	1,579	18,996
	20,803	19,458	40,674	489,165
Income before income taxes and minority interests				
Income taxes (Note 9):				
Current	6,217	6,643	12,144	146,055
Deferred	(76)	(882)	852	10,238
	6,141	5,761	12,996	156,293
Income before minority interests	14,662	13,697	27,678	332,872
Minority interests in net income of consolidated subsidiaries	(681)	(52)	(107)	(1,291)
Net income	¥ 13,981	¥ 13,645	¥ 27,571	$ 331,581

	Yen			U.S. dollars (Note 1)
	2009	2010	2011	2011
Per share of common stock:				
Net income	¥ 56.36	¥ 55.87	¥ 113.07	$ 1.36
Diluted net income	56.31	55.81	112.91	1.36
Cash dividends applicable to the year	32.00	26.00	32.00	0.38

See accompanying notes.

Consolidated Statements of Comprehensive Income

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2009, 2010 and 2011

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2010	2011	2011
Income Before Minority Interests	¥14,662	¥13,697	¥27,678	$332,872
Other Comprehensive Income				
Unrealized gains on securities, net of taxes	(4,178)	2,952	(3)	(32)
Foreign currency translation adjustments	(3,499)	(40)	(1,757)	(21,139)
Share of other comprehensive income of associates accounted for using equity method	(1,774)	288	(455)	(5,476)
	¥ 5,211	¥16,897	¥25,463	$306,225
Comprehensive Income				
Comprehensive income attributable to				
Comprehensive income attributable to owners of the parent	¥ 4,921	¥16,830	¥25,390	$305,346
Comprehensive income attributable to minority interests	290	67	73	879

See accompanying notes.

Consolidated Statements of Changes in Net Assets

JSR Corporation and Consolidated Subsidiaries

Years ended March 31, 2009, 2010 and 2011

		Millions of yen							
	Number of shares of common stock (thousands)	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, 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
Net income	—	—	—	27,571	—	—	—	—	—
Increase of treasury stock	—	—	—	—	(5,114)	—	—	—	—
Disposal of treasury stock	—	—	—	(13)	13	—	—	—	—
Cash dividends paid	—	—	—	(7,083)	—	—	—	—	—
Decrease resulting from increase in consolidated subsidiaries	—	—	—	47	—	—	—	—	—
Net changes other than shareholders' equity	—	—	—	—	—	(4)	(2,178)	118	58
Balance at March 31, 2011	255,885	¥23,320	¥25,179	¥244,413	¥(27,320)	¥3,606	¥(6,519)	¥545	¥ 892
		Thousands of U.S. dollars (Note 1)							
Balance at March 31, 2010		$280,450	$302,819	$2,692,615	$(267,224)	$43,417	$(52,206)	$5,135	$10,028
Net income		—	—	331,581	—	—	—	—	—
Increase of treasury stock		—	—	—	(61,498)	—	—	—	—
Disposal of treasury stock		—	—	(153)	153	—	—	—	—
Cash dividends paid		—	—	(85,182)	—	—	—	—	—
Decrease resulting from increase in consolidated subsidiaries		—	—	567	—	—	—	—	—
Net changes other than shareholders' equity		—	—	—	—	(48)	(26,202)	1,420	701
Balance at March 31, 2011		$280,459	$302,819	$2,939,428	$(328,569)	$43,369	$(78,408)	$6,555	$10,729

See accompanying notes.

