

JSR Corporation

ANNUAL REPORT
For the year ended March 31, 2012

2012



Materials Innovation



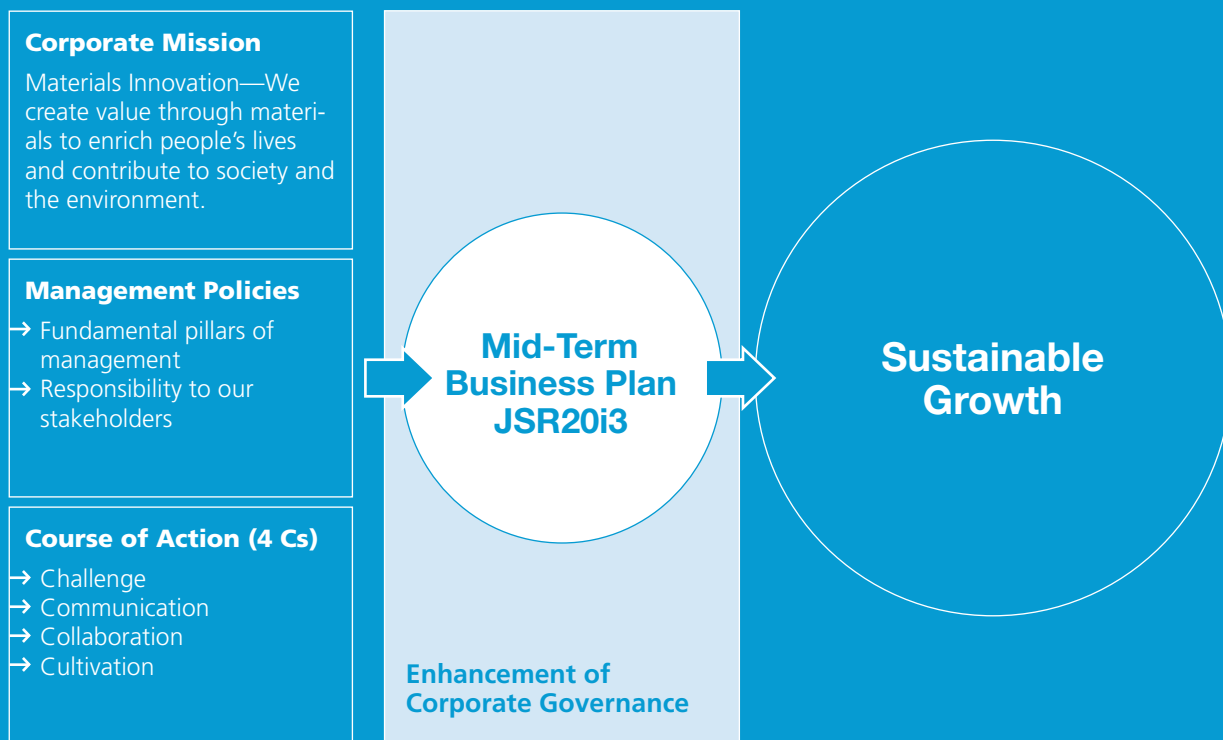
With chemistry, we can.

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's Essential Elements consists of its Corporate Mission ("significance of existence"), Management Policies (evaluation standards), and Course of Action (individual work styles). The Corporate Mission is to create value through materials to enrich society, people, and the

environment. In this process, it is important that we act with integrity as a good corporate citizen and live up to the trust that our stakeholders place in us. Our Group CSR represents the initiatives we employ to successfully achieve our mission, and as such we view CSR as a key management issue.



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

Mid-Term Business Plan

JSR Corporation recently launched its 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 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.)

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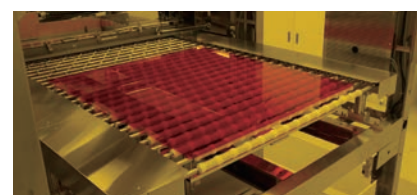
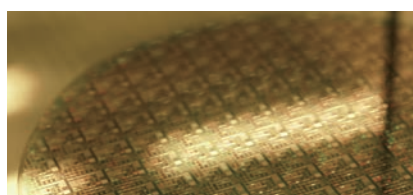
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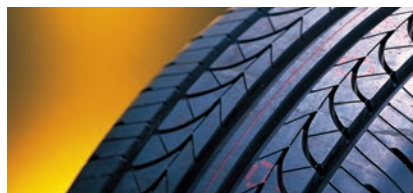
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Financial Highlights

Net Sales

Up 2.7% to
¥349.9 billion

Operating Income

Down 8.0% to
¥35.9 billion

Net Income

Down 4.2% to
¥26.4 billion

Equity

Up 6.9% to
¥280.9 billion

ROE

Down 1.1 point to
9.7%

Equity Ratio

Down 2.1 point to
65.2%

The JSR Group's major customer industry, tires for automobiles, maintained strong operations throughout the year, responding to worldwide growth in demand. With the help of production capacity expansion and optimization of supply chains and production, the Petrochemical Products Business achieved the highest operating income in its history.

On the other hand, the Fine Chemicals Business, which has a high overseas sales ratio, was negatively affected by falling global demand for LCD televisions, as well as the strong yen.

As a result, consolidated revenue and earnings fell well under targets, although the Group net sales topped the figure of the previous term.

mitsunobu koshiba
Representative Director and
President



In the year under review, the JSR Group's Petrochemical Products business grew on the back of an upturn in the global automobile industry and rising demand for fuel-efficient tires. However, uncertainty in the semiconductor and flat panel display (FPD) sectors resulted in a decline in revenue and earnings in the Fine Chemicals segment.

Performance Overview

In fiscal 2012, ended March 31, 2012, the JSR Group faced extremely challenging business conditions, such as the Great East Japan Earthquake and tsunami, a slump in LCD markets, very volatile prices for key raw materials, and the yen's prolonged and historic appreciation. Amid these circumstances, although net sales increased 2.7% year-on-year, to ¥349.9 billion, the Company fell short of achieving its initial earnings targets. Operating income fell 8.0%, to ¥35.9 billion, and net income decreased 4.2%, to ¥26.4 billion. Rising prices of raw materials and the yen's appreciation also had a negative impact on earnings.

The disaster had a huge effect on the Japanese economy, although it began to recover with the resumption of production activities following the restoration of supply chains. Moreover, Japanese manufacturers in Thailand that had sustained flood damage were back to normal operations by the fall of 2011. Nonetheless, the challenging operating environment continued amid the yen's rise to historic levels and volatile prices of crude oil and its derivatives.

With respect to the JSR Group's major customer industries, domestic automobile production, which declined sharply after the disaster, began to recover faster than expected. Furthermore, automobile tire production, which was only slightly affected, remained strong throughout the year thanks to worldwide growth in demand. In the semiconductor industry, demand for smartphones and multifunctional mobile terminals increased, although demand for DRAMs for personal computers remained mostly unchanged from fiscal 2011. Sales of flat panel displays slumped due to falling global demand for LCD televisions, resulting in considerably lower capacity utilization rates at leading panel manufacturers.



Meanwhile, the price of naphtha, a key raw material in the Petrochemical Products segment, rose in the first and fourth quarters of fiscal 2012. These price increases placed pressure on earnings in this business segment.

In response to these conditions, we strove to quickly restore and optimize production and the supply chain in order to minimize the disaster's impact on the Petrochemical Products business. In terms of business development, we expanded production capacity for globally competitive products, such as S-SBR, to satisfy growing demand for fuel-efficient tires. At the same time, we adjusted sales prices to compensate for significant changes in raw material prices. In the Fine Chemicals business, we focused on expanding sales of technical cutting-edge products, such as ArF photoresists for immersion lithography and new alignment films. Thanks to these efforts, we increased the market shares of these competitive offerings. We also promoted E-100 plus, a project to enhance and improve our earnings structure, by implementing continuous cost reductions, improving productivity, and pursuing other efforts throughout all Group companies.

In Strategic Businesses, we worked to reinforce our business foundation through organizational reforms aimed at future business expansion and establishment of new manufacturing infrastructure.

Outlook

The outlook for the Japanese economy in fiscal 2013, ending March 2013, is for a mild upturn owing to full-scale recovery from the Great East Japan Earthquake. We also see signs of recovery in the North American economy and moderate growth in emerging countries, such as China. However, sluggishness in the European economy and volatile prices of crude oil and petrochemical raw materials are leading to continuing uncertainty about the future.

We looked forward to increased production in the automobile sector, a major user industry for products made by the Petrochemical Products segment. This forecast is based on expectations of tax incentives for new eco-cars and other government subsidies, an increase in vehicle exports to emerging markets, and ongoing growth in demand for automobile tires. The Group is targeting higher sales and earnings from full utilization of increased solution polymerization styrene butadiene rubber (S-SBR) production capacity at the Yokkaichi Plant, which was implemented to address a leap in demand for fuel-efficient tires.

In the Fine Chemicals segment, we forecast strong demand for smartphones and multifunctional mobile devices from the semiconductor and FPD industries. However, given the uncertain prospects of a recovery in demand for personal computers and LCD televisions, the segment's operating environment remains unpredictable. In response, the JSR Group will focus on developing cutting-edge materials, expanding sales, and reinforcing profitability by making good use of the global production, supply, and development structures we have put in place aimed at increasing revenue and earnings.

For fiscal 2013, we forecast consolidated net sales of ¥405.0 billion (up 15.7% year-on-year), operating income of ¥42.0 billion (up 16.8%), and net income of ¥29.0 billion (up 9.8%). These forecasts assume an exchange rate of ¥80.00 per U.S. dollar and a naphtha price of ¥54,000 per kiloliter.

Basic Policy on Profit Appropriation

With respect to profit appropriation, the Company regards business growth over the long term as its top priority. To generate sustainable long-term growth, we strive to increase competitiveness by developing new businesses through the reinforcement of research and development activities.

Following this basic policy, we will appropriate profits in line with our consolidated performance while paying continuous, stable cash dividends based on comprehensive consideration of a balance between appropriating profits and retaining earnings necessary for future business advancement. We allocate retained earnings to R&D activities linked to future growth businesses, as well as to strategic investments. The Company works hard to return profits to shareholders by enhancing corporate value and through the purchase of treasury stock over the medium and long terms.

Mid-Term Business Plan “JSR20i3”

The JSR Group is currently executing its mid-term business plan, entitled “JSR20i3,” covering the three-year period from April 2011 to March 2014. The use of the letter “i” in “20i3” emphasizes our corporate mission, which is “Materials Innovation—We create value through materials to enrich people’s lives and contribute to society and the environment.” The plan signifies the first stage of policies that will guide the JSR Group’s evolution to its envisioned position in fiscal 2021 based on an analysis of predicted business conditions through to 2030.

Under the plan, the JSR Group is targeting top global market shares for highly competitive products made in its core businesses, namely the Petrochemical Products and Fine Chemicals segments. In addition, we will accelerate the launch of Strategic Businesses that we have been focusing on since fiscal 2009. In these ways, we will swiftly transform Strategic Businesses into a third business pillar on a par with our two core segments. We are targeting operating income of ¥60 billion by fiscal 2014, the final year of “JSR20i3,” and ¥75 billion and ¥100 billion by fiscal 2016 and fiscal 2021, respectively. Our goal is to become regarded as a ¥1 trillion company in terms of total market value by fiscal 2021.

JSR group long-term business targets



Mid-term Business Plan “JSR20i3”

Business Growth Scenario

The analysis of predictions through 2030 identified three major factors that will impact the environment: global warming, the rise of emerging economies, and emergence of gas-based ethylene plants. While these factors represent risks, at the same time they also present new business opportunities.

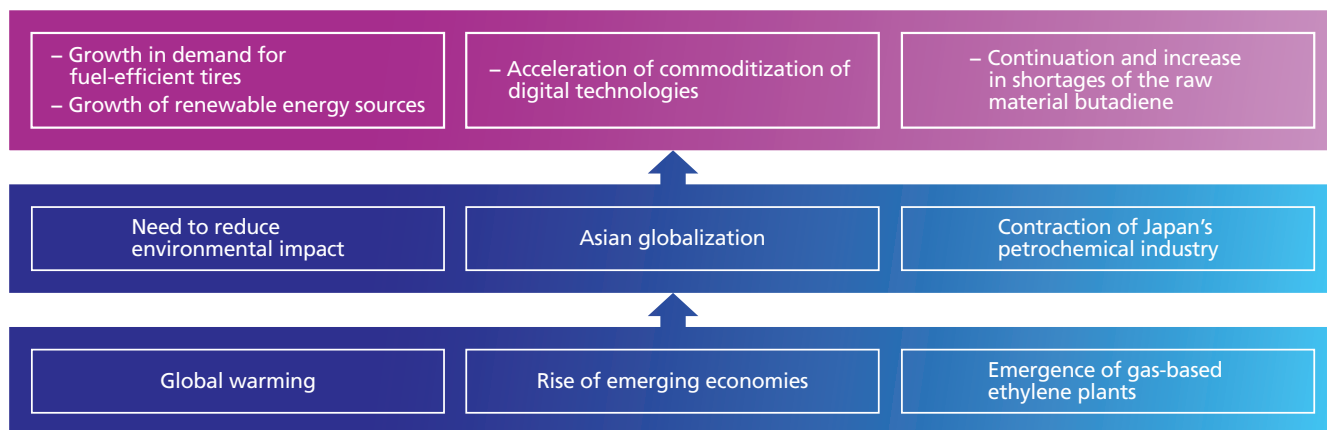
Let us take a look at one measure for preventing global warming being adopted in the field of petrochemicals. To promote the use of fuel-efficient tires, automobile tire industries around the world are introducing new tire labeling systems that grade tires according to rolling resistance and wet grip performance. It is expected that these systems will see the proliferation and growth of fuel-efficient tires.

Another recent change within the global petrochemicals industry is the abundance of natural gas and shale gas stocks that can be used as substitutes for naphtha. This is revolutionizing the global structure of the petrochemical industry. In Japan, too, the outlook is for industry contraction accompanying the restructuring of ethylene plants.

In the information technology industry, as well, the JSR Group views the commoditization of digital technologies and the shift of IT businesses to Asia as exciting impacts on our businesses.

Predicted Changes up to 2030

Impacts on JSR and the JSR Group



In light of this outlook for increasingly uncertain and diversified business conditions, the JSR Group will strive to achieve the targets set for fiscal 2014, the final year of "JSR2013." We will steadily tackle future business challenges by adapting to the changing environment with speed, flexibility, and sensitivity.

Fields of Focus

The JSR Group seeks to expand Strategic Businesses into a core segment on a par with our mainstay operations in Fine Chemicals and Petrochemical Products. We are working hard to expand businesses in three areas: precision materials and processing, environment and energy, and biomedical materials for life sciences.

