

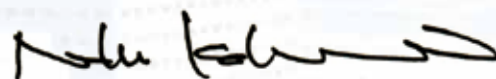
## TO OUR SHAREHOLDERS

# 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.



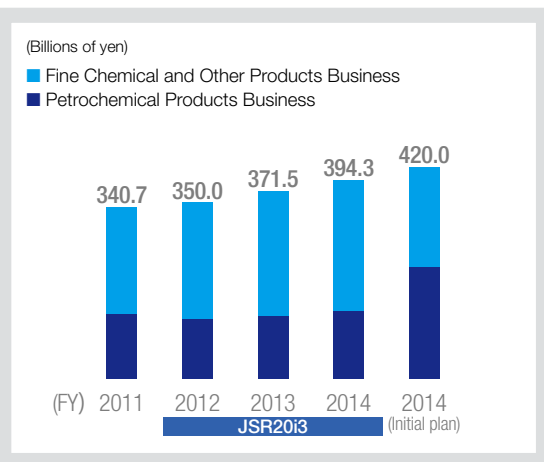
MITSUNOBU (Nobu) KOSHIBA  
Representative Director and President



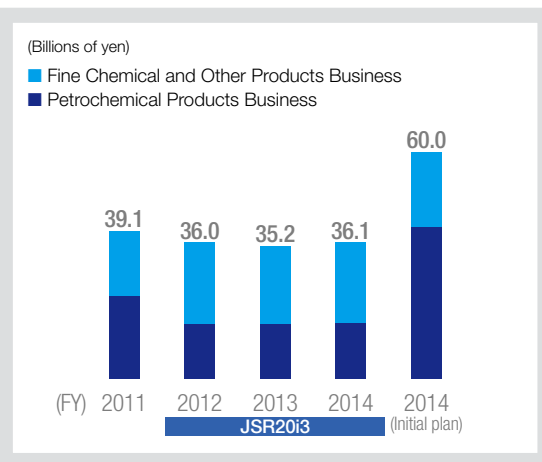
## TO OUR SHAREHOLDERS

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 II  
JSR20i6

**Following Our  
Path to Growth**

JSR20i6 Mission

Transforming upfront  
investments into results

Respond to globalization

Improvement in sustainable  
competitiveness

Phase I  
JSR20i3

**Activation  
toward Growth**

Results of JSR20i3

Define strategies

Make upfront investments

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.

## NEW MID-TERM BUSINESS PLAN—PETROCHEMICAL PRODUCTS BUSINESS

Set up a dependable global supply structure for S-SBR and firmly establish a position as the share leader in the S-SBR market.

### JSR20i3 Results

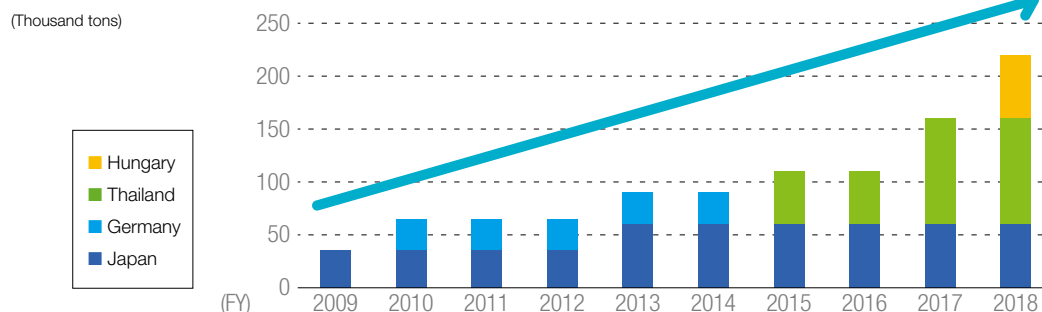
- Furthered global development of the S-SBR business.
- Increased resistance to and the ability to cope with volatility from lowering of the break-even point.

### JSR20i6 Strategies

- Maximize capacity utilization at the S-SBR plant in Thailand.
- Continue quality differentiation, ensuring share in high-end market.
- Achieve record-high operating income by implementing a highly profitable business model.
- Establish a global supply structure by ensuring a smooth start for the plant construction in Hungary.