Consolidated Statements of Cash Flows

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2009, 2010 and 2011

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2010	2011	2011
Cash flows from operating activities:				
Income before income taxes and minority interests	¥20,803	¥19,458	¥40,674	$489,165
Adjustments to reconcile income before income taxes and minority interests to cash provided by operating activities:				
Depreciation and amortization	24,833	22,380	19,245	231,452
Interest and dividend income	(1,230)	(568)	(626)	(7,530)
Interest expenses	271	172	146	1,756
Equity in earnings of affiliated companies	(1,150)	(1,764)	(3,206)	(38,553)
Loss on disaster	—	—	445	5,348
Loss (gain) on sales and disposal of property, plant and equipment	(399)	—	—	—
Impairment loss of fixed assets	6,042	—	—	—
Loss on devaluation of investment securities	1,887	—	1,063	12,785
Changes in operating assets and liabilities — net:				
Decrease (increase) in notes and accounts receivable — trade	30,235	(20,453)	(922)	(11,088)
Decrease (increase) in inventories	(7,105)	19,484	(542)	(6,518)
Increase (decrease) in notes and accounts payable — trade	(38,012)	18,891	6,911	83,109
Other	11,217	(1,328)	(1,623)	(19,517)
Total	47,392	56,272	61,565	740,409
Interest and dividends received	2,592	2,090	1,863	22,405
Interest expenses paid	(276)	(175)	(149)	(1,789)
Income taxes paid	(15,787)	468	(9,020)	(108,477)
Net cash provided by operating activities	33,921	58,655	54,259	652,548
Cash flows from investing activities:				
Payment into time deposits	—	—	(15,000)	(180,397)
Payments for purchase of securities	—	(6,000)	(8,500)	(102,225)
Payments for purchase of property, plant and equipment and intangible assets	(22,736)	(18,982)	(13,309)	(160,062)
Payments for purchase of investment of subsidiaries and affiliates	(6,384)	—	—	—
Proceeds from sales of property, plant and equipment and intangible assets	408	—	—	—
Payments for purchase of investment securities	(636)	—	—	—
Proceeds from sales of investment securities	8	189	220	2,643
Proceeds from redemption of investment securities	2,000	—	—	—
Payments for loans receivable	(5,802)	(3,548)	(1,948)	(23,425)
Collection of loans receivable	2,880	2,618	2,530	30,424
Other — net	(6,203)	(1,620)	888	10,689
Net cash used in investing activities	(36,465)	(27,343)	(35,119)	(422,353)
Cash flows from financing activities:				
Net increase (decrease) in short-term loans payable	(1,162)	(221)	(158)	(1,900)
Repayment of long-term debt	(1,234)	(4)	(25)	(296)
Cash dividends paid	(7,974)	(7,082)	(7,084)	(85,196)
Cash dividends paid to minority shareholders	(167)	(11)	(15)	(182)
Purchase of treasury stock	(8,612)	(2)	(5,114)	(61,498)
Other — net	(3)	(5)	80	946
Net cash used in financing activities	(19,152)	(7,325)	(12,316)	(148,126)
Effect of exchange rate changes on cash and cash equivalents	(2,903)	37	(890)	(10,708)
Net increase (decrease) in cash and cash equivalents	(24,599)	24,024	5,934	71,361
Cash and cash equivalents at beginning of year	61,725	37,125	61,404	738,477
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	255	124	1,489
Cash and cash equivalents at end of year (Note 3)	¥37,125	¥61,404	¥67,462	$811,327

See accompanying notes.

Notes to Consolidated Financial Statements

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2009, 2010 and 2011

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 International Financial Reporting Standards.

The accounts of the Company's overseas subsidiaries and affiliates are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile and make necessary amendments for consolidated financial statements required by Practical Issues Task Force No. 18 issued by ASBJ. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese 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, 2011, which was ¥83.15 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 2011 (28 significant subsidiaries in 2009 and 2010).

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

Techno Polymer Guangzhou has been consolidated since 2011 due to increase of materiality, and Kyushu Gomu Kako Co., Ltd. has been excluded from the scope of consolidation since 2011 due to completion of liquidation.

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

Effective June 16, 2009, JSR Service Co., Ltd. merged JNT System Co., Ltd. and altered corporate name to JSR Business Service Co., Ltd.

(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 via the Consolidated Statements of Comprehensive Income (See (t) Consolidated Statements of Comprehensive Income). Realized gains and losses on sale of such securities are computed using moving-average cost. Available-for-sale securities with no available fair market values are stated at moving-average cost or amortized cost.

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

(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, ¥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) 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.

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

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

(h) Leased assets — Assets of finance leases that do not transfer ownership of lease property to the lessee is depreciated over the lease term using the straight-line method that residual value is zero.

(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) Allowance for 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 (Part 3)" (Statement No. 19 by ASBJ on July 31, 2008). The impact of this change did not have a material effect on 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) Allowance for loss on disaster — An allowance for loss on disaster is provided for estimated expenditure of restoring the facilities damaged by Great East Japan Earthquake.

(m) 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.

(n) 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.

(o) 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.

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

(q) 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.

(r) 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 adopts "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.

Effective April 1, 2010, the company adopted "Accounting Standard for Equity Method of Accounting for Investments" (Statement No.16 by ASBJ on March 10, 2008), and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (ASBJ Practical Issues Task Force No.24 issued on March 10, 2008).

Accordingly this change, the company integrated accounting treatment between investing company and equity method affiliates in principle. And the company made necessary adjustments for significant differences between Japanese GAAP and U.S.GAAP about foreign equity method affiliates. The adoption of this rule did not have a material effect on net income.

(s) 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.

(t) Consolidated Statements of Comprehensive Income — Effective for the year ended March 31, 2011, the Companies newly adopted "Accounting Standard for Presentation of Comprehensive Income" (Statement No.25 by ASBJ on June 30, 2010). Accordingly, the Company prepared the Statement of Comprehensive Income for the year ended March 31, 2009, 2010 and 2011.

(u) Asset Retirement Obligations — Effective April 1, 2010, the Company adopted "Accounting Standard for Asset Retirement Obligations" (Statement No.18 by ASBJ on March 31, 2008), and "Guidance on Accounting Standard for Asset Retirement Obligations" (Guidance No.21 by ASBJ on March 31, 2008). This change has had no significant impact on the Company's income in the current consolidated fiscal year. The adoption of this rule had no effect on net income.

(v) Segment Information — Effective April 1, 2010, the Company adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (Statement No.17 by ASBJ on March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Guidance No.20 by ASBJ on March 21, 2008). As a result, the Company disclosed segment information based on classification for a management decision and performance evaluation.

3. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2009, 2010 and 2011 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2009	2010	2011	2011
Cash	¥16,910	¥36,677	¥44,238	$532,024
Short-term investment securities	21,492	34,000	55,996	679,439
Time deposits over three months	(1,277)	(9,273)	(32,772)	(394,136)
Cash and cash equivalents	¥37,125	¥61,404	¥67,462	$811,327

4. Allowance for Doubtful Accounts

Allowance for doubtful accounts of March 31, 2010 and 2011 were as follows:

Allowance for doubtful accounts	Millions of yen 2010	Millions of yen 2011	Thousands of U.S. dollars 2011
Current asset : Notes and accounts receivable — trade	¥(766)	¥(751)	$(9,038)
Investments and other non-current assets: Other assets	(103)	(84)	(1,006)

5. Fair Value of Financial Instruments

The following is a summary of the amount on consolidated balance sheet, fair value and the difference between these two items by major financial instruments as of March 31, 2010 and 2011. Financial instruments which fair value is extremely difficult to estimate is excluded from the following table.

	Millions of yen		
	Book value	Fair value	Difference
March 31, 2010:			
(1) Cash	¥ 36,677	¥ 36,677	¥ —
(2) Notes and accounts receivable — trade	73,899	73,899	—
(3) Securities and investment securities	52,614	52,708	93
Total assets	¥ 163,190	¥ 163,284	¥ 93
(4) Notes and accounts payable — trade	59,653	59,653	—
(5) Short-term loans payable and current portion of long-term debt	14,161	14,161	—
Total liabilities	¥ 73,814	¥ 73,814	¥ —
March 31, 2011:			
(1) Cash	¥ 44,238	¥ 44,238	¥ —
(2) Notes and accounts receivable — trade	74,075	74,075	—
(3) Securities and investment securities	74,531	74,480	(51)
Total assets	¥ 192,844	¥ 192,793	¥ (51)
(4) Notes and accounts payable — trade	65,381	65,381	—
(5) Short-term loans payable and current portion of long-term debt	14,612	14,612	—
Total liabilities	¥ 79,993	¥ 79,993	¥ —

	Thousands of U.S. dollars		
March 31, 2011:			
(1) Cash	$ 532,024	$ 532,024	$ —
(2) Notes and accounts receivable — trade	890,865	890,865	—
(3) Securities and investment securities	896,343	895,732	(611)
Total assets	$2,319,232	$2,318,621	$(611)
(4) Notes and accounts payable — trade	786,298	786,298	—
(5) Short-term loans payable and current portion of long-term debt	175,727	175,727	—
Total liabilities	$ 962,025	$ 962,025	$ —

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

(1) Cash and cash equivalents, and time deposits

The carrying values of cash and cash equivalents, and time deposits approximate fair value because of there short maturities.

(2) Trade receivables

The fair value of trade receivables approximate fair value because of there short maturities.

(3) Securities and investment securities
The fair value of securities and investment securities are measured at the quoted market price of the stock exchange for the equity instruments. About negotiable deposit, commercial paper and cash in trust approximate fair value.

(4) Trade payables
Payable – trade notes and accounts approximate fair value because of there short maturities.

(5) Short term debt
Short term debt approximate fair value.

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

	Millions of yen		Thousands of U.S. dollars
Allowance for doubtful accounts	2010	2011	2011
Non-listed equity securities	¥10,120	¥10,531	$126,653

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

	Millions of yen				
	Due within one year	Due after one year and within five years	Due after five years and within ten years	Due over ten years	Total
March 31, 2010:					
(1) Cash	¥ 20,072	¥ 200	¥ —	¥ —	¥ 20,272
(2) Notes and accounts receivable — trade	73,899	—	—	—	73,899
(3) Securities and investment securities					
available-for-sale securities with fixed maturities	34,000	—	—	—	34,000
Total	¥127,971	¥ 200	¥ —	¥ —	¥128,171
March 31, 2011:					
(1) Cash	¥ 23,073	¥ 200	¥ —	¥ —	¥ 23,273
(2) Notes and accounts receivable — trade	74,075	—	—	—	74,075
(3) Securities and investment securities					
available-for-sale securities with fixed maturities	55,996	—	—	—	55,996
Total	¥153,144	¥ 200	¥ —	¥ —	¥153,344

	Thousands of U.S. dollars				
March 31, 2011:					
(1) Cash	$ 277,478	$ 2,405	$ —	$ —	$ 279,883
(2) Notes and accounts receivable — trade	890,865	—	—	—	890,865
(3) Securities and investment securities					
available-for-sale securities with fixed maturities	673,437	—	—	—	673,437
Total	$1,841,780	$ 2,405	$ —	$ —	$1,844,185

4. See Note7 for scheduled repayments of long term debt and lease liability.

6. 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, 2010 and 2011:

(a) Securities with book value exceeding acquisition cost

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

	Millions of yen		
	2011		
	Acquisition cost	Book value	Difference
Equity securities	¥11,384	¥17,549	¥6,165

	Thousands of U.S. dollars		
	2011		
	Acquisition cost	Book value	Difference
Equity securities	$136,905	$211,054	$74,149

(b) Securities with book value not exceeding acquisition cost

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

	Millions of yen		
	2011		
	Acquisition cost	Book value	Difference
Equity securities	¥ 598	¥ 517	¥ (81)

	Thousands of U.S. dollars		
	2011		
	Acquisition cost	Book value	Difference
Equity securities	$ 7,191	$ 6,212	$ (979)

(2) The following tables summarize the book value of available-for-sale securities with no available fair value as of March 31, 2010 and 2011:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Non-listed equity securities	¥ 2,866	¥ 1,826	$ 21,957
Commercial paper	—	22,996	276,564
Certificate of deposit	30,000	24,000	288,635
Other	4,000	9,000	108,238
Total	¥36,866	¥57,822	$695,394

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

	Millions of yen				
	Due within one year	Due after one year and within five years	Due after five years and within ten years	Due over ten years	Total
March 31, 2010:	¥ 34,000	¥ —	¥ —	¥ —	¥ 34,000
March 31, 2011:	¥ 55,996	¥ —	¥ —	¥ —	¥ 55,996
	Thousands of U.S. dollars				
March 31, 2011:	$673,437	$ —	$ —	$ —	$673,437

(4) Total sales of available-for-sale securities sold and the related gains and losses for the years ended March 31, 2009, 2010 and 2011 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2010	2011	2011
Total sales	¥ 8	¥177	¥200	$2,404
Gain	—	37	104	1,247
Loss	2	—	—	—

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

Short-term loans payable represent primarily overdrafts from banks bearing interest at 0.9% and 0.8% per annum (weighted average interest rate) at March 31, 2010 and 2011, respectively.

Long-term debt at March 31, 2010 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Loans principally from banks and insurance companies due through 2014 with interest rates 1.2% in 2010 and 2011:			
Secured	¥ 1	¥ 1	$ 12
Unsecured	1,499	1,570	18,886
	1,500	1,571	18,898
Less amount due within one year	—	(543)	(6,531)
	¥1,500	¥1,028	$12,367
Lease liability	30	43	520
Less amount due within one year	(8)	(12)	(150)
	¥ 22	¥ 31	$ 370

At March 31, 2011, property, plant and equipment, at book value of ¥8,475 million ($101,930 thousand) were pledged as collateral for secured loans.

The annual maturities of long-term debt at March 31, 2011 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
2012	¥ 543	¥12	$ 6,531	$149
2013	1,028	12	12,367	147
2014	—	9	—	107
2015	—	7	—	86
2016	—	3	—	31
2017 and thereafter	—	—	—	—
	¥1,571	¥43	$18,898	$520

8. Employees' Severance and Retirement Benefits

Allowance for retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2010 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Projected benefit obligation	¥49,044	¥48,734	$586,099
Less fair value of pension assets	(34,361)	(34,684)	(417,123)
Unfunded retirement benefit liabilities	14,683	14,050	168,976
Unrecognized actuarial differences	1,220	126	1,505
Net retirement benefit liabilities	15,903	14,176	170,481
Allowance for retirement benefits	¥15,903	¥14,176	$170,481

Included in the consolidated statements of income for the years ended March 31, 2009, 2010 and 2011 were retirement benefit expenses consisting of the following:

	Millions of yen			Thousands of U.S. dollars
	2009	2010	2011	2011
Service costs—benefits earned during the year	¥2,292	¥ 1,758	¥ 1,953	$ 23,492
Interest cost on projected benefits obligation	877	946	965	11,613
Expected return on plan assets	(368)	(324)	(275)	(3,311)
Amortization of prior service costs	(61)	—	—	—
Amortization of actuarial differences	417	1,679	(1,220)	(14,674)
Retirement benefit expenses	¥3,157	¥ 4,059	¥ 1,423	$ 17,120

The discount rates used by the Companies for the years ended March 31, 2010 and 2011 are mainly 2.2% and 2.1%, respectively. The rates of expected return on plan assets used by the Companies for the years ended March 31, 2010 and 2011 are mainly 1.0% and 0.9%, 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.

9. 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, 2009, 2010 and 2011:

	2009	2010	2011
Statutory tax rate	40.7%	40.7%	40.7%
Tax credit on research and development costs	(4.4)	(6.9)	(3.3)
Lower tax rates for foreign consolidated subsidiaries	(5.5)	(6.8)	(2.9)
Equity in earnings of affiliated companies	(2.2)	(3.7)	(3.2)
Valuation allowance	3.0	6.0	—
Other	(2.1)	0.3	0.7
Effective tax rate	29.5%	29.6%	32.0%

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2010 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Deferred tax assets:			
Excess retirement benefits	¥6,409	¥5,709	$ 68,658
Impairment loss of fixed assets	1,904	1,346	16,183
Excess bonuses accrued	1,603	1,642	19,743
Allowance for environmental expenses	1,294	1,202	14,456
Unrealized gain on sale of property, plant and equipment	1,054	907	10,909
Unrealized gain on sale of inventories	1,179	1,097	13,191
Loss carried forward	—	2,027	24,378
Other	4,727	3,152	37,917
Sub-total	18,170	17,082	205,435
Valuation allowance	(2,254)	(2,351)	(28,272)
Total deferred tax assets	15,916	14,731	177,163
Deferred tax liabilities:			
Deferred gain on sale of fixed assets	(2,807)	(2,560)	(30,783)
Net unrealized holding gains on securities	(2,475)	(2,473)	(29,740)
Other	(726)	(642)	(7,724)
Total deferred tax liabilities	(6,008)	(5,675)	(68,247)
Net deferred tax assets	¥9,908	¥9,056	$108,916

10. Impairment of Fixed Assets

The Companies recognized impairment losses on the following group of fixed assets for the year ended March 31, 2010 and 2011.

		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

		Millions of yen			
		2011			
Use	Location	Buildings and structures	Machinery, equipment and vehicles	Others	Total
Facility for plastic products	Yokkaichi City, Mie Prefecture	¥92	¥71	¥2	¥165

		Thousands of U.S. dollars			
		2011			
Use	Location	Buildings and structures	Machinery, equipment and vehicles	Others	Total
Facility for plastic products	Yokkaichi City, Mie Prefecture	$1,109	$858	$22	$1,989

The impairment loss for the year ended March 31, 2011, is included in restructuring charges of ¥422 million ($5,081 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 not being used for business activities are assessed individually. The book value of machinery and equipment etc. was written down to its recoverable value.

11. Loss on Disaster

Loss on earthquake disaster includes the following items in relation to the Great East Japan Earthquake. Estimated amounts of expenditures for restoring the damaged facilities (mainly loading berth at Kashima Plant), loss on inventories and others were ¥401 million ($4,816 thousand), ¥39 million ($475 thousand) and ¥5 million ($57 thousand), respectively.

12. Net Assets

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

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

Under Japanese Commercial Code ("the Code"), companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by the resolution of the shareholders' meeting. Under the Law, 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 the Japanese laws and regulations.

At the annual shareholders meeting held on June 17, 2011, the shareholders resolved cash dividends amounting to ¥3,860 million ($46,420 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2011. Such appropriations are recognized in the period in which they are resolved.

13. Stock Option Plans

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

Date of resolution of the general shareholders' meeting	June 17, 2005	June 16, 2006	June 15, 2007
The maximum number of shares to be issued	62,500 shares	39,100 shares	48,500 shares
Exercisable period of stock options	From June 18, 2005 to June 17, 2025	From August 2, 2006 to June 16, 2026	From July 11, 2007 to July 10, 2027
Stock subscription rights which have been vested			
Outstanding as of March 31, 2011	43,600 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	June 18, 2010
The maximum number of shares to be issued	73,900 shares	80,200 shares	84,200 shares
Exercisable period of stock options	From July 16, 2008 to July 15, 2028	From July 15, 2009 to July 14, 2029	From July 14, 2010 to July 13, 2030
Stock subscription rights which have been vested			
Outstanding as of March 31, 2011	73,900 shares	80,200 shares	84,200 shares
Exercise price per share	¥ 1	¥ 1	¥ 1
	$0.01	$0.01	$0.01

14. 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 hedging instruments and the hedged items.