In the precision materials and processing business, we will offer competitive products by deploying our materials development capabilities, micro-fabrication technologies, and added functionalities. We will also take advantage of ARTON™ heat-resistant transparent resin to expand sales of retardation films for mobile terminals and mobile phone camera lenses.

With respect to the environment and energy, in the lithium ion capacitor business, handled by consolidated subsidiary JM Energy Corporation, we added ultra low resistance flat prismatic type cells to our product lineup and marketed these offerings for transportation and vehicle applications. They have also found increasing commercial applications in instantaneous power drop/interruption backup units.

In life sciences, we have built a business foundation by establishing JSR Life Sciences Corporation and a joint venture in China called J&W Beijing Biotech Co., Ltd., as well as by making strategic investments in European companies. We will continue establishing business systems on a global scale by utilizing our cutting-edge particle and micro-fabrication technologies as differentiating factors, in order to accelerate development of particles for purification of antibody drugs, particle materials used in diagnostic products, and medical polymers.

Enhancing Corporate Governance

JSR constantly focuses on the soundness and transparency of its corporate constitution so that it adheres to its corporate mission and continues to achieve sustainable growth and enrich people's lives through the provision of materials and products.

We are constantly improving our system of corporate governance. In the year under review, we made a change to the Board of Directors, the Company's highest body with decision-making authority. To ensure the transparency of the Board of Directors, we have a corporate auditor system in which our four corporate auditors, three of whom are outside auditors, attend Board meetings. In fiscal 2012, we further strengthened this oversight function by appointing two outside directors, bringing the total number of directors to six. This reform has contributed to more lively and in-depth discussions at Board meetings.

The Company will continue striving to enhance corporate value. Seeking to improve shareholder value as well, we will endeavor to strengthen R&D from a long-term perspective. In particular, we will step up R&D in Strategic Businesses, with top priority on accelerating their transformation into full-scale operations. In addition, we will reinforce global competitiveness by developing products with unique material technologies. Here, our aim is to improve our business performance over the long term.

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



MITSUNOBU KOSHIBA
Representative Director and President

Focused Investments in Life Sciences Business



The JSR Group is actively fostering and expanding Strategic Businesses as its third business segment behind the Petrochemical Products and Fine Chemicals segments. Among these is the life sciences field, which we have positioned as a next-generation business pillar.

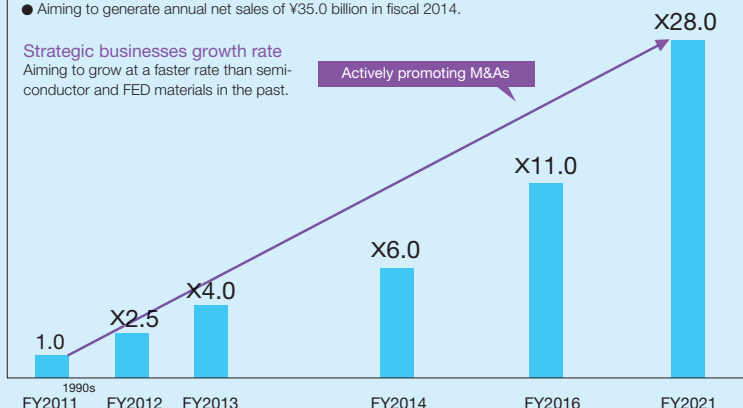
Strategic Businesses

We have identified three fields in which exciting technological innovations are taking place: precision materials and processing, environment and energy, and biomedical materials (life

Income targets

- Positioning the start-up of strategic businesses as the No.1 priority.
- Allocating business resources intensively.
- Steadily creating a business model along with the establishment of technology.
- Aiming to generate annual net sales of ¥35.0 billion in fiscal 2014.

Strategic businesses growth rate
Aiming to grow at a faster rate than semiconductor and FED materials in the past.

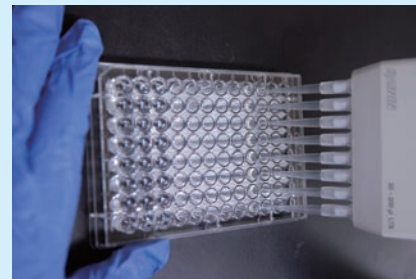


sciences). Under the Mid-Term Business Plan "JSR20i3" (April 1, 2011 to March 31, 2014), the Group is prioritizing the allocation of resources in order to foster and reinforce these three business areas.

JSR has set a sales target for the Strategic Businesses segment. Our aim is to achieve annual sales of ¥35.0 billion in fiscal 2014. This targeted expansion will elevate Strategic Businesses to a mainstay segment that complements our existing Fine Chemicals and Petrochemical Products segments.

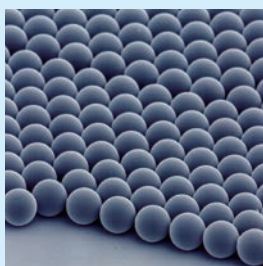
Concentrating on Life Sciences Business

JSR anticipates considerable growth potential in biomedical materials for life sciences owing to the proprietary technologies the Group possesses in this field. Our involvement in this area dates back to the 1980s, when we developed proprietary precision particle technology and precision processing technology by drawing on our existing emulsion technologies. Taking advantage of these technologies, we have developed highly competitive materials, including materials used for molecular diagnosis, affinity particles, and latex diagnostic agents. Going forward, the Group will take advantage





Head office of JSR Life Sciences Corporation



of its proprietary to establish a business that manufactures diagnostic agents and biopharmaceuticals. To reinforce the life sciences business, we will also form global business alliances.

Establishment of New Company

To date, JSR's involvement in the field of medical products has included particles for diagnostic agents and medical polymers, such as butyl rubber used for syringes and vial stoppers, butadiene resin and DYNARON used for transfusion bags and tubes, and styrene isoprene thermoplastic elastomers used for transdermal patches.

Because these products are made from different materials, however, the resources related to those products were dispersed among different departments. Consequently, we decided to consolidate these dispersed resources into a new company, called JSR Life Sciences Corporation. The advantages of this consolidation are quicker product development, more specialized client services, and better quality assurance.

Creating a Global Businesses

JSR has formed a joint venture with Beijing Wantai Biological Pharmacy Enterprise Co., Ltd., a leading manufacturer of diagnostic drugs in China. The know-how and resources that both parties bring to the new company, called J&W Beijing Biotech Co., Ltd., set the stage for further expansion of the Group's diagnostic drug business.

Through this partnership, JSR will gain access to large medical institutions in and around Beijing and to Beijing Wantai's strong sales network.

In addition, we will be able to broaden our lineup of diagnostic drugs by engaging in joint development activities. J&W Beijing Biotech is scheduled to commence sales activities in summer 2012.

JSR will continue pursuing alliances in the field of life sciences with Group companies in Europe and the United States to develop biomedical materials for life sciences into a global business.

In November 2011, JSR entered into a strategic partnership with Austria-based company BIA Separations, who has a unique technology in separation biochromatography and biomolecule purification processes. The alliance enables both companies to work together on sales and marketing of chromatography columns used in vaccines, gene therapy drugs, and antibody drugs. We are hopeful that the partnership will make a huge contribution to advancements in the field of medicine.

Under the corporate mission of "Materials Innovation --We create value through materials to enrich people's lives and contribute to society and the environment," JSR and JSR Life Sciences will actively cooperate with outside organizations, placing emphasis on its wide range of polymer technologies in order to both develop a new business and provide benefits to society.

Review of Operations

In accordance with the "Accounting Standard for Disclosure of Segment Information," the Group classifies its products into three segments: Fine Chemicals and Other Products, Elastomers, and Plastics.

Fine Chemicals and Other Products Business

Segment	Products
Semiconductor Materials	<ul style="list-style-type: none"> ■ 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	<ul style="list-style-type: none"> ■ LCD Materials (Alignment films, protective coatings, color pigment dispersed resists, photosensitive spacers, etc.) ■ Anti-Reflective Coatings, New FPD Materials (OLED, etc.)
Strategic Businesses and Other	
Precision Materials and Processing Business	<ul style="list-style-type: none"> ■ Heat-Resistant Transparent Resin "ARTON™", ARTON™ Optical Films ■ Transparent Conductive Films "ELART", etc.
Environment and Energy Business	<ul style="list-style-type: none"> ■ Lithium-ion Capacitors Cells and Modules
Biomedical Materials (Life Sciences)	<ul style="list-style-type: none"> ■ Size Standard Particles ■ Particles for Clinical Diagnostics ■ Research Agents ■ Magnetic Particles, etc.
Performance Chemicals	<ul style="list-style-type: none"> ■ High-Functional Dispersant "DYNAFLOW™" ■ Organic/Inorganic Hybrid Coating Materials "GLASCA™" ■ Battery Materials ■ Thermal Management Materials
Optical Materials	<ul style="list-style-type: none"> ■ UV Curing Optical Fiber Coatings, etc.

Petrochemical Products Business

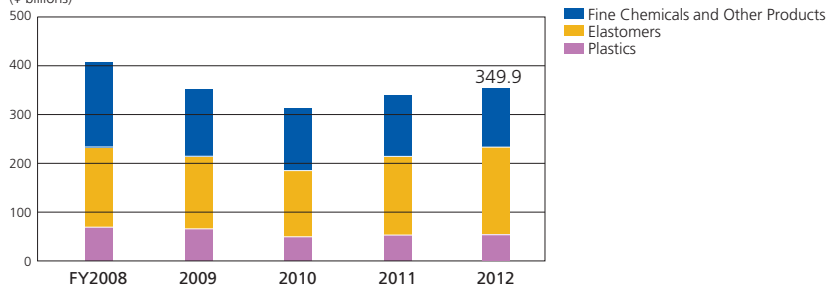
Elastomers	
General-Purpose Synthetic Rubbers	<ul style="list-style-type: none"> ■ Styrene-Butadiene Rubber (SBR)/Polybutadiene Rubber (BR)
Special-Purpose Synthetic Rubbers	<ul style="list-style-type: none"> ■ Nitrile Rubber (NBR) ■ Butyl Rubber (IIR) ■ Ethylene-Propylene Rubber (EPM/EPDM)
Thermoplastic Elastomers (TPEs)	<ul style="list-style-type: none"> ■ Syndiotactic 1, 2-Polybutadiene "JSR RB™" ■ Hydrogenated Polymer "JSR DYNARON™" ■ Styrene-Butadiene Thermoplastic Elastomers "JSR TR™" ■ Styrene-Isoprene Thermoplastic Elastomers "JSR SIS™," etc.
Emulsion Products	<ul style="list-style-type: none"> ■ Paper Coating Latex ■ SB Latex ■ Acrylic Emulsions, etc.

Plastics

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

Consolidated Net Sales

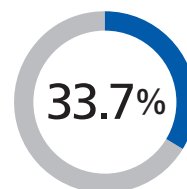
(¥ billions)



Applications

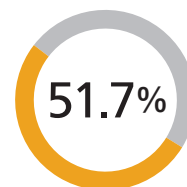
- Process materials for semiconductor manufacturing
- Process materials for liquid crystal display (LCD) panel manufacturing, etc.
- Anti-reflection for display surfaces, organic/inorganic hybrid hard coating materials, prism lens, adhesive for optical discs, etc.
- Touch panel sheets/films
- Optical 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 antibody purification
- Anti-staining coating materials
- Exterior coatings, various functional coating materials
- Optical fiber coating

Fine Chemicals and Other Products Business



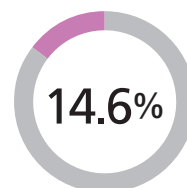
- Automobile tires, various industrial products, etc.
- Automobile parts, tires, various industrial products etc.
- Various shoe soles, injection molding items
- Hot melt adhesives, hot melt binders, etc.
- Carpet backings, various binders
- Paper coating for printing purposes
- Floor polish, paint, binders, adhesives

Elastomers



- Automobile parts, electrical appliances, office automation equipment, etc.

Plastics



Fine Chemicals and Other Products

In fiscal 2012, ended March 31, 2012, consolidated sales in this segment decreased 7.6% year-on-year, to ¥117.8 billion. Operating income fell 33.6%, to ¥14.4 billion. The operating income margin declined 4.8 points, from 17.1% to 12.3%.

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

Performance Overview

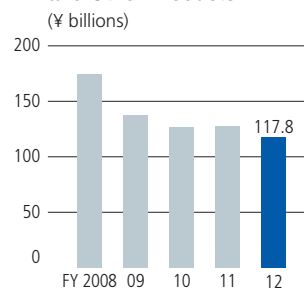
Semiconductor Materials

The semiconductor market has remained strong owing to worldwide growth in demand for smartphones and multifunctional mobile terminals. In the year under review, however, JSR's semiconductor materials business declined due to falling demand for dynamic random access memory (DRAM) devices stemming from a slump in demand for personal computers. This, combined with the historic appreciation of the yen, resulted in a year-on-year decline in segment sales. By contrast, sales of immersion argon fluoride (ArF) photoresists used in cutting-edge processes and multilayer materials increased on the back of global market growth underpinned by competitive advanced technologies.

Flat Panel Display (FPD) Materials

LCD materials are one of the mainstay products in JSR's FPD materials business. In the year under review, the business felt the impact of a significant decrease in the operating rates of LCD panel manufacturers stemming from a downturn in LCD television markets, mainly in Japan, North America, and Europe. The yen's appreciation also had an adverse impact. This was

Net Sales of Fine Chemicals and Other Products



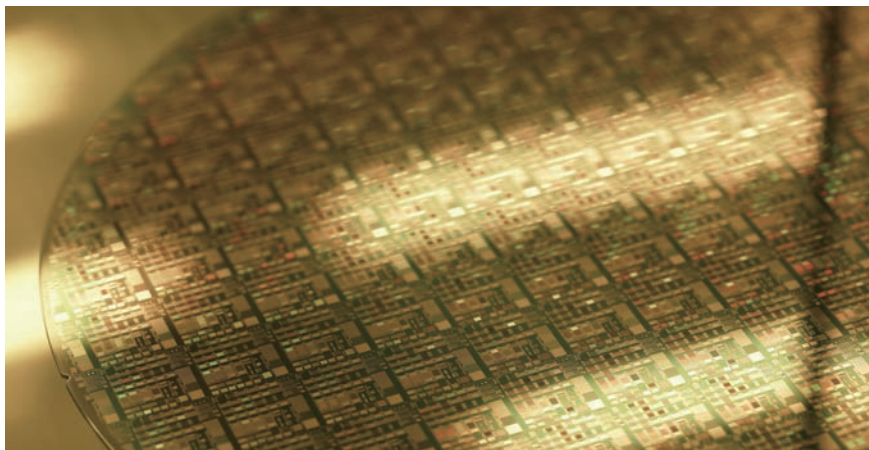
despite an increase in the adoption of an advanced type of alignment film in high-resolution, high luminance LCD televisions. As a result, sales of FPD materials were down compared with the previous year.

