

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.

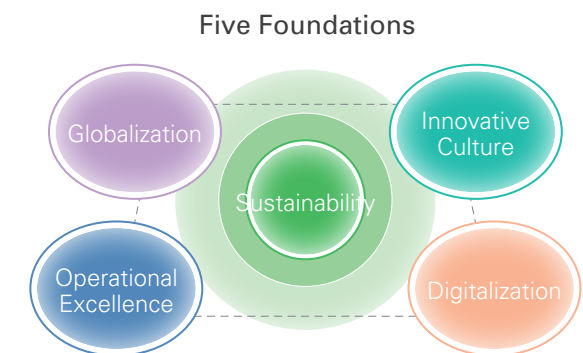
The Five Foundations also include actions to hone our innovation, the wellspring of JSR Group's value, under the rubric of Innovative Culture. We see this expressed in our work on materials informatics and quantum technology through various collaborative efforts and open innovation. In addition to research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

Management Policy for FY2024

Overview of the Management Policy

In recent years, the environment surrounding JSR Group has grown more complex and more uncertain. To respond to this environment and create value for all our stakeholders through sustainable growth, we will create a resilient organization that can embrace any change in the operating environment.

The strengths of JSR Group lie in technology, which is how we contribute to society. Our value as a Group is creating new businesses through technology, contributing to solving issues faced by customers and society, and helping society flourish. To this end, the current management policy focuses on strategies for the business areas most in line with these strengths: the Digital Solutions Business, especially the Semiconductor Materials Business segment, and the Life Sciences Business. Through superlative quality and robust customer support, we are aiming to maximize the value of our business, continue to grow sustainably, and become a truly global company. Seizing upon changes in the environment as opportunities, we are striving to build a more resilient organization capable of generating business opportunities, achieving double-digit ROE (Return on equity) across the Group, and surpassing our record high of 60 billion yen for our two core businesses.

Vision

- ✓ Creating value for all stakeholders, aiming for sustainable growth
- ✓ Building a resilient organization that can embrace any changes in the operating environment

[Business Portfolio]

Core Business

Digital Solutions Business
(especially Semiconductor
Materials Business)

Life Sciences Business

[Business Target]

ROE

More than **10%**

Exceed Prior Peak

Core Operating Profit

60 billion yen or more

[Structure]

Resilient Infrastructure

- Innovation
- Digitalization
- Globalization
- ESG commitment
- Employee engagement

New Core Business Portfolio

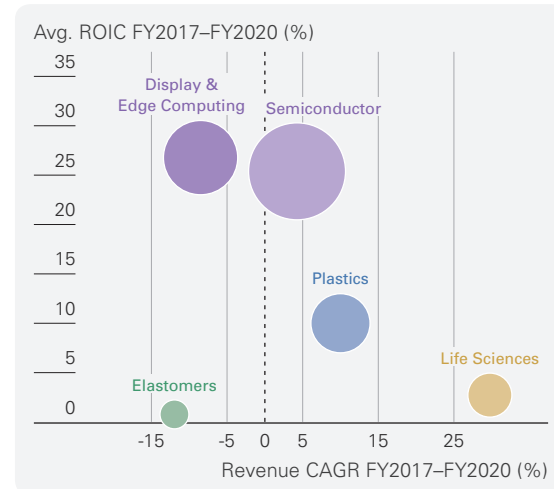
Growth Driver

The new management policy calls for JSR Group to shift toward a business structure and management framework characterized by resilience and sustainability over the longer term. Over the next four years, we will use return on invested capital (ROIC) as a metric to verify the cost of capital of each business and concentrate resources on promising areas. We are positioning the Digital Solutions Business, chiefly the Semiconductor Materials, and Life Sciences Business segments, which best align with our innovation capabilities, as drivers of performance, considering the remarkable global growth potential of these markets and their critical importance in the industrial structure. We will leverage technology to create new businesses in these areas and contribute to solving social issues. The Digital Solutions Business already boasts strong capital efficiency and we will work to boost capital efficiency in the Life Sciences Business while also pursuing growth centered on both segments.

