

Q2 2021

Financial Results

(April 2021 to September 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

<21H1 Result>

- All of sales, core OP, and profit increased, exceeding our projection (announced in May 2021) and recording high growth rate YoY.
- This time, full-year projection for FY21 was revised upward with sales of 346.5 billion yen (+28.5 billion to projection in May) and core OP of 52.5 billion yen (+9.5 billion yen). Core OP of the projection includes 6 billion yen of valuation profit from the Inpria acquisition expected in H2.

<Digital Solutions Business>

- Both sales and profits increased significantly YoY due to favorable demand conditions. We secured a high margin.
- SEMI achieved sales growth of +13% YoY. In addition to existing products, EUV photoresist marked more than double sales growth from the previous year.
- In the revised full-year projection, the sales of SEMI is expected to grow +15% YoY. Core OP is also expected to increase significantly even without the valuation profit of Inpria. The overall projection of Digital Solutions is revised upward regardless of a downward revision of the Edge Computing business.

<Life Sciences Business>

- Sales for H1 achieved +29% YoY growth. In addition to CDMO and CRO, Bioprocess materials and IVD expanded sales. Core OP increased +20% YoY though CDMO was impacted from advanced investments and adjustment in manufacturing capacity utilization due to materials supply shortage, etc.
- Revised full-year projection expects that each sub-segment continues to grow and that CDMO's manufacturing operation is expected to improve to the normal level from October. OP margin ratio of H2 is expected to be 2 digits with continuous sales expansions. The process of capacity expansion for CDMO is in progress and planned to start the engineering run from the end of Q3 in this fiscal year.

<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.
- We announced the acquisition of Inpria, the U.S. manufacturer of metal-based photoresists for EUV lithography in September 2021 and completed the acquisition process in October. Acquisition price of additional shares was 46.7 billion yen.
- Annual dividend for FY21 ending March, 2022 will be increased from 60 yen to 70 yen. (35 yen for each interim dividend and term-end dividend)

Summary 1 – 21H1 Result vs Original Projection

(100Mil JPY)

		21H1 Act	FY21 Pro (as of May 11)	Progress
Consolidated	Sales	1,682	3,180	53%
	Core Operating Profit	231	430	54%
	Operating Profit	229	430	53%
	Profit, attributable to owners of parent	175	270	65%
Digital Solutions	Sales	806	1,600	50%
	Core Operating Profit	196	365	54%
Life Sciences	Sales	337	670	50%
	Core Operating Profit	19	60	32%
Plastics	Sales	478	860	56%
	Core Operating Profit	35	60	58%
Others/Adjustment	Sales	61	50	123%
	Core Operating Profit	-19	-55	-
Exchange rate (JPY/USD)		110	106	

*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.

Over all, strong progress compared to the full-year projection announced in May 2021. In Digital Solutions, SEMI expanded significantly and Display materials performed well. Life sciences performed mostly in line with the original projection. Plastics also made steady progress thanks to the recovery in demand.

Summary 2 – YoY

		20H1	21H1	YoY	21Q1	21Q2	QoQ
Consolidated	Sales	1,392	1,682	+21%	823	859	+4%
	Core Operating Profit	167	231	+38%	126	105	-16%
	Operating Profit	142	229	+61%	111	117	+5%
	Profit, attributable to owners of parent	-7	175	-	82	94	+15%
Digital Solutions	Sales	738	806	+9%	393	413	+5%
	Core Operating Profit	169	196	+16%	104	91	-12%
Life Sciences	Sales	262	337	+29%	163	174	+6%
	Core Operating Profit	16	19	+20%	12	8	-36%
Plastics	Sales	326	478	+47%	238	240	+1%
	Core Operating Profit	7	35	+431%	19	16	-14%
Others/Adjustment	Sales	67	61	-8%	29	32	+8%
	Core Operating Profit	-25	-19	-	-9	-10	-

(100Mil JPY)

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

YoY : Both sales and OP significantly increased.

Digital Solutions: Both sales and OP increased mainly due to increased sales of SEMI.

