

Q4 2019 Financial Results

(April 2019 to March 2020)



JSR Corporation

Summary 1 – FY19 Result vs Projection

(100Mil JPY)

		FY19 Act	FY19 Pro
Consolidated	Sales	4,720	4,700
	Operating Profit	329	330
	Profit, attributable to owners of parent	226	225
Elastomers	Sales	1,788	1,780
	Operating Profit	-18	-20
Plastics	Sales	951	950
	Operating Profit	62	65
Digital Solutions	Sales	1,448	1,440
	Operating Profit	309	315
Life Sciences	Sales	505	505
	Operating Profit	36	30
Others/Adjustment	Sales	28	25
	Operating Profit	-61	-60
Exchange rate (JPY/USD)		109	108

*Continuing operations only

We revised our full-year projection on March 26, 2020. The result was mostly in line with expectations.

Summary 2 - YoY, QoQ

(100Mil JPY)

		FY18	FY19	YoY	19Q3	19Q4	QoQ
Consolidated	Sales	4,954	4,720	-5%	1,189	1,129	-5%
	Operating Profit	453	329	-27%	106	33	-69%
	Profit, attributable to owners of parent	311	226	-27%	55	36	-33%
Elastomers	Sales	2,007	1,788	-11%	455	423	-7%
	Operating Profit	74	-18	-	12	-27	-
Plastics	Sales	1,054	951	-10%	237	224	-5%
	Operating Profit	92	62	-32%	17	9	-49%
Digital Solutions	Sales	1,422	1,448	+2%	352	359	+2%
	Operating Profit	327	309	-5%	75	63	-16%
Life Sciences	Sales	439	505	+15%	136	118	-14%
	Operating Profit	8	36	+360%	20	-4	-
Others/Adjustment	Sales	31	28	-10%	10	5	-53%
	Operating Profit	-48	-61	-	-18	-9	-

*Continuing operations only

YoY : Both Sales and OP decreased. QoQ : Both Sales and OP decreased.

YoY: Elastomers and Plastics declined due to the demand environment.

Digital Solutions decreased OP due to the weaker demand environment of Display.

Life Sciences achieved strong Sales and OP increase.

QoQ: Elastomers declined due to decreased sales volume and impairment of fixed assets.

Plastics declined due to the sales declined.

Digital Solutions declined due to the increasing cost while sales were solid.

Life Sciences declined due to the timing factor.

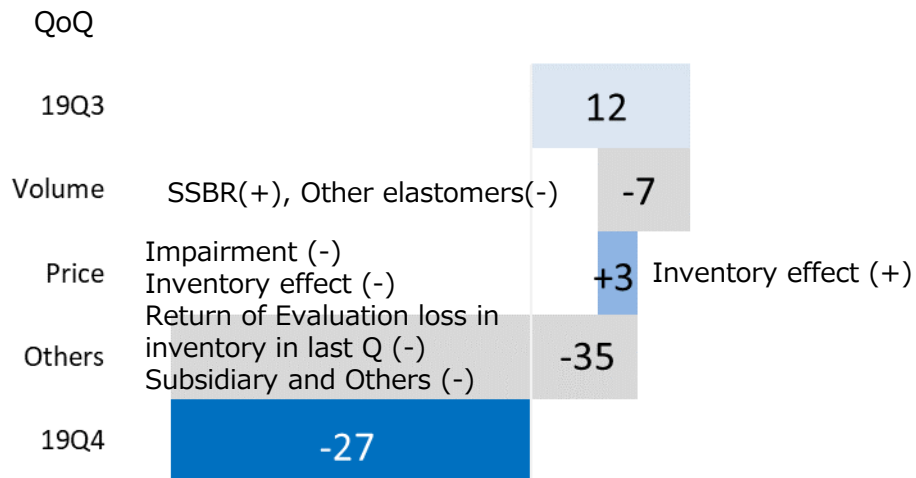
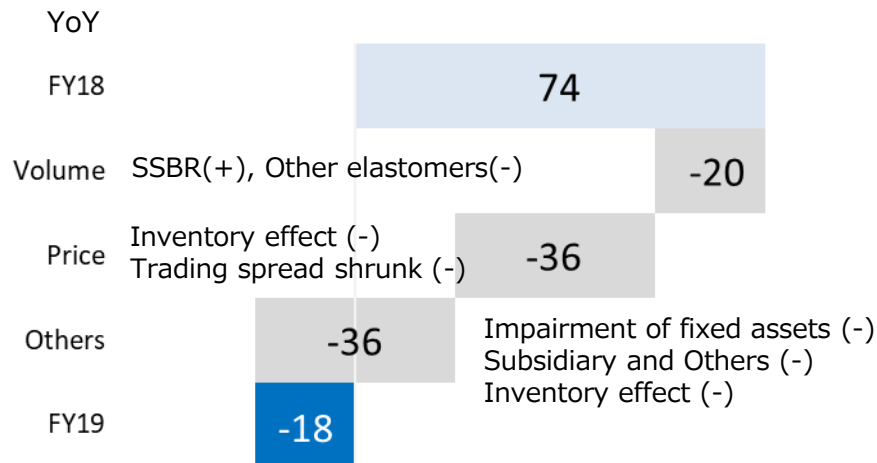
Segment Data : Elastomers business

