

## JSR Corporation

### Summary of Q&A session of media/analysts/institutional investors call regarding “Overview of Opinion and Recommendation on Scheduled Commencement of the Tender Offer by JICC-02, Ltd.”

(On June 26, 2023)

#### 1. Purpose and Background

Q) What is the reason for choosing JIC Capital, Ltd. (JICC), a wholly owned subsidiary of the Japan Investment Corporation (JIC)?

- We had recognized the strategic imperative for industry restructuring in the semiconductor materials field for quite some time, but we felt that certain difficulties existed within the semiconductor materials ecosystem. Therefore, we thought that by cooperating with JICC, a government-affiliated fund, we could gain momentum for industry restructuring. Going private was not the only reason behind the discussions with JICC. One of the main reasons we chose JICC was that strategies of JICC and JSR were aligned from the perspective of realizing industry restructuring.

Q) What is the real intention behind the going private? You have no financial problems, and you announced future M&A plans, etc. in the mid-term plan. I would like to ask about the intention behind the discussions with JICC regarding industry restructuring which began in November 2022.

- We have been considering structural issues in the semiconductor materials industry for quite some time. Looking at the competitive landscape, many companies have high levels of investment or expertise, and we have believed that there is a strong opportunity within the Japanese ecosystem to drive value creation more efficiently. After various considerations, one factor emerged: as long as a company is publicly traded, the intent of its long-term strategy may not always be clear, due to the diverse range of shareholders. In our discussions with JICC, we felt that we could pursue the strategy we are seeking under a single shareholder.
- We also felt that JICC, as a government-affiliated fund capable of providing large-scale, long-term, and neutral risk capital, could make a commitment to industry restructuring. As JSR has established a strong position in the industry, we feel that now is the time to push ahead with reforms that will allow us to truly compete globally.

Q) You mentioned that JSR approached JICC. After pursuing selection and concentration strategy for years, was it the U.S.-China issue that drove you to do so? Also, I think there may be many obstacles to improve corporate value as a private company. Are you confident that you can improve corporate value?

- Our motive to implement the transaction at this moment is not to avoid any crisis we are facing. We considered that JICC's mission is aligned with ours in such our strategy, value creation, and expansion of scale.
- JSR will receive support from JICC, a government-affiliated fund with a neutral position. We understand

that the Japanese government intends to support Japanese industry in general, particularly in the areas of the semiconductor materials and biopharmaceutical. On the other hand, what we aim to achieve in this partnership is to accelerate value enhancement and drive our international competitiveness in the areas of semiconductor materials and biopharmaceuticals. In this context, we perceive this partnership with JICC as a great opportunity to enhance our corporate value. We also believe that it will not only create value for JSR but will also be beneficial to the industry as a whole and to all stakeholders.

Q) In the other questions, you mentioned you felt difficulties in partnering with industry peers. I would like to know more details about why it was considered challenging. Also, you accepted an external director from an activist fund a few years ago, but to what extent was the intention to break free from such external pressure?

- We felt that there were a range of issues regarding collaboration with other industry peers, and there was a strong opinion from these peers that they were resistant to industry restructuring. It was one of the reasons that induced us to talk to JICC as we thought the need to change something to gain momentum. We expect that we can serve as a catalyst and generate momentum for industry restructuring.
- It is not our intention at all to break free from external pressure. Our intention is to ensure long-term competitiveness.

Q) Can you explain the background to your decision chronologically? You said that there was room for restructuring in the domestic semiconductor materials industry when you announced the mid-term plan in March 2021. Have you had this view on your mind for some time, or did you change your view as the mid-term plan progresses? If the latter is the case, what triggered the change in your view?

- We have identified the need for industry restructuring in this area to generate value. When we understood JICC's mission, we realized that our strategies were aligned. That was when we began serious discussion with JICC.

Q) It is estimated that the budget for M&A during the mid-term plan was in the scale of hundreds of billions Yen. Was it considered insufficient in terms of the scale and thus needed a larger industry restructuring?

- Not necessarily. The scale of the M&A aligns with our current strategy, but we believe this decision is the best from the perspective of accelerating growth through engagements with partners in the industry restructuring process.

## **2. Industry Restructuring**

Q) By “leading the industry restructuring”, do you mean you will take a lead and consolidate other companies?

- We would like to be a catalyst for this industry restructuring effort and our sense is that we will see other companies in the sector also follow suit. We are not the only one to recognize the competitive pressures and the need for improving the efficiency of our investments. We think that this is a commonly recognized

issue for all the companies in the semiconductor materials industry. Although we do not think that we are able to completely restructure the semiconductor materials industry only by ourselves, we do think that we can be a catalyst for industry restructuring.

