

## CFO Message

We aim to enhance corporate value over the medium to long term by maintaining financial soundness and implementing growth investments focused on core businesses

### Building a Stable Financial Foundation and Promoting Growth Investments for Growing the Value Provided by JSR Group

JSR Group's fundamental business strategy involves continuously providing value to customers through innovation, based on its advanced products and services backed by superlative technological development capabilities. This strategy enables us to generate profits and finance investments in the future.

The Finance Department's role is to build a stable financial foundation and support the enhancement of corporate value from a financial standpoint by ensuring the Group grows together with customers and employees through its business activities and lives up to the expectations of stakeholders. Additionally, I believe that financially supporting initiatives that benefit all stakeholders including customers, business partners, society, the environment, and shareholders under the

#### Basic capital allocation policy

1. Invest in future business growth, including M&A (mainly in SEMI and Life Sciences)
2. Maintaining a strong financial position that can flexibly respond to business investments
3. Shareholder return (50% as a guideline)



Kenichi Emoto

Director, Officer

Group's accountability to stakeholders defined in management policy will help to resolve ESG issues and grow the value we create.

### Revenue and Profit up Significantly in FY2021 Semiconductor Materials and Life Sciences Businesses Set to Drive Future Results

Operating results for FY2021 saw both revenue and profit increase substantially compared to FY2020, and the Semiconductor Materials and Life Sciences businesses are slated to drive results again in FY2022.

I will provide a quick summary of each segment's full-year results for FY2021 below. In Digital Solutions, sales of the Semiconductor Materials Business grew by 16% year on year, underpinning profit growth. In addition to existing products, sales of EUV resists grew, as revenue from these products rose by 90% year on year.

In the area of growth investments, we acquired Inpria of the United States, which is highly competitive in next-generation EUV photoresist technology, which helped to strengthen JSR's strategic foundation. Furthermore, we are in the process of constructing an advanced photolithography line including EUV resists at our Yokkaichi Plant.

Our cleaning solutions facility in the United States launched operations beginning with sales to main customers at the end of FY2020, with the aim to expand our business portfolio in semiconductor materials. Since the facility got off to a slow start compared to the initial forecast, we had to book an impairment loss, but the facility is now working to quickly turn a profit by expanding its market share and increasing its adoption for next-generation products.

The Display Materials Business saw a decline in

profits as panel manufacturers conducted production adjustments due to weakening panel market conditions in the second half of FY2021. Meanwhile, we closed our plant in Taiwan as planned on March 31, 2022 and continue to promote a shift of resources toward China in parallel. Through restructuring of our product mix and regional strategy, we expect to increase sales of mainstay products in the Chinese market, paving the way for stable and consistent growth.

We anticipate that in FY2022 the Digital Solutions segment will continue to post high revenue growth amid robust demand for semiconductor materials leading to increased sales of a number of product lines and other innovative products such as EUV. Moreover, we will work toward greater business growth through the integration effects of Inpria and initiatives to increase market share in Asian markets.

Next, in Life Sciences, we achieved revenue growth of 31% year on year. The Contract Research Organization (CRO) Business achieved growth in excess of 40% year on year after expanding its screening service for leading edge cancer drug candidates using PDX models. The Contract Development and Manufacturing Organization (CDMO) Business recorded sales growth of 25% year on year, but profit declined amid an increase in upfront costs for setting up a new plant for large-scale increases in production capacity in Europe and North America. We began commercial production at our North Carolina plant in the United States in June 2022. With mass production kicking off in the second half, we expect that the new plant will contribute to profits of the entire Life Sciences

#### Revenue and Core Operating Profit by Segment

(Million yen)

Business		FY2020	FY2021
Digital Solutions	Sales	151,420	165,030
	Core Operating Profit	34,568	39,002
Life Sciences	Sales	55,197	72,452
	Core Operating Profit	3,510	3,168
Plastics	Sales	79,123	90,606
	Core Operating Profit	4,430	5,323
Others/Adjustment	Sales	26,259	12,910
	Core Operating Profit	-4,606	-4,187
Total	Sales	312,000	340,997
	Core Operating Profit	37,902	43,306

segment for FY2022. Additionally, the Diagnostic Reagent and Bioprocess Materials businesses are growing steadily.

In the Plastics Business, revenue and core operating profit both increased driven by the recovery in the automobile market. Looking ahead, we will grow profit consistently through cost controls and expanding sales of unique products globally.

The transfer of the Elastomers Business to ENEOS Corporation was completed as scheduled on April 1, 2022. This transaction proved to be a complex process as it involved carving out JSR's founding business and a business split onsite at the plant and industrial complex. Nevertheless, we successfully completed the transfer without delay thanks to the cooperation of stakeholders.

This transaction marks the launch toward a new stage of growth for the elastomers business and helps the Group to build a foundation to concentrate future investments on the Digital Solutions and Life Sciences segments.

### Managing Indicators and Implementing Initiatives to Maintain Financial Soundness and Improve Capital Efficiency

JSR continues to maintain a sound financial condition including a debt-to-equity ratio of 0.17x as of March 31,

Credit Ratings  
R&I  
Long-term: AA-  
Short-term: a-1+

2022; not to mention a strong outlook for EBITDA growth. Aimed at improving capital efficiency, we will establish and execute a medium-term resource allocation policy mindful of capital costs as well as manage investment efficiency, including ROIC and FCF, and cash flow efficiency according to each business segment.