(100Mil JPY)

	FY18	FY19	YoY	19Q3	19Q4	QoQ
Sales	2,007	1,788	-11%	455	423	-7%
OP	74	-18	-	12	-27	-
OP margin	3.7%	-		2.7%	-	

Sales Volume (Ton)	647,874	611,552	-6%	156,715	145,857	-7%
Exchange rate (JPY/USD)	111	109	-2%	109	109	+0%

OP analysis



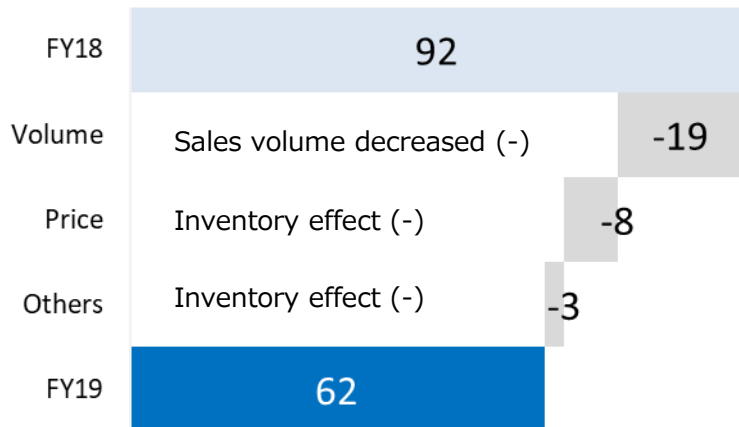
Segment Data : Plastics business

(100Mil JPY)

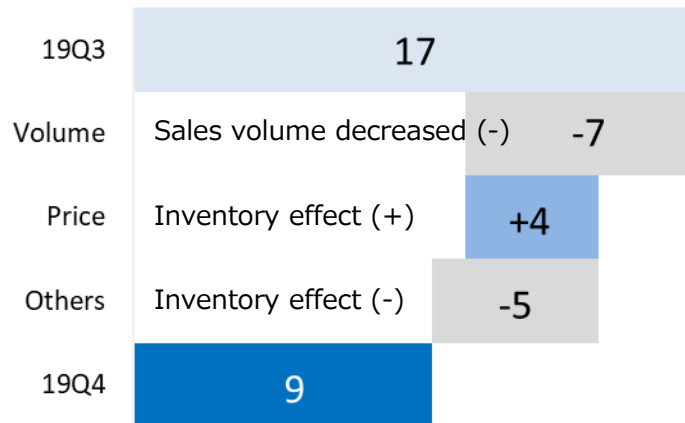
	FY18	FY19	YoY	19Q3	19Q4	QoQ
Sales	1,054	951	-10%	237	224	-5%
OP	92	62	-32%	17	9	-49%
OP margin	8.7%	6.6%		7.3%	3.9%	
Exchange rate (JPY/USD)	111	109	-2%	109	109	+0%

OP analysis

YoY



QoQ



Segment Data : Digital Solutions business

(100Mil JPY)

	FY18	FY19	YoY	19Q3	19Q4	QoQ
Sales	1,422	1,448	+2%	352	359	+2%
Semiconductor materials	761	840	+10%	208	220	+6%
Display materials	527	490	-7%	122	116	-5%
Edge computing	134	118	-12%	22	22	+1%
OP	327	309	-5%	75	63	-16%
OP margin	23.0%	21.4%		21.4%	17.6%	
Exchange rate (JPY/USD)	111	109	-2%	109	109	+0%

