# Q4 2020 Financial Results

(April 2020 to March 2021)

JSR Corporation

# Summary

## <FY20 Result: Core OP exceeded our projection>

- Core OP resulted in 26 billion yen, which far exceeded our projection of 19.5 billion yen (revised in October 2020).
- Mainly due to strong performance in Digital Solutions and demand recovery in Petrochemical businesses.

## <Structural reform in Display materials business and Elastomers business>

- We are implementing structural reforms in Display materials business, announced in September 2020.
- We also started structural reforms in Elastomer business.
  As part of the program, we did a fair value assessment of the business and recorded an impairment loss in FY20.
- As a result, the companies' OP was -61.6 billion yen.

## <Forecast for FY21: Significant improvement in core OP>

- In FY21, Semiconductor materials business and Life Sciences business will grow steadily.
- Core OP will improve significantly to 53 billion yen, as a result of growth of these businesses, and profit improvement measures such as cost reductions, and a recovery in profits due to a decrease in depreciation caused by the impairment loss in Elastomers business.

## <To achieve targets toward FY24: Steady growth through implementing measures>

- We will make a steady progress by strengthening our earnings base while implementing structural reforms in Elastomers business to achieve our targets in FY24 (Record double-digit ROE, exceed prior peak).

# Summary 1 – FY20 Result vs Projection

(100Mil JPY)

| | | FY20 Act | FY20 Pro |
|---|---|---|---|
| Consolidated | Sales | 4,466 | 4,200 |
| | Core Operating Profit | 260 | 195 |
| | Operating Profit | -616 | 165 |
| | Profit, attributable to owners of parent | -552 | 95 |
| Digital Solutions | Sales | 1,514 | 1,450 |
| | Core Operating Profit | 346 | 310 |
| Life Sciences | Sales | 552 | 580 |
| | Core Operating Profit | 35 | 55 |
| Elastomers | Sales | 1,432 | 1,310 |
| | Core Operating Profit | -114 | -140 |
| Plastics | Sales | 791 | 740 |
| | Core Operating Profit | 44 | 20 |
| Others/Adjustment | Sales | 177 | 120 |
| | Core Operating Profit | -51 | -50 |
| | Exchange rate (JPY/USD) | 106 | 106 |

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

*Core OP = OP in org. Pro

*Continuing operations only

The result exceeded our projection.
Digital solutions performed well, particularly in SEMI.
Elastomers and Plastics affected by COVID-19, but improved as demand for auto and tires recovered in and after 20Q3.

# Summary 2 - YoY, QoQ

(100Mil JPY)

| | | FY19 | FY20 | YoY | 20Q3 | 20Q4 | QoQ |
|---|---|---|---|---|---|---|---|
| Consolidated | Sales | 4,720 | 4,466 | -5% | 1,227 | 1,298 | +6% |
| | Core Operating Profit | 332 | 260 | -22% | 124 | 98 | -21% |
| | Operating Profit | 329 | -616 | - | 116 | -743 | - |
| | Profit, attributable to owners of parent | 226 | -552 | - | 73 | -618 | - |
| Digital Solutions | Sales | 1,448 | 1,514 | +5% | 384 | 393 | +2% |
| | Core Operating Profit | 309 | 346 | +12% | 97 | 79 | -19% |
| Life Sciences | Sales | 505 | 552 | +9% | 142 | 148 | +4% |
| | Core Operating Profit | 39 | 35 | -11% | 13 | 6 | -57% |
| Elastomers | Sales | 1,788 | 1,432 | -20% | 407 | 439 | +8% |
| | Core Operating Profit | -18 | -114 | - | 0 | 13 | +4245% |
| Plastics | Sales | 951 | 791 | -17% | 225 | 241 | +7% |
| | Core Operating Profit | 62 | 44 | -29% | 18 | 19 | +4% |
| Others/Adjustment | Sales | 28 | 177 | +536% | 70 | 77 | +10% |
| | Core Operating Profit | -61 | -51 | - | -6 | -18 | - |

*Continuing operations only

YoY : Both sales and OP decreased.  QoQ : Sales increased but OP decreased.