Significant demand for JSR's FPD materials comes from companies operating in South Korea and Taiwan. Therefore, in order to reinforce research and development in those countries, we decided to build new research facilities with clean rooms at Group subsidiaries JSR Micro Korea Co., Ltd. and JSR Micro Taiwan Co., Ltd. Construction of these facilities was completed in July 2011 and February 2012, respectively.

JSR intends to further expand its FPD materials business on a global scale by taking advantage of this reinforced structure, which integrates manufacturing, sales, and R&D in Japan, South Korea, and Taiwan.

Strategic Businesses and Other Products

In the precision materials and processing field, sales of heat-resistant transparent ARTON™ film for polarizer increased year-on-year. This sales growth was attributable to the expanding smartphone and multifunctional device markets. JSR has developed transpar-



ent conductive indium tin oxide (ITO) film for high-end touch panels used in mobile phones. We have installed manufacturing equipment at a Group affiliate in South Korea, and began making and selling this new product in the previous fiscal year.

In the environment and energy field, electric power companies are using lithium-ion capacitors developed by consolidated subsidiary JM Energy Corporation in new voltage dip compensators. JM Energy completed construction of a plant for manufacturing flat prismatic-type capacitors in October 2011. It plans to expand this business globally by pursuing further applications targeting mainly transportation equipment.

In the life sciences field, JSR consolidated its development, manufacturing, and selling functions, which had been dispersed within the Company. The new company, called JSR Life Sciences Corporation, began operating in April 2012. In China, we established a joint venture, J&W Beijing Biotech Co., Ltd., together with Beijing Wantai Biological Pharmacy Enterprise Cop., Ltd., a diagnostic drug manufacturer. The company is scheduled to commence sales activities in summer 2012.

As for other businesses, JSR recorded a year-on-year increase in sales

of optical fiber coating materials. This growth was attributable to the restoration of production by electric cable manufacturers in Japan, whose opera-

tions had been affected by the Great East Japan Earthquake in March 2011, as well as an increase in optic fiber exports.

Future Strategies for the Fine Chemicals and Other Products Business

Our forecast is for high global growth in the semiconductor and FPD industries, which are the main sources of demand for products made by the Fine Chemicals and Other Products segment. This is based on projections of further expansion in the mobile device market and strong demand for Internet servers and car electronics, despite the growing commoditization of LCD displays and large televisions.

Semiconductor Materials

Amid such trends, JSR will strive to expand its market share by responding to further miniaturization in the Semiconductor Materials business. To this end, we will continue developing ArF photoresists for immersion lithography and multilayer materials, in which we are globally competitive. We are also gearing up for full-scale development of photoresists that can be used in a next-generation exposure technology,

called extreme ultraviolet (EUV) exposure.

To ensure the effective use of our substantial R&D expenditures in the Semiconductor Materials field, we will accelerate the development and market release of peripheral materials. More specifically, we will expand our business in cutting-edge packaging materials, including thick-film photoresists and photosensitive insulating films. These are used in wiring processes that are in strong demand in the field of 3D packaging. JSR will also grow its business in CMP materials, which are made using proprietary materials technologies.

FPD Materials

Amid intense cost competition in the FPD industry, many companies have been establishing manufacturing plants in Asia. We will utilize the R&D facilities we established in South Korea and Taiwan in year under review to boost technical support for local customers and reinforce marketing. In China, the recently established sales and market-



ing company JSR (Shanghai) Co., Ltd. will work hard to increase JSR's presence in the local market.

With respect to LCD displays, the proliferation of 3D televisions, tablet PCs, and smartphones is expected to generate a surge in demand for high-resolution devices. To tap into this market, JSR will develop its differentiated technologies into a growth market, centering on alignment layers that make it possible to develop devices with enhanced resolution.

Strategic Businesses and Other Products

JSR has positioned the precision materials and processing field, the environment and energy field, and biomedical materials for life sciences as Strategic Businesses. Our aim is to develop these businesses into JSR's third largest core business behind the Fine Chemicals and Other Products Business and the Petrochemicals Business.

Precision Materials and Processing

In the precision materials and processing field, we will expand our business by supplying products with a market advantage. This will be achieved by harnessing the synergistic effects of materials development, precision processing, and adding functionality to

products. We will expand the ITO film business by making cost-competitive products at our ITO manufacturing facility in South Korea. We will increase sales of thin retardation films used in mobile devices that take advantage of 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.

Environment and Energy

Regarding the environment and energy, the JSR Group will seek to expand sales of lithium ion capacitors, as well as binders used in lithium ion batteries. At a time when lithium ion capacitors are being increasingly adopted in voltage dip compensators, Group subsidiary JM Energy Corporation has added a flat prismatic can-type cell to its lineup. JM Energy has already commenced marketing activities for this new offering for use in transportation equipment. It has also signed a joint development agreement with a U.S.-based company with the aim of establishing a next-generation water meter business. JM Energy will target further applications as it works to expand this business on a global scale. Meanwhile,

JSR aims to steadily establish new businesses for a number of new products. These include a proprietary latent heat storage material called CALGRIP™, an emulsion for use in thermal insulation paint called SIFCLEAR™, as well as for JSR's unique bioplastic BIOLLOY™.

Biomedical Materials for Life Sciences

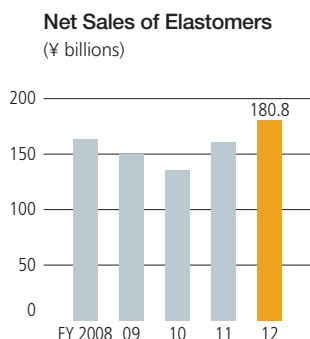
The JSR Group has been actively building up its life sciences business. In the year under review, we established JSR Life Sciences in Japan, formed a joint venture company in China, and made a strategic investment in a European company. Going forward, we will continue developing a global business through 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 particle materials used in refining antibody drugs, particle materials used in diagnostic agents, and medical polymers.

Petrochemical Products



In fiscal 2012, consolidated sales in the Elastomers business segment rose 12.4%, to ¥180.8 billion. Operating income grew 31.3%, to ¥19.3 billion. As a result, the operating income margin increased 1.5 points, from 9.2% to 10.7%.

Consolidated sales in the Plastics business segment declined 2.0%, to ¥51.2 billion. Operating income decreased 16.6%, to ¥2.1 billion. As a result, the operating income margin edged down 0.7 point, from 4.9% to 4.2%.



Performance Overview

> Elastomers

Synthetic Rubbers

In the first half of the year under review, sales volumes of synthetic rubber declined compared with the previous corresponding period due to the effects of the Great East Japan Earthquake. This decrease stemmed from suspension of production at the Kashima Plant until May 2011 due to earthquake damage, as well as the impact of a significant downturn in domestic automobile production. By contrast, production of automobile tires rose on the back of worldwide growth in demand. For the full year, however, we reported year-on-year sales growth in both volume and value terms. Contributing factors were synthetic rubber price adjustments in response to fluctuating costs of major raw materials, as well as the expansion of JSR's production capabilities.

On the production side, in December 2011 JSR completed construction

work at its Yokkaichi Plant to increase production capacity for solution polymerization styrene-butadiene rubber (S-SBR), in order to keep pace with growing demand in Japan and Europe for fuel-efficient tires. Producing an additional 25,000 tons/year, the plant is now operating at full capacity. Combined with JSR's capacity right agreement with Styron Europe GmbH (formerly Dow Europe), this raises the Group's annual production capacity to 90,000 tons.

To keep up with further growth in demand, we decided to establish a joint venture for the manufacture of S-SBR in Thailand. A new manufacturing plant is currently under construction, and is scheduled to commence production in June 2013. Furthermore, we are considering increasing the plant's production capacity by an additional 50,000 tons/year. These plans for increasing production will bolster our supply structure in Japan, Europe, and Asia and thus contribute to the global expansion of our S-SBR business.



We have decided to increase production of butyl rubber in order to meet growing demand for this product. Joint venture company Japan Butyl Co., Ltd. will increase production capacity of halogenated butyl rubber at its Kashima Plant by 10,000 tons/year. When completed in 2012, JSR's total annual production capacity for halogenated butyl rubber will be 80,000 tons.

Emulsions

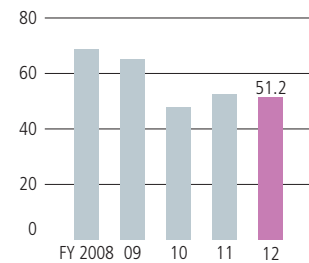
Sales of emulsions rose year-on-year thanks to price revisions to compensate for higher prices for major raw materials. However, the operating environment for paper coating latex, one of our mainstay emulsion products, remained challenging. In both volume and value terms, sales of this product declined year-on-year due to production cuts by paper manufacturers stemming from damage to facilities caused by the Great East Japan earthquake.

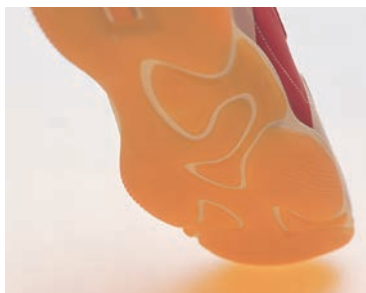
> Plastics

In Japan, the sales volume in the Plastics business declined in the year under review. This was due to sluggish demand for office equipment applications and plastics for the industrial materials sector. Although sales of plastics for automobile applications dropped dramatically in the first half of the year due to earthquake and tsunami damage, they recovered in the second half.

Overseas, sales of plastic products declined year-on-year, in both volume and value terms. The sales volume declined due to a drop in demand from the automobile sector stemming from floods in Thailand, as well as sluggish demand for amusement applications. Sales in value terms also declined despite efforts to adjust prices to compensate for increasing costs of major raw materials.

Net Sales of Plastics
(¥ billions)





Future Strategies for the Petrochemical Products Business

Demand from the automobile and automobile tire industries, the major user industries for products made by the Petrochemical Products segment, is expected to continue growing. We also 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. Meanwhile, we expect ongoing volatility in markets for such products as crude oil and naphtha. The accompanying changes in prices of major raw materials are expected to have a progressively negative impact on the Petrochemical Products business.

In consideration of these circumstances, as well as the outlook for strong demand growth and the Group's technical superiority, we have positioned S-SBR and butyl rubber as growth products. We will develop these businesses into global number one players through active reinforcement of production capacity and sales expansion activities. We are currently

increasing production capacity for S-SBR for fuel-efficient tire applications in Thailand, and are doing the same for butyl rubber applications at the Kashima Plant in Japan. Our aim is to complete both projects safely and according to schedule.

In the general-purpose product category, which includes emulsion polymerization SBR, nitrile rubber, and ethylene propylene rubber, we will focus on raising productivity, including operating production plants continuously for two years between major preventative maintenance shutdowns. At the same time, we will strive to maintain earnings by adopting pricing policies that address rising prices of raw materials.

In addition, we will strengthen initiatives targeting the procurement of butadiene, which is predicted to be in short supply. We will establish a supply structure that ensures the stable provision of products to customers, and thus build a stable earnings structure.

The JSR Group will continue bolstering its Cost-Reduction Plan E-100 Project, directed at strengthening profitability under the new name E-100plus Project. We will continue working hard to reduce fixed and variable 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. In addition, we will strive to bolster earnings by applying these strategies not only to all Group companies, but to outsourced activities as well.



Contribution of Patents

	FY2008	FY2009	FY2010	FY2011	FY2012
In Japan					
Fine Chemicals and Other Products	1,103	1,269	1,465	1,685	1,972
Petrochemical Products	428	428	374	377	387
Others	67	73	75	67	79
	1,598	1,770	1,914	2,129	2,438
Overseas					
Fine Chemicals and Other Products	493	512	492	489	507
Petrochemical Products	1,721	1,955	2,164	2,365	2,516
Others	36	34	39	36	33
	2,250	2,501	2,695	2,890	3,056
Total	3,848	4,271	4,609	5,019	5,494

Global R&D Strategy

“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. Since its founding, the JSR Group has contributed to the advancement of society through the creation of groundbreaking materials.

The Group possesses unique, world-renowned strengths in R&D, and currently holds around 5,500 patents, primarily in technologies related to fine chemicals and petrochemicals.

As a technology-oriented materials organization, the JSR Group has aggressively entered new fields—such as precision materials and processing, environment and energy, and biomedical materials for life sciences—with the backing of earlier activities in synthetic

rubber and petrochemicals. This new research and development work is already bearing fruit.

JSR’s domestic R&D organization consists of several facilities, of which the Yokkaichi Research Center forms the core. Others include 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.

Overseas, we have established research facilities in Taiwan and South Korea, where there is a concentration of semiconductor and flat panel display (FPD) production bases.

With numerous products that represent the world standards in their fields, JSR will strive to solidify its position as a global comprehensive materials supplier.

Global Structure of Fine Chemicals Segment

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

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

services and build a product development system in China.

In the Semiconductor Materials business, Silicon Valley based JSR Micro, Inc. manufactures, provides technical support and sells cutting-edge ArF photoresists. It has also introduced exposure equipment comparable with that of client companies in order to support R&D on leading-edge products.

In the life sciences field, we established JSR Life Sciences Corporation in Japan and J&W Beijing Biotech Co., Ltd. in China. The latter is a joint venture company with a local company. In the summer of 2012, the joint venture will start manufacturing and selling products to promote the life sciences businesses of JSR Group companies in Europe and North America, with the aim of building a global business structure and expediting the Group's responsiveness to market movements.