OP analysis

YoY

FY18	327	
Volume	SEMI and ARTON increased. (+)	+56
Price	Sales price erosion (-) FX (-)	-52
Others	Cost increased on SEMI (-) Disposal loss, etc. (-)	-22
FY19	309	

QoQ

19Q3	75	
Volume		+2
Price		0
Others	Cost increased (-) Disposal loss, etc. (-)	-14
19Q4	63	

Appendix: Digital Solutions business - Sales growth rate

SEMI	YoY ytd	QoQ
ArF	Approx. 105%	Approx. 110%
Multilayer	Approx. 105%	Slightly Under 115%
Other Lithography	Approx. 105%	Approx. 95%
CMP	Slightly Under 105%	Approx. 105%
Cleaner	Approx. 220%	Approx. 90%
Packaging	Slightly over 115%	Flat
Display	YoY ytd	QoQ
Alignment Films	Approx. 90%	Approx. 95%
Di-electric materials	Approx. 115%	Approx. 95%
Color Pigmented Resists	Approx. 90%	Approx. 95%
Other LCD Materials	Slight decrease	Approx. 110%
Edge	YoY ytd	QoQ
ARTON	Slightly over 115%	Slightly over 85%

Segment Data : Life Sciences business

(100Mil JPY)

	FY18	FY19	YoY
Sales	439	505	+15%
OP	8	36	+360%
OP margin	1.8%	7.1%	

19Q3	19Q4	QoQ
136	118	-14%
20	-4	-
14.3%	-	

Exchange rate (JPY/USD)	111	109	-2%
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109	109	+0%
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OP analysis

YoY Sales and OP expanded strongly.

IVD : Sales increase

CDMO(KBI/SELEXIS) : Strong sales increase

CRO(Crown) : Sales increase

※1 OP of 19Q1 and 19Q3 includes one-time upside by bringing in the profit scheduled 19H2 in our budget and financial accounting factors.

※2 Acquisition of Crown completed on May 31, 2018 and was consolidated from June 2018 results.

QoQ Sales and OP decreased.

Sales in Q4 were below Q3 due to exceptional one-time events in Q3, while OP in Q4 was impacted by exceptional one-time costs.

Overall Statement of P/L

(100Mil JPY)

	FY18	FY19	YoY
Sales	4,954	4,720	-5%
Cost of sales	3,479	3,312	-5%
Gross profit	1,474	1,407	-5%
Selling, general and administrative expenses	1,021	1,043	+2%
Other operating income/expenses	-6	-36	-
Share of profit of investments accounted for using equity method	5	1	-88%
Operating Profit	453	329	-27%
Finance income/cost	11	-3	-
Income taxes	110	69	-38%
Income from discontinued operation	-18	3	-
Profit	336	260	-23%
Profit, attributable to owners of parent	311	226	-27%
Profit, attributable to non-controlling interests	25	34	+38%
EPS(JPY)	140.62	104.38	-26%
Exchange rate (JPY/USD)	111	109	-2%

Overall Statement of Financial position

(100Mil JPY)

	19/3E	20/3E	+/-
Current assets	3,390	3,035	-355
Cash and cash equivalents	708	619	-89
Trade and other receivables	1,353	1,105	-248
Inventories	1,170	1,128	-42
Others	159	182	+23
Non-current assets	3,525	3,742	+218
Property, plant and equipment	1,835	2,157	+322
Goodwill	591	583	-8
Other intangible assets	142	159	+17
Others	957	844	-113
Total Assets	6,914	6,777	-137
Current liabilities	1,725	1,484	-241
Trade and other payables	1,181	928	-252
Borrowings	335	300	-35
Others	209	255	+46
Non-current liabilities	786	919	+133
Borrowings	508	527	+19
Others	278	392	+114
Total Liabilities	2,511	2,403	-108
Equity attributable to owners of parent	4,020	3,968	-52
Non-controlling interests	384	406	+23
Total Equity	4,404	4,374	-29

Total Assets: -13.7 Bn yen

Total Liabilities: -10.8 Bn yen

Equity: -2.9 Bn yen
-Dividend payments and share buybacks

Equity ratio
(Equity attributable to owners of parents)
2020/3 E : 58.5%
2019/3 E : 58.1%