Q) What specific areas are you considering to lead the restructuring in the semiconductor materials industry? Which semiconductor materials business would you particularly like to strengthen?

- We are considering various areas. We aim to utilize this partnership to drive industry restructuring and especially enhance the efficiency of our R&D investment. Once this Tender Offer is completed, we will then be able to explore specific opportunities available to us for further growth.

Q) Will the industry restructuring be among domestic players? Would it include overseas players as well?

- We are targeting the Japanese semiconductor materials industry. As there are many players in the domestic semiconductor materials industry, there is room for efficiency improvement due to overlapping R&D. In addition, we believe that expansion of scale is very important. Based on these considerations, we believe that there are opportunities for further growth in the semiconductor materials industry in Japan.

### **3. Re-listing**

Q) You mentioned that JSR will achieve business growth and improvement of corporate value, and then aim for re-listing. Does improving corporate value refer to expanding its scale through restructuring and acquisitions to improve profitability? I would like to understand the timing.

- The timing of re-listing is difficult to predict. In general, however, I believe that five to seven years is a good benchmark. We envision such a timeline considering the time required for the actions we need to take.

Q) Will JSR be relisting as a pure semiconductor materials company and/or a life sciences company?

- We have not decided the specific corporate structure in which we will re-list the company. However, we would like to emphasize that partnership with JICC will provide support for our entire business portfolio. We will accelerate value creation within a portfolio that includes different businesses.

Q) What is considered sufficient corporate value for JSR in its aim to go public, given any investors expect a return when making an investment and exit. What level of corporate value and profit level are you anticipating to improve from the current state when re-listing?

- We are not aware of the level of return that JICC expects, but we will work to build a strong business foundation together with JICC and relist with improved corporate value that surpasses the current level. It is difficult to give you a specific level at this point.

Q) If this industry restructuring does not go forward, what will happen to JSR or the restructuring of the

semiconductor materials industry in Japan?

- We already have competitive businesses and solid strategies. There are many options to improve, strengthen, and accelerate them, but we have chosen JICC as our strategic partner because of the alignment of the direction we are heading to. This transaction is not being undertaken in the face of a crisis, but rather we take it as an opportunity for further growth.

#### **4. Impact on Stakeholders**

Q) We understand that the structure of the transaction is a partnership with JICC. Please explain the rationale behind choosing this partnership from the perspective of existing shareholders, and whether it is appropriate from a valuation standpoint. Has ValueAct also agreed to sell their shares?

- The rationale from the perspective of existing shareholders has been calculated through various methods of valuation. As the result of deliberation by the Special Committee and the Board of Directors, this valuation was determined to be at a fair and reasonable level. In addition, the board of directors unanimously approved this transaction based on thorough consideration whether the transaction would be beneficial to all stakeholders, including shareholders, customers, employees, business partners, and Japanese society, and whether the transaction aligns with JSR's strategic goal to enhance corporate value.
- We are not aware of any information regarding the decision of ValueAct as a shareholder.

#### **5. Management Policy after the Tender Offer**

Q) There was no mention of the Plastics business. What is the policy for it?

- There are a few businesses that I did not mention in my explanation, so I would like to emphasize again. From JICC's strategic perspective, we will focus on our two core businesses, Digital Solutions and Life Sciences, especially semiconductor materials and biopharma. However, this strategy will drive growth by allowing us to better allocate resources to all businesses, which will bring value to our entire business portfolio, including the Plastics business.

Q) You mentioned that becoming the core of industry restructuring will lead to value enhancement in the Digital Solutions business. On the other hand, there is a question as to whether it is appropriate for a government-affiliated fund to support overseas growth of the Life Sciences business which is centered on overseas operations. Is there any problem with this point, or does it mean that the company will focus on the Life Sciences business in the domestic market in the future?

- We recognize that strengthening our capabilities in biopharmaceutical development is one of JICC's strategic objectives. The life science field shows strong growth globally, and we believe that we can create value by executing our Life Sciences business strategy.
- In Japan, MBL already has a strong presence in the diagnostics business and has recently provided a

number of antigen test kits for COVID-19. Furthermore, MBL's collaboration with Crown Bioscience (CRO business), which conducts in vitro diagnostics and screening in non-clinical trials for pharmaceutical development, will strengthen our capabilities in Japan. In addition, while contract development and manufacturing organization of biopharmaceuticals (CDMO) has robust manufacturing capabilities globally, we also see opportunities to strengthen our manufacturing capabilities in Japan.

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