Transfer of the Elastomers Business

We have undertaken structural reforms in all of our businesses. The Elastomers Business in particular faced competitive challenges, as intensifying global competition, supply issues for raw materials, and contraction in the Japanese market brought about drastic changes in the operating environment. Having considered a range of strategic alternatives that would ensure a more stable future for both JSR Group and the Elastomers Business, we decided to spin off the segment into a separate company and transfer ownership of it to ENEOS Corporation. The Elastomers Business is due to start operations as a wholly owned subsidiary of ENEOS Corporation in April 2022.

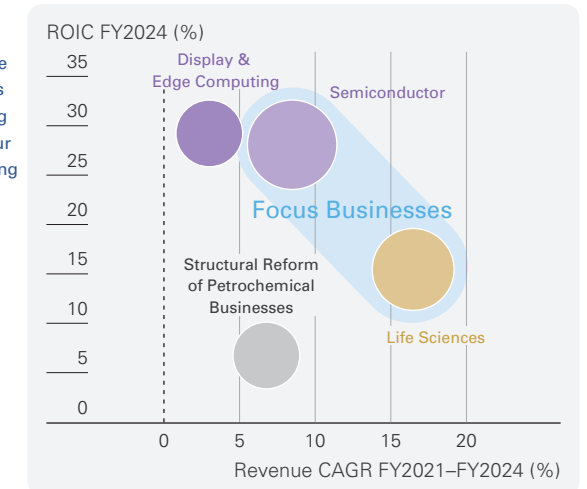
Current Business Portfolio



* Acquisition is included in revenue CAGR of Plastics and Life Sciences
 * Circle size: Ave. Core Operating Profit in FY2017-FY2020

Vertical axis: ROIC.
 Horizontal axis: Revenue growth rate. Circle sizes represent core operating profit. The preceding four years are at left, the coming four years are at right.

Target Business Portfolio in FY2024



* Circle size: Core Operating Profit in FY2024

Overview of Business Strategies

	Digital Solutions Business	Life Sciences Business
	Revenue: Double the market growth Core Operating Profit Margin: Maintain strong margin (≥23%)	Revenue CAGR +20% Core Operating Profit Margin: 20%
Market	Size Total photoresist market*1: \$2 Billion (Semiconductor \$430 Billion)	Size Total CDMO*2 market*3: \$6 Billion (Biologics: \$350 Billion)
Trend	• Steady growth • Technological innovation advances	• High growth • Precision medicine fields expand
Social Value	• Realize a smart society (AI, IoT) • Achieve miniaturization and high performance requiring less power	• Enhance efficiency of pharmaceutical development • Realize personalized medicine tailored to each patient
Strength	• High market share in advanced materials (e.g., ArF 30%, Alignment film 50%)	• Capability to support very complex biological drugs
Strategy	• Concentration of resources on Semiconductor Materials Business • Scale and fields expansion including M&A	• Business expansion through customer pipelines • Creation of unique added value

*1 OMDIA Semiconductor Silicon Demand Forecast Tool Q3'20

*2 Contract Development and Manufacturing Organization

*3 JSR estimated

Business Target

Targeted Profit

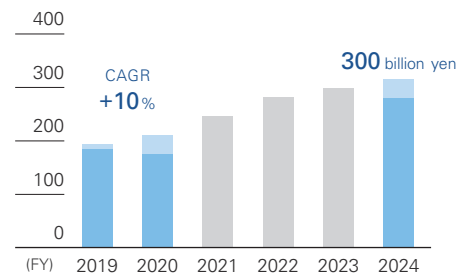
JSR Group's Digital Solutions Business already enjoys solid market share in advanced materials due to our comprehensive technological capabilities, including our strengths in development. Backed by advanced technological capabilities cultivated over the years, the Life Sciences Business has also earned the confidence of client industries in the development of complex biopharmaceuticals. Over the term of the management policy, we will concentrate the bulk of resources on the Semiconductor Materials Business segment of the Digital Solutions Business and Life Sciences Business to promote the creation of distinctive value. Our initiatives are aiming for top-line growth above market in both core segments and a core operating profit margin of 20% or more by FY2024.

