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## Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2019 (under IFRS)

October 29, 2018

Company name: JSR Corporation  
 Listing: Tokyo Stock Exchange  
 Securities code: 4185  
 URL: <http://www.jsr.co.jp/>  
 Representative: Mitsunobu Koshiba, Representative Director and President  
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Scheduled date to file quarterly securities report: November 9, 2018  
 Scheduled date to commence dividend payments: November 28, 2018  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

(Millions of yen with fractional amounts rounded, unless otherwise noted)

### 1. Consolidated financial results for the first six months of the fiscal year ending March 31, 2019 (from April 1, 2018 to September 30, 2018)

(1) Consolidated operating results (Cumulative) (Percentages indicate year-on-year changes.)

| Six months ended   | Revenue         |      | Operating profit |       | Profit before tax |       | Profit          |        |
|--------------------|-----------------|------|------------------|-------|-------------------|-------|-----------------|--------|
|                    | Millions of yen | %    | Millions of yen  | %     | Millions of yen   | %     | Millions of yen | %      |
| September 30, 2018 | 245,695         | 20.7 | 22,413           | (4.1) | 23,495            | (5.4) | 17,267          | (10.0) |
| September 30, 2017 | 203,538         | 11.7 | 23,365           | 56.3  | 24,829            | 70.7  | 19,183          | 61.5   |

| Six months ended   | Profit attributable to owners of parent |       | Total comprehensive income |        | Basic earnings per share | Diluted earnings per share |
|--------------------|---|-------|----------------------------|--------|--------------------------|----------------------------|
|                    | Millions of yen                         | %     | Millions of yen            | %      | Yen                      | Yen                        |
| September 30, 2018 | 16,717                                  | (7.0) | 17,376                     | (39.0) | 75.29                    | 75.09                      |
| September 30, 2017 | 17,970                                  | 53.6  | 28,475                     | –      | 80.75                    | 80.52                      |

### (2) Consolidated financial position

|                    | Total assets    | Total equity    | Equity attributable to owners of parent | Ratio of equity attributable to owners of parent to total assets | Equity attributable to owners of parent per share |
|--------------------|-----------------|-----------------|---|--|---|
| As of              | Millions of yen | Millions of yen | Millions of yen                         | %  | Yen   |
| September 30, 2018 | 699,791         | 436,915         | 399,456                                 | 57.1   | 1,812.94  |
| March 31, 2018     | 647,699         | 411,615         | 393,499                                 | 60.8   | 1,767.81  |

### 2. Cash dividends

|  | Annual dividends per share |                    |                   |                 |       |
|--|----------------------------|--------------------|-------------------|-----------------|-------|
|  | First quarter-end          | Second quarter-end | Third quarter-end | Fiscal year-end | Total |
|  | Yen                        | Yen                | Yen               | Yen             | Yen   |
| Fiscal year ended March 31, 2018             | –                          | 25.00              | –                 | 25.00           | 50.00 |
| Fiscal year ending March 31, 2019            | –                          | 30.00              |                   |                 |       |
| Fiscal year ending March 31, 2019 (Forecast) |                            |                    | –                 | 30.00           | 60.00 |

Note: Revisions to the forecast of cash dividends most recently announced: None

**3. Consolidated earnings forecasts for the fiscal year ending March 31, 2019  
(from April 1, 2018 to March 31, 2019)**

(Percentages indicate year-on-year changes.)

|                                   | