

Message from the CEO

With a focus on “resilience” and “sustainability,” the JSR Group will join together to increase corporate value.

Representative Director, CEO

Eric Johnson

Open Communication

One of my favorite phrases is the Japanese idiom *ichigo ichi-e*, which means roughly “a once-in-a-lifetime encounter.” In management as well, I am always conscious of the value of encounters and the communication that makes them possible. I became the CEO of our Group in June 2019. Until then, I had deep experience mainly in the Semiconductor Materials and Life Sciences Businesses, but not much experience in other areas such as Elastomers or Display Materials. So, for the first year after assuming the position, my priority was communicating closely with people in the field in order to deepen my grasp of business areas I hadn’t previously specialized in. I was especially focused on listening and understanding our situation. I made sure the communication lines were open with the highly capable people in each of our divisions, and that their thoughts and opinions were reflected in our management decisions. This is something I continue to do. Since February 2020, even after the spread of COVID-19 made it impossible for me to travel to Japan and direct things in the field in person, we continue to conduct these exchanges using video conferencing and other tools. Communication is more important now than ever.

Responding to the COVID-19 Pandemic and a Post-COVID-19 Mindset

Even before the current pandemic, the board had multiple discussions about how to respond to global crises. In fact, in FY2019, growing geopolitical risks were already starting to raise concerns about disruptive pressures with regard to our business sites and supply chains worldwide. Then the first reports of COVID-19 outbreaks came out in January 2020. Recognizing that we didn’t have a moment to lose in addressing the crisis, we set up a Response Management Team to take appropriate and prompt action. Since the center of the outbreak was initially in Asia, we first put measures in place specific to each country. But as COVID-19 began to spread globally, we upgraded to a Global Response Team. In this way, we succeeded in getting a system up and running in the early stages and quickly addressed the crisis across the entire Group. In addition, we created the

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“JSR’s Responses to COVID-19” section on our website where we can share information in a timely manner with our customers, shareholders, business partners, and other stakeholders, and cooperate throughout the Group.

Also, as part of our business continuity management efforts, we began holding regular Business Continuity Plan meetings. Management, including directors, participate in these meetings, and we decided on the following specific measures:

- Coordinate regional pandemic information
- Monitor cases of infection, if any, among Group employees
- Confirm the operating status of each business site and consider needed measures
- Announce a system for working from home
- Take measures to ensure the safety of employees stationed abroad and their families

We are also working to minimize the impact of the pandemic on production, R&D, logistics, and other Group business activities.

Since July 2020, attention began to turn to a “post-COVID-19” world and the “new normal,” and economic activity has resumed gradually. This means shifting out of the crisis mode of the past few months and into a new global situation. For us as well, responding to this new situation means we have to move beyond the stage of easing the shock of the crisis and mitigating its impact, and into the stage of transforming into an organization that can adapt to these changes. In other words, instead of simply running around dealing with immediate concerns, we have to take a longer view, and shift our awareness toward future strategic growth. If we can embrace the new situation as a growth opportunity, it can be the ideal time to move toward becoming the company we ought to be. I intend to pursue an assertive management approach, without becoming pessimistic.

Mid-Term Business Plan

Our business activities in FY2019 were affected by the pandemic, although the degree of the impact varied between divisions. The Elastomers Business and Plastics Business remained sluggish, largely due to a slump in automotive production in the midst of the economic slowdown that carried over from last year, as well as a drop in sales prices linked to worsening markets for raw materials. This situation was exacerbated as the COVID-19 pandemic caused widespread suspension or reduction of auto production, exerting significant downward pressure on sales. On the other hand, Semiconductor Materials were unaffected by the pandemic, while Life Sciences, which had also suffered only minor fallout from the 2008 global financial crisis, was largely unaffected this time around as well.

Regarding our management policy going forward, there will be no change in our strategy of

positioning Semiconductor Materials and Life Sciences as pillars of growth. In Display Materials and Plastics, in which we have made significant investments, we will focus on asset efficiency and on improving profitability. Although Elastomers has typically followed a pattern of ups and downs, I think we need to dispel the perception that it will recover along with the economy as it has before, and make the structural reforms needed to generate consistent profits. It can’t just be business as usual—we need to explore a variety of more radical measures.

Given continuing uncertainties about the outlook for market conditions in the midst of the pandemic, we took the opportunity to issue corporate bonds to secure our cash position. We will continue to steer the company while monitoring the balance sheet closely.

Guided by these policies, we are currently formulating a new medium-term business plan starting from FY2020. The new plan positions the Semiconductor Materials and Life Sciences Businesses as growth drivers and has adopted organizational “Resilience” and “Sustainability” as our corporate growth slogan. In line with this, starting with this business plan we are considering incorporating clear evaluation standards that include in their targets, not only financial numbers such as ROE, but also a sustainability-related index. We plan to announce sales and operating income targets as soon as we can, to forecast, to some extent, the impact of COVID-19.