Target: Revenue, Core Operating Profit

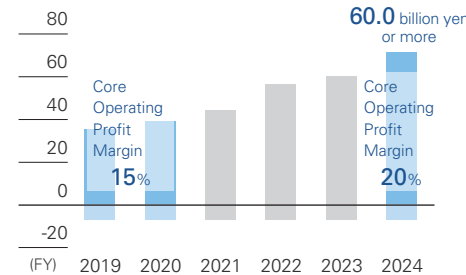
Digital Solutions and Life Sciences Businesses:
Revenue of more than 300 billion yen, record high profit from the new business portfolio.

Figures represent the total of Digital Solutions, Life Sciences, and Next Generation businesses. We will increase revenue from 200 billion yen in FY2020 to 300 billion yen by FY2024, achieving a CAGR of 10%. The core operating profit margin will grow from about 15% in FY2020 to around 20%. EBITDA will grow as well.

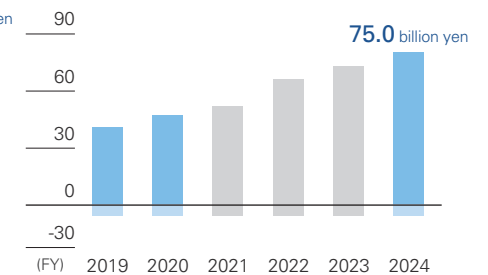
Revenue (Billion yen)



Core Operating Profit (Billion yen)



EBITDA (Billion yen)



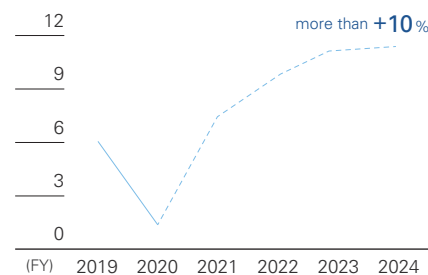
■ Digital Solutions & Life Sciences ■ Others

Target: Capital Return

We will achieve double-digit ROE and maximize ROIC in each business area.

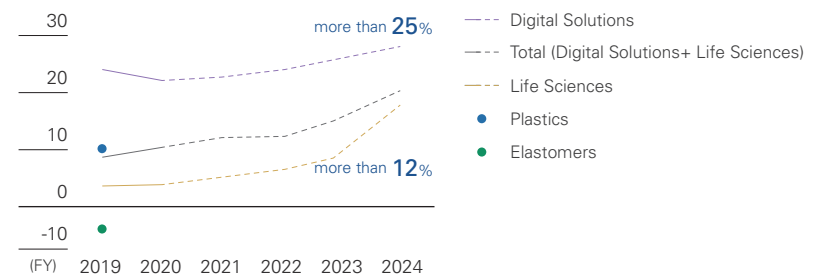
Targeting double-digit ROE, we will work to enhance capital productivity. Each division will pursue higher ROIC. The Digital Solutions Business is already at target and will work to shore up gains. The Life Sciences Business will realize profitability, transitioning from the growth investment phase into a phase of generating ROIC.