YoY Digital Solutions: Both sales and OP increased due to increased sales of SEMI.
Life Sciences: Sales increased, but OP decreased due to the decrease in operations in CDMO and one-time upside profit occurred last year.
Elastomers and Plastics: Both sales and OP decreased due to weak demand caused by the spread of COVID-19.

QoQ Digital Solutions: Sales increased. OP decreased due to the operation of new facilities for SEMI and the timing of expenses.
Life sciences: OP decreased since operations in CDMO negatively impacted from COVID-19 vaccine manufacturing priority in the US.
Elastomers and Plastics: OP increased as sales increased.

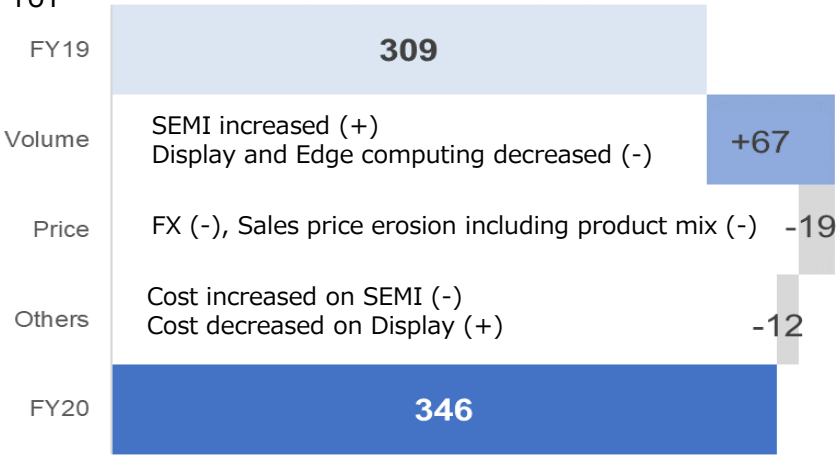
# Segment Data : Digital Solutions business

(100Mil JPY)

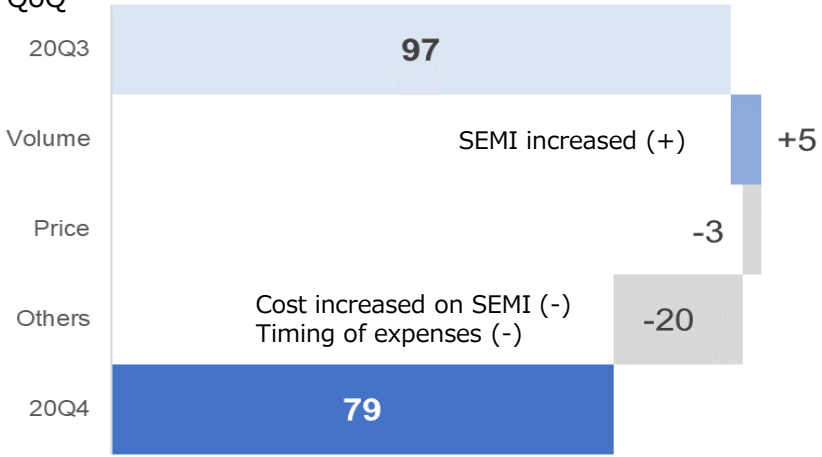
| | | FY19 | FY20 | YoY | 20Q3 | 20Q4 | QoQ |
|---|---|---|---|---|---|---|---|
| Sales | | 1,448 | 1,514 | +5% | 384 | 393 | +2% |
| | Semiconductor materials | 840 | 949 | +13% | 233 | 248 | +6% |
| | Display materials | 490 | 474 | -3% | 126 | 121 | -4% |
| | Edge computing | 118 | 92 | -22% | 25 | 24 | -2% |
| Core OP | | 309 | 346 | +12% | 97 | 79 | -19% |
| Core OP margin | | 21.4% | 22.8% | | 25.4% | 20.1% | |
| Exchange rate (JPY/USD) | | 109 | 106 | -2% | 105 | 106 | +1% |

