

CEO Message



We will grow sustainably by delivering innovation through materials.

Looking Back at 2020

Not long after I became CEO in June 2019, the COVID-19 pandemic broke out. For the past year or so we have been taking every precaution to protect our people, our customers, and our businesses. The crisis is by no means over, but we have learned to manage it and have the tools in place to fight it. I am very proud at how the people in our Group have acted with initiative and flexibility in their response to the situation. In last year's message I talked about shifting out of crisis mode and transitioning into our new global situation. Our task now is to translate that into opportunity and embrace those opportunities for growth. So, I see the pandemic as a chance for us to take a fresh look at those things we can change, in our systems and management, so that we can thrive going forward.

Representative Director, CEO
Eric Johnson

Pursuing Sustainable Growth

At heart, JSR Group is a technology company. Delivering leading-edge technology through innovation is the essence of our businesses. One may interpret our corporate mission of "Materials Innovation" as simply injecting innovation into the manufacturing of our materials, but it's more than that. It goes on to encompass the notion of using materials as a vehicle for delivering innovation. Innovation has always been, and will always be, the source of our value. JSR Group's purpose as a corporate citizen is to constantly hone our leading-edge technology to deliver, as effectively as possible, innovations that can enrich society.

I think we all sense that our world is under increasingly and accelerating disruptive pressures. COVID-19 is one of the latest instances, but we also

face geopolitical risks, climate change, technological breakthroughs—any of which can have a similar disruptive impact on society. For JSR Group to sustainably deliver value through innovation, to the fullest possible extent, we always have to have our finger on the pulse of social changes and to see challenges in the environment as potential opportunities. This demands an organization that is resilient. That is why “resilience” and “sustainability” are keywords in our new management policy. The strategic objective of the policy is for us to stay on the leading-edge of delivering high-quality, high-reliability, high-technical content solutions to society going forward.

The Spin-Off and Transfer of the Elastomers Business

In May, the board of directors made the decision to spin off the Elastomers Business, the area in which JSR Group got its start, and transfer its shares to another company. Over the years, JSR Group has taken many steps to diversify its business portfolio, but this is by far the biggest change the company has ever made.

Performance in the Elastomers Business has been under significant pressure in recent years, not only in terms of profitability, but also in the macroeconomic situation as well. Let me be clear, however: That was not the basis of the decision to transfer the business. Having re-examined where JSR Group should focus its resources to generate

earnings from a long-term perspective, the Digital Solutions and Life Sciences businesses clearly offered the greatest growth potential and technologies that aligned most closely with our core capabilities. At the same time, the Petrochemical businesses required major structural reforms to continue to grow over the long term.

The Elastomers Business is an essential part of the heritage of JSR Group, which was founded as Japan Synthetic Rubber Co., Ltd. I’ve been with JSR Group for more than 20 years, and have a special fondness for the Elastomers Business that has been the backbone of the company for so long. While we

have developed many outstanding products, such as SSBR, and achieved solid market positions, it was apparent that maintaining those positions going forward would require more than JSR Group’s resources alone. I am confident that the Elastomers Business can deliver greater value to society over the longer term in a context where it can enjoy abundant resources and opportunities for cross-pollination. We decided that ENEOS Corporation (ENEOS) was the best fit for the transfer. ENEOS has expanded broadly into related fields and has a strategic focus on materials. It offers an environment in which the Elastomers Business can continue to



Yokkaichi Plant

grow and flourish in tandem with other arms of the company. We are confident that this was the best possible decision for JSR Group and the Elastomers Business as well as for all the stakeholders involved, including the new owner, ENEOS.

New Management Policy for 2024

In March 2021 we announced our new management policy. Before now, we had created fairly detailed three-year business plans, but the new policy extends to the fiscal year ending March 2025. Although its announcement was delayed because of the uncertainties of the COVID-19 pandemic, it does cover a five-year period. The policy differs from previous business plans in that it more clearly indicates our longer-term strategic direction. We have realized that a downside to having a detailed three-year business plan is that, if the underpinnings of the plan are suddenly disrupted, as we saw with COVID-19, the plan stops having value. So, the new management policy looks further ahead, and sets out guideposts to help us maintain our competitiveness by, as I mentioned above, creating a resilient organization and transforming our corporate culture. We will continue to check our progress each year, with metrics such as double-digit ROE and record high operating profit for the portfolio, but we will also monitor our progress in achieving our strategic goals. It is difficult to predict what the market will look like in 10 or 20 years, but if we can continue to move forward under the strategy

of being a world-leading technology company, I'm confident we will grow in the long run.

Digital Solutions and Life Sciences Businesses

Going forward, the principal drivers of our growth will be the Digital Solutions and Life Sciences businesses. These are both areas where JSR Group boasts leading-edge technologies, and where the markets are growing rapidly. Therefore, we are targeting a growth rate above market by securing the appropriate resources and investing in these two businesses. At the same time, we will actively invest in next-generation research. In addition, we have gained valuable expertise through acquisitions and smooth post-merger integration, particularly in the Life Sciences Business. Building on this platform, we will continue to explore acquisitions that offer value, where the companies can build off each other. We believe these approaches will enable JSR Group to continue to grow as a global leader.