*Including both continuing operations and discontinued operations

Overall Statements of Cash Flows

(100Mil JPY)

	FY18	FY19	YoY
Cash flows from operating activities	309	542	233
Income before income taxes	442	294	-148
Depreciation and amortization	218	264	45
Change in working capital	-263	-30	234
Others	-88	14	102
Cash flows from investment activities	-663	-356	307
Purchase of tangible and intangible assets	-362	-440	-77
Acquisition of shares of subsidiaries	-362	0	362
Others	62	84	22
FCF	-353	186	540
Cash flows from financing activities	-190	-253	-63
Change in treasury stock	-50	-100	-50
Cash dividends paid	-122	-131	-9
Others	-18	-22	-4
Others	1	-22	-23
Net increase (decrease) in cash and cash equivalents	-542	-89	453
Cash and cash equivalents at end of period	708	619	-89

*Including both continuing operations and discontinued operations

Projections for FY20

FY 20 projection reflects the impact of COVID-19 to our business while prospects remain uncertain. The projection should be updated as conditions evolve.

(100Mil JPY)

		FY19 Act	FY20 Pro	YoY
Consolidated	Sales	4,720	4,230	-10%
	Operating Profit	329	230	-30%
	Profit, attributable to owners of parent	226	150	-34%
Elastomers	Sales	1,788	1,450	-19%
	Operating Profit	-18	-50	-
Plastics	Sales	951	790	-17%
	Operating Profit	62	40	-36%
Digital Solutions	Sales	1,448	1,350	-7%
	Semiconductor materials	840	830	-1%
	Display materials	490	420	-14%
	Edge computing	118	100	-15%
	Operating Profit	309	240	-22%
Life Sciences	Sales	505	610	+21%
	Operating Profit	36	55	+53%
Others/Adjustment	Sales	28	30	+8%
	Operating Profit	-61	-55	-

Exchange rate (JPY/USD)	109	109
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Depreciation **	235	280	+19%
Capex	459	420	-8%
RD expenses	254	250	-2%

** Excluding IFRS 16 lease asset depreciation

Impact of COVID-19*

	1H	2H
Elastomers	-20%	-10%
Plastics	-20%	-10%
SEMI	-5%	-5%
Display	-10%	-10%
Life Sciences	not affected	
Consolidated	-50 Bn yen	

*Compared to the sales forecast which does not include the COVID-19 impact

- Cost reduction is included in the projection in response to the risk of sales decline.
- As for Digital Solutions and Life Sciences, which are our growth drivers, priority would be given to capacity expansion from a medium- to long- term perspective.

*Continuing operations only 11

Basic policy for future management

*Considering the risk of drastic changes due to COVID-19 and the crude oil market, we will prioritize crisis response in the short term from FY20.

Regarding the new medium-term management plan, the digital field including semiconductors and the life science field will be the center of growth. We will aim for further evolution while following the current direction of developing “sustainable” and “resilient” global businesses through digital transformation of the organization and replacement of the company-wide enterprise system.

The new medium-term management plan will be announced promptly after the crisis response is completed.

Review of JSR20i9(FY17-19)

○Target: OP: 42.0Bn JPY, ROE > 8.0%
 ○Result : Although the Semiconductor materials(Semi) and Life Sciences businesses expanded smoothly, we could not achieve the final target in FY19 mainly due to the deterioration in Elastomers.

By segment

●Elastomers, ABS plastics(ELA, ABS)

○Target : Sales expansion of SSBR. Integration of ABS business.
 ○Result : SSBR sales volume grew faster than market (JSR FY17-19 CAGR+8%).
 There were dramatic changes in the business environment (macro market drivers for crude oil and spreads, as well as supply/demand balance shifts driven largely by new complexes in China). Fixed costs for the company's old facilities increased.
 Though the ABS business performed well, we could not achieve the target due to the deterioration in the Elastomers business.

●Digital Solutions(DS)

○Target : Market share gain in Semi. Concentrate on Chinese LCD market.
 ○Result : Semi-Sales grew faster than market and the business progressed steadily.
 Display-Although we concentrated on competitive products such as alignment films and growing our Chinese market share, the result was disappointing due to the withdrawal of Korean customers from LCD business.

