



Policies Focusing on the Realization of Our Goals

In the year ended March 2015, growth in the Fine Chemicals and Other Products Business allowed us to achieve results that were moderately higher than our initial targets, despite a slower trend in the Petrochemical Products Business. We provide maximal effort to the realization of our goals that reflect environmental changes over the past year and progress in each business segment.

MITSUNOBU (Nobu) KOSHIBA
Representative Director and President

OUR STRATEGY

The JSR Vision

The trends toward diversification and the formation of a multipolar world are expected to accelerate. We see these environmental changes as opportunities to expand our corporate value through initiatives based on our business philosophy.

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

Phase III

Sustained Growth

Development of strategic businesses as third core source of earnings

Emergence as a company capable of stable, sustainable growth

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

JSR20i6

Phase II

Following Our Path to Growth

Sustained efforts to link priority measures implemented under JSR20i3 to earnings

Core business areas (Solution Polymerization SBR (S-SBR), advanced lithography materials, etc.) as growth drivers

JSR20i3

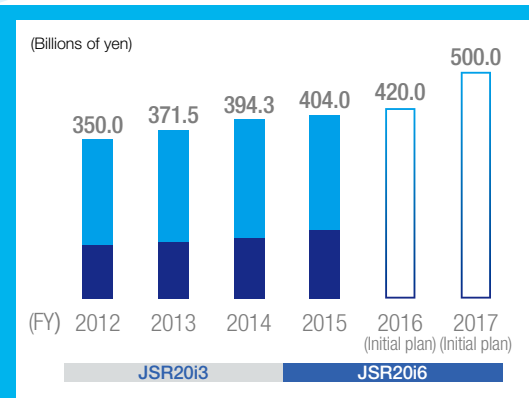
Phase I

Activation toward Growth

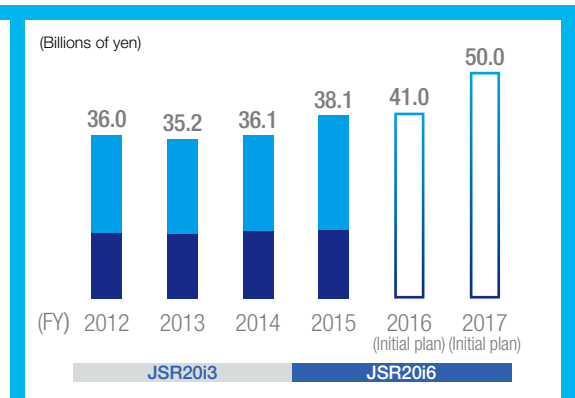
Concentration on key business areas and products capable of driving sustainable growth

Investment, business infrastructure development, improvement of competitiveness in core business areas

Net Sales



Operating Income



□ Petrochemical Products Business ■ Fine Chemical and Other Products Business

Note: Fiscal year means year ended March 31

OUR STRATEGY

To Our Shareholders

How would you describe the market environment in the year ended March 2015?

Question



The Petrochemical Products Business was affected by stagnating conditions, but we recorded excellent performance trends in the Fine Chemicals and Other Products Business.

The market environment in the year ended March 2015, drastically changed in the second half of the period; raw material prices fell along with the prices of finished products due to a plunge in crude oil prices. The yen rapidly weakened against major currencies. Meanwhile, the environment for our major customer industries was generally stable. There was a global increase in production by automotive tire and motor vehicle manufacturers, and the production of semiconductors was steady due to strong demand, especially for use in smartphones, tablets and other mobile devices. Trends in production of flat panel displays (FPDs) for large-screen TVs were also strong.

The impact on the elastomer business was particularly severe. Despite global growth in demand, market prices fell due to a worsening supply-demand balance caused by an over-supply situation, especially in East Asia. The result was reduced spreads between the prices of key raw materials and the prices of our products. Despite stagnating markets, net sales from the Petrochemical Products Business were about the same as

in the previous year, in part because of price adjustments implemented in the first half of the year to reflect higher raw material prices.

On the other hand, buoyant market trends helped to expand sales of semiconductor materials and display materials. Our withdrawal from the precision materials and processing business, which had become unprofitable, also contributed to a substantial year-on-year increase in net sales and operating income from the Fine Chemicals and Other Products Business. This offset the downturn in the Petrochemicals Product Business.

As a result, consolidated net sales in the year ended March 2015 were 2.5% higher year on year at ¥404.1 billion, while operating income rose by 5.6% to ¥38.1 billion, and net income by 18.9% to ¥29.9 billion.

OUR STRATEGY

To Our Shareholders

What were your priority initiatives in the year ended March 2015?