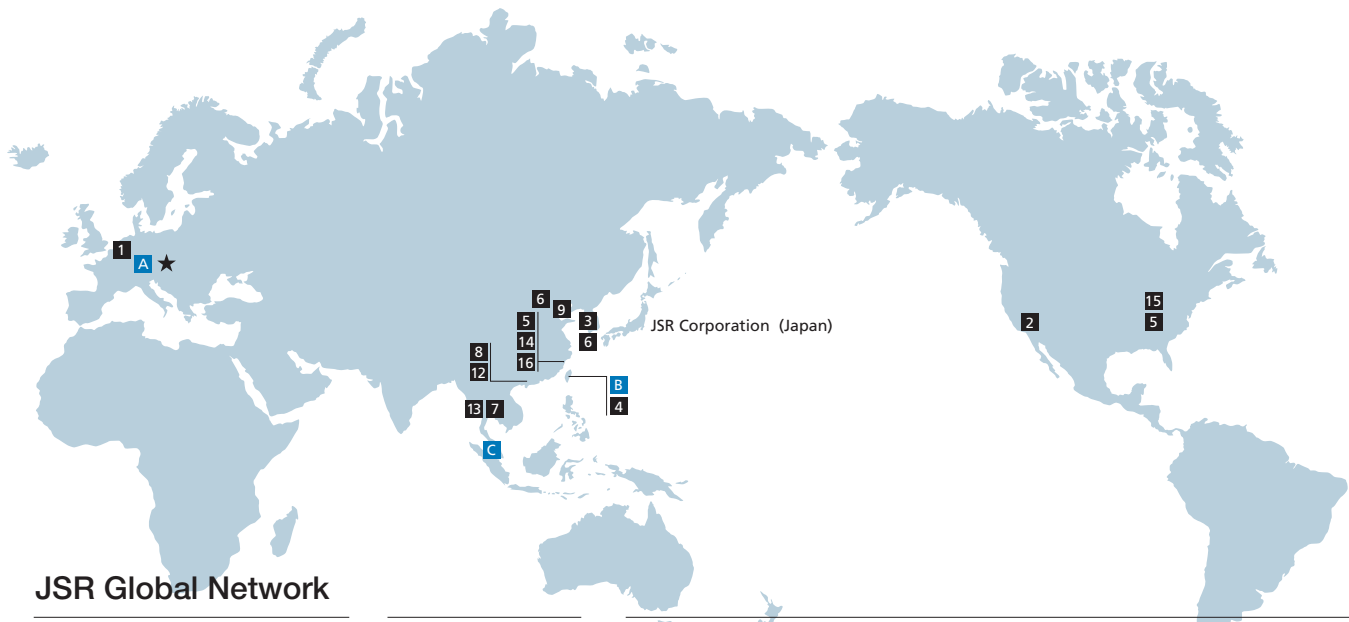
Global Structure of Petrochemical Products Segment

For some years, the Petrochemical Products segment, which engages mainly in synthetic rubber and plastic products, has been building a global manufacturing and sales network. The Group has sales operations in major centers in China and Southeast Asia

to closely monitor the needs of local customers in the automobile and electronics industries. 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 automobile parts and fuel-efficient tires, which have enjoyed growing demand in recent years. In addition to producing synthetic rubber for fuel-efficient tires at the Yokkaichi Plant in Japan, we also make and sell this product in collaboration with Styron Europe GmbH (formerly Dow Europe). In June 2011, we decided to establish JSR BST Elastomer Co., Ltd. in collaboration with Bangkok Synthetics Co., Ltd., a local business partner in Thailand. The new company is currently building Thailand's first S-SBR manufacturing plant, due to commence operations in June 2013. It will start with a capacity of 50,000 tons per year, with plans for expansion to 100,000 tons.

For other synthetic rubber products, 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.

JSR Life Sciences Corporation

Production and sales of life sciences related materials.

● 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.

5 JSR (Shanghai) Co., Ltd.

Sales and marketing of JSR products.

6 J&W Beijing Biotech Co., Ltd.

Development, manufacturing and sale of latex reagents intermediates and chemiluminescent reagents intermediates.

● Elastomers Business

5 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.

10 JSR BST Elastomer Co., Ltd.

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

11 JSR Trading, Inc.

Sales of synthetic rubber.

● Plastics Business

12 TECHNO POLYMER HONG KONG CO., LTD.

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

13 Techno Polymer (Thailand) Co., Ltd.

Sales and technical services of synthetic resins in ASEAN region.

14 Techno Polymer (Shanghai) Co., Ltd.

Sales and technical services of synthetic resins in China.

15 TECHNO POLYMER AMERICA, INC.

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

16 Shanghai Rainbow Color Plastics Co., Ltd.

Coloring of synthetic resins and sales of colored products.

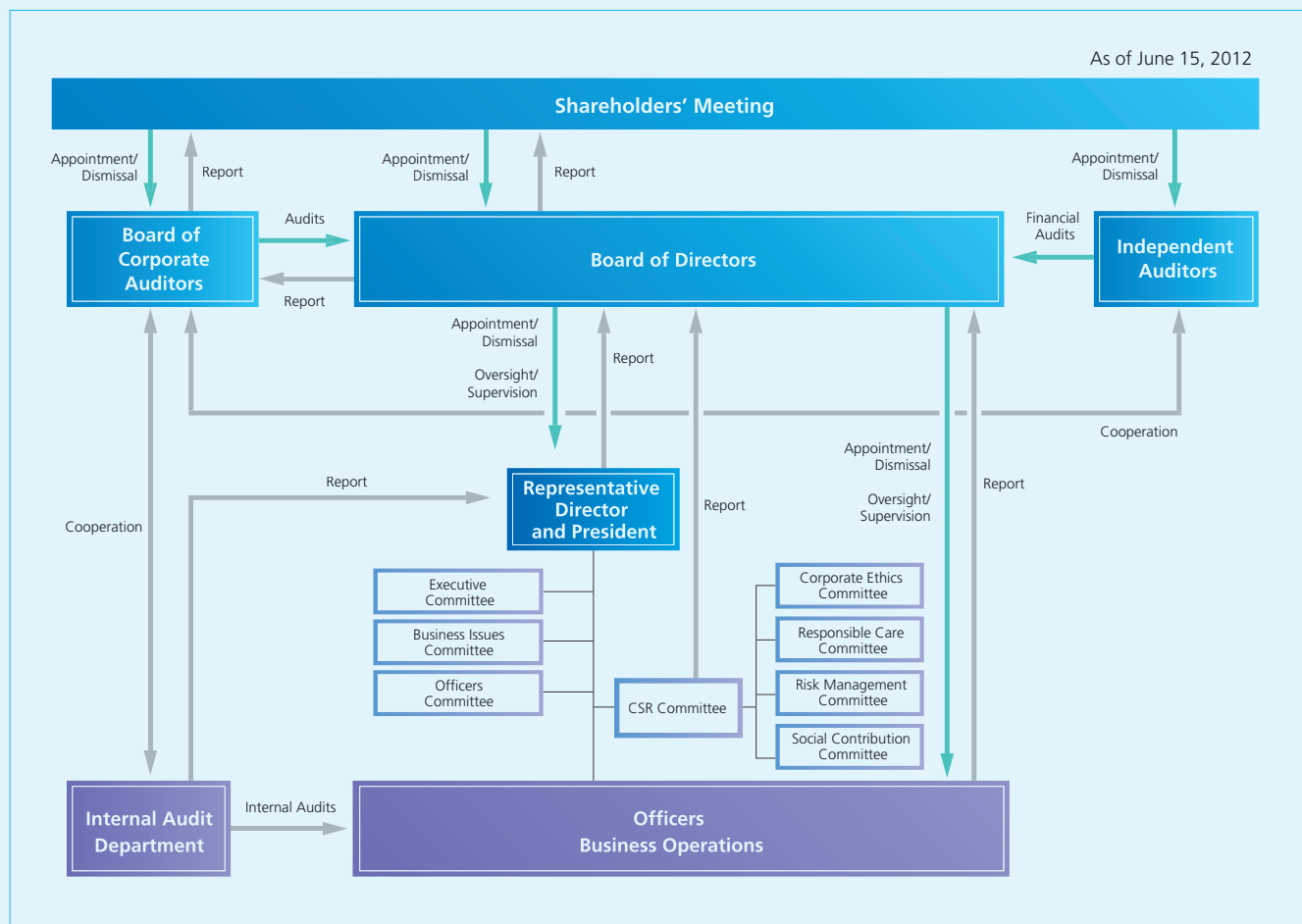
(*) Equity method affiliate

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.

As of June 15, 2012, the Board of Directors has eight members—three outside directors and five internal directors. (In the year under review, there were two outside directors and four internal directors.) In addition, the Board of Corporate Auditors has four members, including three outside corporate auditors (unchanged from the year under review). In this way, we are able to raise the transparency and soundness of operations. At the same time, we undertake ongoing reassessments aimed at further strengthening management monitoring and supervision.



JSR's Corporate Governance System

■ Officer System

JSR has introduced an officer system to separate Company-wide management monitoring 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 corporate auditors and a standing corporate auditor.

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

■ Internal Control System

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

Board of Directors

The Board of Directors consists of eight directors. The Board discusses and makes decisions on important business matters, and also supervises directors and officers' execution of business duties. The Board is headed by the executive

advisor, and in principle meetings are held once monthly. It also includes three outside directors who, together with four corporate auditors (including three outside ones) engage in robust exchanges of opinions at Board meetings. By introducing independent and neutral outside directors with extensive business experience, we seek to reinforce the appropriateness of judgments made by management and monitor the legality of their execution of duties.

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, 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 standing corporate auditor also attends these committee meetings.

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 directions. Its findings are reflected in deliberations of the Board of Directors and the Executive Committee. The Business Issues Committee, which meets once a week, consists of the president (who also serves as chair), the executive managing officer, managing officers,

and officers appointed by the president.

Officers Committee

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

Board of Corporate Auditors

With four members, including three outside 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 make decisions. In accordance with standards for audits by corporate auditors, the auditors attend meetings of the Board of Directors, and the standing corporate auditor attends 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 auditors, directors, and others. Through these activities, the Board of Corporate 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 managing officers, senior officer, and officers. Bureaus of the four committees listed above also attend meetings of the CSR Committee. The Committee clarifies the company's stance toward CSR and works to strengthen CSR efforts at JSR.

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. It is also prepared in Traditional Chinese, Thai, and Korean, in addition to English and Simplified Chinese, so that Group employees all over the world can become better acquainted with the Principles. As for the reporting system, along with the internal hotline linked to the Corporate Ethics Committee and the external hotline linked to an external attorney, JSR introduced a hotline, which is linked to a specialized external agency and is also available in English, Chinese, Korean and Thai.

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 position as a core component of JSR's management.

This committee approves Responsible Care plans, evaluates and verifies results of activities, and helps to maintain and upgrade JSR's programs to eliminate accidents, reduce environmental impact, manage chemical substances, and ensure safety of products. Details and results of Responsible

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

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

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 promote continuous improvement.

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 Audit, 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 Corporate Auditors.

The corporate auditors work closely with the independent auditors. 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 that serve as a long-term incentive. The level of remuneration is commensurate with the Company's business results and is compared with those of other companies in the same industry and of similar size. The total limit for monthly salaries is decided by resolution at the Ordinary General Meeting of Shareholders. Performance-based bonuses and stock options are also approved by resolution at the Ordinary General Meeting of Shareholders. Total remuneration paid in fiscal 2012 was ¥370 million, paid to 11 directors, included two outside directors and directors who retired during fiscal 2012.

Corporate auditors are paid a basic fixed salary that is not performance-based. In fiscal 2012, total salaries paid to corporate auditors amounted to ¥61 million, including ¥45 million paid to internal corporate auditors and ¥16 million to outside corporate auditors.

Reasons for Selecting Outside Directors

The Company has appointed three outside directors in order to further reinforce the monitoring function of the Board of Directors. By welcoming outside directors with extensive experience and highly impartial, neutral perspectives, we

will ensure more appropriate management decision-making and reinforce our ability to monitor the legality of business execution.

Takuya Goto

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

Michio Kariya

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

Kazunori Yagi

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

Reasons for Selecting Outside Corporate Auditors

To ensure the fairness and transparency of management, the Company appoints one standing corporate auditor, as well as three outside corporate 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.

The JSR Group has earned high acclaim in Japan and overseas as a CSR-driven entity. For example, we are included in the FTSE4Good Index Series, an authoritative international index for socially responsible investing (SRI) companies, and we have received an Ethibel Pioneer & Excellence label. We are also among Morningstar's MS-SRI Index, a Japan's famous index.

Biodiversity Conservation

JSR views biodiversity conservation as a top management priority that is consistent with its basic policy of making a positive contribution to society. Under this policy, we pursue a variety of activities, centering on the Japan Business Initiative for Biodiversity (JBIB).

In fiscal 2012, we created a "Map of Corporate Activities and Biodiversity" to understand the interrelationships between biodiversity and our business activities involving synthetic rubber and fine chemicals products. Using this map, we identified how we rely and have an impact on biodiversity in each process, from raw material procurement and manufacturing to transportation, use, and recycling.

As a member of the JBIB, JSR played a role in the development of the "Land Use Score Card." Using this card, we conducted a survey to determine whether or not the land within our manufacturing complexes has an impact on biodiversity. This included observing vegetation in order to verify what kinds of plants, insects, and birds exist at the Company's sites. We intend to broaden the use of the "Land Use Score Card" in the future.

Going forward, to enable the JSR Group to grow as a sustainable operation, we will further clarify existing risks and opportunities, and formulate and implement concrete policies, targets, and plans.

Recovery Support in Wake of Great East Japan Earthquake

Following the Great East Japan Earthquake in March 2011, the Company set up a volunteer program, under which employees are able to take volunteer leave to assist with relief and



JSR volunteers participate in restoration activities in earthquake-affected area.

recovery activities in areas affected by the disaster. In addition to our own volunteer program, we encouraged employees to take volunteer leave to take part in a collective action project organized by the United Nations Global Compact Japan Network. In the year under review, the Company bore the cost of participation in such volunteer activities by employees.

Risk Management

Learning from the valuable lesson provided by last year's Great East Japan Earthquake, JSR held earthquake and tsunami evacuation drills at its domestic plants. At the Kashima Plant, which was greatly affected by the disaster, we held evacuation drills in response to simulated tsunami warnings, as well as drills in response to simulated fires and butadiene and isoprene leaks.

In disaster drills held simultaneously at the Company's plants, we practiced under conditions that closely resembled real-life emergency situations. For example, we implemented disaster-prevention measures and established emergency communication between the Disaster Task Force Headquarters at JSR's Head Office and the Disaster Task Force Office at the Kashima Plant using two video-conferencing systems. In addition, the Company held a joint risk

management exercise between Head Office and the Chiba Plant simulating earthquake with seismic intensity of 5.0-upper on the Japanese scale. On this occasion too, we responded to a full-scale emergency scenario, which included Head Office, using a video-conferencing system to check on the situation at the site of the “disaster.”

Educational Initiatives

Science Classes

Today, the waning interest in science among Japanese children is becoming a matter of considerable concern. Seeking to help reverse this trend, the JSR Group has established a joint program with the Education Boards of Yokkaichi City, Mie Prefecture and Kamisu City, Ibaraki Prefecture, where the Group has manufacturing plants. Under the program, JSR regularly sends employees to junior high schools where they take science classes. In fiscal 2012, JSR launched a similar program for elementary schools in which JSR visit local schools where they hold “Fun Labs.” The children get to take part in experiments and use materials that they usually wouldn’t have access to at school, such as witnessing the very moment when rubber is created. The aim of these educational activities



High-tech university at JSR Yokkaichi Plant

is to arouse the children’s curiosity and stimulate an interest in science.