## Core OP analysis

YoY




QoQ



# Appendix: Digital Solutions business - Sales growth rate

| SEMI | YoY ytd | QoQ |
|---|---|---|
| ArF | Slightly over 105% | Approx. 95% |
| Multilayer | Slightly Under 115% | Flat |
| Other Lithography | Approx. 120% | Slightly Under 105% |
| CMP | Approx. 115% | Approx. 95% |
| Cleaner | Approx. 110% | Slightly over 95% |
| Packaging | Approx. 110% | Approx. 125% |

| Display | YoY ytd | QoQ |
|---|---|---|
| Alignment Films | Flat | Slightly over 90% |
| Passivation Coat | Slight decrease | Approx. 120% |
| Color Pigmented Resists | Approx. 80% | Slightly Under 95% |
| Other LCD Materials | Slightly Under 105% | Flat |

| Edge | YoY ytd | QoQ |
|---|---|---|
| ARTON | Slightly Under 95% | Slight decrease |

# Segment Data : Life Sciences business

(100Mil JPY)

| | FY19 | FY20 | YoY | 20Q3 | 20Q4 | QoQ |
|---|---|---|---|---|---|---|
| Sales | 505 | 552 | +9% | 142 | 148 | +4% |
| Core OP | 39 | 35 | -11% | 13 | 6 | -57% |
| Core OP margin | 7.8% | 6.4% | | 9.4% | 3.8% | |
| Exchange rate (JPY/USD) | 109 | 106 | -2% | 105 | 106 | +1% |

## Core OP analysis

YoY Sales increased. OP decreased.

Sales of each sub-segment (CDMO, CRO, BPM and IVD) increased.
OP decreased YoY due to the cost increase from upfront growth investments, CDMO manufacturing operations negatively impacted by COVID-19 vaccine manufacturing priority in the US, and one-time upside profit last year.

QoQ Sales increased. OP decreased.

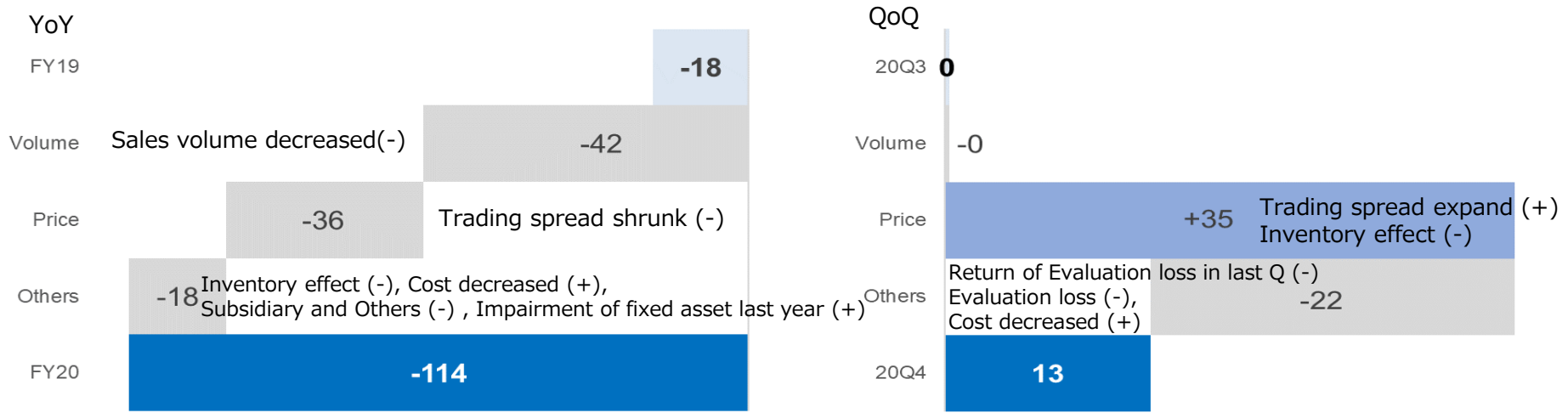
Though sales increased, manufacturing operations of CDMO were negatively impacted due to the above said COVID-19 vaccine manufacturing priority in and after FY20Q3, as well as costs increase in upfront growth investments.