Question



We established JBE to provide production capacity for Solution Polymerization SBR (S-SBR), and we made preparations to put our Strategic businesses activities on a growth track.

Our main priority for the Petrochemical Products Business was the start-up of the first phase of S-SBR production facilities for our Thai joint venture, JSR BST Elastomer Co., Ltd. (JBE). The project fell behind schedule because of delays in obtaining customer approvals, but the plant is fully operational in now. We are also proceeding with a second phase of plant construction at JBE in order to double the plant's production capacity in anticipation of demand growth in the medium- to long-term future.

In the Semiconductor Materials business, major customers started full-scale production of leading-edge 20nm-generation products in which we holds large market share. Because of our high market share in this area and our capability of supplying high quality product consistently, this resulted in higher sales.

We were able to enhance the competitiveness of the Display Materials business through in-depth localized operations by our South Korean and Taiwanese group companies, and through the establishment of a technical service organization. In addition, we decided to establish a Chinese joint

venture, JSR Micro (Changshu) Co., Ltd., to expand sales in the Chinese market, which is expected to show rapid growth.

In the Strategic business category, we concentrated our resources in the areas of life sciences and lithium ion capacitors (LICs). In the life sciences area, we made significant progress toward the establishment of structures to support non-organic growth. In the LIC area, we steadily increased the number of companies using our products, and while this business is still small, there was a significant increase in sales. We also completed a new plant for the mass production of miniaturized products with the aim of expanding our sales.

As a result of these efforts, JSR was able to achieve the revenue targets set down at the beginning of fiscal 2015, which was the first year under JSR20i6. However, new strategies will be needed in the petrochemical products area because of the effects of a chronic over-supply situation and market stagnation. I intend to work tenaciously toward the achievement of our operating income target of ¥50 billion in the final year of JSR20i6.

OUR STRATEGY

To Our Shareholders

What is your growth scenario going forward?

Question

We aim to strengthen our structure in the Petrochemical Products Business in anticipation of worsening profitability, while working toward non-organic growth in the new Life Science business, which we have positioned as a new core segment.

There are two major changes in our strategies. First, we will strengthen the structure of our Petrochemical Product business. The breakeven point for the Petrochemical Products Business has improved by 20 points compared with the position before the Lehman shock, but profitability is expected to deteriorate over the next few years because of harsh trends in demand and market prices. By seizing opportunity now that financial resources are being generated by breakeven point improvement, we will invest ¥30-40 billion over the next four or five years in initiatives to bring facilities, some of which were built around 40 years ago, up to date and ensure safety. By doing so, we will make them more robust and more sustainable, so that they will still be usable 20 or 30 years from now. In addition to this facility improvement, we will also prepare for medium and long-term growth by restructuring our product portfolios.

In the Life Science business area, we have focused on collaboration with other companies. For example, we have strengthened our relationship

with MEDICAL & BIOLOGICAL LABORATORIES CO., LTD. (MBL), a pioneering Japanese manufacturer of antibodies, and jointly acquired KBI Biopharma, Inc. (KBI), a contract developer and manufacturers of biopharmaceuticals in the United States. These moves will allow us to go beyond the expansion of our existing group business activities, and to expand into other business areas, including not only raw materials but also the development of reagents and reagent manufacturing processes, and contract manufacturing of reagents. For example, we could use the knowledge and sales channels of MBL in the area of reagents, and contract biopharmaceutical manufacturing capabilities of KBI in area of bioprocess materials. From a business portfolio perspective, the life sciences field is less vulnerable to raw material prices or economic trends than other business segments and offers opportunities to apply the strengths of JSR. We aim to achieve net sales of ¥30 billion in the year ending March 2017.

OUR STRATEGY

To Our Shareholders

What is your thinking on capital strategy?

Question



While giving priority to investment in growth, we will also work to improve ROE and maintain a flexible approach to shareholder returns.

Apart from the period affected by the Lehman shock, long-term trends in our operating cash flows have generally remained stable despite fluctuations in earnings. During the period covered by mid-term management plan JSR20i6, we expect to generate cumulative cash flows amounting to around ¥160 billion.

Our capital allocation policy calls for growth investment of around ¥100 billion, including organic investment in existing business activities and inorganic investment, such as the acquisition of shareholdings in other companies, as typified by our investments in MBL and KBI. We intend to use our remaining cash flows and other cash reserves to maintain a gross payout ratio, including dividends, share buy-backs and other shareholder returns, of 50% or higher during the period of JSR20i6. This represents a change in policy on shareholder returns, which previously called for a payout ratio of 30%. Going forward, our policy on shareholder returns will be to combine stability with flexibility.