Workplace Experience

JSR helps foster the next generation of employees by inviting students to visit the Company to gain workplace experience. At the Yokkaichi Plant, two junior high school students from Yokkaichi City get to be plant manager for a day. Their duties include going on a safety patrol, writing a report for the Company magazine, sorting waste at the recycling center, and observing a solution polymerization experiment. In addition, our Head Office in Tokyo invites five students from Kamisu City. Their program includes attending a seminar on the Company’s activities and observing employees at work. Our aim in sponsoring such activities is to provide school students with an opportunity to learn about a corporate organization and the role that companies play in society.

High-Tech Classes for Senior High School Students

Semiconductors Equipment and Materials International (SEMI) is a global industry organization that sponsors the High-Tech University Program. Targeting senior high school students, the program gives students an introduction to the high-tech industry with the aim of promoting greater understanding of the role played by the semiconductor industry. Selected students visit JSR’s Yokkaichi Plant, where they take part in hands-on activities and observe the workings of a large industrial plant. Activities include visiting the petrochemicals plant and the optical and electronic materials plant. The students learn about each plant’s processes, from research and development

through to manufacturing. To gain a better understanding of the distinctive features and comprehend the differences of these two plants, which share the same site, the students also observe the finishing process for synthetic rubber and the finishing process for electronic materials. At the Fine Electronic Materials Research Laboratories, they get the chance to observe a photolithography experiment conducted by staff, as well as see a staff operate a miniature plant.

Teacher Training

In fiscal 2011 and fiscal 2012, JSR held a two-day training course for teachers from elementary, junior high, and senior high schools. The aim of the training program was to increase teachers’ understanding of our operations by explaining the principles behind our corporate activities and environmental initiatives. The program began at the Head Office, where the teachers were briefed on a variety of topics, ranging from an introduction to JSR to environmental safety and human resources. Next, they visited the Chiba Plant, where they took part in hands-on activities and were given a tour of the plant. The teachers came away knowing a lot more about the various activities of the JSR Group and the chemical industry. We intend to continue holding this teacher training program so that participants can share their experiences with their pupils, as well as put their new skills to good use in their roles as educators and school managers.

Ten-Year Summary

Fiscal year means year ended March 31

	FY2003	FY2004	FY2005	FY2006
For the fiscal year				
Net sales	¥247,139	¥275,071	¥305,368	¥338,160
Costs and expenses	226,345	242,452	260,035	284,803
Operating income	20,794	32,619	45,333	53,357
Interest and dividend income	431	397	519	635
Interest expenses	(750)	(693)	(475)	(420)
Income before income taxes and minority interests	17,855	30,378	43,471	49,038
Net income	10,991	19,353	27,564	30,555
Capital expenditures	16,048	17,156	18,134	23,361
Depreciation	16,489	14,970	15,245	16,206
At fiscal year-end				
Total assets	281,874	308,581	325,031	381,097
Long-term debt due after one year	24,208	13,920	13,857	1,607
Total liabilities	139,682	146,280	139,249	164,389
Equity	139,447	159,497	182,476	212,751
Current ratio (times)	1.6	1.6	1.8	1.7
Return on assets (%)	3.9	6.3	8.7	8.7
Return on equity (%)	7.9	12.9	16.1	15.5
Equity ratio (%)	49.5	51.7	56.1	55.8
Per share data (Yen and U.S. dollars)				
Net income	42.46	75.12	107.54	119.63
Cash dividends	7.00	9.00	14.00	20.00
Equity	544.94	623.14	717.13	836.31

Note: U.S. dollar amounts are translated, for convenience only, at ¥82.19 = US\$1.00, the rate prevailing on March 31, 2012.

					Millions of yen	Thousands of U.S. dollars
FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2012
¥365,831	¥406,968	¥352,503	¥310,184	¥340,666	¥349,947	\$4,257,780
310,588	346,958	322,155	289,954	301,571	313,982	3,820,202
55,243	60,010	30,348	20,230	39,095	35,964	437,577
1,030	1,309	1,230	568	626	634	7,709
(399)	(256)	(271)	(172)	(146)	(147)	(1,788)
53,440	54,867	20,803	19,458	40,674	41,245	501,820
33,655	36,994	13,981	13,645	27,571	26,407	321,294
22,094	29,076	19,081	17,707	11,801	19,728	240,028
18,133	21,180	24,833	22,380	19,245	17,784	216,376
408,949	416,951	339,498	373,566	390,591	430,693	5,240,207
2,745	1,525	1,500	1,500	1,028	500	6,083
168,963	159,288	97,512	122,865	126,475	148,335	1,804,784
235,186	252,539	240,896	249,440	262,679	280,955	3,418,364
1.8	1.9	2.5	2.3	2.4	2.3	—
8.2	8.9	4.1	3.7	7.1	6.4	—
15.0	15.2	5.7	5.6	10.8	9.7	—
57.5	60.6	71.0	66.8	67.3	65.2	—
133.10	147.26	56.36	55.87	113.07	109.46	1.33
24.00	32.00	32.00	26.00	32.00	32.00	0.39
935.47	1,009.27	986.33	1,021.31	1,088.87	1,164.63	14.17

Management's Discussion and Analysis

Business Performance

In fiscal 2012 (April 1, 2011 to March 31, 2012), the JSR Group reported consolidated net sales of ¥349.9 billion, up 2.7% from the previous fiscal year. Operating income declined 8.0%, to ¥36.0 billion, and net income was down 4.2%, to ¥26.4 billion.

These results reflected a number of factors. The mainstay business in elastomers for use automobile tires was healthy owing to worldwide growth in demand. In the Fine Chemicals business, however, demand for DRAMs for use in personal computers stagnated despite signs of demand growth in the semiconductor market. Moreover, production of flat-panel displays was depressed significantly by unstable demand for LCD televisions. Such factors had a major negative impact on both sales and income of the Group's Fine Chemicals business.

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, Elastomers, and Plastics. (Elastomers and Plastics segments together constitute the Group's Petrochemical Products business.)

ucts business.)

The Fine Chemicals 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 automobile 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 automobile, OA equipment, and amusement machines.

Fine Chemicals

Fine Chemicals

In fiscal 2012, sales in the Fine Chemicals segment declined 7.6% year-on-year, to ¥117.9 billion. Operating income fell 33.6%, to ¥14.5 billion, and the operating margin was down 4.8 points, from 17.1% to 12.3%.

Petrochemical Products

Elastomers

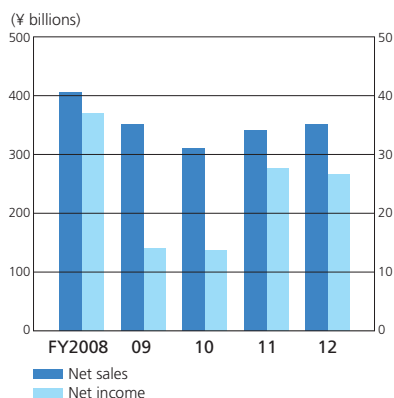
Sales in the Elastomers segment—including styrene-buta-

Segment Sales/Operating Income

(¥ millions)

	FY2008	09	10	11	12
Fine Chemicals and Other Products Business	¥174,702	¥137,396	¥126,286	¥127,515	¥117,876
Operating income	43,805	20,082	19,859	21,793	14,468
Elastomer Business	163,421	150,085	136,086	160,854	180,835
Operating income	13,192	8,951	372	14,739	19,358
Plastics Business	68,845	65,022	47,812	52,297	51,236
Operating income	3,013	1,315	(1)	2,563	2,138
Net Sales	406,968	352,503	310,184	340,666	349,947
Operating income	¥ 60,010	¥ 30,348	¥ 20,230	¥ 39,095	¥ 35,964

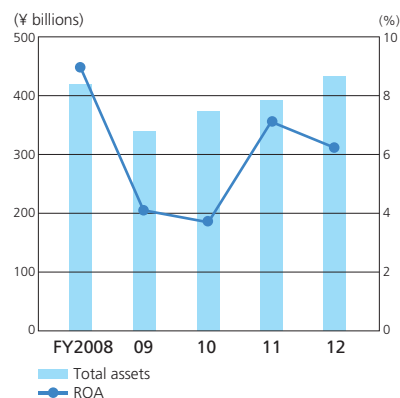
Net Sales/Net Income



Operating Income/Operating Income Margin



Total Assets/ROA



diene rubber, polybutadiene rubber, and emulsions—rose 12.4%, to ¥180.8 billion, and operating income jumped 31.3%, to ¥19.4 billion. The operating margin climbed 1.5 points, from 9.2% to 10.7%.

Plastics

In the Plastics segment, sales declined 2.0%, to ¥51.2 billion. Operating income fell 16.6%, to ¥2.1 billion, and the operating margin slipped 0.7 point, from 4.9% to 4.2%.

Sales by Geographical Segment

Sales in Japan rose 3.4% year-on-year, to ¥196.5 billion. This represented 56.1% of consolidated net sales, up 0.3 point from the previous year. Overseas sales increased 1.9%, to ¥153.5 billion, or 43.9% of net sales.

Financial Position

Assets

At March 31, 2012, total assets amounted to ¥430.7 billion, up ¥40.1 billion from a year earlier.

Current assets rose ¥33.7 billion, to ¥292.4 billion. Main factors boosting current assets included a ¥15.8 billion year-on-year increase in notes and accounts receivable, a ¥13.5 billion rise in short-term investment securities, and a ¥7.1 billion increase in inventories. By contrast, there was a ¥23.7 billion decrease in cash. This was mainly due to transfers from cash to negotiable certificates of deposit (included in short-term investment securities).

Property, plant, and equipment edged up ¥0.7 billion, to ¥80.5 billion. Main factors included a ¥2.6 billion decline in machinery, equipment, and vehicles and a ¥1.3 billion decrease in buildings and structures. Major capital expenditure projects during the year included expansion of S-SBR production capacity the Yokkaichi Plant and construction of

research facilities at subsidiaries in South Korea and Taiwan. Intangible assets remained mostly unchanged, edging down ¥0.1 billion, to ¥5.2 billion, due mainly to amortization of existing equipment. Investments and other assets climbed ¥5.9 billion, to ¥52.6 billion, stemming mainly from an increase in investment in a joint venture company established in Thailand and a rise in valuation of shares in equity-method affiliates.

Liabilities

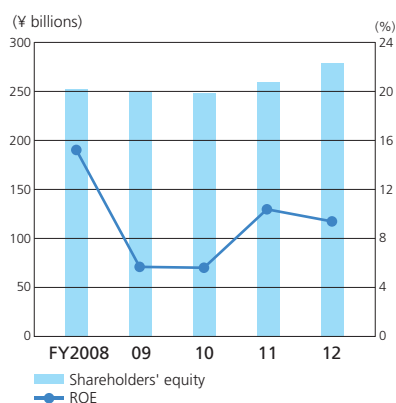
Total liabilities increased ¥21.9 billion, to ¥148.3 billion. Within this amount, current liabilities rose ¥23.0 billion, to ¥129.9 billion, and long-term liabilities declined ¥1.2 billion, to ¥18.5 billion. Major changes during the year to current liabilities included a ¥17.7 billion increase in notes and accounts payable, stemming from rising prices of raw materials. Other factors include a ¥2.4 billion decrease in income taxes payable and an increase in accrued payables associated with expansion of S-SBR production capacity at the Yokkaichi Plant.

Net Assets

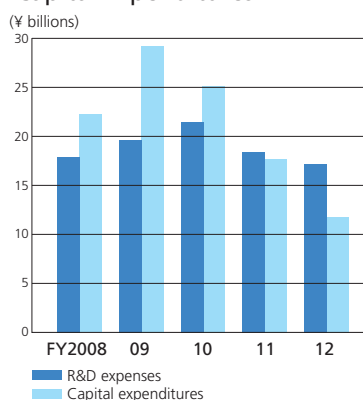
At fiscal year-end, the JSR Group had net assets of ¥282.4 billion, up ¥18.2 billion from a year earlier. During the year, shareholders' equity increased ¥18.7 billion, to ¥284.3 billion, and valuation and translation adjustments fell from minus ¥2.9 billion to minus ¥3.3 billion. Subscription rights to shares edged up ¥0.1 billion, to ¥0.6 billion, and minority interests edged down ¥0.1 billion, to ¥0.7 billion.

Retained earnings increased ¥18.7 billion, to ¥263.1 billion. Main components were dividend payments of ¥7.7 billion and net income of ¥26.4 billion. In addition, there was a ¥1.0 billion decrease in foreign currency translation adjustment.

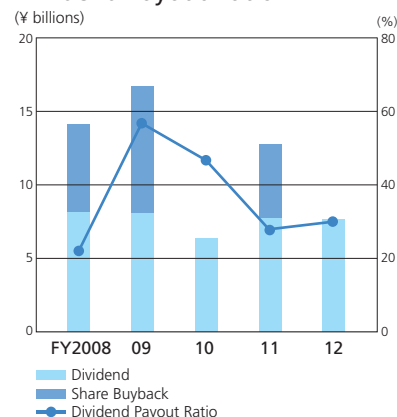
Shareholders' Equity/ROE



R&D Expenses/Capital Expenditures



Shareholder Return / Dividend Payout Ratio



As a result, the equity ratio declined 2.1 points, to 65.2%. Net assets per share increased ¥75.76, to ¥1,164.63.

Cash Flows

At March 31, 2012, cash and cash equivalents stood at ¥67.2 billion, down ¥0.2 billion, or 0.3%, from a year earlier.

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥29.0 billion, down ¥25.3 billion from the previous year. Main factors included income before income taxes of ¥41.2 billion and depreciation and amortization of ¥17.8 billion (down ¥1.5 billion year-on-year). In addition, there were major increases in notes and accounts receivable, notes and accounts payables, and income taxes paid.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥21.1 billion, down ¥14.0 billion from the previous year. This was mainly due to ¥16.6 billion in payments for purchase of noncurrent assets, ¥4.4 billion in proceeds from sales of noncurrent assets, and ¥4.9 billion in payments for purchase of shares in affiliates.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥7.7 billion, down ¥4.6 billion from the previous year. Major factors included ¥7.7 billion in cash dividends paid (up from ¥7.1 billion in the previous year) and ¥1 million in purchase of treasury stock (down from ¥5.1 billion).

