

Q3 2021

Financial Results

(April 2021 to December 2021)



JSR Corporation

Repost: Management Policy –March 26, 2021

<Vision>

- Create value for all stakeholders through sustainable growth.
- Strengthen the resilient business structure by responding to changes in the environment.

<Business Portfolio>

- Digital Solutions (DS, especially SEMI) and Life Sciences (LS) as the center of our business portfolio.

<Target>

- DS&LS: Exceed prior peak OP, ROE more than 10%, maximize ROIC (DS more than 25%, LS more than 12%) in FY24.
- Capital allocation: 1st priority for future business growth, 50% shareholder return as a guideline.

<Strategy>

■ Digital Solutions

- SEMI: More than 8% of rev. CAGR (Double the growth of silicon wafer input by area). Scale and fields expansion including M&A.
- Display materials: Establish business structure as cash cow through selection and concentration. Aim for gradual profit growth.
- Edge Computing: Accelerate sales growth.

■ Life Sciences

- Revenue: more than 100 billion yen, ROS: 20%
- Sales growth by business expansion through customer pipelines, especially in CDMO and CRO. Strengthen the strategic link among Life Sciences groups for sustainable growth.

■ Petrochemical (Elastomers, Plastics)

- Promote structural reforms of Elastomers business.

Summary

<21Q3 YtD Result>

- The progress of 21Q3 YtD result was almost in line with the projection with a high growth rate compared to the previous year.
- Core OP for Q3 includes a valuation gain of 7.5 billion yen from Inpria Corporation becoming a wholly-owned subsidiary.

<Digital Solutions Business>

- Sales of SEMI achieved + 17% growth YoY. The growth of EUV resist was almost doubled. Each product had steady growth which resulted in +9% sales growth QoQ.
- Sales of Display materials were in line with the projection due to increased sales in China, but there were impacts from panel manufacturers' operation adjustments in Q3.
- Demand for SEMI is expected to remain strong. Our sales will continue to outperform the market for the next fiscal year. At the same time, Inpria's integration program started. Some synergies are expected from this fiscal year's financial results.

<Life Sciences Business>

- It achieved strong sales growth of + 32% YoY. CRO accelerated its growth with advanced cancer screening models. Bioprocess materials also performed well due to the expansion of pipelines.
- For QoQ, CDMO contributed to increase sales and improve OP. CDMO's new manufacturing facility built with a large scale investment is now in a start-up phase, and started an engineering run in the beginning of Q4.
- Strong growth is expected for overall LS business in FY22, with CDMO facilities in Europe and the US come online with high volume operations.

<Structural Reforms in Elastomers Business and Others>

- We announced a business transfer agreement for Elastomers business on May 11, 2021. Elastomers business is classified as a discontinued business from FY21. The process of transferring the business is in progress toward the closing.
- From November 2021, Inpria was consolidated 100%. Revaluation gain from the acquisition was booked in Q3. At the same time, the PPA is in the process and the amortization of intangible assets will be reflected in Q4.

Summary 1 – 21Q3 YtD Result vs Projection

(100Mil JPY)

		21Q3 YtD	FY21 Pro (as of Nov.8)	Progress
Consolidated	Sales	2,566	3,465	74%
	Core Operating Profit	423	525	81%
	Operating Profit	421	523	80%
	Profit, attributable to owners of parent	354	355	100%
Digital Solutions	Sales	1,233	1,645	75%
	Semiconductor materials	820	1,090	75%
	Display materials	346	460	75%
	Edge computing	66	95	70%
	Core Operating Profit	363	445	82%
	(Core Operating Profit excl. Inpria Acquisition Impacts*)	289	385	75%
Life Sciences	Sales	533	720	74%
	Core Operating Profit	38	60	64%
Plastics	Sales	707	980	72%
	Core Operating Profit	51	65	78%
Others/Adjustment	Sales	93	120	78%
	Core Operating Profit	-29	-45	-
Exchange rate (USD/JPY)		111	110	

*+6 billion yen as the impact of the Inpria acquisition, including revaluation gain, profit and loss of Inpria after being 100% subsidiary, and amortization of intangible assets of PPA, is included to the projection.

*Core OP is calculated by excluding profit or loss caused by non-recurring factors from OP.

*Discontinuing business is not shown on the table, except for Profit, attributable to owners of parent.

- Overall, both sales and OP have progressed steadily compared to the projection.
- Digital Solutions : Sales of SEMI and Display materials progressed according to the projection. OP was also in line with the projection, even excluding the impacts from Inpria's acquisition.
- Life Sciences: Sales were on track. OP progress was slower than planned in a full year projection which foresaw a large growth in H2.
- Plastics : Sales and OP progressed mostly in line with projection.