# Segment Data : Elastomers business

(100Mil JPY)

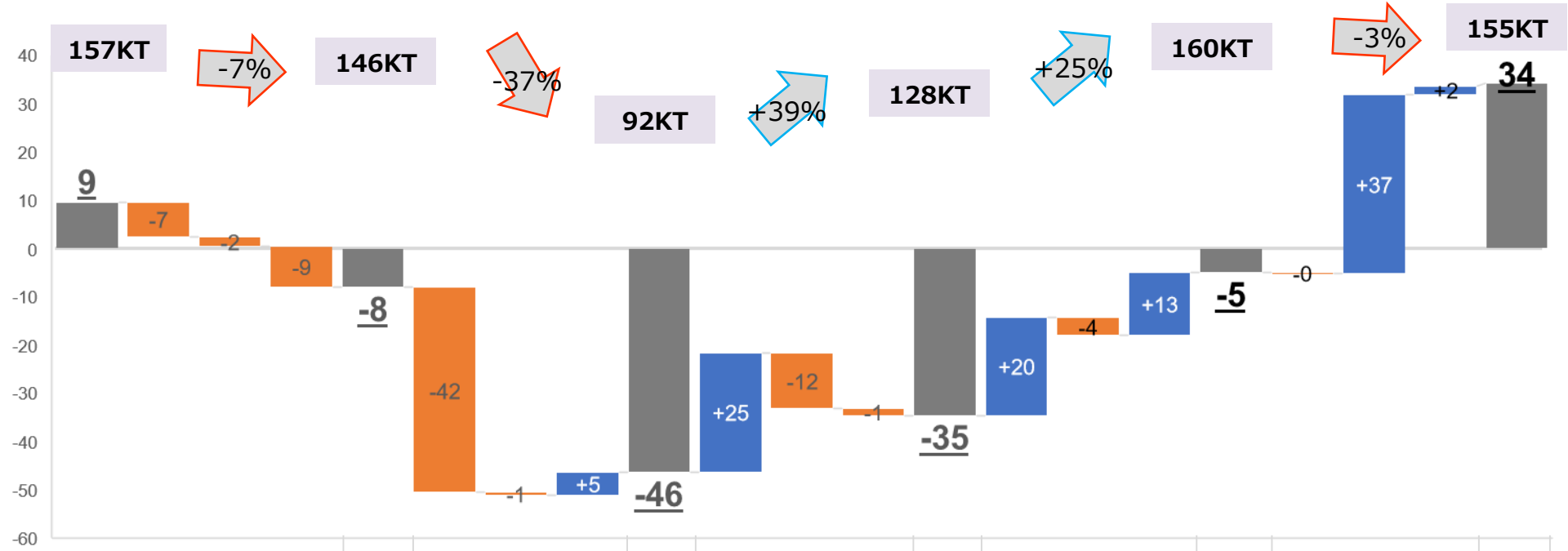
| | FY19 | FY20 | YoY | 20Q3 | 20Q4 | QoQ |
|---|---|---|---|---|---|---|
| Sales | 1,788 | 1,432 | -20% | 407 | 439 | +8% |
| Core OP | -18 | -114 | - | 0 | 13 | +4,245% |
| Core OP margin | - | - | | 0.1% | 2.9% | |
| Sales Volume (Ton) | 611,552 | 534,967 | -13% | 159,937 | 155,030 | -3% |
| Exchange rate (JPY/USD) | 109 | 106 | -2% | 105 | 106 | +1% |

## Core OP analysis



# Appendix: Elastomers business OP breakdown

(100Mil JPY)



