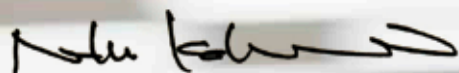


Our Strategy

# A Course Change to Realize the Business Vision



MITSUNOBU (Nobu) KOSHIBA  
Representative Director and President

In a difficult business environment, JSR has identified growth opportunities in each business. We are examining and selecting areas for allocation of enterprise resources. Nevertheless, our business vision is unchanged, and we will steadily invest in growth opportunities to realize the vision.



# 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.

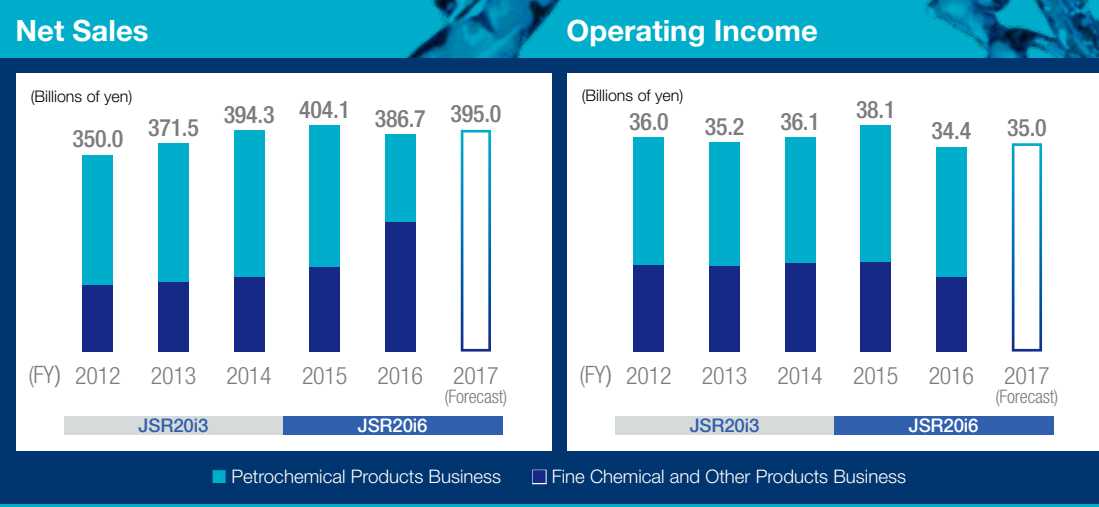
## Vision for 2020

- 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



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



Note: FY means year ended March 31

Our Strategy

## To Our Shareholders

To what do you attribute the decline in revenues and income in fiscal year 2016?

**The main factor was greater than expected weakness in the demand environment for customers of our core businesses.**



Analysis of trends in JSR Group's key industries in the FY ended March 2016 indicates that while worldwide production of automobiles and tires increased slightly year on year, tire production in Japan slumped. Semiconductor production slowed abruptly as demand growth faltered and major production adjustments were implemented during the second half in the flat panel display (FPD) market. In addition, the yen strengthened at the fiscal year-end.

In this business environment, overall net sales in the Petrochemical Products Business segment declined year on year. In the Elastomers Business segment, although sales of Solution Styrene-Butadiene Rubber (SSBR) grew substantially, slumping domestic tire production had a significant negative effect on sales of other elastomers. In addition, the supply-demand balance in East Asia failed to improve due to a state of oversupply coupled with slowing demand growth, resulting in continued weakness in the elastomer products market. Operating income in the Petrochemical

Products Business fell year on year as an increase in operating income in the Plastics Business segment resulting from profitability improvement failed to compensate for a decline in operating income in the Elastomers Business segment. Net sales in the Fine Chemicals and Other Products Business segment increased year on year on a substantial increase in net sales in the life sciences area of the strategic business field, despite lower net sales in the Fine Chemicals business due to the impact of fluctuations in the FPD market. Operating income in the Fine Chemicals and Other Products Business segment declined year on year due to the significant impact of the net sales decrease in the Fine Chemicals business.

As a result, consolidated net sales in FY ended March 2016 were ¥386,709 million (down 4.3% year on year), operating income was ¥34,408 million (down 9.6%), and profit attributable to owners of parent was ¥24,069 million (down 19.6%).

Our Strategy

## To Our Shareholders

Will there be any changes in management policy in light of the current situation?

**Although our business vision remains unchanged, we will make course corrections in each business.**



In the 2000s, when the JSR20i3 mid-term management plan was launched, there was stable growth in the Petrochemical Products Business segment. We concentrated enterprise resources on the Fine Chemicals business, which benefited from an excellent market environment, as a growth driver. Even in those favorable circumstances, we foresaw market changes in the Fine Chemicals business and have invested cash flows generated during good times in areas offering prospects for market growth to prepare a third pillar of JSR Group's business portfolio. Nevertheless, from FY ended March 2015 to 2016 we anticipated continued low growth in our core businesses, the Petrochemical Products Business and Fine Chemicals business, and made course corrections in resource allocation. Although we were exploring next-generation growth scenarios in four areas, ultimately it was decided to concentrate enterprise resources on the life sciences business and develop it as a third pillar. From the time of the launch of JSR20i3 to the present, net sales have grown as a result of business scale expansion from these initiatives, selling, general and administrative expenses have increased simultaneously, and operating income has remained nearly flat.