Resilience and Sustainability

In a fast-changing world full of unprecedented uncertainties, organizational resilience and sustainability are more important than ever in carrying forward our business activities and increasing corporate value. As a maker of chemicals, JSR has always put particular emphasis on CSR activities such as Responsible Care. It is also fair to say, though, that these activities have been in a sense secondary, supporting the core business from a risk management perspective. Under the “Resilience” and “Sustainability” slogan, the Group is working together to further develop these activities, aiming to achieve sustainable growth and become a truly global company.

First, in terms of resilience, we are seeking to drive our businesses while building an organizational structure that is resilient to various kinds of crises, including the current pandemic. To this end, to ensure multilayered management functionality, we established a North American headquarters to manage our global Life Sciences Business as well as our U.S. Semiconductor Materials operations. In addition, to prepare for the possibility of a shutdown at an overseas production site due to COVID-19 or similar crises, we continuously ensure that we have redundant supply capability based on production backup between sites. From 2020 onward, as part of the Group’s Digital Transformation efforts, we plan to review our business processes, update our enterprise resource planning system, and set up processes that allow us to make efficient, timely management decisions. In our production activities, we plan to renew aging production facilities as well as absorb and merge companies in the engineering group. By incorporating these functions, we

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aim to boost the efficiency and soundness of facility maintenance and ensure more stable production capability.

Next, in terms of sustainability, in FY2019, we launched a “JSR Sustainability Challenge” initiative to quantitatively ascertain the social impact of our business activities and assessed the Group’s concrete social contributions from the perspectives of climate change, recycling, digital transformation, and health. Furthermore, in FY2020, by analyzing scenarios such as those compiled by the Task Force on Climate-related Financial Disclosures (TCFD), we will work to define the kind of Group we want to be in 2050, and identify measures we need to take based on that future perspective. Taking both our present and our future into consideration, we will formulate long-term sustainability goals in a JSR Sustainability Vision 2050 initiative.

Ensuring That We Remain a Great Company in 30 Years

The fact that, at our core, we are a technology company is of great significance as we seek to continue doing business in the midst of numerous changes to the operating environment and as the Group aspires to provide the same value 30 years from now as it does today. When JSR was founded, our technology contributed to the synthetic rubber field. Since then, as JSR pursued other, more advanced technology, it branched out into new fields, and the Group grew in scale. In short,



technological development and the development of this Company are synonymous, and delivering unparalleled technology remains our core competence. To create superior technology in the future requires a solid foundation centered on employees, customers, and alliances with other companies. A company that simply pursues financial returns is unable to build such a foundation. It is extremely important to understand, appreciate, and respect the value each partner creates. I want us to continue being a company that both pursues technology and values people, so that we can keep delivering innovation to society.

Five Foundations

The Group recently defined Five Foundations as our basis for doing business and achieving sustainable growth. The five elements are: Sustainability, Innovative Culture, Digitalization, Globalization, and Operational Excellence.

We positioned Sustainability at the center of the Five Foundations. Next, Innovative Culture is an indispensable foundation for a company like JSR that puts value on technology. We must not be bound by preconceived notions but rather explore new avenues in all directions. For a company that has expanded around the world, Digitalization means not simply rolling out new equipment or doing better data analysis, but rather actively integrating digital technology throughout our various operations in order to expand growth possibilities for the company. Globalization entails being sensitive to geopolitical issues and social changes, and establishing best practices in response. Operational Excellence involves making sure that all levels within the organization understand the business strategy and implement it effectively. The thinking is that, as each business makes steady process improvements, this leads to an overall position of competitive superiority.



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Leveraging Human Resources and Promoting Diversity

Creating a system that enables every employee to be curious and engage in all sorts of challenges is the most essential aspect of effective human resources utilization. You can't have an environment where failure is punished. It's important to have a corporate culture that encourages employees to learn from mistakes and draw on that in the next thing they do. This ties in with the Innovative Culture I mentioned above.

In terms of diversity, the Group has business sites around the world, with overseas employees accounting for more than 30% of the total. I myself am the first non-Japanese to serve as CEO. On the other hand, maintaining an organization that is diverse, and also fosters growth, is not easy. There are differences such as gender and nationality, but also differences in how employees engage their work. At times, talented people leave because of such differences in values. That's why it's so important to listen to what your employees are saying and to have honest discussions about what they see as the core issues involved. Of course, we need to seek a better system for doing this.

In June 2020, JSR named its first woman director, a key first step in terms of bringing diversity to the Board of Directors. She brings her exceptional capabilities as well as a different perspective to our key strategy decisions. This is a good step but we need to explore ways to ensure diversity at every level. The true value of diversity is precisely when people with diverse skills and backgrounds can express their ideas and opinions from different perspectives. This applies not only to the Board of Directors, but out in the field as well. Going forward, we will continue to focus on creating an attractive environment where a variety of personnel can bring and exercise their strengths.