ROE (%)



* Company-wide target

ROIC (%)

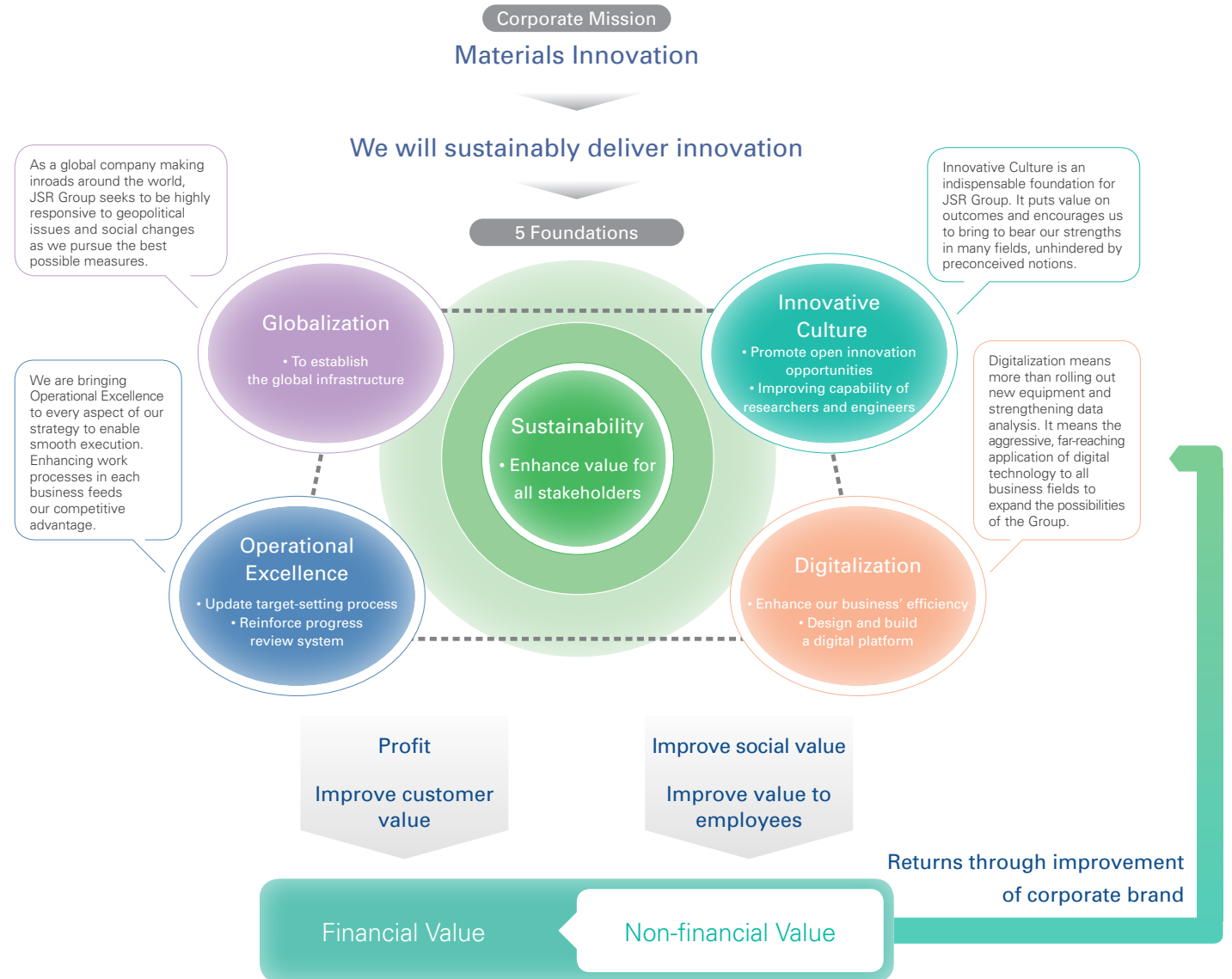


* Life Sciences: Investment capital includes goodwill

Resilient Infrastructure

Creating Value through the 5 Foundations

Amid growing complexities and uncertainties in the world, converting the myriad changes in the operating environment into opportunities requires JSR Group to further reinforce the culture of innovation it has fostered over many years, and better equip the Group to embrace change. To that end, JSR Group has identified 5 Foundations that form the basis of our culture. In addition to Sustainability, the 5 Foundations framework includes an Innovative Culture that ensures we remain a cutting-edge technology company, Globalization that builds the awareness, capabilities, and infrastructure we need to respond to changes worldwide, Digitalization that draws on digital transformation trends to help us work more efficiently and, finally, Operational Excellence which integrates all the other Foundations in transforming JSR Group's operational capabilities. By taking actions in each of the Foundations we are striving to build a resilient management foundation and continuously enhance corporate value.