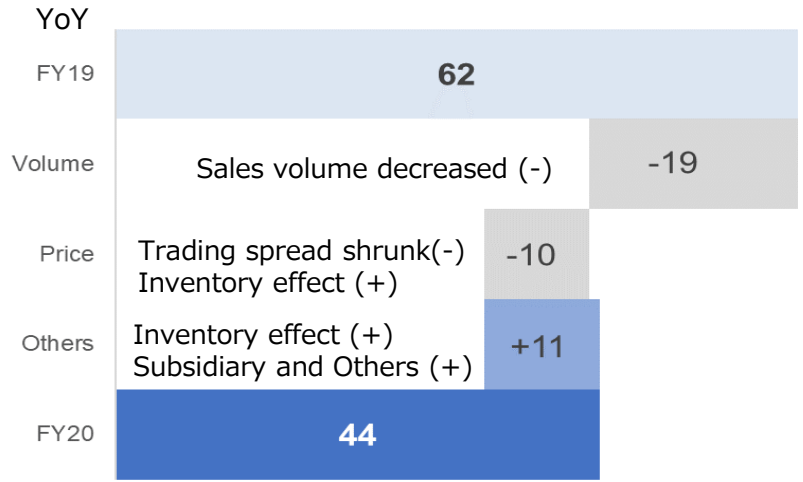

| | 19Q3 | Volume | Price | FC&OTH | 19Q4 | Volume | Price | FC&OTH | 20Q1 | Volume | Price | FC&OTH | 20Q2 | Volume | Price | FC&OTH | 20Q3 | Volume | Price | FC&OTH | 20Q4 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **OP (Managerial Accounting)** | | | | | **-8** | | | | **-46** | | | | **-35** | | | | **-5** | | | | **34** |
| Inventory effect (RM, FC) | | | | | -5 | | | | 3 | | | | -26 | | | | -16 | | | | -16 |
| Evaluation loss | | | | | 1 | | | | -12 | | | | -10 | | | | 21 | | | | -6 |
| Impairment of fixed assets | | | | | -15 | | | | 0 | | | | 0 | | | | 0 | | | | 0 |
| **Core OP** | | | | | **-27** | | | | **-56** | | | | **-71** | | | | **0** | | | | **13** |

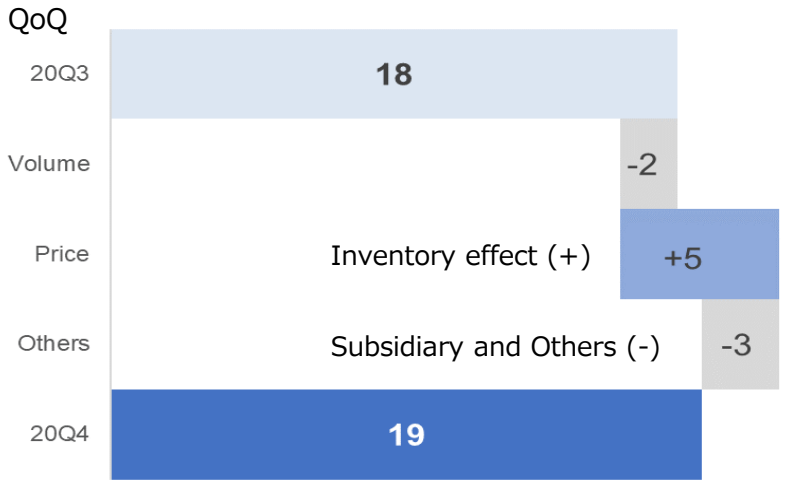
# Segment Data : Plastics business

(100Mil JPY)

| | FY19 | FY20 | YoY | 20Q3 | 20Q4 | QoQ |
|---|---|---|---|---|---|---|
| Sales | 951 | 791 | -17% | 225 | 241 | +7% |
| Core OP | 62 | 44 | -29% | 18 | 19 | +4% |
| Core OP margin | 6.6% | 5.6% | | 8.2% | 8.0% | |
| Exchange rate (JPY/USD) | 109 | 106 | -2% | 105 | 106 | +1% |

## Core OP analysis



# Overall Statement of P/L

(100Mil JPY)

| | FY19 | FY20 | YoY |
|---|---|---|---|
| Sales | 4,720 | 4,466 | -5% |
| Cost of sales | 3,312 | 3,132 | -5% |
| Gross profit | 1,407 | 1,334 | -5% |
| Selling, general and administrative expenses | 1,043 | 1,051 | +1% |
| Other operating income/expenses | -36 | -858 | - |
| Share of profit of investments accounted for using equity method | 1 | -41 | -6,574% |
| Operating Profit | 329 | -616 | -287% |
| Finance income/cost | -3 | -8 | - |
| Income taxes | 69 | -79 | -215% |
| Profit | 258 | -545 | -312% |
| Profit, attributable to owners of parent | 226 | -552 | -344% |
| Profit, attributable to non-controlling interests | 34 | 6 | -82% |

| | | | |
|---|---|---|---|
| EPS(JPY) | 104.38 | △ 256.73 | -346% |

| | | | |
|---|---|---|---|
| Exchange rate (JPY/USD) | 109 | 106 | -2% |

**Breakdown from Core OP to OP**

| | FY19 | FY20 |
|---|---|---|
| Core Operating Profit | 332 | 260 |
| Loss on sales of subsidiaries share | 4 | |
| Business restructuring expense | | 874 |
| Special Retirement benefits | | 2 |
| Operating Profit | 329 | -616 |