Life Sciences: Sales and OP increased due to the growth in each sub-segment (CDMO, CRO, BPM and IVD)

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

QoQ : Sales increased, OP decreased.

Digital Solutions: Sales increased mainly due to increased sales of SEMI. OP decreased due to timing of expenses incurred compared to Q1.

Life Sciences: Sales continued to increase. OP decreased due to the increased costs in CDMO.

Plastics: Basically performed well as Q1, though OP decreased due to inventory effects.

Projections for FY21 <Revised>

<Revised on November 8, 2021>

(100Mil JPY)

		FY20 Act	FY21 Pro (as of May 11)	YoY	FY21 rev Pro	YoY	Pre Pro vs Rev Pro +/-
Consolidated	Sales	3,120	3,180	+2%	3,465	+11%	+285
	Core Operating Profit	379	430	+13%	525	+39%	+95
	Operating Profit	342	430	+26%	523	+53%	+93
	Profit, attributable to owners of parent	-552	270	-	355	-	+85
Digital Solutions	Sales	1,514	1,600	+6%	1,645	+9%	+45
	Semiconductor materials	949	1,025	+8%	1,090	+15%	+65
	Display materials	474	450	-5%	460	-3%	+10
	Edge computing	92	125	+36%	95	+3%	-30
	Core Operating Profit	346	365	+6%	445	+29%	+80
Life Sciences	Sales	552	670	+21%	720	+30%	+50
	Core Operating Profit	35	60	+71%	60	+71%	+0
Plastics	Sales	791	860	+9%	980	+24%	+120
	Core Operating Profit	44	60	+35%	65	+47%	+5
Others/ Adjustment	Sales	263	50	-81%	120	-54%	+70
	Core Operating Profit	-46	-55	-	-45	-	+10

Exchange rate (JPY/USD)	106	106	+0%	110	+4%	+4
-------------------------	-----	-----	-----	-----	-----	----

Depreciation **	164	200	+22%	200	+22%	+0
CAPEX	402	380	-5%	380	-5%	+0
RD expenses	221	245	+11%	245	+11%	+0

*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

The silicon wafer input by area is expected to grow +10% YoY, which exceeds initial outlook. Sales for our products is expected +15% YoY growth.

— Display materials

The market for flat panels, such as those for TVs and PCs, was solid in H1. Some operation adjustment in customers would be expected later FY21. The business reorganization is on track.

— Edge Computing

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

■ Life Sciences

The customer pipeline, which leads to sale growth, is expanding. CDMO will expand sales in FY21H2. The new facility is planned to start the engineering run from the end of Q3.

■ Plastics

Performance will remain solid due to the trading spread expansion by revising the price formulas despite the possible downside of automobile productions.

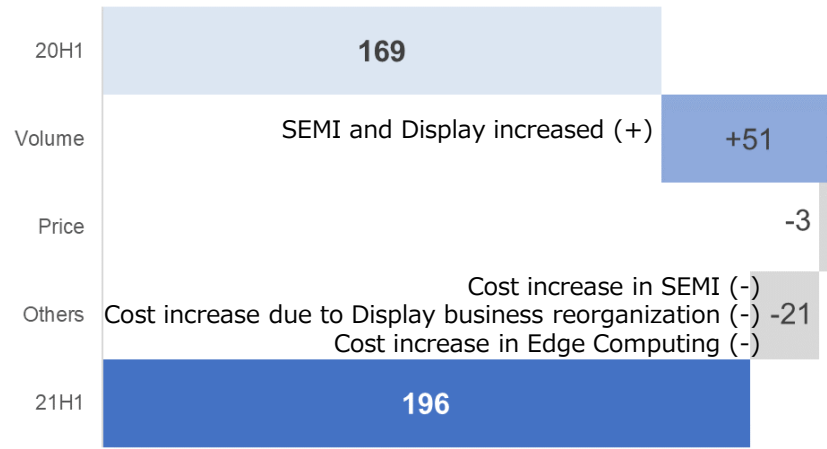
Segment Data : Digital Solutions business

(100Mil JPY)