Profit Appropriation

The Company strives to pay cash dividends in a continuous and consistent manner, based on a policy of appropriating profits according to improvements in its consolidated financial results. For the year under review, the Company has declared a year-end dividend of ¥16.00 per share. Added to the ¥16.00 interim dividend already paid, this will bring annual cash dividends to ¥32.00 per share.

In the year ending March 2013, the Company plans to pay an interim dividend of ¥17.00 and a year-end dividend of ¥17.00, for total annual dividends of ¥34.00 per share, depending on its consolidated results.

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, 2012. 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 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, 2011 and 2012

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2012	2012
Current assets:			
Cash and deposits (Notes 3 and 5)	¥ 44,238	¥ 20,490	\$ 249,304
Notes and accounts receivable—trade, net (Notes 4 and 5)	73,324	89,194	1,085,215
Short-term investment securities (Notes 3, 5 and 6)	55,996	69,496	845,554
Inventories	57,854	64,947	790,202
Accounts receivable—other	17,676	24,953	303,605
Deferred tax assets (Note 9)	4,523	3,670	44,649
Other (Notes 3, 9 and 16)	5,104	19,674	239,368
Total current assets	258,715	292,424	3,557,897
Noncurrent assets:			
Property, plant and equipment (Notes 7, 10 and 11):			
Buildings and structures, net	28,857	27,514	334,761
Machinery, equipment and vehicles, net	24,831	27,399	333,361
Land	19,150	18,453	224,516
Construction in progress	3,099	4,075	49,583
Other, net	3,911	3,063	37,273
Total property, plant and equipment	79,848	80,504	979,494
Intangible assets	5,294	5,167	62,861
Investments and other assets			
Investment securities (Notes 5 and 6)	29,066	37,129	451,746
Deferred tax assets (Note 9)	5,146	3,841	46,729
Other, net (Notes 4 and 16)	12,522	11,628	141,480
Total investments and other assets	46,734	52,598	639,955
Total noncurrent assets	131,876	138,269	1,682,310
Total assets	¥390,591	¥430,693	\$5,240,207

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2012	2012
Current liabilities:			
Notes and accounts payable — trade (Note 5)	¥ 65,381	¥ 83,077	\$1,010,792
Short-term loans payable (Notes 5 and 7)	14,612	15,184	184,742
Income taxes payable (Note 9)	8,780	6,331	77,025
Other (Notes 9, 12 and 16)	18,058	25,286	307,655
Total current liabilities	106,831	129,878	1,580,214
Noncurrent liabilities:			
Provision for retirement benefits (Note 8)	14,176	13,967	169,935
Provision for environmental measures	2,961	2,701	32,860
Other (Notes 7, 9 and 16)	2,507	1,790	21,775
Total noncurrent liabilities	19,644	18,458	224,570
Total liabilities	126,475	148,336	1,804,784
Contingent liabilities (Note 18)			
Net assets (Note 14)			
Shareholders' equity			
Common stock:			
Authorized — 696,061,000 shares			
Issued — 255,885,166 shares in 2011 and 2012	23,320	23,320	283,735
Capital surplus	25,179	25,179	306,356
Retained earnings	244,413	263,100	3,201,131
Treasury stock			
14,644,993 shares in 2011 and 14,645,692 shares in 2012	(27,320)	(27,321)	(332,419)
Accumulated other comprehensive income			
Unrealized gains on securities, net of taxes	3,606	4,218	51,318
Foreign currency translation adjustment	(6,519)	(7,541)	(91,757)
Subscription rights to shares (Note 15)	545	656	7,981
Minority interests	892	746	9,078
Total net assets	264,116	282,357	3,435,423
	¥390,591	¥430,693	\$5,240,207

Consolidated Statements of Income

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2010, 2011 and 2012

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2010	2011	2012	2012
Net sales (Note 20)	¥310,184	¥340,666	¥349,947	\$4,257,780
Costs and expenses (Note 19):				
Cost of sales	235,479	249,281	260,487	3,169,320
Selling, general and administrative expenses	54,475	52,290	53,496	650,883
	289,954	301,571	313,983	3,820,203
Operating income (Note 20)	20,230	39,095	35,964	437,577
Other income (expenses):				
Interest income	276	276	247	3,007
Dividends income	292	349	386	4,702
Interest expenses	(172)	(146)	(147)	(1,788)
Equity in earnings of affiliated companies	1,764	3,206	4,730	57,548
Depreciation	(750)	(307)	(262)	(3,185)
Gain on sales of noncurrent assets (Note 10)	—	—	4,288	52,169
Impairment loss (Note 11)	—	—	(1,920)	(23,357)
Loss on abandonment of noncurrent assets	—	—	(1,182)	(14,387)
Loss on disaster (Note 12)	—	(445)	(816)	(9,932)
Loss on abandonment of inventories	(1,728)	—	(534)	(6,496)
Loss on valuation of investment securities	—	(1,063)	—	—
Restructuring charges (Note 11)	(1,191)	(422)	—	—
Other, net	737	131	491	5,962
	(772)	1,579	5,281	64,243
Income before income taxes and minority interests	19,458	40,674	41,245	501,820
Income taxes (Note 9):				
Current	6,643	12,144	12,299	149,625
Deferred	(882)	852	2,489	30,288
	5,761	12,996	14,788	179,913
Income before minority interests	13,697	27,678	26,457	321,907
Minority interests in net income of consolidated subsidiaries	(52)	(107)	(50)	(613)
Net income	¥ 13,645	¥ 27,571	¥ 26,407	\$ 321,294

	Yen			U.S. dollars (Note 1)
	2010	2011	2012	2012
Per share of common stock:				
Net income	¥ 55.87	¥ 113.07	¥ 109.46	\$ 1.33
Diluted net income	55.81	112.91	109.27	1.33
Cash dividends applicable to the year	26.00	32.00	32.00	0.39

See accompanying notes.

Consolidated Statements of Comprehensive Income

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2010, 2011 and 2012

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	Millions of yen			Thousands of U.S. dollars (Note 1)
	2010	2011	2012	2012
Income Before Minority Interests	¥13,697	¥27,678	¥26,457	\$321,907
Other Comprehensive Income:				
Unrealized gains on securities, net of taxes	2,952	(3)	654	7,953
Foreign currency translation adjustment	(40)	(1,757)	(619)	(7,537)
Share of other comprehensive income of associates accounted for using equity method	288	(455)	(454)	(5,523)
Other comprehensive income (Note 13)	3,200	(2,215)	(419)	(5,107)
Comprehensive Income	¥16,897	¥25,463	¥26,038	\$316,800
Comprehensive income attributable to				
Comprehensive income attributable to owners of the parent	¥16,830	¥25,390	¥25,997	\$316,305
Comprehensive income attributable to minority interests	67	73	41	495

See accompanying notes.

Consolidated Statements of Changes in Net Assets

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2010, 2011 and 2012

	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 April 1, 2009	255,885	¥23,320	¥25,179	¥218,515	¥(22,217)	¥645	¥(4,546)	¥311	¥779
Net income	—	—	—	13,645	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	(2)	—	—	—	—
Disposal of treasury stock	—	—	—	—	—	—	—	—	—
Dividends from surplus	—	—	—	(7,083)	—	—	—	—	—
Change of scope of consolidation	—	—	—	(1,186)	—	—	—	—	—
Net changes of items 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	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	(5,114)	—	—	—	—
Disposal of treasury stock	—	—	—	(13)	13	—	—	—	—
Dividends from surplus	—	—	—	(7,083)	—	—	—	—	—
Change of scope of consolidation	—	—	—	47	—	—	—	—	—
Net changes of items 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
Net income	—	—	—	26,407	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	(1)	—	—	—	—
Dividends from surplus	—	—	—	(7,720)	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	612	(1,022)	111	(146)
Balance at March 31, 2012	255,885	¥23,320	¥25,179	¥263,100	¥(27,321)	¥4,218	¥(7,541)	¥656	¥746

Thousands of U.S. dollars (Note 1)

Balance at April 1, 2011	\$283,735	306,356	\$2,973,761	\$(332,406)	\$43,876	\$(79,324)	\$6,632	\$10,853
Net income	—	—	321,294	—	—	—	—	—
Purchase of treasury stock	—	—	—	(13)	—	—	—	—
Dividends from surplus	—	—	(93,924)	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	7,442	(12,433)	1,349	(1,775)
Balance at March 31, 2012	\$283,735	\$306,356	\$3,201,131	\$(332,419)	\$51,318	\$(91,757)	\$7,981	\$9,078

See accompanying notes.

Consolidated Statements of Cash Flows

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2010, 2011 and 2012

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	Millions of yen			Thousands of U.S. dollars (Note 1)
	2010	2011	2012	2012
Cash flows from operating activities:				
Income before income taxes and minority interests	¥19,458	¥40,674	¥41,245	\$501,820
Adjustments to reconcile income before income taxes and minority interests to cash provided by operating activities:				
Depreciation and amortization	22,380	19,245	17,784	216,376
Interest and dividends income	(568)	(626)	(634)	(7,709)
Interest expenses	172	146	147	1,788
Equity in earnings of affiliates	(1,764)	(3,206)	(4,730)	(57,548)
Gain on sales of noncurrent assets	—	—	(4,288)	(52,169)
Loss on abandonment of noncurrent asset	—	—	1,182	14,387
Impairment loss	—	—	1,920	23,357
Loss on valuation of investment securities	—	1,063	—	—
Loss on disaster	—	445	816	9,932
Changes in operating assets and liabilities — net:				
Decrease (increase) in notes and accounts receivable — trade	(20,453)	(922)	(16,250)	(197,709)
Decrease (increase) in inventories	19,484	(542)	(7,629)	(92,817)
Increase (decrease) in notes and accounts payable — trade	18,891	6,911	18,510	225,206
Other, net	(1,328)	(1,623)	(6,274)	(76,340)
Subtotal	56,272	61,565	41,799	508,574
Interest and dividends income received	2,090	1,863	2,219	26,992
Interest expenses paid	(175)	(149)	(146)	(1,780)
Income taxes paid	468	(9,020)	(14,891)	(181,179)
Net cash provided by operating activities	58,655	54,259	28,981	352,607
Cash flows from investing activities:				
Decrease(increase) in time deposits	(1,907)	(15,000)	8,491	103,311
Purchase of short-term investment securities	(6,000)	(8,500)	(12,000)	(146,003)
Purchase of noncurrent assets	(18,982)	(13,309)	(16,564)	(201,536)
Proceeds from sales of noncurrent assets	—	612	4,401	53,546
Purchase of stocks of subsidiaries and affiliates	—	(19)	(4,851)	(59,017)
Payments of loans receivable	(3,548)	(1,948)	(2,538)	(30,886)
Collection of loans receivable	2,618	2,530	2,277	27,700
Other, net	476	515	(346)	(4,207)
Net cash used in investing activities	(27,343)	(35,119)	(21,130)	(257,092)
Cash flows from financing activities:				
Net increase (decrease) in short-term loans payable	(221)	(158)	107	1,311
Repayment of long-term loans payable	(4)	(25)	(56)	(673)
Purchase of treasury stock	(2)	(5,114)	(1)	(13)
Cash dividends paid	(7,082)	(7,084)	(7,721)	(93,939)
Cash dividends paid to minority shareholders	(11)	(15)	(10)	(127)
Other, net	(5)	80	(13)	(156)
Net cash used in financing activities	(7,325)	(12,316)	(7,694)	(93,597)
Effect of exchange rate change on cash and cash equivalents	37	(890)	(421)	(5,125)
Net increase (decrease) in cash and cash equivalents	24,024	5,934	(264)	(3,207)
Cash and cash equivalents at beginning of year	37,125	61,404	67,462	820,803
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	255	124	—	—
Cash and cash equivalents at end of year (Note 3)	¥61,404	¥67,462	¥67,198	\$817,596

See accompanying notes.

Notes to Consolidated Financial Statements

JSR Corporation and Consolidated Subsidiaries
Years ended March 31, 2010, 2011 and 2012

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, 2012, which was ¥82.19 to U.S.\$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(a) Consolidation — The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries (28 subsidiaries in 2010, 2011 and 2012).

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 material-

ity, 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 (6 affiliated companies in 2010, 2011 and 2012). 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) Short-term securities and investment securities — The Company and its consolidated subsidiaries (the "Companies") had no trading securities or held-to-maturity debt securities. Equity securities issued by subsidiaries and affiliated companies, which are not consolidated or accounted for using the equity method, are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value and unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets via the Consolidated Statements of Comprehensive income (See (u) Consolidated Statements of Comprehensive Income). Realized gains and losses on sale of such securities are computed using moving-average cost. Available-for-sale securities with no available fair market values are stated at moving-average cost or amortized cost.

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

(f) Property, plant and equipment, and depreciation — Property, plant and equipment are stated at cost. Depreciation is 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.

(g) Intangible assets — Goodwill is amortized by the straight-line

method over the estimated useful lives up to twenty years.

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

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

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

(j) Provision 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 provision and expenses for employees' severance and retirement benefits at year-end based on the estimated amounts of projected benefits obligation and the fair value of the pension assets.

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

(l) Provision for loss on disaster — A provision 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 report-

ing 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 income 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, 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).

According to 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 or IFRS 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) Accounting Standards for Accounting Changes and Error Corrections — The Companies adopted “Accounting Standard for Accounting Changes and Error Corrections” (Statement No. 24 by ASBJ on December 4, 2009) and “Guidance on Account-

ing Standard for Accounting Changes and Error Corrections (Guidance No. 24 by ASBJ on December 4, 2009) for accounting changes and corrections of prior period errors which are made from the fiscal year beginning on April 1, 2011.

(u) Consolidated Statements of Comprehensive Income —

Effective for the year ended March 31, 2011, the Companies adopted “Accounting Standard for Presentation of Comprehensive Income” (Statement No. 25 by ASBJ on June 30, 2010). Accordingly, the Company prepared the Consolidated Statements of Comprehensive Income for the year ended March 31, 2010, 2011 and 2012.

(v) 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). The adoption of this rule had no significant effect on net income.

(w) 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, 2010, 2011 and 2012 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2010	2011	2012	2012
Cash and deposits	¥36,677	¥ 44,238	¥ 20,490	\$ 249,304
Short-term investment securities	34,000	55,996	69,496	845,554
Time deposits over three months	(9,273)	(32,772)	(36,281)	(441,434)
Current assets : Other	—	—	13,493	164,172
Cash and cash equivalents	¥61,404	¥ 67,462	¥ 67,198	\$ 817,596

4. Allowance for doubtful accounts

Allowance for doubtful accounts as of March 31, 2011 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Allowance for doubtful accounts			
Current asset : Notes and accounts receivable — trade	¥(751)	¥(719)	\$(8,745)
Investments and other assets : Other	(84)	(323)	(3,926)

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, 2011 and 2012.