<u>Business restructuring expense</u>
Impairment loss (Elastomers)
Structural reform (Elastomers)
Structural reform (Display materials)
Closure of unprofitable business (Life Sciences)

# Overall Statement of Financial position

(100Mil JPY)

| | 20/3E | 21/3E | +/- |
|---|---|---|---|
| Current assets | 3,035 | 3,293 | +258 |
| Cash and cash equivalents | 619 | 854 | +234 |
| Trade and other receivables | 1,105 | 1,253 | +148 |
| Inventories | 1,128 | 1,049 | -80 |
| Others | 182 | 137 | -44 |
| Non-current assets | 3,742 | 3,435 | -307 |
| Property, plant and equipment | 2,157 | 1,704 | -452 |
| Goodwill | 583 | 586 | +4 |
| Other intangible assets | 159 | 150 | -9 |
| Others | 844 | 994 | +150 |
| Total Assets | 6,777 | 6,728 | -49 |
| Current liabilities | 1,484 | 1,688 | +204 |
| Trade and other payables | 928 | 1,008 | +80 |
| Borrowings | 300 | 379 | +78 |
| Others | 255 | 301 | +46 |
| Non-current liabilities | 919 | 1,332 | +413 |
| Bonds and borrowings | 527 | 814 | +287 |
| Others | 392 | 518 | +126 |
| Total Liabilities | 2,403 | 3,020 | +617 |
| Equity attributable to owners of parent | 3,968 | 3,340 | -628 |
| Non-controlling interests | 406 | 367 | -39 |
| Total Equity | 4,374 | 3,707 | -667 |

Total Assets: -4.9 Bn yen

Total Liabilities: +61.7 Bn yen

Equity: -66.7 Bn yen

Equity ratio
(Equity attributable to owners of parents)
2021/3 E : 49.6%
2020/3 E : 58.5%

*Including both continuing operations and discontinued operations

# Overall Statements of Cash Flows

(100Mil JPY)

| | FY19 | FY20 | YoY +/- |
|---|---|---|---|
| Cash flows from operating activities | 542 | 704 | +162 |
| Income before income taxes | 294 | -624 | -919 |
| Depreciation and amortization | 264 | 295 | +31 |
| Change in working capital | -30 | 86 | +115 |
| Others | 14 | 948 | +934 |
| Cash flows from investment activities | -356 | -527 | -171 |
| Purchase of tangible and intangible assets | -440 | -552 | -113 |
| Acquisition of shares of subsidiaries | 0 | 5 | +5 |
| Others | 84 | 20 | -63 |
| FCF | 186 | 177 | -9 |
| Cash flows from financing activities | -253 | 43 | +296 |
| Change in treasury stock | -100 | -0 | +100 |
| Cash dividends paid | -131 | -129 | +2 |
| Others | -22 | 172 | +194 |
| Others | -22 | 14 | +37 |
| Net income (decrease) in cash and cash equivalents | -89 | 234 | +323 |
| Cash and cash equivalents at end of period | 619 | 854 | +234 |

*Including both continuing operations and discontinued operations

# Projections for FY21

(100Mil JPY)

| | | FY20 Act | FY21 Pro | YoY |
|---|---|---|---|---|
| Consolidated | Sales | 4,466 | 4,680 | +5% |
| | Core Operating Profit | 260 | 530 | +104% |
| | Operating Profit | -616 | 530 | - |
| | Profit, attributable to owners of parent | -552 | 320 | - |
| Digital Solutions | Sales | 1,514 | 1,600 | +6% |
| | Semiconductor materials | 949 | 1,025 | +8% |
| | Display materials | 474 | 450 | -5% |
| | Edge computing | 92 | 125 | +36% |
| | Core Operating Profit | 346 | 365 | +6% |
| Life Sciences | Sales | 552 | 670 | +21% |
| | Core Operating Profit | 35 | 60 | +71% |
| Elastomers | Sales | 1,432 | 1,500 | +5% |
| | Core Operating Profit | -114 | 100 | - |
| Plastics | Sales | 791 | 860 | +9% |
| | Core Operating Profit | 44 | 60 | +35% |
| Others/Adjustment | Sales | 177 | 50 | -72% |
| | Core Operating Profit | -51 | -55 | - |
| | Exchange rate (JPY/USD) | 106 | 106 | +0% |
| | Depreciation ** | 264 | 235 | -11% |
| | CAPEX | 537 | 470 | -12% |
| | RD expenses | 246 | 265 | +8% |