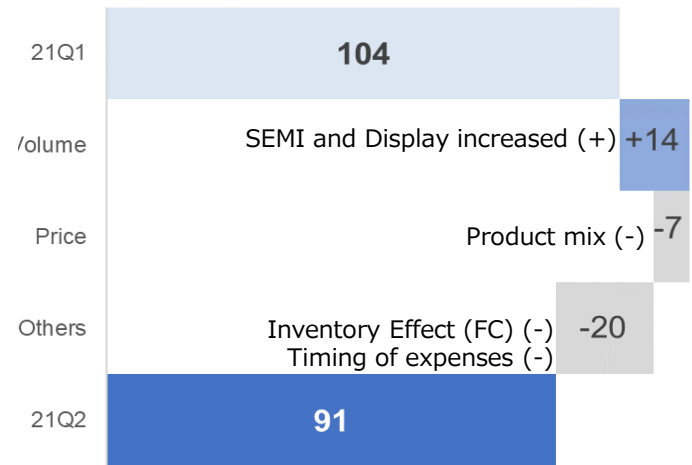
	20H1	21H1	YoY	21Q1	21Q2	QoQ
Sales	738	806	+9%	393	413	+5%
Semiconductor materials	467	528	+13%	261	268	+3%
Display materials	227	236	+4%	111	125	+13%
Edge computing	44	42	-4%	21	21	-3%
Core OP	169	196	+16%	104	91	-12%
Core OP margin	22.9%	24.3%		26.6%	22.1%	
Exchange rate (JPY/USD)	107	110	+3%	109	110	+1%

Core OP analysis

YoY



QoQ



Appendix: Digital Solutions business - Sales growth rate

SEMI	YoY ytd	QoQ
ArF	Slight increase	Flat
Multilayer	Approx. 115%	Slight decrease
Other Lithography	Approx. 135%	Approx. 115%
CMP	Slightly over 105%	Approx. 105%
Cleaner	Slightly over 95%	Approx. 110%
Packaging	Slightly over 115%	Slightly Under 95%
Display	YoY ytd	QoQ
Alignment Films	Approx. 115%	Slightly over 110%
Passivation Coat	Slightly Under 120%	Approx. 105%
Color Pigmented Resists	Slightly over 80%	Slightly Under 90%
Other LCD Materials	Approx. 95%	Approx. 110%
Edge	YoY ytd	QoQ
ARTON	Approx. 95%	Slightly over 95%

Segment Data : Life Sciences business

(100Mil JPY)

	20H1	21H1	YoY	21Q1	21Q2	QoQ
Sales	262	337	+29%	163	174	+6%
Core OP	16	19	+20%	12	8	-36%
Core OP margin	6.2%	5.8%		7.3%	4.4%	
Exchange rate (JPY/USD)	107	110	+3%	109	110	+1%

Core OP analysis

YoY Both Sales and OP increased. (Sales: CDMO Approx.+20%, CRO Approx.+40%, BPM slightly under+190%, IVD Approx. +15%)
As sales of each sub-segment (CDMO, CRO, BPM and IVD) increased, OP increased.

Fixed cost increased for CDMO capacity expansion next year. Due to the COVID-19 impacts on the materials supply shortage, manufacturing run rate was adjusted to be lower than initially expected.

QoQ Sales increased but OP decreased. (Sales: CDMO Approx. -5%, CRO Approx. +25%, BPM slightly under+20%, IVD Approx. +5%)
Sales of CRO, IVD and BPM increased. OP decreased due to the increased costs as operational readiness came closer to the completion for the capacity expansion projects.