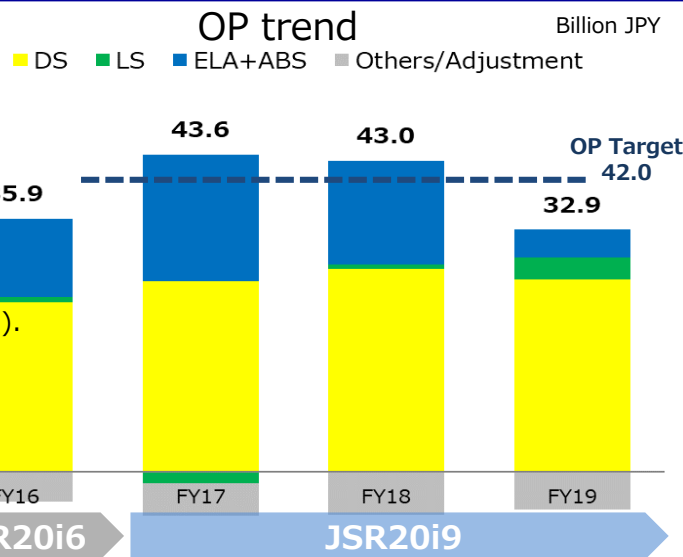
●Life Sciences(LS)

○Target : In-house developed materials and M&A.
 ○Result : Including the acquisition of the CRO business, the top line has grown steadily and turned profitable, achieving sales of 50.6 Bn JPY and OP of 3.5 Bn JPY in FY19.

Others
 ●Next generations business and others(Others/Adjustment)
 Launched JKIC. Withdrawal from non-core businesses. (LIC)

●Shareholders return

Stable dividends and flexible share buybacks with a target of total return ratio of 50%. (Total return ratio during FY17-FY19: 60%)



Basic policy for future management

<Overall management>

- ✓ Strengthen our resilient business structure and management systems so that we can fully respond to changes in business, geopolitics, technology, society and the environment.
- ✓ With the Semiconductor materials and Life sciences businesses at the core of our business portfolio, we will achieve overall profit growth through the expansion of these two businesses.
- ✓ Achieve profitability levels required by our shareholders(ROE at least double-digit) and provide returns based on our policy (basically total return ratio $\geq 50\%$).
- ✓ We will create value for all of our stakeholders through the sustainable growth of our business.

<By segment>

Semi Life Sciences

- ✓ We will invest in innovation, capacity and M&A to achieve returns and overall profit growth.
- ✓ In addition to market share gains in cutting-edge lithography materials, we will increase sales by expanding our product portfolio such as process and packaging materials.
- ✓ We will drive value creation and sales growth through the joint efforts of our CDMO, Bio-process materials, CRO and IVD businesses as well as our research centers.

Display/Edge computing

- ✓ In the Display materials business we will continue to concentrate on the Chinese market and practice strict cost management to achieve returns commensurate with our invested capital. We also are bullish on our Edge computing business in the field of next generation telecommunications.

Elastomers, ABS

- ✓ We will execute structural reforms in order to respond to the dramatic changes in the business environment that had become clear during “JSR20i9”. In ABS Plastics, we will concentrate further on higher value-added products.

Responding to the recent drastic change in the business environment

<Overall management>

- ✓ We will carefully monitor demand trends and be prepared to reduce costs and shift our manufacturing conditions rapidly.
- ✓ Maintain organizational and financial capabilities to ensure business continuity and management stability in times of crisis.
- ✓ We will continue to invest in growth business, digital transformation, and innovation with the aim of becoming a sustainable and resilient company while controlling costs.

<By segment>

Semi

- ✓ Expand sales of advanced semiconductor materials.
- ✓ The start-up of a U.S. cleans plant under construction and other growth investments will proceed as planned.

Life Sciences

- ✓ We will continue to increase capacity and invest resources in our expanding CDMO and CRO businesses.

Display

- ✓ The shift to the Chinese market is rapidly progressing, and we will review our supply chain, including manufacturing, in response to structural changes in the customer industry.

Elastomers

- ✓ Begin business restructuring. As part of specific measures, review the product-mix and reduce costs. Minimize investment with minimal maintenance.

Announcement of Earnings Results

FY20Q1

30th July 2020

*The management policy briefing scheduled for May 15, 2020 is cancelled.

*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.