Improving ESG Issues

Group-wide ESG Targets

Society is calling for companies to grow while coexisting with various stakeholders.

JSR's environment, society, and governance (ESG) initiatives focus on helping to improve the quality of life, realizing a healthy and long-lived society, and preserving the global environment by providing products and services through our business activities. We also ensure sound management through a governance framework that puts value on compliance and risk management.

Envisioning a management foundation framed around the environment, society, and governance, the management policy sets out medium- and long-term issues to be addressed in each of these areas. The plan puts particular stress on reducing greenhouse gas emissions, in terms of the environment, and on improving employee engagement, in terms of society. Going forward, JSR Group will take concrete actions aimed at achieving net zero greenhouse gas emissions by 2050. Moreover, drawing on scenario analyses based on the TCFD* recommendations announced in October last year, we are working to build a resilient corporate framework that can respond to all contingencies.

JSR Group seeks to grow alongside its employees, embracing a range of values through measures that foster diversity, equity, and inclusion, as well as work style innovation. We are also taking steps to improve employee engagement, analyzing the factors that affect engagement and reflecting these findings in measures related to personnel systems, working style reform, and diversity, as well as identifying issues specific to each Group company and division.

* TCFD: The Task Force on Climate-related Financial Disclosures, established by the Financial Stability Board (FSB). In June 2017, the TCFD presented recommendations for the disclosure of the effects that climate change risk has on financial institutions, companies, and governments in financial reports.

Review of JSR Group Priority Issues (Materiality)

Based on points raised in discussions with experts in 2019, we are moving forward with the JSR Sustainability Challenge to realign the Group in terms of our business activities and management foundation. Having started on the business activity side in 2019, in the last year we reviewed our priority issues (Materiality) affecting our management foundation. The steady implementation of

measures has given rise to a corporate environment that empowers us to build virtuous cycles, leading us to achieve robust growth that is responsive to the demands of society in a rapidly changing world.

The Materiality we identified shaped our management policy. Going forward, JSR Group will continue to work together to pursue sustainable management.

The Sustainability Report 2021 contains a discussion of JSR Group's review of material topics.

Management foundation: Advancement throughout the Group/Social/Environment/Governance

Corporate Activity	Environment ▶ P.34	Social ▶ P.29	Governance ▶ P.35
Mid-term plan focus (Materiality)	<ul style="list-style-type: none"> Environmental Impact reduction 	<ul style="list-style-type: none"> Diversity, Equity, and Inclusion Work-style Innovation 	
Mid-term plan activity Set KPI target and measures	<ul style="list-style-type: none"> Reduce greenhouse gas emissions (TCFD initiatives) Promote Reuse/Recycle Reduce waste 	<ul style="list-style-type: none"> Employee engagement improvement Rebuild Corp HR system Re-define HQ functions/roles 	<ul style="list-style-type: none"> Independent Outside Directors A Diverse Board of Directors Nomination/Remuneration Advisory Committee
Index	<ul style="list-style-type: none"> Respond to climate change, environmental issues 	<ul style="list-style-type: none"> Employee engagement 	

CFO Message



Director, Managing Officer
Hideki Miyazaki

Building a Stable Financial Foundation and Increasing Corporate Value

JSR Group's fundamental business strategy is to continue to deliver value to customers through innovation, based on products and services that are backed by superlative technological development capabilities. This is how we generate earnings, but it is also the way in which we believe the Group can grow together with customers and employees, ultimately thereby also meeting the expectations of our shareholders. I see my role as ensuring this strategy is carried out as smoothly and as effectively as possible from a financial standpoint, while also building a stable financial foundation for the Group.