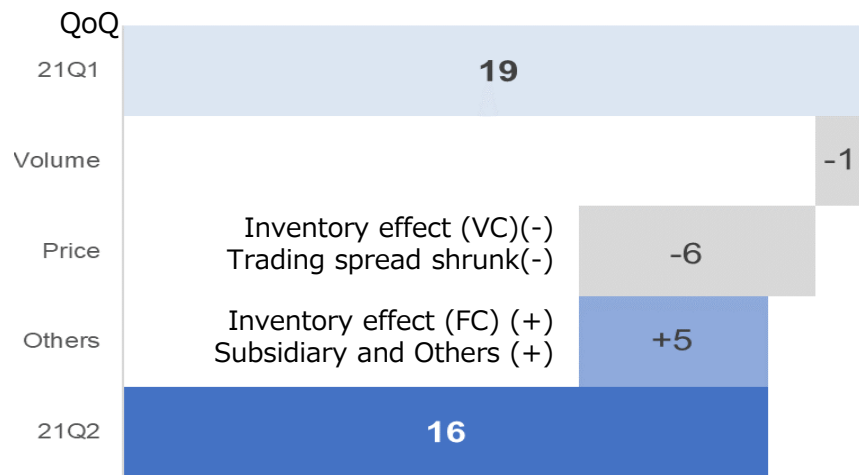
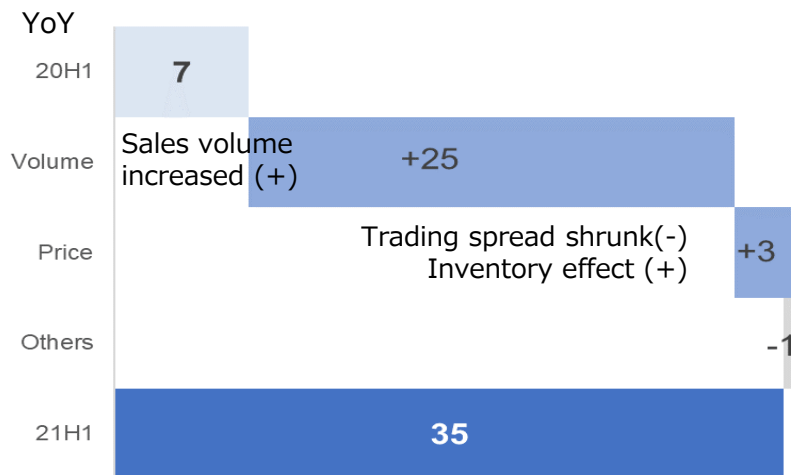
Negative impacts on CDMO manufacturing due to COVID-19 have been reduced. It is moving toward more solid improvement.

Segment Data : Plastics business

(100Mil JPY)

	20H1	21H1	YoY	21Q1	21Q2	QoQ
Sales	326	478	+47%	238	240	+1%
Core OP	7	35	+431%	19	16	-14%
Core OP margin	2.0%	7.2%		7.8%	6.6%	
Exchange rate (JPY/USD)	107	110	+3%	109	110	+1%

Core OP analysis



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)

	20H1 Act	21H1 Act	FY21 Org.Pro	FY21 Rev Pro
Sales	549	859	1,500	1,720
Core OP (Equivalent)	-127	56	100	120
Restructuring expenses and taxes	24	-43		-
Profit from discontinued business	-103	13		0(TNTV)

- ✓ Sales volume in FY21H1 increased +35% 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.
- ✓ It is expected to exceed the original projection on full-year basis as well.
- ✓ Business restructuring expenses including impairment of fixed assets, consulting related to Elastomers business transfer agreements, etc. were recorded. B/S as of March, 2022 will affect the expenses too.
- ✓ Based on the above, the net income forecast of the discontinued business is assumed as 0 at the moment.

Structural reform / Capital allocation

Changes from 21/3E to 21/9E

(100Mil JPY)

	21/3E	21/9E	+/-
Current assets	3,293	2,549	-744
Cash and cash equivalents	854	927	+73
Others	2,439	1,622	-817
Non-current assets	3,435	2,954	-481
Continuing business Total	6,728	5,503	
Non-current Assets held for sale		1,565	+1,565
Total Assets	6,728	7,068	+341
Bonds and borrowings	1,193	709	-484
Others liabilities	1,828	1,330	-498
Continuing business Total	3,020	2,039	
Non-current liabilities held for sale		1,166	+1,166
Total Liabilities	3,020	3,205	+184
Equity attributable to owners of parent	3,340	3,498	+158
Non-controlling interests	367	366	-1
Total Equity	3,707	3,864	+157

Changes of Net Cash from 21/3E to 21/9E

- The Elastomers business is categorized as items held for sale.
- Operating Cash income and about 20 billion yen of cash income from the transfer of Kumho Polychem and sales of cross-shareholdings shares.
- Net Cash increased to +21.8 billion yen as of 21/9E(Continued business).