Summary 2 – YoY, QoQ

(100Mil JPY)

		20Q3ytd	21Q3ytd	YoY	21Q2	21Q3	QoQ
Consolidated	Sales	2,237	2,566	+15%	859	884	+3%
	Core Operating Profit	292	423	+45%	105	192	+83%
	Operating Profit	266	421	+58%	117	192	+64%
	Profit, attributable to owners of parent	67	354	+430%	94	178	+90%
Digital Solutions	Sales	1,121	1,233	+10%	413	427	+3%
	Core Operating Profit	267	363	+36%	91	167	+83%
Life Sciences	Sales	404	533	+32%	174	196	+13%
	Core Operating Profit	29	38	+30%	8	19	+149%
Plastics	Sales	551	707	+28%	240	229	-5%
	Core Operating Profit	25	51	+102%	16	16	+0%
Others/Adjustment	Sales	162	93	-42%	32	32	+0%
	Core Operating Profit	-29	-29	-	-10	-10	-

*Discontinuing business is not shown on the table, except for Profit, attributable to owners of parent.

YoY : Both sales and OP increased.

Digital Solutions: Sales and OP increased mainly due to an increase in sales of SEMI.

Life Sciences: OP increased mainly due to higher sales in CRO and Bioprocess materials .

Plastics: Sales and OP increased due to an increase in sales volume in response to a recovery in demand from COVID-19.

QoQ : Both sales and OP increased.

Digital Solutions: Sales and OP increased due to strong sales of SEMI.

Life Sciences: CDMO sales increased, and it improved overall margins.

Plastics: Sales were reduced due to a decrease in automobile production, but OP remained flat.

Projections for FY21 <No Change>

<Last update on November 8, 2021>

(100Mil JPY)

		FY20 Act	FY21 Pro (as of Nov.8)	YoY
Consolidated	Sales	3,120	3,465	+11%
	Core Operating Profit	379	525	+39%
	Operating Profit	342	523	+53%
	Profit, attributable to owners of parent	-552	355	-
Digital Solutions	Sales	1,514	1,645	+9%
	Semiconductor materials	949	1,090	+15%
	Display materials	474	460	-3%
	Edge computing	92	95	+3%
	Core Operating Profit	346	445	+29%
Life Sciences	Sales	552	720	+30%
	Core Operating Profit	35	60	+71%
Plastics	Sales	791	980	+24%
	Core Operating Profit	44	65	+47%
Others/ Adjustment	Sales	263	120	-54%
	Core Operating Profit	-46	-45	-

Exchange rate (USD/JPY)	106	110	+4%
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Depreciation	164	200	+22%
CAPEX	402	380	-5%
RD expenses	221	245	+11%

*Discontinuing business is not shown on the table except for Profit, attributable to owners of parent.

**Excluding IFRS16 lease asset depreciation

Future Outlook

■ Digital Solutions

— SEMI

Demand for SEMI will continue to be strong in Q4 and FY22. Our EUV sales will continue to grow as well. Inpria's integration synergies are a mid- to long-term theme, but it is expected to contribute to sales from the current fiscal year.

— Display materials

Operations of the customer industry were adjusted in Q3 due to the panel market deterioration. As Q3, similar operations at customers are expected in Q4. The expansions of alignment films and passivation coats to China will proceed steadily.

— Edge Computing

Affected by the decline in smartphone shipments, sales is expected to remain as the previous fiscal year.

■ Life Sciences

Pipelines contributing to sales growth are steadily expanding. A new CDMO facility in the US started the engineering run in the beginning of Q4. It is expected to ramp up to commercial operations from Q1 in FY22.