### Forecast of JSR's S-SBR Production Capacity

Production capacity of 200,000 tons or more in March 2018 and experience of manufacturing middle-end products.



Now that JSR BST Elastomer Co., Ltd. (JBE) in Thailand, a joint venture, has started full-scale plant operation, the JSR Group is working to steadily and surely capture expanding demand for Solution polymerization Styrene-Butadiene Rubber (S-SBR) products for fuel-efficient tires. By undertaking sales expansion to enable the plant to operate at its full annual capacity of 50,000 tons and smoothly implementing the second phase of plant construction, we aim to set a new earnings record by fiscal 2017 by maximizing revenue and profit from the Petrochemical Products Business and further lowering the break-even point. In addition, to cope with further demand expansion, we started plant construction at JSR MOL Synthetic Rubber Ltd., a joint venture company established in Hungary, and aim to complete the plant start-up on schedule. Since preparation is underway for the manufacture of S-SBR in Europe, we have terminated the capacity rights agreement with Styron Europe GmbH for the manufacture of 30,000

tons of S-SBR per year. Although an increase in supply capacity at synthetic rubber producers is expected to result in excess supply of S-SBR from 2014 into 2015, we will build long-term relationships of trust with customers who do business globally even as we increase production capacity by establishing a global supply structure with production bases in Japan, Thailand, and Hungary. Furthermore, we aim to overcome the soft supply-demand situation and become the global S-SBR market share leader by continuing to achieve quality differentiation through a focus on high-end S-SBR products, not commoditized products.

## NEW MID-TERM BUSINESS PLAN—FINE CHEMICALS BUSINESS

Maximize revenue and profit by further increasing market share of semiconductor materials and FPD materials and expanding the Group's product portfolio.

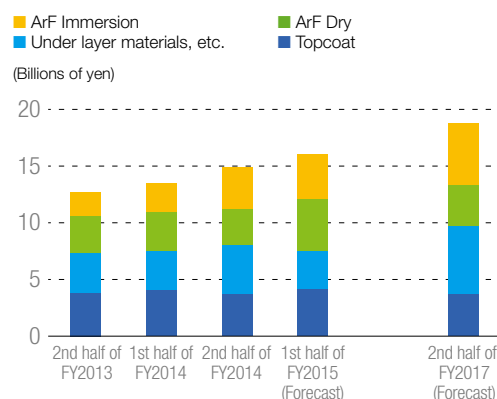
### JSR20i3 Results

- Captured high share of photoresists for the 20nm-generation node of semiconductors.
- In the FPD Materials business, set up full-function operations in South Korea and Taiwan and boosted competitiveness in the East Asia.
- Explored new business fields in the Fine Chemicals business.

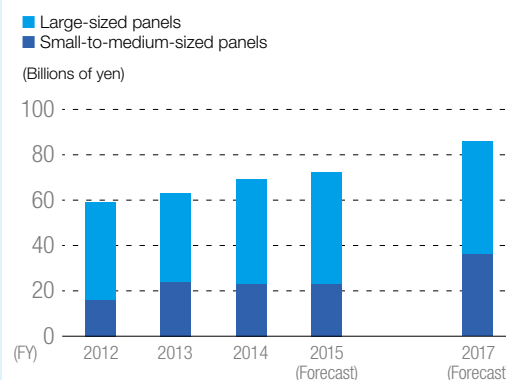
### JSR20i6 Strategies

- Steadily increase market share of advanced materials and earnings.
- Obtain adoptions for 14nm and later generation semiconductor materials.
- Increase adoptions of materials for mobile products.
- Expand the Group's product portfolio in the digital industry.
- Concentrate R&D function and production of semiconductor materials at the Yokkaichi Plant and that of FPD materials in South Korea and Taiwan.