<Ref Case: Deduct Elastomers to eliminate the impact from decrease of Depreciation caused by impairment in FY20>

| | | | | |
|---|---|---|---|---|
| Ref | Sales | 3,034 | 3,180 | +5% |
| | Core Operating Profit | 374 | 430 | +15% |

** Excluding IFRS16 lease asset depreciation

*Continuing operations only

# Appendix: Elastomers Structural reform

**Objectives of structural reform:**
**Increase satisfaction of all stakeholders by strengthening profitability and competitiveness**

## Measures

We are considering measures including the reorganization of business and product mix, and will continue to implement.

- Implementation of measures to improve profitability
  - ✓ Cost reduction including optimization of raw material and distribution costs
  - ✓ Optimization of selling prices
- Optimization of personnel structure through implementation of ERP (early retirement incentive program), announced on March 8, 2021.

➢ As part of our business structure reforms, we carried out a fair value assessment by third-party (which beyond conventional impairment assessments for individual cash-generating units) and reflected the results in FY20, as impairment loss on fixed assets.

# Appendix: Quarterly Trends by Segments

(100Mil JPY)

| | | 19Q1 | 19Q2 | 19Q3 | 19Q4 | 20Q1 | 20Q2 | 20Q3 | 20Q4 |
|---|---|---|---|---|---|---|---|---|---|
| Consolidated | Sales | 1,194 | 1,205 | 1,188 | 1,133 | 931 | 1,010 | 1,227 | 1,298 |
| | Core Operating Profit | 103 | 97 | 109 | 24 | 24 | 14 | 124 | 98 |
| | Operating Profit | 103 | 94 | 109 | 23 | 24 | -13 | 116 | -743 |
| | Profit, attributable to owners of parent | 73 | 62 | 55 | 37 | 11 | -18 | 73 | -618 |
| Digital Solutions | Sales | 360 | 377 | 352 | 359 | 363 | 374 | 384 | 393 |
| | Semiconductor materials | 191 | 221 | 208 | 220 | 238 | 229 | 233 | 248 |
| | Display materials | 129 | 122 | 122 | 116 | 109 | 118 | 126 | 121 |
| | Edge computing | 40 | 33 | 22 | 22 | 16 | 27 | 25 | 24 |
| | Core Operating Profit | 83 | 87 | 75 | 63 | 78 | 91 | 97 | 79 |
| Life Sciences | Sales | 123 | 128 | 136 | 118 | 126 | 135 | 142 | 148 |
| | Core Operating Profit | 11 | 11 | 20 | -2 | 8 | 8 | 13 | 6 |
| Elastomers | Sales | 458 | 452 | 455 | 423 | 274 | 312 | 407 | 439 |
| | Core Operating Profit | 3 | -6 | 12 | -27 | -56 | -71 | 0 | 13 |
| Plastics | Sales | 248 | 241 | 237 | 224 | 162 | 164 | 225 | 241 |
| | Core Operating Profit | 20 | 17 | 17 | 9 | 5 | 2 | 18 | 19 |
| Others/Adjustment | Sales | 4 | 7 | 8 | 9 | 6 | 24 | 70 | 77 |
| | Core Operating Profit | -14 | -12 | -16 | -19 | -12 | -15 | -6 | -18 |

| | 19Q1 | 19Q2 | 19Q3 | 19Q4 | 20Q1 | 20Q2 | 20Q3 | 20Q4 |
|---|---|---|---|---|---|---|---|---|
| Exchange rate (JPY/USD) | 110 | 107 | 109 | 109 | 108 | 106 | 105 | 106 |

# Appendix: IR Calendar

## Announcement of Earnings Results

| | |
|---|---|
| FY21Q1 | End of July 2021 |

*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.