■ Plastics

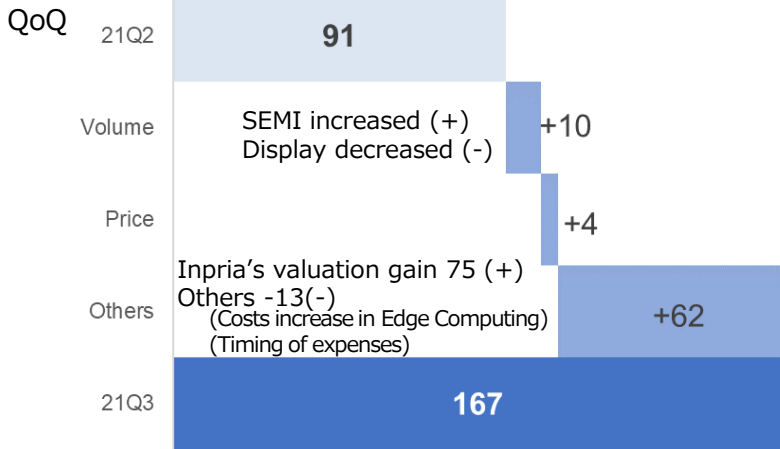
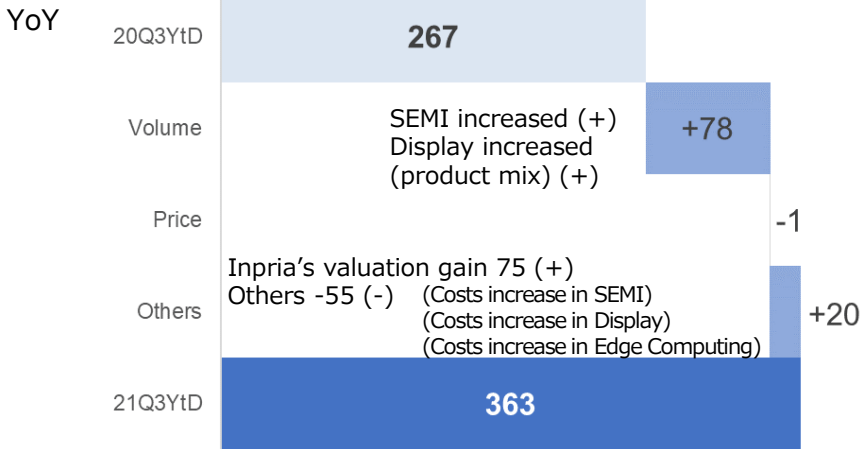
A gradual recovery from automobile production reduction in Q3 is expected. On the other hand, although the sales price formula was revised, the price of raw materials also continued to rise.

Segment Data : Digital Solutions business

(100Mil JPY)

	20Q3ytd	21Q3ytd	YoY	21Q2	21Q3	QoQ
Sales	1,121	1,233	+10%	413	427	+3%
Semiconductor materials	700	820	+17%	268	292	+9%
Display materials	353	346	-2%	125	110	-12%
Edge computing	68	66	-3%	21	25	+20%
Core OP	267	363	+36%	91	167	+83%
Core OP margin	23.8%	29.5%		22.1%	39.2%	
Exchange rate (USD/JPY)	106	111	+5%	110	114	+3%

Core OP analysis



Appendix: Digital Solutions business - Sales growth rate

SEMI	YoY ytd	QoQ
ArF	Approx. 105%	Approx. 105%
Multilayer	Approx. 115%	Slightly over 105%
Other Lithography	Approx. 135%	Approx. 105%
CMP	Approx. 110%	Slightly Under 110%
Cleaner	Approx. 115%	Slightly over 140%
Packaging	Approx. 115%	Approx. 95%

*EUV resists are included in Other Lithography

Display	YoY ytd	QoQ
Alignment Films	Slightly Under 105%	Approx. 85%
Passivation Coat	Approx. 120%	Approx. 110%
Color Pigmented Resists	Approx. 75%	Approx. 80%
Other LCD Materials	Flat	Slightly over 105%

Edge	YoY ytd	QoQ
ARTON	Approx. 95%	Slightly over 115%

Segment Data : Life Sciences business

(100Mil JPY)

	20Q3ytd	21Q3ytd	YoY	21Q2	21Q3	QoQ
Sales	404	533	+32%	174	196	+13%
Core OP	29	38	+30%	8	19	+149%
Core OP margin	7.3%	7.2%		4.4%	9.7%	
Exchange rate (USD/JPY)	106	111	+5%	110	114	+3%

Core OP analysis

YoY

	Sales	Core Operating Profit
Total	+32%	+30%
CDMO	Approx. +25%	Decrease in OP
CRO	Slightly Under +45%	Increase in OP
BPM*	Approx. +150%	Increase in OP
IVD	Approx. +20%	Increase in OP

QoQ

	Sales	Core Operating Profit
Total	+13%	+149%
CDMO	Slightly over +30%	Increase in OP
CRO	Slightly Under +15%	Increase in OP
BPM*	Slightly Under -70%	Decrease in OP
IVD	Approx. +10%	Increase in OP

