TO OUR SHAREHOLDERS

Please explain the reasons for revenue and earnings growth in fiscal 2017.

Among JSR Group's main customer industries, automobile tire production and automobile production rose above the previous year's level globally, but domestic tire production remained mostly unchanged from the previous year. Demand in the semiconductor market grew, and production of panels in the display market was robust. The exchange rate had a slightly weaker yen compared to the previous year.

Amid these circumstances, the Petrochemicals Business of JSR Group saw revenue rise in the Elastomers Business over the previous year, despite a decline in overall sales volume, due to growth in the sales volume of solution polymerization styrene-butadiene rubber (SSBR) for fuel-efficient tires and revisions to sales prices to reflect butadiene prices, which shot up in the fourth quarter of the previous year. The Plastics Business also saw revenue increase from the previous year because of price revisions accompanied by the rise in raw materials prices and because of worldwide sales volume growth. Revenue in the Petrochemicals Business as a whole was also up from the previous year. Operating profit of the Elastomers Business increased significantly over the previous year on the back of improved profitability from the sales price revisions mentioned above. Similarly, the Plastics Business's operating profit was up significantly, driven by increased sales volume and improved profitability from the sales price revisions mentioned above. These factors combined to push the operating profit of the Petrochemicals Business up significantly over the previous year.

In the Fine Chemicals and Other Products Business, the Semiconductor Materials Business saw a significant increase in revenue over the previous year due to larger sales volume of lithography materials, CMP materials, cleaning solutions, and packaging materials. In the Display Materials Business, the sales volume for the China market grew, although prices fell due to competition pressures and the overall sales volume declined. Revenue from the Life Sciences Business, positioned as JSR Group's third core business, saw a notable increase, and revenue from the Fine Chemicals and Other Products Business as a whole increased compared to the previous year. Operating profit of the Fine Chemicals and Other Products Business was mostly unchanged from the previous year due to additional advance capital investment in the Life Sciences Business and other factors.

Profit attributable to owners of parent rose above the previous year's level, thanks to increased operating profit.

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In fiscal 2017, we reported revenue of 421,930 million yen (up 8.6% year-on-year), operating profit of 43,569 million yen (up 21.2% year-on-year), and profit attributable to owners of parent of 33,230 million yen (up 9.9% year-on-year).

JSR Group has maintained three reporting segments: Elastomers Business, Plastics Business, and Fine Chemicals and Other Products Business. With the expansion of the Life Sciences Business, however, Life Sciences Business will become a new reporting segment starting in fiscal 2018. Furthermore, the previous Petrochemical Products Business and the Fine Chemicals and Other Products Business will be discontinued, and the Fine Chemicals Business will be renamed Digital Solutions Business and made a reporting segment. Accordingly, the Group reporting segments from fiscal 2018 will be the Elastomers Business, the Digital Solutions Business, the Life Sciences Business, and the Plastics Business led by Techno-UMG Co., Ltd. The positioning of the reporting segments will be as shown below.

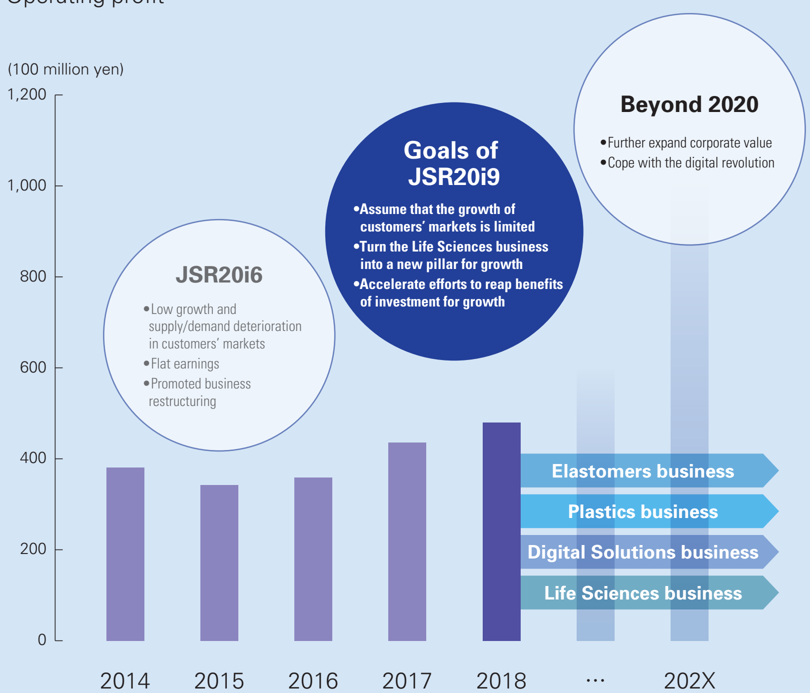
- Elastomers Business
- Plastics Business
- Digital Solutions Business
  - Semiconductor Materials Business
  - Display Materials Business
  - Edge Computing Business
- Life Sciences Business
- Other Businesses

Please describe the progress of mid-term business plan, JSR20i9, and how you plan to proceed in the future.