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

Foreign exchange forward contracts 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 derivative

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, 2010 and 2011 were as follows:

(a) Related to currencies

	Millions of yen			
	Contract amount	Over one year	Market value	Recognized gains or losses
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
March 31, 2011:				
Items not traded on exchanges				
Foreign exchange forward contracts				
Selling:U.S. Dollars	¥2,528	¥ —	¥2,536	¥ (8)
Euro	546	—	573	(27)
Buying:U.S. Dollars	266	—	269	3
Euro	101	—	105	4
Swiss Franc	9	—	9	0
Foreign currency swaps				
receiving Japanese Yen paying, Taiwanese dollar	2,909	1,805	613	613
Total	¥ —	¥ —	¥ —	¥585

	Thousands of U.S. dollars			
	Contract amount	Over one year	Market value	Recognized gains or losses
March 31, 2011:				
Items not traded on exchanges				
Foreign exchange forward contracts				
Selling:U.S. Dollars	$30,406	$ —	$30,499	$ (93)
Euro	6,567	—	6,891	(324)
Buying:U.S. Dollars	3,199	—	3,230	31
Euro	1,218	—	1,270	52
Swiss Franc	113	—	117	4
Foreign currency swaps				
receiving Japanese Yen paying, Taiwanese dollar	34,987	21,718	7,369	7,369
Total	$ —	$ —	$ —	$7,039

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.

15. Information for Certain Lease Payments

As described in Note 2. (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
	2010	2011	2011
Machinery, equipment and vehicles:			
Purchase price equivalent	¥149	¥134	$1,613
Accumulated depreciation equivalent	108	117	1,413
Book value equivalent	¥ 41	¥ 17	$ 200
Tools, furniture and fixtures:			
Purchase price equivalent	¥ 62	¥ 37	$ 444
Accumulated depreciation equivalent	38	31	367
Book value equivalent	¥ 24	¥ 6	$ 77
Total:			
Purchase price equivalent	¥211	¥171	$2,057
Accumulated depreciation equivalent	146	148	1,780
Book value equivalent	¥ 65	¥ 23	$ 277

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

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Due within one year	¥ 35	¥ 22	$ 270
Due over one year	30	1	7
	¥ 65	¥ 23	$ 277

(3) Lease expenses and depreciation equivalent:

	Millions of yen			Thousands of U.S. dollars
	2009	2010	2011	2011
Lease expenses	¥119	¥ 56	¥ 35	$ 417
Depreciation equivalent	119	56	35	417

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.

16. Contingent Liabilities

At March 31, 2011, the Company and certain consolidated subsidiaries were contingently liable as guarantors for loans of employees and others in the amount of ¥31 million ($379 thousand).

17. Research and Development Expenses

Research and development expenses of the Companies for the years ended March 31, 2009, 2010 and 2011 were ¥21,061 million, ¥18,052 million and ¥16,939 million ($203,713 thousand), respectively, which are included in selling, general and administrative expenses or manufacturing costs.

18. Segment Information

As described in Note 2. (v), the companies change the methodology of presentation of Segment information. The main point is to have included Emulsions segment in Elastomers segment. Therefore, the Companies' business segments are classified into the following three business segments: (1) Elastomers business, (2) Plastics business, and (3) Fine chemicals and other products business.

A summary of net sales, costs and expenses, operating income, identifiable assets, depreciation, impairment loss and capital expenditures by segment of business activities for the years ended March 31, 2009, 2010 and 2011 was as follows:

	Millions of yen					
	Elastomers	Plastics	Fine chemicals and other products	Total	Reconciliation	Consolidated
For 2009:	—					
Sales to external customers	¥150,085	¥65,022	¥137,396	¥352,503	¥ —	¥352,503
Inter-segment sales/transfers	4,702	—	—	4,702	(4,702)	—
Operating income	¥ 8,951	¥ 1,315	¥ 20,082	¥ 30,348	¥ —	¥ 30,348
Identifiable assets	¥145,919	¥30,522	¥124,680	¥301,121	¥ 38,377	¥339,498
Depreciation and amortization	8,025	1,619	15,189	24,833	—	24,833
Impairment loss	—	598	5,444	6,042	—	6,042
Capital expenditures	8,461	1,639	8,982	19,082	—	19,082
Amortization of goodwill	—	—	—	—	—	—
Goodwill	—	885	—	885	—	885
For 2010:						
Sales to external customers	¥136,086	¥47,812	¥126,286	¥310,184	¥ —	¥310,184
Inter-segment sales/transfers	3,386	—	—	3,386	(3,386)	—
Operating income	¥ 372	¥ (1)	¥ 19,859	¥ 20,230	¥ —	¥ 20,230
Identifiable assets	¥145,110	¥31,895	¥123,844	¥300,849	¥ 72,717	¥373,566
Depreciation and amortization	9,007	1,450	11,923	22,380	—	22,380
Impairment loss	211	—	—	211	—	211
Capital expenditures	6,376	922	10,409	17,707	—	17,707
Amortization of goodwill	—	44	—	44	—	44
Goodwill	—	841	—	841	—	841