*Bioprocess Materials

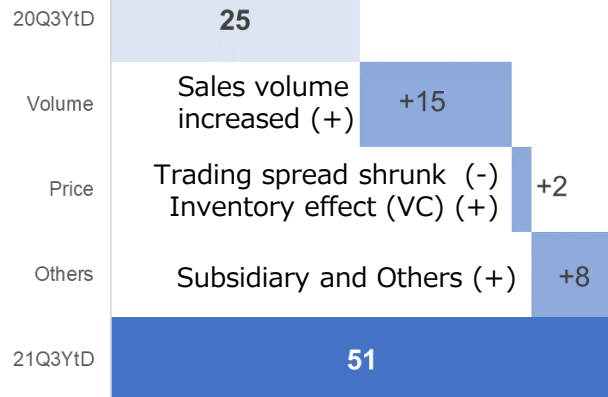
Segment Data : Plastics business

(100Mil JPY)

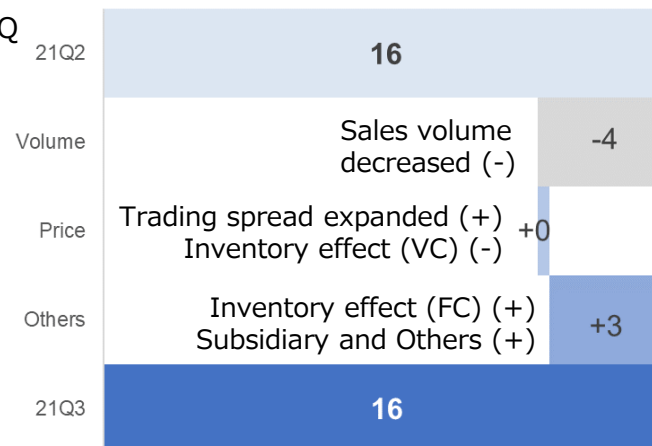
	20Q3ytd	21Q3ytd	YoY	21Q2	21Q3	QoQ
Sales	551	707	+28%	240	229	-5%
Core OP	25	51	+102%	16	16	+0%
Core OP margin	4.5%	7.1%		6.6%	7.0%	
Exchange rate (USD/JPY)	106	111	+5%	110	114	+3%

Core OP analysis

YoY



QoQ



Elastomers Structural Reform

- ✓ On May 11, 2021, we announced the transfer of Elastomers business to ENEOS Corporation. JSR and ENEOS Corporation have agreed on an enterprise value of 115 billion yen. On the same day, we announced the transfer of Kumho Polychem, an equity-method affiliate, to Kumho Petrochemical Co.,Ltd. We decided to separate whole Elastomers business and this business is classified into the discontinued business in accounting.
- ✓ The transfer of the Elastomers business is currently in progress toward the closing of April 1, 2022.

Breakdown from Elastomers business

(100Mil JPY)

	20Q3Ytd Act	21Q3Ytd Act	FY21 Rev Pro
Sales	931	1,348	1,720
Core OP (Equivalent)	-127	101	120
Restructuring expenses and taxes	15	-64	-
Profit from discontinued business	-112	37	0(TNTV)

- ✓ Sales volume in FY21Q3Ytd increased +20% YoY due to the recovery in the tire market and increase in SSBK sales. Core OP (equivalent) increased due to the volume increase, improvement of trading spreads, and cost reduction.
- ✓ For QoQ, Sales and Core OP (equivalent) also increased.
- ✓ Business restructuring expenses including impairment of fixed assets, consulting, asset division costs, etc. related to Elastomers business transfer agreements, were recorded. B/S as of March, 2022 will affect the final expenses too.
- ✓ Based on the above, the net income forecast of the discontinued business is assumed as 0 at the moment.

Capital Allocation

Changes from 21/3E to 21/12E

(100Mil JPY)

	21/3E	21/12E	+/-
Current assets	3,293	2,317	-976
Cash and cash equivalents	854	520	-334
Others	2,439	1,797	-642
Non-current assets	3,435	3,558	+123
Continuing business Total	6,728	5,875	
Non-current Assets held for sale		1,738	+1,738
Total Assets	6,728	7,613	+885
Bonds and borrowings	1,193	899	-294
Others liabilities	1,828	1,431	-397
Continuing business Total	3,020	2,330	
Non-current liabilities held for sale		1,264	+1,264
Total Liabilities	3,020	3,594	+574
Equity attributable to owners of parent	3,340	3,643	+303
Non-controlling interests	367	376	+8
Total Equity	3,707	4,018	+311

Changes of Net Cash from 21/3E to 21/12E

- The Elastomers business is categorized as items held for sale.
- There was approx. 20 billion yen of cash income from the transfer of Kumho Polychem and sales of cross-shareholdings shares.
- Approx. 46.7 billion yen was paid for the acquisition of Inpria.
- Net Cash is approx. -38 billion yen as of 21/12E (Continued business).

Future outlook

- FCF from Continued business.
- Cash income from transferring the Elastomers business on April 1, 2022 is expected in early FY22.

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)

Future capital allocations

- Dividend for FY21 will be increased by 10 yen. (Interim dividend have been executed.)
- We see no issues with execution of the basic policy of capital allocation as the stable finance position is maintained.

Appendix: Overall Statement of P/L

(100Mil JPY)

	20Q3 ytd	21Q3 ytd	YoY
Sales	2,237	2,566	+15%
Cost of sales	1,397	1,593	+14%
Gross profit	841	973	+16%
Selling, general and administrative expenses	549	628	+14%
Other operating income/expenses	-26	75	-
Share of profit of investments accounted for using equity method	-1	-0	-
Operating Profit	266	421	+58%
Finance income/cost	-26	10	-
Income taxes	61	94	+55%
Profit from continuing business	179	337	+88%
Profit from discontinued business	-112	37	-
Profit	67	374	+454%
Profit, attributable to owners of parent	67	354	+430%
Profit, attributable to non-controlling interests	1	20	+2,619%

EPS(JPY)	31.07	164.52	+430%
EPS - continuing business	78.82	146.80	+86%
EPS - discontinued business	-47.75	17.72	-

Exchange rate(USD/JPY)	106	111	+5%
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Breakdown from Core OP to OP

	20Q3 ytd	21Q3 ytd
Core Operating Profit	292	423
Partial Reduction of Impairment	-	12
Business structural reform expenses	-24	-
Loss on valuation of capital investments in subsidiaries	-	-14
Special Retirement benefits	-2	-
Others	-	0
Operating Profit	266	421

Appendix: Statement of Financial position

(100Mil JPY)

	21/3E	21/12E	+/-
Current assets	3,293	4,054	+762
Cash and cash equivalents	854	520	-334
Trade and other receivables	1,253	778	-475
Inventories	1,049	857	-192
Others	137	163	+25
Non-current Assets held for sale		1,738	+1,738
Non-current assets	3,435	3,558	+123
Property, plant and equipment	1,704	1,547	-157
Goodwill	586	1,178	+592
Other intangible assets	150	147	-3
Others	994	686	-308
Total Assets	6,728	7,613	+885
Current liabilities	1,688	2,641	+953
Trade and other payables	1,008	655	-353
Borrowings	379	413	+34
Others	301	309	+8
Non-current liabilities held for sale		1,264	+1,264
Non-current liabilities	1,332	953	-380
Bonds and borrowings	814	486	-328
Others	518	466	-52
Total Liabilities	3,020	3,594	+574
Equity attributable to owners of parent	3,340	3,643	+303
Non-controlling interests	367	376	+8
Total Equity	3,707	4,018	+311

Equity ratio
(Equity attributable to owners of parents)
2021/12 E : 47.9%
2021/3 E : 49.6%

Appendix: Quarterly Trends by Segments

(100Mil JPY)

		20Q1	20Q2	20Q3	20Q4	21Q1	21Q2	21Q3
Consolidated	Sales	675	717	845	883	823	859	884
	Core Operating Profit	80	86	125	87	126	105	192
	Operating Profit	80	62	123	77	111	117	192
	Profit, attributable to owners of parent	11	-18	73	-618	82	94	178
Digital Solutions	Sales	363	374	384	393	393	413	427
	Semiconductor materials	238	229	233	248	261	268	292
	Display materials	109	118	126	121	111	125	110
	Edge computing	16	27	25	24	21	21	25
	Core Operating Profit	78	91	97	79	104	91	167
Life Sciences	Sales	126	135	142	148	163	174	196
	Core Operating Profit	8	8	13	6	12	8	19
Plastics	Sales	162	164	225	241	238	240	229
	Core Operating Profit	5	2	18	19	19	16	16
Others/Adjustment	Sales	24	43	95	101	29	32	32
	Core Operating Profit	-11	-15	-4	-17	-9	-10	-10

Exchange rate (USD/JPY)	108	106	105	106	109	110	114
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*Core OP is calculated by excluding profit or loss caused by non-recurring factors from OP.

*Discontinuing business is not shown on the table, except for Profit, attributable to owners of parent.

Appendix: IR Calendar

Announcement of Earnings Results

FY21

April 25, 2022

JSR Management Policy Briefing

FY22

May, 2022 (TBD)

*Please note that the above is subject to change.

NB: The forecasts, future plans and strategies made in this document contain a variety of uncertain factors since it has been prepared based on judgments from information that is currently available. Actual business results may differ from those projected, depending on factors such as the economic status of the market surrounding the company.