In the JSR20i9, our consolidated numerical targets for fiscal 2019, the final year of the plan, are revenue of 460 billion yen, operating profit of 42 billion yen, and ROE of 8% or higher. In fiscal 2017, we posted revenue of 421.9 billion yen, operating profit of 43.6 billion yen, and ROE of 8.8%. In other words, we exceeded our final-fiscal-year numerical targets for operating profit and ROE. Although we achieved our numerical targets for fiscal 2017, the first year of the plan, we will not change our final targets because we are currently working on major issues in each business.

TO OUR SHAREHOLDERS

Operating profit



In the Elastomers Business, we aim to seize the No. 1 market share of the global market for SSBR, our strategic product. In fiscal 2017, we posted a steady increase in sales volume on the back of expanded production capacity. This reflected the launch of operation at the second-phase facilities of JSR BST Elastomer Co., Ltd. (JBE), our joint venture in Thailand. As for future issues, an important priority for fiscal 2018 is to launch operations at the plant of JSR MOL Synthetic Rubber Ltd., established in Hungary.

In the Plastics Business, in April 2018 we merged two companies, Techno Polymer Co., Ltd. and UMG ABS, Ltd. to form a new company, Techno-UMG Co., Ltd. This integration of two leading domestic manufacturers will enable us to combine the strengths in manufacturing, R&D, and sales amassed by both companies, which we will utilize to expand sales in high-end overseas markets.

In the Semiconductor Materials Business (a category of the Digital Solutions Business segment), we will continue striving to maintain a high market share for cutting-edge lithography materials while expanding sales of semiconductor peripheral materials. With respect to EUV resists, widely expected to become a next-generation lithography material, we will aim for top-runner status by deploying EUV Resist Manufacturing & Qualification Center N.V., a manufacturing joint venture in Belgium. In the Display Materials Business (a second category of the Digital Solutions Business segment), we will focus on alignment films and insulating films, while in China, a market expected to grow in the future, we will strive to further expand sales by deploying JSR Micro (Changshu) Co., Ltd., a manufacturing joint venture. In the Edge Computing Business (a third category of the Digital Solutions Business segment), we aim to expand our presence in the mobile field, while striving to further expand sales of infrared cut filters for mobile devices.

In the Life Sciences Business, our plan is to broaden our presence in the bio-pharmaceutical field and make it a new pillar of our operations. Specifically, we are targeting revenue in that field in the 50 billion yen range in fiscal 2019, growing to more than 100 billion yen in the 2020s and thereafter. In the life sciences field, in addition to developing our own innovative materials and products, it is very effective to use M&As to incorporate other companies' technologies.

In fiscal 2017, we acquired a Swiss company, Selexis SA, which has a technology in quickly generating cell lines used to culture antibodies efficiently. We also completed our acquisition of Crown Bioscience International, a provider of preclinical drug discovery and development support services, on May 31, 2018. Through these companies, together with

KBI Biopharma, Inc. and Medical & Biological Laboratories Co., Ltd., both already JSR Group members, we now have a system enabling us to offer a wide range of services and products. In addition, we established an industry-academia collaboration with the opening of the JSR-Keio University Medical and Chemical Innovation Center (JKiC) in October 2017. Our aim is to uncover new themes in the field of advanced medicine. Going forward, JSR Group companies will unite in an effort to expand our drug discovery and development support business in the bio-pharmaceutical field and contribute to reducing the costs and shortening the lead-times of pharmaceutical development.

What is management's view on returning profits to shareholders?

With respect to profit appropriation, the Company regards business growth over the long term as its top priority. To generate sustainable long-term growth, JSR Group strives to increase its competitiveness by developing new businesses through the reinforcement of research and development activities from a long-term perspective.

The Company will appropriate profits by taking into account business performance and mid- and long-term demand for funds, while paying continuous, stable cash dividends based on consideration of taking balance between appropriating profits to our shareholders and retaining earnings necessary for future business advancement. Carefully considering the stock market environment and other factors, we will comprehensively study purchases of treasury shares as a measure to return profits to our shareholders. We allocate retained earnings to a variety of investments linked to future growth of businesses, contributing to the enhancement of corporate value. During the JSR20i9 mid-term business plan, we aim for a return to shareholders, through a combination of dividends and share buybacks, of 50 percent or higher.