In FY ending March 2017, the final year of JSR20i6, we anticipate continued low market growth and intensification of competition in the core businesses. Although our corporate vision will remain unchanged, we will examine business growth opportunities and carefully select areas for allocation of enterprise resources while preparing to reduce investment risk.

Our Strategy

## To Our Shareholders



What course corrections will be made to secure growth opportunities?

**We will review the balance between earnings opportunities and business costs and steadily develop growth sectors.**



The clearest answer will be to summarize our current operating policy. For the time being, we will not actively be making business investments, but rather pursuing steady growth.

In the Petrochemical Products Business, we will focus on SSBR, a product for which market growth is expected to continue. To accelerate global business expansion, we decided to augment supply capacity in a second phase of construction at JSR BST Elastomer Co., Ltd. (JBE) in Thailand and start up production in Hungary. These movements mark a shift to a policy of pursuing global expansion by leveraging JSR's technologies.

In the Fine Chemicals business, we have shifted from a global network of development sites and consolidated development at Yokkaichi, and our semiconductor materials have captured high market share in 20nm, 16nm, and 14nm node processes. The semiconductor industry is entering the multiple patterning era, and I think JSR occupies an advantageous position in the market. In our LCD materials business, while the business is developing favorably in China, it is not progressing in line with expectations in South Korea and Taiwan. We will pursue business cost reductions. With regard to strategic businesses, to turn around the lithium ion capacitor (LICs) business, we have withdrawn from the automotive market, where a certain level of demand existed, and will concentrate solely on high-output applications. In the life sciences area, positioned as JSR's third business pillar, MEDICAL & BIOLOGICAL LABORATORIES CO., LTD. (MBL) and KBI Biopharma, Inc. will act as drivers of value chain expansion.

By clearly defining a policy for each business in this way, we will pursue a balance between earnings opportunities and cost and make course corrections in preparation for growth over the medium to long term.

## To Our Shareholders

What is your thinking on capital strategy, including shareholder returns?

**We will take a flexible approach to shareholder returns, aiming for a gross payout ratio of 50% or higher.**

The Company considers its most important priority to be improvement of business results over the long term through reinforcement of research and development from a long-term perspective and measures to boost corporate competitiveness, such as new business development.

We will maintain continuous, stable dividend payments while taking into account business results and medium- and long-term capital requirements and considering the balance between shareholder returns and enhancement of internal reserves for future growth. We will flexibly make treasury stock purchases to supplement dividends as a form of shareholder return, taking into consideration the market environment. We will allocate internal reserves to a variety of investments that will lead to new growth and contribute to enhancement of corporate value. During the period of the JSR2016 mid-term management plan, we will aim for a gross payout ratio of 50% or higher through dividends and treasury stock purchases. The dividend per share for FY ended March 2016 was ¥50, up ¥10 from FY ended March 2015, and the dividend payout ratio was 47.2%. The gross payout ratio was 84.2%, substantially higher than the ratio of 64.5% in FY ended March 2015.

I request the continued support of our shareholders and investors in the years to come.



## Special Feature

# As a Third Pillar, Life Sciences Business

### Establishment of Business Unit and New Brand “JSR Life Sciences”

JSR has decided to develop the life sciences business as a third pillar. Therefore, JSR Life Sciences was established as a global business unit and given its own logo and brand identity in April 2016.



The new logo's selected colors were determined to be unique in the current marketplace, but the industry is clearly comfortable with blues and greens. JSR Life Sciences Bioprocess division has adopted the tagline of “Innovation from Lab Through Launch.” The new brand and business unit encompass all global life sciences-focused businesses and departments.

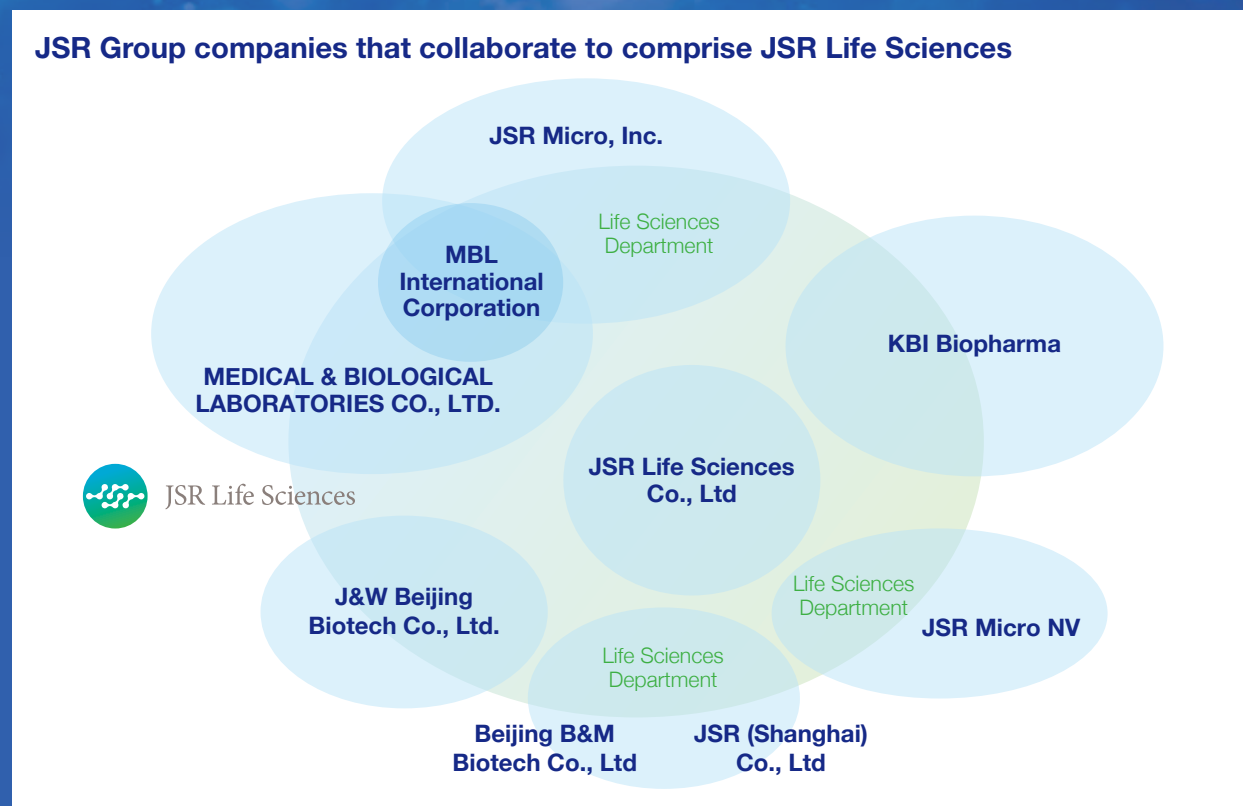
### Establishment of JSR-Keio University Medical and Chemical Innovation Center

Looking to the future and responding to the needs of clinical and medical research, we have agreed with Keio University to establish “JSR-Keio University Medical and Chemical Innovation Center” as a research base for manufacturers, academia, and medical researchers. The chemical materials researchers at JSR Group developing advanced materials and products can now work closely with Keio University School of Medicine, which is engaged in medical research ranging from

foundational to clinical. The joint research projects plans to cover the following fields: precision medicine, stem cell biology and cell based medicine, and designed medical

devices. The center will be constructed at Keio University in Tokyo, where Keio University Hospital resides. It is expected to begin operations from October 2017.

### JSR Group companies that collaborate to comprise JSR Life Sciences



# Special Feature

## JSR Life Sciences Global Structure

Together with JSR Group companies and strategic partners, JSR is engaging in diverse businesses ranging from seeds and functional materials to products meeting final needs in the

medical field. We have established an organizational framework for the biopharmaceutical and diagnostic/research reagent drug businesses and have newly established the Life Sciences Division in JSR. We also appointed an American as

the General Manager of JSR Life Sciences to oversee the business as a unified whole.

### Global Structure

#### J&W Beijing Biotech Co., Ltd.

\*JSR ownership: 75%

Established on Apr. 1, 2012

- Diagnostic reagent materials  
- Diagnostic intermediates  
(marketing/manufacturing/R&D in China)



#### Beijing B&M Biotech Co., Ltd

\*Subsidiary of MBL

- Diagnostic/research reagent material (distribution)
- Contract analysis/manufacturing of antigens



#### JSR Life Sciences Corporation

Established on Apr. 1, 2012

- Diagnostic/research reagent materials (manufacturing/distribution/R&D)
- Bioprocess materials (manufacturing/distribution/R&D)



#### JSR Micro, Inc.

- Diagnostic/research reagent materials (sales and marketing)
- Bioprocess materials (applications center of excellence, sales, marketing)



#### JSR Micro N.V.

- Diagnostic/research reagent materials (marketing in Europe)
- Bioprocess materials (marketing/material manufacturing/R&D)



#### MEDICAL BIOLOGICAL LABORATORIES CO., LTD.

\*JSR ownership as of Oct. 2015: 51%

- Research reagents/diagnostics (marketing/research/manufacturing)



#### Europe

- Advanced medical market

#### Asia

- Emerging countries market

#### Japan

- Particle material market

#### North America

- Advanced medical market

#### JSR Corporation

Establishment of Life Science Division in Apr. 2016

- Diagnostic & Research Reagents (marketing/overall management)
- Bioprocessing (marketing/overall management)  
(manufacturing/distribution/R&D)



#### MBL International Corp

\*JSR Micro, Inc ownership: 51%

- Research reagents/diagnostic (marketing/research/manufacturing)



#### KBI Biopharma, Inc.

\*JSR ownership since 2014: 51%

- Biopharmaceuticals (Contract analysis/manufacturing)