Next procedures

- Payments of around 46.7 billion yen for the Inpria acquisition (completed in October). Partial bridge funding is planned.
- 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 based on expected future stable cash flow growth.
- 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)

	20H1	21H1	YoY
Sales	1,392	1,682	+21%
Cost of sales	864	1,051	+22%
Gross profit	528	631	+19%
Selling, general and administrative expenses	359	403	+12%
Other operating income/expenses	-25	1	-
Share of profit of investments accounted for using equity method	-1	0	-
Operating Profit	142	229	+61%
Finance income/cost	-12	9	-
Income taxes	35	65	+86%
Profit from continuing business	95	173	+82%
Profit from discontinued business	-103	13	-
Profit	-8	186	-
Profit, attributable to owners of parent	-7	175	-
Profit, attributable to non-controlling interests	-1	11	-

EPS(JPY)	-3.15	81.60	-
EPS - continuing business	41.08	73.80	+80%
EPS - discontinued business	-44.22	7.81	-

Exchange rate (JPY/USD)	107	110	+3%
-------------------------	-----	-----	-----

Breakdown from Core OP to OP

	20H1	21H1
Core Operating Profit	167	231
Partial Reduction of Impairment		12
Business structural reform expenses	-24	
Investment valuation loss		-14
Others		0
Operating Profit	142	229

Appendix: Statement of Financial position

(100Mil JPY)

	21/3E	21/9E	+/-
Current assets	3,293	4,114	+821
Cash and cash equivalents	854	927	+73
Trade and other receivables	1,253	692	-561
Inventories	1,049	808	-241
Others	137	122	-15
Non-current Assets held for sale		1,565	+1,565
Non-current assets	3,435	2,954	-481
Property, plant and equipment	1,704	1,493	-212
Goodwill	586	604	+18
Other intangible assets	150	142	-8
Others	994	715	-279
Total Assets	6,728	7,068	+341
Current liabilities	1,688	2,245	+557
Trade and other payables	1,008	573	-435
Borrowings	379	198	-181
Others	301	309	+7
Non-current liabilities held for sale		1,166	+1,166
Non-current liabilities	1,332	960	-373
Bonds and borrowings	814	511	-303
Others	518	448	-70
Total Liabilities	3,020	3,205	+184
Equity attributable to owners of parent	3,340	3,498	+158
Non-controlling interests	367	366	-1
Total Equity	3,707	3,864	+157

Equity ratio
(Equity attributable to owners of parents)

2021/9 E : 49.5%

2021/3 E : 49.6%

Appendix: Quarterly Trends by Segments

(100Mil JPY)

		20Q1	20Q2	20Q3	20Q4	21Q1	21Q2
Consolidated	Sales	675	717	845	883	823	859
	Core Operating Profit	80	86	125	87	126	105
	Operating Profit	80	62	123	77	111	117
	Profit, attributable to owners of parent	11	-18	73	-618	82	94
Digital Solutions	Sales	363	374	384	393	393	413
	Semiconductor materials	238	229	233	248	261	268
	Display materials	109	118	126	121	111	125
	Edge computing	16	27	25	24	21	21
	Core Operating Profit	78	91	97	79	104	91
Life Sciences	Sales	126	135	142	148	163	174
	Core Operating Profit	8	8	13	6	12	8
Plastics	Sales	162	164	225	241	238	240
	Core Operating Profit	5	2	18	19	19	16
Others/Adjustment	Sales	24	43	95	101	29	32
	Core Operating Profit	-11	-15	-4	-17	-9	-10
Exchange rate (JPY/USD)		108	106	105	106	109	110

Announcement of Earnings Results

FY21Q3

January 31, 2022

*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.