JSR Group intends to be a resilient and sustainable organization as we move forward together with our customers, employees, society, shareholders, and other stakeholders. To accomplish this, as CFO, both I and the CEO have to be aligned strategically. We are both convinced that continually enhancing corporate value should be paramount, rather than simply pursuing short-term shareholder interests. We also carefully considered the transfer of the Elastomers Business, not only from a financial perspective, but also as a move that would truly benefit all of our stakeholders. Rather than having the division press forward with limited resources, we recognized that allowing the Elastomers Business to operate in an environment in which it could compete in Japan, and worldwide, with best-in-class technologies would be more rewarding for

employees and more beneficial to society, as well as facilitating stronger business performance. Thus, we are confident that this decision will end up yielding results that meet the expectations of stakeholders.

FY2020 Results

As the year started, we projected that the COVID-19 pandemic would bring about a roughly 50 billion yen decrease in revenue across the Group. As it turned out, although the impact in the first half of the year was significant, it was smaller than expected in the second half. As a result, we were able to contain the overall COVID-19 impact on revenue to about 40 billion yen. Nevertheless, full-year revenue and profit were down year on year in FY2020.

Revenue and profit in the Digital Solutions Business were up year on year. The Semiconductor Materials Business saw higher revenue and profit on the back of steady sales, chiefly of advanced photoresists. In the Display Materials Business, revenue was down due to lower sales of color resists and other products, reflecting the withdrawal of some customers from production. Sales of alignment films remained brisk however, driving an increase in operating profit over the previous fiscal year.

The Life Sciences Business saw higher revenue from contracts for the development and manufacturing organization of biologics (CDMO) and for the research organization (CRO), but operating profit was down year on year as a result of temporary pandemic-related factors.

In both the Elastomers and Plastics businesses, revenue and profit were down year on year. This reflected sluggish demand in the first half in the automotive and tire markets impacted by the pandemic, but demand began trending upward in the second half.

Given the uncertainties about the outlook prompted by COVID-19, we held off announcing the specifics of the new management policy originally planned for FY2020. At the time of our financial results briefing in April 2020, though, we did address our basic concept regarding the direction of the management policy, and in FY2020 carried out reforms in the various business areas in line with that concept. In terms of structural reforms, we had already taken decisive measures to reorganize the Display Materials Business at the end of the preceding year. The segment is currently generating relatively high returns, but from a market perspective, has seen an accelerating shift

away from Taiwan and South Korea and an accompanying concentration of manufacturing in mainland China. In light of this, we clarified our position of drastically reducing our footprint in Taiwan and South Korea, and sustaining high margins through a focus on China, where many of our major customers are located, thereby accumulating sufficient free cash flow to invest in growth areas.

Regarding our Petrochemicals businesses, we recognized that even farther-reaching structural reform was needed. In FY2020, we estimated the future cash flow expected to be generated by the Elastomers Business and performed a calculation to see if the current assets were proportionate. Then, with the help of a third party's value calculation standard, we recorded an impairment loss of around 80 billion yen as a result for the year. Ultimately, we announced our decision to transfer the division to ENEOS Corporation on May 11, 2021.

Overall, in FY2020, although we put off announcing specifics, the new management policy itself was already in place, and I believe we were able to move forward with the first year under the direction set out by the policy.

Management Policy

We have now released various numerical targets under the management policy leading up to FY2024, but what is most essential is to grow profits sustainably through the new business portfolio. Significant growth in the Digital Solutions and Life Sciences businesses will be the key to achieving this. The Digital Solutions Business is enjoying increasing demand. JSR Group recently ramped up our production capacity, and we believe this positions us to achieve a growth rate above market. We will boost sales of our mainstay photoresists to meet market expansion while maintaining high margins, and also target high growth in the advanced cleaning solutions business by leveraging the capacity of our US-based plant newly completed in FY2020. In the Display Materials Business, we intend to sustain profitability on the back of the structural reforms I mentioned above. As a new business, we are steadily expanding sales of infrared cut filters for smartphones and other mobile devices. Based on the above, we believe that the Digital Solutions Business will be able to increase sales revenue by about 7% while maintaining profit margins.