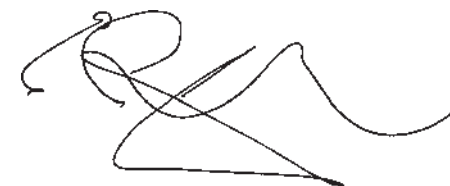
The Pursuit of Safety

It goes without saying that for the JSR Group, which has numerous production facilities that handle chemicals, safety is one of our most critical management issues. Furthermore, the onset of COVID-19 demands that we redefine what we consider to be a safe workplace environment. It's not simply a matter of following established rules. It will be more important than ever to create a climate in which all employees have a safety mentality and can teach one another and rely on one another to make the environment safe. We will also conduct more rigorous safety training and seminars, and pursue safety in terms of both infrastructure and personnel. I want to reiterate that our Group does business based on the thinking that safety should be our number one priority.

A Word to Our Shareholders and Investors

When I talk about the importance of JSR providing value to all of our stakeholders, I am fully aware that our shareholders must feel well represented in these efforts. I am committed to having open communication with our shareholders and investors who trust the Group, and entrust us with their money, and want to build even more robust engagement. In fact, we have had highly meaningful discussions with many of you, ranging from our management strategy to the long-term vision for what this Group should be. Going forward, I will continue to work to maintain relationships built on open, mutual communication.

I am proud to have been with JSR for more than 20 years. My sincere hope is that you are also glad to be part of JSR as a stakeholder, helping us to create value. With technology at our core, JSR will continue to create value through materials, thereby contributing to society in terms of people, society, and the environment. I will do my best to strive towards these ends and ask for your continued support and encouragement.



Representative Director, CEO

Eric Johnson

CFO Message



Director Managing Officer
Hideki Miyazaki

Progress of the Mid-Term Business Plan

Under the JSR20i9 Mid-Term Business Plan, the three years spanning FY2017 to FY2019 were positioned as a period to strengthen competitiveness for the future. Accordingly, we pursued changes aimed at creating a framework that can sustainably achieve ROE of at least 8% and total operating profit of 42 billion yen or more. As a result, revenues increased steadily in the Semiconductor Materials Business segment, which is an existing growth driver for JSR, as well as in the Life Sciences Business, which is being developed as a third pillar of growth. In the Digital Solutions Business as a whole, we have been strengthening the fields of lithography materials and functional cleans. In the Elastomers Business, we built an overseas plant dedicated to solution polymerization SBR (SSBR), which is in high demand for its eco-friendliness. In the Plastics Business, the merger of JSR Group company Techno Polymer Co., Ltd. and UMG ABS Co., Ltd. to form Techno-UMG Co., Ltd. resulted in increased domestic market share. Through these efforts, JSR was able to achieve its revenue and operating profit targets for FY2018. However, in FY2019, the final year of the plan, a strong US economy notwithstanding, there were signs of a global economic slowdown due to the effects of a slump in the Chinese economy and deepening tensions between the US and China. Moreover, from the latter half of February 2020, global economic activity came to a standstill amid the COVID-19 outbreak, while the oil demand crisis led to sluggishness in the petrochemicals market. As a result, we were unfortunately unable to achieve our operating profit and ROE targets in FY2019.

Operating Profit (¥ millions)

	FY2018	FY2019	FY2020 Pro	YoY
Digital Solutions Business	142,216	144,805	135,000	-7%
Operating Profit	32,663	30,917	24,000	-22%
Life Sciences Business	43,872	50,496	61,000	21%
Operating Profit	781	3,594	5,500	53%
Elastomers Business	200,736	178,794	145,000	-19%
Operating Profit	7,421	(1,758)	(5,000)	-
Plastics Business	105,446	95,092	79,000	-17%
Operating Profit	9,214	6,237	4,000	-36%
Other Businesses & Adjustment	3,084	2,779	3,000	8%
Operating Profit	(4,818)	(6,104)	(5,500)	-
Revenue	495,354	471,967	423,000	-10%
Operating Profit	45,261	32,884	23,000	-30%

* FY2020 forecasts are as of April 2020.
Please refer to the JSR website (https://www.jsr.co.jp/jsr_e/ir/library/presentation.html) for the latest forecasts.

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Regarding the new mid-term business plan scheduled for FY2020, we postponed announcing revenue and operating profit targets given the heightened uncertainties surrounding the COVID-19 crisis. However, the plan's management policy declared organizational resilience and sustainability as the growth slogans for the Group. Over the medium to long term, our intention is to increase R&D and business investment in the growing Semiconductor Materials and Life Sciences Businesses, with the aim of creating greater corporate value.