The Group's cash demand can be found in raw materials costs related to manufacturing and sales, overhead, selling, general and administrative expenses, capital expenditures, business investment including M&A and repayment of interest-bearing debt. We are responding to this demand using operating cash flows and borrowings from financial institutions. We compiled a

capital plan based on the Group's business plan to manage liquidity risks considering a balance between direct and indirect financing and short- and long-term durations while taking into account business growth and strengthening of the financial structure. We are also paying close attention to the economic situation with rising uncertainty and foreign exchange rates. Additionally, we have introduced a cash management system intended to utilize funds more efficiently and we are promoting centralized financing and management within the Group.

We plan to invest 140 billion yen of the 250 billion yen in operating cash flows expected to be generated during the current management policy period mainly in

#### Balance Sheet

(Million yen)

		FY2020	FY2021
<b>Current assets</b>		329,279	245,704
	Cash and cash equivalents	85,377	45,567
	Others	243,902	200,137
<b>Non-current assets</b>		343,494	372,369
Continuing business	Total	672,773	618,073
	Non-current Assets held for sale	—	191,298
<b>Total Assets</b>		672,773	809,371
	Bonds and borrowings	119,278	117,907
	Others liabilities	182,758	161,148
Continuing business	Total	302,036	279,055
	Non-current liabilities held for sale	—	115,576
<b>Total Liabilities</b>		302,036	394,631
	Equity attributable to owners of parent	333,995	376,011
	Non-controlling interests	36,741	38,728
<b>Total Equity</b>		370,736	414,739

the Semiconductor Materials and Life Sciences businesses in the form of capital expenditures. Other uses of these funds include growth investments for M&A, including 46.7 billion yen spent on the Inpria acquisition in the previous year, and for shareholder returns targeting a total return ratio of around 50%.

In FY2021, we increased our annual dividend per share by 10 yen to 70 yen based on sustained profit growth. On April 25, 2022, we announced share buybacks up to 30 billion yen and 10 million shares taking into consideration our fundamental financial policy and financial position based on revenue from business structure reforms and growth investments using M&A. We are maintaining a stable financial condition and I do

not foresee any problems with the execution of our fundamental financial strategy going forward.

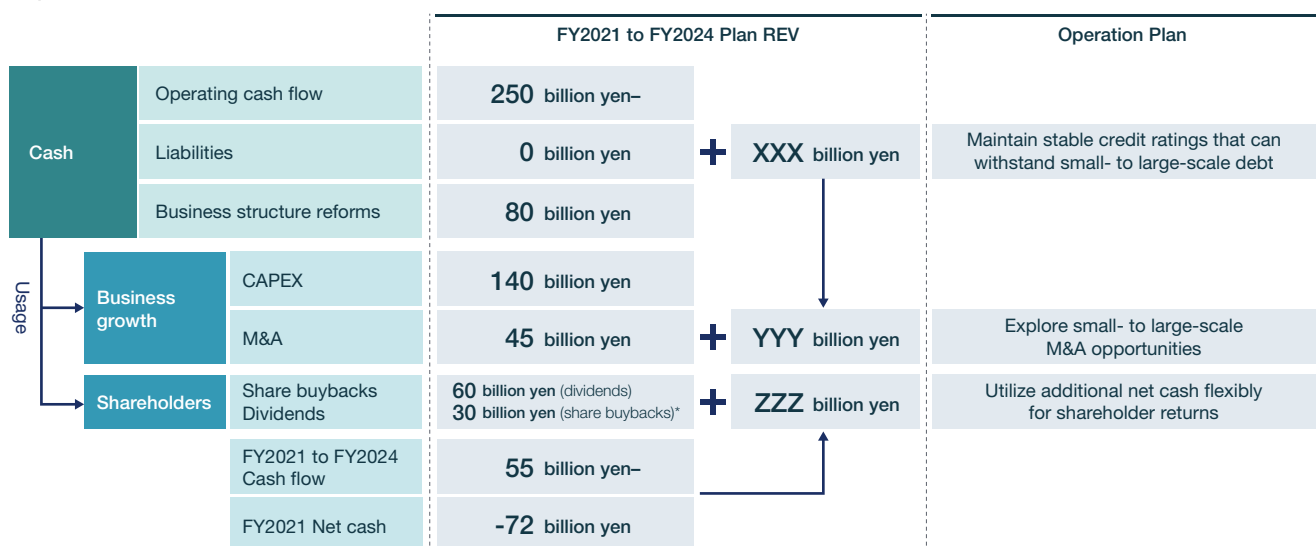
### Seeking to Enhance Corporate Value in a Sustainable Manner by Sharing Strategic Outlooks with the CEO

Dialogue with investors and shareholders is vital to our efforts to enhance corporate value in a sustainable manner. We have proactively conducted investor relations activities. This has included hosting IR meetings with investors in Japan and abroad while utilizing online solutions as well, holding management policy briefing sessions, and last year we held a business briefing on the Life Sciences segment and seminars for individual investors. Looking ahead, we

will disclose the situation of the Group's management and business operations in a transparent manner. We will also build relationships of trust with shareholders by further expanding dialogue and providing ample explanations of our strategy and path to growth.

JSR's ROE, an important management indicator, reached 10% in FY2021 and we expect ROE to rise to 12% in FY2022. We will work toward maximizing business returns and increasing capital efficiency aimed at continuous improvement over the long term. At the same time, as CFO, I will share strategic outlooks with the CEO and dedicate my fullest efforts to solidifying the sustainable enhancement of corporate value, without simply pursuing short-term profits, in order to collaborate with all stakeholders to create a resilient and sustainable organization. I ask shareholders, investors and other stakeholders for your continued support as we move forward.

#### Capital Allocation



\* Monetary amounts rounded off

#### Dividends