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, 2011:			
(1) Cash and deposits	¥ 44,238	¥ 44,238	¥ —
(2) Notes and accounts receivable — trade	74,075	74,075	—
(3) Short-term investment securities and investment securities	74,531	74,480	(51)
(4) Current assets : other (short-term loans receivable)	—	—	—
Total assets	¥ 192,844	¥ 192,793	¥ (51)
(5) Notes and accounts payable — trade	65,381	65,381	—
(6) Short-term loans payable	14,612	14,612	—
Total liabilities	¥ 79,993	¥ 79,993	¥ —

March 31, 2012:			
(1) Cash and deposits	¥ 20,490	¥ 20,490	¥ —
(2) Notes and accounts receivable — trade	89,913	89,913	—
(3) Short-term investment securities and investment securities	88,548	88,481	(67)
(4) Current assets : other (short-term loans receivable)	13,493	13,493	—
Total assets	¥ 212,444	¥ 212,377	¥ (67)
(5) Notes and accounts payable — trade	83,077	83,077	—
(6) Short-term loans payable	15,184	15,184	—
Total liabilities	¥ 98,261	¥ 98,261	¥ —

	Thousands of U.S. dollars		
March 31, 2012:			
(1) Cash and deposits	\$ 249,304	\$ 249,304	\$ —
(2) Notes and accounts receivable — trade	1,093,960	1,093,960	—
(3) Short-term investment securities and investment securities	1,077,355	1,076,536	(819)
(4) Current assets : other (short-term loans receivable)	164,171	164,171	—
Total assets	\$2,584,790	\$2,583,971	\$(819)
(5) Notes and accounts payable — trade	1,010,792	1,010,792	—
(6) Short-term loans payable	184,742	184,742	—
Total liabilities	\$1,195,534	\$1,195,534	\$ —

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

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

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

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
	2011	2012	2012
Non-listed equity securities	¥10,531	¥18,077	\$219,945

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

	Millions of yen				Total
	Due within one year	Due after one year and within five years	Due after five years and within ten years	Due over ten years	
March 31, 2011:					
(1) Cash and deposits	¥ 23,073	¥ 200	¥ —	¥ —	¥ 23,273
(2) Notes and accounts receivable — trade	74,075	—	—	—	74,075
(3) Short-term investment securities and investment securities available-for-sale securities with fixed maturities	55,996	—	—	—	55,996
Total	¥ 153,144	¥ 200	¥ —	¥ —	¥ 153,344
March 31, 2012:					
(1) Cash and deposits	¥ 9,581	¥ 200	¥ —	¥ —	¥ 9,781
(2) Notes and accounts receivable — trade	89,913	—	—	—	89,913
(3) Short-term investment securities and investment securities available-for-sale securities with fixed maturities	69,496	—	—	—	69,496
Total	¥ 168,990	¥ 200	¥ —	¥ —	¥ 169,190

	Thousands of U.S. dollars				
March 31, 2012:					
(1) Cash and deposits	\$ 116,577	\$2,433	\$ —	\$ —	\$ 119,010
(2) Notes and accounts receivable — trade	1,093,960	—	—	—	1,093,960
(3) Short-term investment securities and investment securities available-for-sale securities with fixed maturities	845,554	—	—	—	845,554
Total	\$2,056,091	\$2,433	\$ —	\$ —	\$2,058,524

4. See Note 7 for scheduled repayments of long term debt and lease liability.

6. Short-term Investment Securities and Investment Securities

(1) The following tables summarize the acquisition cost and book value of available-for-sale securities with available fair value as of March 31, 2011 and 2012:

(a) Securities with book value exceeding acquisition cost

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

	Millions of yen		
	2012		
	Acquisition cost	Book value	Difference
Equity securities	¥9,122	¥16,119	¥6,997

	Thousands of U.S. dollars		
	2012		
	Acquisition cost	Book value	Difference
Equity securities	\$110,990	\$196,117	\$85,127

(b) Securities with book value not exceeding acquisition cost

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

	Millions of yen		
	2012		
	Acquisition cost	Book value	Difference
Equity securities	¥ 2,809	¥ 2,437	¥ (372)

	Thousands of U.S. dollars		
	2012		
	Acquisition cost	Book value	Difference
Equity securities	\$ 34,179	\$ 29,655	\$ (4,524)

(2) Total sales of available-for-sale securities sold and the related gains and losses for the years ended March 31, 2010, 2011 and 2012 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2011	2012	2012
Total sales	¥177	¥200	¥29	\$355
Gain	37	104	10	119
Loss	—	—	—	—

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

Short-term loans payable represent primarily overdrafts from banks bearing interest at 0.8% per annum (weighted average interest rate) at March 31, 2011 and 2012.

Long-term loans payable at March 31, 2011 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Loans principally from banks and insurance companies due through 2017 with interest rates 1.3% and 0.9% per annum (weighted average interest rate) in 2011 and 2012, respectively:			
Secured	¥ 1	¥ 1	\$ 12
Unsecured	1,570	1,506	18,329
	1,571	1,507	18,341
Less amount due within one year	(543)	(1,007)	(12,257)
	¥1,028	¥ 500	\$ 6,084
Lease liability	43	34	418
Less amount due within one year	(12)	(13)	(158)
	¥ 31	¥ 21	\$ 260

At March 31, 2012, property, plant and equipment, at book value of ¥7,308 million (\$88,928 thousand) were pledged as collateral for secured loans.

The annual maturities of long-term debt at March 31, 2012 were as follows:

Year ending March 31,	Millions of yen		Thousands of U.S. dollars	
	Long-term loans payable	Lease liability	Long-term loans payable	Lease liability
2013	¥1,007	¥13	\$12,257	\$158
2014	—	10	—	121
2015	—	8	—	96
2016	—	3	—	41
2017	500	0	6,084	2
2018 and thereafter	—	—	—	—
	¥1,507	¥34	\$18,341	\$418

8. Employees' Severance and Retirement Benefits

Provision for retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2011 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Projected benefit obligation	¥48,734	¥49,994	\$608,271
Less fair value of pension assets	(34,684)	(34,768)	(423,019)
Unfunded retirement benefit liabilities	14,050	15,226	185,252
Unrecognized actuarial differences	126	(1,259)	(15,317)
Net retirement benefit liabilities	14,176	13,967	169,935
Provision for retirement benefits	¥14,176	¥13,967	\$169,935

Included in the consolidated statements of income for the years ended March 31, 2010, 2011 and 2012 were retirement benefit expenses consisting of the following:

	Millions of yen			Thousands of U.S. dollars
	2010	2011	2012	2012
Service costs-benefits earned during the year	¥1,758	¥ 1,953	¥1,984	\$24,137
Interest cost on projected benefits obligation	946	965	940	11,440
Expected return on plan assets	(324)	(275)	(278)	(3,384)
Amortization of actuarial differences	1,679	(1,220)	(125)	(1,524)
Retirement benefit expenses	¥4,059	¥ 1,423	¥2,521	\$30,669

The discount rates used by the Companies for the years ended March 31, 2011 and 2012 are mainly 2.1% and 1.8%, respectively. The rates of expected return on plan assets used by the Companies for the years ended March 31, 2011 and 2012 are mainly

0.9%. 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 statutory income tax rate was approximately 40.7%.

Amendments to the Japanese tax regulations were enacted into law on December 2, 2011. As a result of these amendments, the statutory income tax rate will be reduced from 40.7% to 38.0% effective from the year beginning April 1, 2012, and to 35.6% effective from the year beginning April 1, 2015, thereafter.

Consequently, the statutory income tax rate utilized for deferred tax assets and liabilities expected to be settled or realized

in the period from April 1, 2012 to March 31, 2015 is 38.0% and for periods subsequent to March 31, 2015 is 35.6%. As a result of this change, deferred tax assets decreased by ¥568 million (\$6,911 thousand). Income taxes—deferred and unrealized gains on securities increased by ¥902 million (\$10,976 thousand), ¥334 million (\$4,065 thousand) for the year ended March 31, 2012 respectively.

The following table summarizes the significant differences between the statutory income tax rate and the Companies' effective tax rates for financial statement purposes for the years ended March 31, 2010, 2011 and 2012:

	2010	2011	2012
Statutory income tax rate	40.7%	40.7%	40.7%
Equity in earnings of affiliated companies	(3.7)	(3.2)	(4.7)
Tax credit on research and development costs	(6.9)	(3.3)	(3.4)
Lower tax rates for foreign consolidated subsidiaries	(6.8)	(2.9)	(2.2)
Valuation allowance	6.0	—	2.7
Effect of enacted changes in tax laws and rates on Japanese tax	—	—	2.2
Other	0.3	0.7	0.6
Effective tax rate	29.6%	32.0%	35.9%

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2011 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Deferred tax assets:			
Provision for retirement benefits	¥ 5,709	¥ 4,925	\$ 59,925
Loss carried forward	2,027	2,162	26,306
Impairment loss	1,346	1,543	18,779
Accrued bonuses	1,642	1,527	18,578
Provision for environmental measures	1,202	962	11,702
Unrealized gain on sale of noncurrent assets	907	842	10,249
Unrealized gain on sale of inventories	1,097	825	10,032
Other	3,152	3,336	40,585
Sub-total	17,082	16,122	196,156
Valuation allowance	(2,351)	(2,983)	(36,298)
Total deferred tax assets	14,731	13,139	159,858
Deferred tax liabilities:			
Deferred gain on sale of noncurrent assets	(2,560)	(3,163)	(38,487)
Unrealized gains on securities	(2,473)	(2,358)	(28,691)
Other	(642)	(909)	(11,060)
Total deferred tax liabilities	(5,675)	(6,430)	(78,238)
Net deferred tax assets	¥ 9,056	¥ 6,709	\$ 81,620

10. Gain on Sales of Noncurrent Assets

Gain on sales of noncurrent assets is as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2011	2012	2012
Land	¥—	¥—	¥4,288	\$52,169

11. Impairment loss of Noncurrent Assets

The Companies recognized impairment losses on the following group of noncurrent assets for the year ended March 31, 2011 and 2012.

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

Use	Location	Millions of yen				Total
		Land	Buildings and structures	Machinery, equipment and vehicles	Other	
Assets for fine chemical business	Hidaka City, Saitama Prefecture	¥1,141	¥225	¥ —	¥—	¥1,366
Manufacturing facilities for elastomers	Yokkaichi City, Mie Prefecture	—	104	448	2	554

Use	Location	Thousands of U.S. dollars				Total
		Land	Buildings and structures	Machinery, equipment and vehicles	Other	
Assets for fine chemical business	Hidaka City, Saitama Prefecture	\$13,882	\$2,732	\$ —	\$—	\$16,614
Manufacturing facilities for elastomers	Yokkaichi City, Mie Prefecture	—	1,266	5,448	29	6,743

The impairment loss for the year ended March 31, 2011, is included in restructuring charges of ¥422 million in the other expenses section of the consolidated statement of income.

The Companies have grouped their noncurrent assets into

business units. Noncurrent assets that are idle or not being used for business activities are assessed individually. The book value of machinery and equipment etc. was written down to its recoverable value.

12. Loss on Disaster

Loss on disaster for the year ended March 31, 2011, included 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, ¥39 million and ¥5 million, respectively.

Loss on disaster for the year ended March 31, 2012, mainly included expenses relevant to facilities (mainly at Kashima Plant) that had been inactive by Great East Japan Earthquake.

13. Comprehensive Income

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

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Unrealized gains in securities:		
Occurrence amount	¥ 518	\$ 6,296
Recycling	21	260
Total	¥ 539	\$ 6,556
Foreign currency translation adjustments		
Occurrence amount	¥(619)	\$(7,537)
Total	¥(619)	\$(7,537)
Share of other comprehensive income of associates accounted for using equity method		
Occurrence amount	¥(454)	\$(5,523)
Total	¥(454)	\$(5,523)
Total other comprehensive income before tax	¥(534)	\$(6,504)
Tax effect	¥ 115	\$ 1,397
Other comprehensive income, net of tax	¥(419)	\$(5,107)

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

14. Net Assets

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

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

Additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends. The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Japanese laws and regulations.

At the annual shareholders meeting held on June 15, 2012, the shareholders resolved cash dividends amounting to ¥3,860 million (\$46,962 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2012. Such appropriations are recognized in the period in which they are resolved.

15. 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, 2012	43,600 shares	36,000 shares	48,500 shares
Exercise price per share	¥1 \$0.01	¥1 \$0.01	¥1 \$0.01
Date of resolution of the general shareholders' meeting	June 13, 2008	June 16, 2009	June 18, 2010
The maximum number of shares to be issued	73,900 shares	80,200 shares	84,200 shares
Exercisable period of stock options	From July 16, 2008 to July 15, 2028	From July 15, 2009 to July 14, 2029	From July 14, 2010 to July 13, 2030
Stock subscription rights which have been vested outstanding as of March 31, 2012	73,900 shares	80,200 shares	84,200 shares
Exercise price per share	¥1 \$0.01	¥1 \$0.01	¥1 \$0.01
Date of resolution of the general shareholders' meeting	June 17, 2011		
The maximum number of shares to be issued	81,000 shares		
Exercisable period of stock options	From July 13, 2011 to July 12, 2031		
Stock subscription rights which have been vested outstanding as of March 31, 2012	81,000 shares		
Exercise price per share	¥1 \$0.01		

The compensation cost recognized for these stock options for the years ended March 31, 2010, 2011 and 2012 was ¥116 million, ¥118 million and ¥111 million (\$1,349 thousand) respectively, and was included in selling, general and administrative expenses in the consolidated statements of income.

16. 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.

(2) Quantitative disclosure about derivatives

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

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.

Contract amounts, market values and recognized gains or losses on the derivative transactions, except those accounted for using hedge accounting, at March 31, 2011 and 2012 were as follows:

(a) Related to currencies

	Millions of yen			Recognized gains or losses
	Contract amount	Over one year	Market value	
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, Taiwan dollar	2,909	1,805	613	613
Total	¥ —	¥ —	¥ —	¥ 585

	Millions of yen			Recognized gains or losses
	Contract amount	Over one year	Market value	
March 31, 2012:				
Items not traded on exchanges				
Foreign exchange forward contracts				
Selling:				
U.S. Dollars	¥4,467	¥ —	¥ 4,525	¥ (58)
Euro	587	—	611	(24)
Buying:				
U.S. Dollars	223	—	224	1
Euro	59	—	63	4
Swiss Franc	21	—	22	1
Foreign currency swaps				
receiving Japanese Yen paying, Taiwan dollar	1,806	—	410	410
Total	¥ —	¥ —	¥ —	¥ 334

	Thousands of U.S. dollars			Recognized gains or losses
	Contract amount	Over one year	Market value	
March 31, 2012:				
Items not traded on exchanges				
Foreign exchange forward contracts				
Selling:				
U.S. Dollars	\$54,348	\$ —	\$55,052	\$ (704)
Euro	7,137	—	7,436	(299)
Buying:				
U.S. Dollars	2,711	—	2,730	19
Euro	—	—	765	44
Swiss Franc	250	—	271	21
Foreign currency swaps				
receiving Japanese Yen paying, Taiwan dollar	21,972	—	4,994	4,994
Total	\$ —	\$ —	\$ —	\$4,075

Market values are calculated using foreign exchange forward rates.

