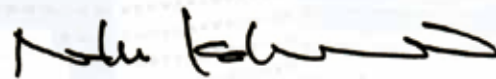


## TO OUR SHAREHOLDERS

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

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

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



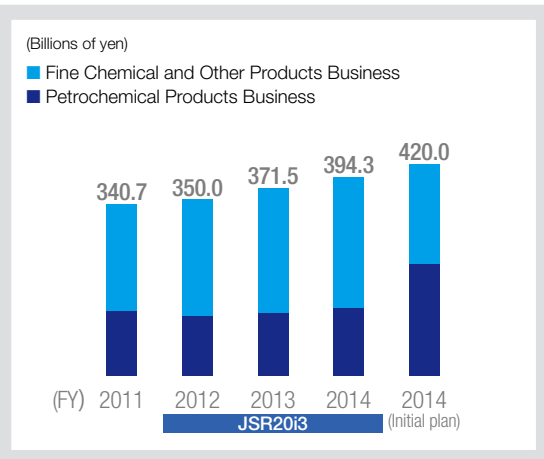
MITSUNOBU (Nobu) KOSHIBA  
Representative Director and President



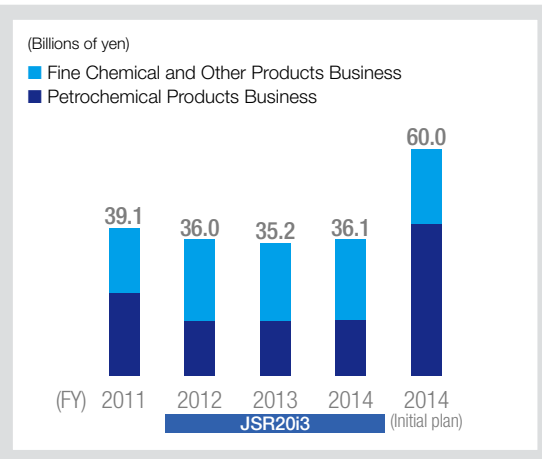
## TO OUR SHAREHOLDERS

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

### Change in Net Sales under JSR20i3



### Change in Operating Income under JSR20i3



### Toward Realization of Our Vision for 2020

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

Note: Fiscal year means year ended March 31

### Performance Overview

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

### Achievement of the JSR20i3 Objective

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

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

## TO OUR SHAREHOLDERS

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

### New Mid-Term Plan JSR20i6

#### Vision for 2020

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

Become an esteemed company with ¥1 trillion market capitalization

Post JSR20i6  
**Sustained Growth**

**Phase I**  
JSR20i3  
**Activation toward Growth**

Results of JSR20i3

- Define strategies
- Make upfront investments

**Phase II**  
JSR20i6  
**Following Our Path to Growth**

JSR20i6 Mission

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

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

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

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

### Business Scenario Projected in JSR20i6

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

## TO OUR SHAREHOLDERS

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

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

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

### Capital Policies

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

### Enhancing Corporate Value

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

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