### Sales of Lithography Materials



### Sales of FPD materials



### Semiconductor Materials

We are working to increase sales of lithography materials, a field in which we enjoy high market share of leading-edge 20nm-generation products, and engage in development of next-generation 14nm materials to continue to secure high share. Since customers' quality requirements are more strict for semiconductor materials, we are intensively investing in the Yokkaichi Plant to produce materials previously produced globally and optimize the business functions from R&D to production systems. In this way, we are reliably meeting customer requirements by rigorously engaging in manufacturing control and quality control.

### FPD Materials

There is a long-term trend of shifting FPD production to East Asia, and we are concentrating all business functions from research to manufacturing in

East Asia. We are pursuing share expansion in growth markets by boosting the competitiveness of materials for large panels by means of competitive cost, very high quality and development of a technical service structure. We are expanding and upgrading the product portfolio of high-performance materials for small-to-medium size panels and increase sales by introducing new products.

### Business Field Expansion

The spread of the so-called "Internet of Things" (IoT) in the digital industry has ushered in an era in which people and things are linked by the Internet, and JSR believes that sensors will present a lot of opportunities. We will add to our existing line of products that support the digital industry and expand and upgrade the product portfolio by focusing on the sensors field.



## NEW MID-TERM BUSINESS PLAN—STRATEGIC BUSINESSES

Intensively invest in the Life Sciences business and Lithium Ion Capacitor business as Strategic businesses and undertake business expansion to develop these businesses into a third business pillar.

### JSR20i3 Results

- Accelerated business development in the Life Sciences business through M&A activities and alliances.
- Established JSR Life Sciences Corporation (JLS).
- Invested in MEDICAL & BIOLOGICAL LABORATORIES CO., LTD. (MBL).
- Decided to construct an additional, high-volume plant for LIC.
- Commenced Corporate Venture Capital activities.

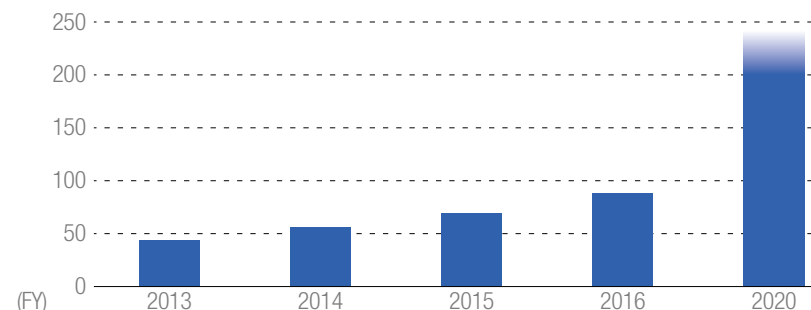
### JSR20i6 Strategies

- Expand the Life Sciences business through cooperation with MBL.
- Prepare for full-scale operation of the Lithium Ion Capacitor business by starting up a high-volume production plant.

### Estimated Market Size for Large-Capacity Capacitors

Our market-share target: more than 20% in 2020

(Billions of yen)



### Life Sciences Business

This business consists of three pillars: 1) diagnostics and other materials for life science research, including reagents used in research of active pharmaceutical ingredients, 2) bioprocess materials used in purification processes for antibody drugs, and 3) medical polymers, ingredients in medical gloves and poultices. JSR Group is expanding the global sales structure dominated by JSR Life Sciences Corporation, which collaborates with JSR Micro, Inc. and JSR Micro N.V. in Europe, and J and W Beijing Biotech Co., Ltd., in China. We are also expanding into the field of advanced diagnostics and development reagents through alliances such as with Medical & Biological Laboratories Co., Ltd. (MBL), which has proprietary technologies and sales channels.

### Lithium Ion Capacitor Business

Expansion of application of LICs into various fields is expected, and we have established a track record as a frontrunner in the market. As these materials have come into use in hybrid buses, construction machinery, and health-care applications, we have stayed ahead of competitors in improving the performance balance of ultralow resistance, high voltage, and high durability. We will expand sales with a new plant for high-volume production of compact products, scheduled for 2015. The market for large-capacity capacitors is expected to reach ¥200 billion by 2020, and we aim to capture market share of more than 20%. Furthermore, we are pursuing business scale expansion by developing a highly profitable business model.