	Millions of yen					
	Elastomers	Plastics	Fine chemicals and other products	Total	Reconciliation	Consolidated
For 2011:						
Sales to external customers	¥160,854	¥52,297	¥127,515	¥340,666	¥ —	¥340,666
Inter-segment sales/transfers	4,331	—	—	4,331	(4,331)	—
Operating income	¥14,739	¥ 2,563	¥ 21,793	¥ 39,095	¥ —	¥ 39,095
Identifiable assets	¥145,293	¥32,170	¥109,682	¥287,145	¥103,446	¥390,591
Depreciation and amortization	8,516	1,320	9,409	19,245	—	19,245
Impairment loss	—	165	—	165	—	165
Capital expenditures	5,123	1,286	5,392	11,801	—	11,801
Amortization of goodwill	—	44	—	44	—	44
Goodwill	—	797	—	797	—	797

	Thousands of U.S. dollars					
For 2011:						
Sales to external customers	$1,934,504	$628,946	$1,533,551	$4,097,001	$ —	$4,097,001
Inter-segment sales/transfers	52,089	—	—	52,089	(52,089)	—
Operating income	$ 177,255	$ 30,822	$ 262,092	$ 470,169	$ —	$ 470,169
Identifiable assets	$1,747,358	$386,897	$1,319,081	$3,453,336	$1,244,089	$4,697,425
Depreciation and amortization	102,419	15,871	113,162	231,452	—	231,452
Impairment loss	—	1,989	—	1,989	—	1,989
Capital expenditures	61,607	15,469	64,845	141,921	—	141,921
Amortization of goodwill	—	532	—	532	—	532
Goodwill	—	9,584	—	9,584	—	9,584

Assets in reconciliation are related mainly to Cash, Short-term investment 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 use the valuation method to devaluate a book value to reflect the lower profitability. As a result of this change, the operating income decreased ¥1,102 million in Elastomers segment, ¥17 million in Emulsions segment, ¥57 million in Plastics segment and ¥1,683 million in Fine chemicals and other products segment.

Geographic segment information with respect to net sales for the years ended March 31, 2009, 2010 and 2011 was as follows:

	Millions of yen			
	Japan	Korea	Others	Total
For 2009:	¥208,957	¥37,893	¥105,653	¥352,503
For 2010:	¥171,305	¥40,574	¥ 98,305	¥310,184
For 2011:	¥190,031	¥39,106	¥111,529	¥340,666

	Thousands of U.S. dollars			
For 2011:	$2,285,405	$470,303	$1,341,293	$4,097,001

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

China, Taiwan, Thailand, United States, Belgium

Geographic segment information with respect to property, plant and equipment for the years ended March 31, 2009, 2010 and 2011 was as follows:

	Millions of yen		
	Japan	Others	Total
For 2009:	¥81,110	¥10,367	¥91,477
For 2010:	¥79,249	¥ 9,072	¥88,321
For 2011:	¥70,713	¥ 9,135	¥79,848
	Thousands of U.S. dollars		
For 2011:	$850,428	$109,861	$960,289

Major customer information with respect to sales for the years ended March 31, 2009, 2010 and 2011 was as follows:

	Customer Name	Segment	Millions of yen Sales
For 2009:	BRIDGESTONE Corporation	Elastomers	¥39,059
For 2010:	BRIDGESTONE Corporation	Elastomers	¥28,025
For 2011:	BRIDGESTONE Corporation	Elastomers	¥34,496
			Thousands of U.S. dollars
For 2011:	BRIDGESTONE Corporation	Elastomers	$414,868

19. Related Parties

Significant transactions and balances of JSR Corporation with related parties as of and for the years ended March 31, 2009, 2010 and 2011 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2010	2011	2011
BRIDGESTONE Corporation (a major shareholder):				
Sales	¥38,663	¥27,749	¥34,261	$412,042
Notes and accounts receivable	9,157	13,328	11,793	141,828
KRATON JSR Elastomers K.K. (an affiliated company):				
Purchases	10,867	—	—	—
Notes and accounts payable	4,219	—	—	—
JM Energy Corporation (an affiliated company):				
Loans	3,000	—	—	—
Loans receivable	3,000	—	—	—
Tobu Butadiene Co., Ltd. (an affiliated company):				
Purchases	—	9,855	12,071	145,170
Notes and accounts payable	—	4,827	5,093	61,250
Provision of materials for processing	—	7,607	9,575	115,148
Accounts receivable — other	—	3,960	4,400	52,912

20. Subsequent Events

At the June 17, 2011 annual meeting, the Companies' shareholders approved the following appropriations of retained earnings: Payment of a year-end cash dividend of ¥16.00 per share aggregating ¥3,860 million ($46,420 thousand).