[Business Portfolio]

Core Business

**Digital Solutions
Business**

(especially Semiconductor Materials)

**Life Sciences
Business**



Five Foundations to Achieve Resilience and Sustainability

For us to navigate the waves of disruptive change and achieve sustainable growth, we have to first identify the waves accurately. Responding effectively to change requires a lean organization and a flexible mindset, and that is the substance of the terms “resilience” and “sustainability” highlighted in the new management policy. Last year, the Group defined Five Foundations, a set of actions we need to take to establish the basis for such an organization. The five elements are Sustainability, Innovative Culture, Digitalization, Globalization and Operational Excellence. With an officer in charge of each element, we are making solid progress with the Foundations. Our next step will be to establish metrics to add further momentum to our actions.

Building the Five Foundations is not simply a matter of creating discrete initiatives based on a particular theme. We have to pursue actions strategically, always keeping the larger framework in mind. For example, JSR Group has accepted the challenge of reaching zero greenhouse gas emissions by 2050. Of course, this means addressing the risks of climate change and associated regulations, but the reality is we can't reach the goal simply by extending our current initiatives. What is crucial is not just reducing greenhouse gas emissions but taking a strategic approach to the broader issue of climate change and ensuring JSR Group's sustainability. We

need a business model that considers the full range of risks, not only near-term risk, but also brand reputation, business continuity, and identifying business opportunities. A resilient organization is one that can flexibly rethink preconceived notions, and I believe that an organization that can do this, can create opportunities.

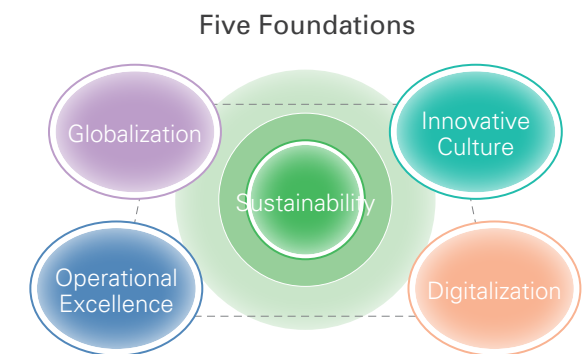
The Five Foundations also include actions to hone our innovation, the wellspring of JSR Group's value, under the rubric of Innovative Culture. We see this expressed in our work on materials informatics and quantum technology through various collaborative efforts and open innovation. In addition to research on the advanced technologies themselves, we need to pursue research into ways of delivering these technologies to society.

Digitalization is another element of the Five Foundations, but it's important to note that, for JSR Group, digitalization is a tool for business. It's not the business itself. To be sure, digital transformation can completely change a business model. Our emphasis is on leveraging a set of digital capabilities to shift the way the organization goes about doing business.

The management policy also includes actions concerning human resources, with a focus on improving employee engagement—enabling all employees to reach their maximum potential and fostering a work environment that will draw the world's best talent. This year, as a first step, we conducted a survey of employees across the Group to hear their concerns. Based on our findings, we

will work to create engaging and attractive workplaces.

Our planning will not be a run-of-the-mill tweaking of the HR system, because I see this as a matter of survival for JSR Group—something that will enable us to secure the best people. All around the world, we are in competition for talented people. Unless we create an environment where all employees can reach their maximum potential, not only will current employees be unable to give their best performance, but we will not attract the best new talent. For this reason, we have to ensure that there are no obstacles getting in the way of people succeeding. We will not allow gender, race, nationality, personal identification or physical challenges stand as barriers to our employees' ability to thrive. That's the rationale for using employee engagement as a top-level strategic metric. It's as important as our business strategies.





Sound Governance

JSR Group believes that good governance is directly linked to corporate sustainability. We have been out in front of many other companies in Japan with the appointment of independent outside directors, reducing cross-shareholdings, and forming various committees to fortify governance.

We recently appointed a director from ValueAct Capital. We welcome the extensive knowledge this addition brings to JSR Group and we now have our second non-Japanese member of the board, as an outside director, further increasing our diversity. We will continue to take bold, strategic actions like this to enhance the governance of the Group.

Attitude Toward Safety

I have stated repeatedly that safety has to be the number one priority for everyone at JSR Group, including myself. I also believe safety is directly linked to achieving high quality and reliability in the manufacture and delivery of our products. Ensuring safety requires rules and investment, but it also demands a culture where anyone with concerns about safety feels free to speak up, and we hold each other accountable. JSR Group is committed to never compromising on safety in anything we do.

A Word to Our Shareholders and All Our Stakeholders

Shareholders trust us with their investments. Our responsibility is to honor that trust by carrying out

strategic management with integrity and a strong moral compass. JSR Group maintains a strong technological lead in both the Digital Solutions and Life Sciences businesses, where market growth is expected, but we are bound to face new waves of disruptive change. To weather such change and grow sustainably, and to flourish as an organization that can accurately read the shifting social landscape and respond appropriately, we will continually revisit the value we deliver and the way we deliver it, and continually embrace change.

Our challenge is to sustain JSR Group as an organization that fosters an environment in which every employee can thrive, provide high-level innovation to customers, and earn the trust of our business and collaboration partners. If any member of the JSR Group community suffers, we all suffer. In my dealings with all of our stakeholders, I never lose sight of the idea that “We are on your side.” That mindset of solidarity is what will enable our business to keep growing. It is by continuing to fulfill the aspirations of all stakeholders that we can ultimately provide satisfactory returns to our shareholders, and I am convinced you will be proud to have invested in JSR Group. I will continue to engage in dialogue with you as our long-term growth partners and look forward to your continued support.

Representative Director, CEO

Eric Johnson