In addition to our commitment to shareholder returns, this change was also motivated by our desire to achieve a double-digit ROE. We aim to increase ROE from its present level of 8.7% to over 10% in the near future.

We have made decisions about a number of targets for growth investment, including the expansion of overseas business sites, and M&A activities.

The dividend for the year ended March 2015 was ¥40. The dividend ratio was 31.2%, and the gross payout ratio was 64.6%.

We will continue to give priority to growth investment in the allocation of resources. We will also implement shareholder return policies that target further improvement in ROE, while also taking into account prevailing economic conditions and our financial position.

Special Feature

Life Sciences Business—

Contributing to Sustainable Society where people can enjoy health and longevity



The extension of healthy lifespans and the reduction of health-care expenditure are priorities in developed countries. Efforts to achieve these goals are reflected in a trend toward individualized medicine, and in a shift in emphasis from cure to prevention. Individualized medicine enhances the effectiveness of therapies by matching treatment methods more precisely to the condition of each individual patient. To achieve this, doctors can use biopharmaceuticals, which cause fewer side-effects, and advanced, personalized diagnostics to identify conditions and determine which drugs will be the most effective for a specific patient. The shift in emphasis from cure to prevention is helping to reduce the healthcare burden by preventing diseases from occurring, or by discovering them earlier when they do occur. The keys to this approach are the ability to diagnose the potential for diseases, and day-to-day health monitoring.

The JSR Group will respond to these trends by expand-

ing its related activities, especially in the areas of advanced diagnostics and the development and manufacture of biopharmaceuticals.

China is working toward the domestic production of diagnostics for hepatitis, influenza and other infectious diseases. The JSR Group is collaborating with Chinese companies in the development, manufacture and sale of these diagnostics. Our aim is to achieve in-house production in China using JSR raw materials.

In addition to our work in these advanced fields, our strategy also includes the utilization of existing products and technologies in emerging countries.

Advanced Diagnostics

Companion diagnostics are used to optimize treatment methods for individualized medicine. Designed for external use, they are employed in conjunction with the clinical admin-

istration of pharmaceuticals to carry out prior diagnoses and determine whether or not particular drugs and therapies will be effective. They are used to identify patients who are likely to suffer side-effects. One of the most important measurement methods used involves diagnosis through the detection of disease-related substances adhering to antibodies attached to beads. Diagnostics designed to react to a wide range of antigens can be created by combining the JSR Group's beads technology with antibodies developed by MEDICAL & BIOLOGICAL LABORATORIES CO., LTD.

Biopharmaceuticals

Biopharmaceuticals include antibody drugs, which are used in the treatment of cancer and other serious diseases. There has been a rapid increase in the development of these drugs in the past few years as they are highly effective and produce minimal side-effects. The JSR Group is contributing to the development of production processes for these biopharmaceuticals. Antibody drugs are extremely large biomolecules. They are cultured using microorganisms and animal cells, and the antibodies are then separated and refined to create pharmaceutical products. Biopharmaceuticals minimize side-effects by using biological and cytological functions that affect only disease sites, such as cancerous cells. At present the development and manufacture of biopharmaceuticals involves complex and expensive processes. The JSR Group is working to overcome these problems so that biopharmaceuticals can become more widely available.

OUR STRATEGY

Special Feature

Further expanding our business domains by increasing strategic partners not only in our group, but also linking raw material technologies with end users.

In the area of diagnostics, we have increased our shareholding, and strengthened our collaboration, with MBL, which possesses expertise relating to the use of antigens as biopharmaceuticals. We are also acquiring shareholdings in other companies, such as KBI Biopharma, a developer of biopharmaceutical production processes and a contract developer and manufacturer of biopharmaceuticals in the United States. These investments support our efforts to create new value across all stages of biopharmaceutical manufacturing.

We also plan to commence joint research with Keio University, which has its own hospital. This will allow us to foster collaboration with hospitals and medical professionals.

Our priority for the Life Sciences business was to link functional materials manufactured by the JSR Group with value chains leading to end users. Even if we create useful raw materials, they are unlikely to be adopted by pharmaceutical manufacturers unless there are also effective manufacturing processes for those materials. Our recent joint

acquisition of KBI has given us access to a company with the ability to develop manufacturing processes and carry out actual manufacturing if a pharmaceutical company discovers a substance with medicinal effects. The establishment of this cooperative relationship was the final step in the creation of a value chain linking our functional materials with product development, approval, sales channels and pharmaceutical companies.

*1 IVD: In Vitro Diagnostics

*2 JSR-mblVC LifeScience Investment Limited Partnership