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, 2011and 2010, and the related consolidated statements of income, other comprehensive income ,changes in net assets and cash flows for each of the three years in the period ended March 31, 2011, 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, 2011 and 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2011, 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, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

(KPMG AZSA LLC)

Tokyo, Japan
June 17, 2011

Corporate Data (As of March 31, 2011)

JSR Corporation

Established
December 10, 1957

Capital (Common Stock)
¥23,320 million ($280 million)

Employees
5,259

Closing date
JSR books are closed on March 31, each year.

Annual General Meeting Shareholders
The annual general meeting of shareholders is held in June each year. The 2011annual general meeting was held on June 17.

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

Auditors
KPMG AZSA & Co.

Shareholders Information (As of March 31, 2011)

Stock Listing
Tokyo Stock Exchange, Osaka Securities Exchange

Number of Shares Issued
255,885,166 shares

Number of Shareholders
22,431

Major Shareholders

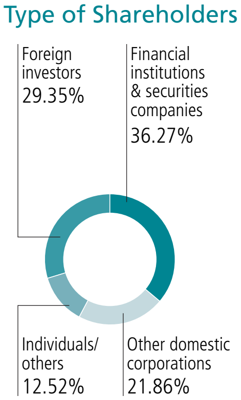
	Percentage of shares held (%)	Number of shares held (thousands)
Bridgestone Corporation	15.97	40,866
Japan Trustee Services Bank, Ltd. (Trust Account)	6.59	16,869
The Master Trust Bank of Japan, Ltd. (Trust Account)	4.49	11,495
The Master Trust Bank of Japan, Ltd. (Trust Account) (Number of Retirement Allowance Trust Shares of Mitsubishi Chemical Corporation)	3.86	9,888
Nippon Life Insurance Company	2.34	5,998
The Chase Manhattan Bank 385036	2.07	5,298
Mizuho Coporate Bank, Ltd.	2.00	5,125
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1.85	4,757
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	1.53	3,935
Meiji Yasuda Life Insurance Company	1.41	3,631

* 14,644,993 shares of treasury stock held by the Company are not included in the above breakdown of major shareholders.

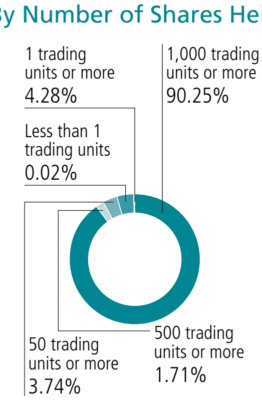
Composition of Shareholders

	Shareholders	Shares held (thousand)
Individuals and others	21,591	32,033
Foreign corporation and individuals	425	75,115
Other domestic corporations	289	55,935
Financial institutions	84	91,682
Securities companies	41	1,116
Total	22,431	255,885

By Type of Shareholders



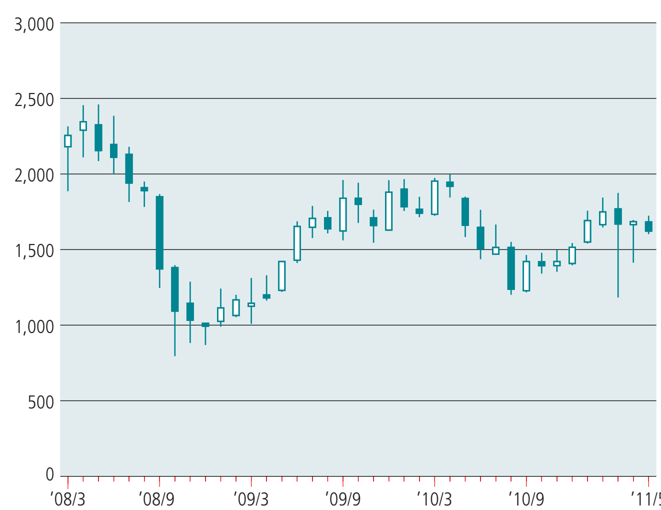
By Number of Shares Held



Common stock price range

(Yen/share: Tokyo Stock Exchange)

		1st Q	2nd Q	3rd Q	4th Q
FY2004	High	1,477	2,080	2,540	2,435
	Low	1,141	1,429	1,795	2,055
FY2005	High	2,520	2,180	2,265	2,255
	Low	1,892	1,655	1,790	2,040
FY2006	High	2,395	2,635	3,150	2,810
	Low	2,000	2,175	2,370	3,040
FY2007	High	3,710	2,930	3,170	3,240
	Low	2,535	2,280	2,505	2,530
FY2008	High	2,985	3,120	3,020	2,875
	Low	2,540	2,445	2,465	1,886
FY2009	High	2,460	2,180	1,397	1,312
	Low	2,000	1,246	795	990
FY2010	High	1,687	1,960	1,959	1,974
	Low	1,162	1,561	1,545	1,714
FY2011	High	1,999	1,666	1,543	1,875
	Low	1,436	1,201	1,341	1,183



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