Initiatives by Business Segment

Digital Solutions

The Semiconductor Materials Business will focus on maintaining and increasing market share amid an expected upswing in semiconductor demand. Another focus will be on expanding sales of peripheral materials used in the production of advanced semiconductors, and targeting business growth that outpaces market growth by expanding our product portfolio. A plant is under construction in the US that will produce advanced cleans for cutting-edge semiconductors, with operations set to start in FY2020. In the Display Materials Business, we will seek to expand sales targeting the continued growth potential in the Chinese market, especially of our competitively strong alignment films and insulating films for wide-screen LC panels, while we align our organization structure to adapt to changes that have occurred in customer industries.

Life Sciences

KBI Biopharma, Inc. and Selexis SA will seek to expand new contracts for their research, development and manufacturing services for biopharmaceuticals. In addition, Crown Bioscience International will focus on increasing multi-year contracts for its preclinical contract research and translational technology business. The use of our diagnostic and bioprocess materials is expanding globally. Meanwhile, Medical & Biological Laboratories Co., Ltd. will contribute to expand through stable growth in its clinical diagnostic and research reagents businesses.

Elastomers

SSBR demand is growing for use in fuel-efficient tires, as well as for new applications such as electric vehicles and all-season tires. To meet this demand, the Group's new plant in Hungary will begin commercial production in FY2020, allowing JSR to supply SSBR globally from this new plant as well as its existing bases in Japan and Thailand, leading to increased sales. On the other hand, automobile and tire manufacturing, which are major demand industries for this segment, are currently stagnant due to COVID-19. The segment has begun to undertake structural reforms needed to respond to these and other drastic changes in the business environment, including the global economic slump and the oil demand crisis.

Plastics

For the automobile market, the Group will work to further strengthen profitability by expanding sales of distinctive high-performance products, especially in overseas markets. Techno-UMG Co., Ltd., which was formed through the April 2018 merger of two companies as previous noted, will continue to leverage the manufacturing, development, and sales capabilities of both companies while realizing synergies through operational and product integration.

Planned Investments

JSR will continue to invest in growth despite the COVID-19 crisis. In particular, we will invest aggressively in the Semiconductor Materials and Life Sciences businesses, which are positioned as growth drivers. Specifically, we will invest in innovation, capacity building, and M&As. Furthermore, to support next-generation research, construction of a new JSR Bioscience and Informatics R&D Center in Kawasaki City is moving forward, with operations due to begin in 2021. The Center will create new business opportunities through research using materials informatics, which involves a broad range of advanced digital technology applications in materials development, and its labs and office space will be open to outside partners to engage in open innovation. Although JSR has sufficient capital on hand for these investments, we will issue a further 35 billion yen in corporate bonds and otherwise diversify our financing to guard against heightened future uncertainties arising from COVID-19 and increasing geopolitical risks.

Changes in R&D Expenses

	2016	2017	2018	2019	2020 (Prospect)
R&D Expenses (Billion yen)	19.7	20.3	24.9	25.4	25.0

CFO Message

Towards Building a Sustainable and Resilient Group

The Group has committed to organizational resilience and sustainability as the foundations for future growth. Environmental, social, and governance (ESG) issues, which are crucial to sustainability, are taking on more significance in capital markets and are extremely important factors in measuring corporate value. In this context, we have been engaging in discussions with numerous investors about governance issues, and are pleased that our sound, transparent governance system has been recognized as something that will lead to growth. On the other hand, in recent years, calls for action to address environmental and social issues have been rising rapidly, and JSR faces expectations to focus on human resource development, diversity, energy-saving, carbon emission reductions and other areas to ensure corporate sustainability. To respond to such trends in society, we intend to actively allocate funds to strengthen ESG measures, alongside traditional investments targeting earnings growth. I am confident that this approach will serve to strengthen our businesses and lead to the long-term development of JSR Group.



A focus on environmental and social issues is essential to JSR Group's sustainable growth.

Shareholder Returns

The Group believes it is of the utmost importance to pursue stable, long-term growth by strengthening our competitiveness from a long-term perspective. Therefore, shareholder returns are determined through consideration of business performance and medium- to long-term capital requirements, and the balance between the redistribution of profits to shareholders and retained earnings for the future growth of the Company.

During the previous mid-term business plan, the Company sought an overall return to shareholders of at least 50% through a combination of dividends and share buybacks. We will continue to determine shareholder returns based on this policy. The annual dividend for FY2020 has been set at 60 yen per share.

COVID-19 has caused increased uncertainties around the globe. However, we believe that the current crisis is also an opportunity to carry out the reforms needed to make our organization more sustainable and more resilient. As CFO, I will continue to provide full financial backing for these reforms, and would like to ask our shareholders for their continued support.

Changes in Dividend Payout Ratio