(b) Related to interests

	Millions of yen		
	Contract amount	Over one year	Market value
March 31, 2011:			
Special treatment for interest rate swaps			
Interest rate swaps (paid floating / received fix)			
(Hedged item: Long-term loans payable)	¥1,000	¥1,000	¥8
Total	¥1,000	¥1,000	¥8

	Millions of yen		
	Contract amount	Over one year	Market value
March 31, 2012:			
Special treatment for interest rate swaps			
Interest rate swaps (paid floating / received fix)			
Hedged item: Short-term loans payable	¥1,000	¥ —	¥5
Total	¥1,000	¥ —	¥5

	Thousands of U.S. dollars		
	Contract amount	Over one year	Market value
March 31, 2012:			
Special treatment for interest rate swaps			
Interest rate swaps (paid floating / received fix)			
(Hedged item: Short-term loans payable)	\$12,167	\$ —	\$56
Total	\$12,167	\$ —	\$56

17. Information for Certain Lease Payments

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
	2011	2012	2012
Machinery, equipment and vehicles:			
Purchase price equivalent	¥134	¥3	\$ 40
Accumulated depreciation equivalent	117	3	34
Book value equivalent	¥ 17	¥0	\$ 6
Tools, furniture and fixtures:			
Purchase price equivalent	¥ 37	¥5	\$ 62
Accumulated depreciation equivalent	31	5	61
Book value equivalent	¥ 6	¥0	\$ 1
Total:			
Purchase price equivalent	¥171	¥8	\$102
Accumulated depreciation equivalent	148	8	95
Book value equivalent	¥ 23	¥0	\$ 7

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

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Due within one year	¥22	¥ 1	\$ 8
Due over one year	1	—	—
	¥23	¥ 1	\$ 8

(3) Lease expenses and depreciation equivalent:

	Millions of yen			Thousands of U.S. dollars
	2010	2011	2012	2012
Lease expenses	¥56	¥35	¥22	\$273
Depreciation equivalent	56	35	22	273

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.

18. Contingent Liabilities

At March 31, 2012, the Company and certain consolidated subsidiaries were contingently liable as guarantors for loans of employees and others in the amount of ¥19 million (\$235 thousand).

19. Research and Development Expenses

Research and development expenses of the Companies for the years ended March 31, 2010, 2011 and 2012 were ¥18,052 mil-

lion, ¥16,939 million and ¥17,373 million (\$211,373 thousand), respectively, which are included in selling, general and administrative expenses or manufacturing costs.

20. Segment Information

As described in Note 2. (w), 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, 2010, 2011 and 2012 were as follows:

	Millions of yen					
	Elastomers	Plastics	Fine chemicals and other products	Total	Reconciliation	Consolidated
For 2010:						
Sales to external customer	¥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
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

Millions of yen

For 2012:						
Sales to external customers	¥180,835	¥51,236	¥117,876	¥349,947	¥ —	¥349,947
Inter-segment sales/transfers	4,887	—	—	4,887	(4,887)	—
Operating income	¥ 19,358	¥ 2,138	¥ 14,468	¥ 35,964	¥ —	¥ 35,964
Identifiable assets	¥181,673	¥34,146	¥106,706	¥322,525	¥108,168	¥430,693
Depreciation and amortization	8,377	1,333	8,074	17,784	—	17,784
Impairment loss	554	—	1,366	1,920	—	1,920
Capital expenditures	9,642	1,035	9,051	19,728	—	19,728
Amortization of goodwill	—	44	—	44	—	44
Goodwill	—	753	—	753	—	753

Thousands of U.S. dollars

For 2012:						
Sales to external customers	\$2,200,204	\$623,389	\$1,434,187	\$4,257,780	\$ —	\$4,257,780
Inter-segment sales/transfers	59,458	—	—	59,458	(59,458)	—
Operating income	\$ 235,529	\$ 26,015	\$ 176,033	\$ 437,577	\$ —	\$ 437,577
Identifiable assets	\$2,210,399	\$415,451	\$1,298,283	\$3,924,133	\$1,316,074	\$5,240,207
Depreciation and amortization	101,920	16,220	98,237	216,377	—	216,376
Impairment loss	6,743	—	16,614	23,357	—	23,357
Capital expenditures	117,308	12,596	110,124	240,028	—	240,028
Amortization of goodwill	—	539	—	539	—	539
Goodwill	—	9,158	—	9,158	—	9,158

Assets in reconciliation are related mainly to Cash, Short-term investment securities and Investment securities of the Company. Geographic segment information with respect to net sales for the years ended March 31, 2010, 2011 and 2012 were as follows:

	Millions of yen		
	Japan	Others	Total
For 2010:	¥171,305	¥138,879	¥310,184
For 2011:	¥190,031	¥150,635	¥340,666
For 2012:	¥196,470	¥153,477	¥349,947
	Thousands of U.S. dollars		
For 2012:	\$2,390,441	\$1,867,339	\$4,257,780

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

Korea, China, Taiwan, Thailand, United States, Belgium

Geographic segment information with respect to property, plant and equipment for the years ended March 31, 2010, 2011 and 2012 were as follows:

	Millions of yen		
	Japan	Others	Total
For 2010:	¥79,249	¥ 9,072	¥88,321
For 2011:	¥70,713	¥ 9,135	¥79,848
For 2012:	¥69,317	¥11,187	¥80,504

	Thousands of U.S. dollars		
For 2012:	\$843,373	\$136,121	\$979,494

Major customer information with respect to sales for the years ended March 31, 2010, 2011 and 2012 were as follows:

	Millions of yen		
	Customer Name	Segment	Sales
For 2010:	BRIDGESTONE Corporation	Elastomers	¥28,025
For 2011:	BRIDGESTONE Corporation	Elastomers	¥34,496
For 2012:	BRIDGESTONE Corporation	Elastomers	¥40,527

	Thousands of U.S. dollars		
For 2012:	BRIDGESTONE Corporation	Elastomers	\$493,089

21. Related Parties

Significant transactions and balances with related parties as of and for the years ended March 31, 2010, 2011 and 2012 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2011	2012	2012
BRIDGESTONE Corporation (a major shareholder):				
Sales	¥27,749	¥34,261	¥40,090	\$487,768
Notes and accounts receivable—trade, net	13,328	11,793	17,382	211,487
Tobu Butadiene Co., Ltd. (an affiliated company):				
Purchases	9,855	12,071	11,152	135,687
Notes and accounts payable—trade	4,827	5,093	6,251	76,057
Supply of raw material gas	7,607	9,575	9,421	114,621
Accounts receivable—other	3,960	4,400	5,212	63,418
KRATON JSR Elastomers K.K. (an affiliated company):				
Purchases	—	11,323	9,930	120,823
Notes and accounts payable—trade	—	4,135	5,083	61,839

22. Subsequent Events

At the June 15, 2012 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 (\$46,962 thousand).

Independent Auditors' Report



Independent Auditor's Report

To the Board of Directors of
JSR Corporation

We have audited the accompanying consolidated financial statements of JSR Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2012 and 2011, and the consolidated income statements, statements of comprehensive income, statements of changes in net assets and statements of cash flows for each of the three years in the period ended March 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of JSR Corporation and its consolidated subsidiaries as at March 31, 2012 and 2011, and their financial performance and cash flows for each of the three years in the period ended March 31, 2012 in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

KPMG AZSA LLC
June 15, 2012
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Corporate Data (As of March 31, 2012)

JSR Corporation

Established

December 10, 1957

Capital (Common Stock)

¥23,320 million (\$280 million)

Employees

5,403

Closing date

JSR books are closed on March 31, each year.

Ordinary General Meeting of Shareholders

The annual general meeting of shareholders is held in June each year. The 2011 annual 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, 2012)

Stock Listing

Tokyo Stock Exchange, Osaka Securities Exchange

Number of Shares Issued

255,885,166 shares

Number of Shareholders

21,334

Major Shareholders

	Percentage of shares held (%)	Number of shares held (thousands)
Bridgestone Corporation	15.97	40,866
Japan Trustee Services Bank, Ltd. (Trust Account)	6.21	15,906
The Master Trust Bank of Japan, Ltd. (Trust Account)	4.12	10,560
The Master Trust Bank of Japan, Ltd. (Trust Account) (Number of Retirement Allowance Trust Shares of Mitsubishi Chemical Corporation)	3.09	7,927
The Chase Manhattan Bank 385036	2.45	6,290
Nippon Life Insurance Company	2.14	5,494
Mizuho Corporate Bank, Ltd.	2.00	5,125
State Street Bank Client Omnibus OMO4	1.81	4,632
State Street Bank and Trust Company 505225	1.73	4,427
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	1.64	4,205

* 14,645,692 shares of treasury stock held by the Company are not included in the above breakdown of major shareholders.

Common stock price range

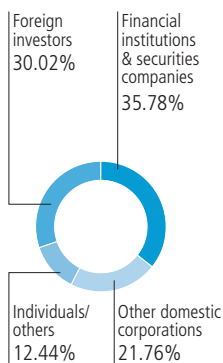
(Yen/share: Tokyo Stock Exchange)

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

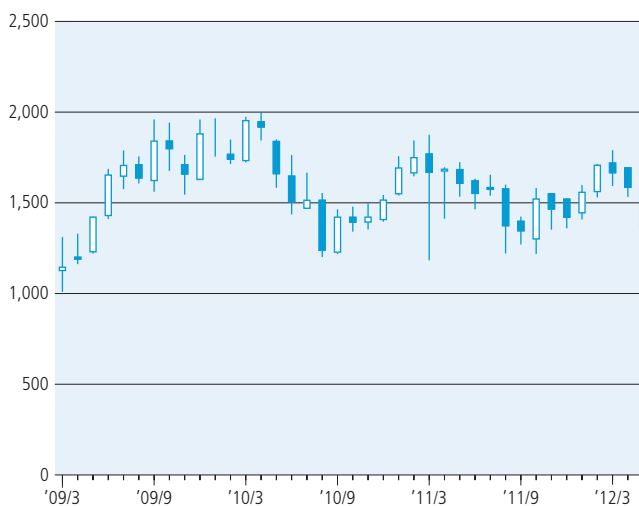
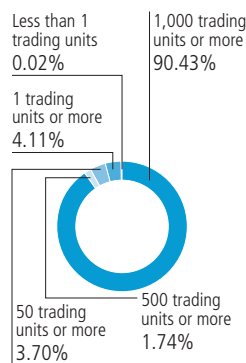
Composition of Shareholders

	Shareholders	Shares held (thousand)
Individuals and others	20,525	31,827
Foreign corporation and individuals	402	76,819
Other domestic corporations	276	55,691
Financial institutions	88	90,195
Securities companies	43	1,351
Total	21,334	255,885

By Type of Shareholders



By Number of Shares Held



Directors, Corporate Auditors, and Officers

As of June 15, 2012

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Directors and Corporate Auditors

Mitsunobu Koshiba
Representative Director and President

Masaki Hirose
Representative Director

Yoshinori Yoshida
Director, Executive Advisor

Hozumi Sato
Director

Hayato Hirano
Director

Takuya Goto
Outside Director

Michio Kariya
Outside Director

Kazunori Yagi
Outside Director

Corporate Auditors:

Shoichi Kataoka
Standing Corporate Auditor

Kenji Ito
Corporate Auditor (Outside)

Hiroichi Uekusa
Corporate Auditor (Outside)

Nobuko Kato
Corporate Auditor (Outside)

Officers (* Directors)

Masaki Hirose*
Executive Managing Officer
CSR, General Affairs, Human Resources

Hozumi Sato*
Managing Officer
Research and Development, Strategic Businesses
Chairman of J&W Beijing Biotech Co., Ltd.

Yasuki Sajima
Managing Officer
Fine Chemicals Sector

Koichi Kawasaki
Managing Officer
Petrochemicals Sector (including plastics),
Safety and Environment Affairs,
General Manager of Petrochemical Products Div.,
President of Techno Polymer Co., Ltd.,
President of Japan Butyl Co., Ltd.,
President of KRATON JSR ELASTOMERS K. K.

Hisao Hasegawa
Managing Officer
Procurement, Logistics, Manufacturing and
Technology, Product Safety & Quality Assurance,
Information Technology
General Manager of Manufacturing and
Technology Group,
President of Tobu Butadiene, Co., Ltd.

Yasuhisa Nagahiro
Managing Officer
Yokkaichi Plant Manager

Atsushi Kumano
Senior Officer
Research & Development (deputy),
General Manager of R&D Department,
General Manager of Tsukuba Research Lab.

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

Takeshi Wakabayashi
Senior Officer
Vice President of Kumho Polychem Co., Ltd.

Takatoshi Nagatomo
Officer
President of JSR BST Elastomer Co., Ltd.

Takeshi Sugimoto
Officer
General Manager of Electronic Materials Division

Tsuyoshi Watanabe
Officer
General Manager of Business Planning,
Strategic Business

Hayato Hirano*
Officer
Accounting and Finance, Corporate Communications,
Group Company
General Manager of Group Companies Coordination
Department

Katsuya Inoue
Officer
General Manager of Business Planning,
Fine Chemical Business

Fumio Tsutsumi
Officer
Strategic Businesses, Performance Chemicals (deputy)
General Manager of Performance Chemicals Division

Kazumasa Yamawaki
Officer
General Manager of Department for Global
Business Alliance

Eric Johnson
Officer
President of JSR Micro, Inc.

Eiichi Kobayashi
Officer
Strategic Businesses, Precision Materials and
Processing and Lithium Ion Capacitors (deputy)
General Manager of Precision Materials and
Processing

Makoto Doi
Officer
Legal
General Manager of Legal Department

Takao Shimizu
Officer
Corporate Planning
General Manager of Corporate Planning Department

Tsutomu Shimokawa
Officer
Yokkaichi Research Center
General Manager of Yokkaichi Research Center,
General Manager of Fine Electronic Materials
Research Laboratories

JSR Corporation

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