In the Life Sciences Business, our investments to date in the CRO and CDMO businesses are

Operating Profit (¥ millions)

	FY2019	FY2020
Digital Solutions Business	144,805	151,420
Core Operating Profit	30,917	34,568
Life Sciences Business	50,496	55,197
Core Operating Profit	3,945	3,510
Elastomers Business	178,794	143,186
Core Operating Profit	(1,758)	(11,420)
Plastics Business	95,092	79,123
Core Operating Profit	6,237	4,430
Other Businesses & Adjustment	2,779	17,682
Core Operating Profit	(6,105)	(5,125)
Revenue	471,967	446,609
Core Operating Profit	33,236	25,963

beginning to pay off in terms of earnings growth, as project orders climb steadily, by about 20% every year. The CDMO business in particular is focusing on markets that demand high technological capabilities. Many chemicals and materials companies have moved into life sciences fields in recent years and are expanding their CDMO and other contract businesses. In this environment, even if we strive to create blockbuster products, we recognize the significant risk of earnings volatility. To address this risk, we have set a clear policy of partnering closely with customers in a variety of fields to co-create products and conduct joint R&D, thereby ensuring earnings stability. This leads us to expect sustainable earnings going forward, and also positions us to

more effectively address the long-term trend of personalized medicine. Furthermore, an abundance of collaborative efforts with more customers across a wider range of fields will contribute to the stability of the business. In this way, we will achieve robust business growth and profitability at the same time.

Still, it is pointless to be so focused on pursuing immediate growth opportunities that it leads to over-investing and impedes our ability to respond to new trends down the road. Sensitive to longer-term trends, the new management policy calls us to demonstrate our technological prowess both in the semiconductor materials field that drives social change and in the life sciences field that concerns people's health. Through these efforts, we aim to achieve the plan's metrics of double-digit ROE and record high operating profit, surpassing the 60 billion yen record in FY2007.

Planned Investments

We anticipate operating cash flow of approximately 200 billion yen over the five-year period of the new management policy. Moreover, while JSR Group has not taken much advantage of debt financing, we would like to explore this avenue more fully going forward while keeping an eye on the debt-to-equity ratio. Similarly, we would like to draw on the cash from the divestment of the Elastomers Business. Specifically, we are looking at about 100 billion yen in capital spending for the Semiconductor Materials and Life Sciences businesses, channeling other cash

into growth investments, including acquisitions, while enhancing our financial agility and flexibility. We are also seeking an overall return to shareholders of about 50% and are earmarking about 70 billion yen for various measures to achieve this.

To Our Shareholders

I believe that increasing corporate value is the best way to return profits to our shareholders. Going forward, we will continue to invest consistently in growth fields to achieve sustainable earnings growth and enhance corporate value. To meet shareholder expectations, we intend to maintain an overall return to shareholders of about 50% through a combination of dividends and share buybacks. Although JSR Group posted a large deficit in FY2020, this was due to temporary expenses associated with the structural reforms that have positioned us for improved future performance. In light of this and considering our commitment to stability in the dividend amount, we elected to pay an annual dividend of 60 yen per share.

I look forward to engaging in dialogue with our shareholders, so that I can convey the kinds of strategies JSR Group is pursuing and the steps we are taking to grow the business. I am confident that explaining where we stand will encourage investors to have faith in the long-term growth potential of JSR. As CFO, I will do everything in my power to shore up the sustainable growth of JSR Group, and I ask our shareholders for their continued support.

Aiming for double-digit ROE by allocating cash responsively and flexibly.

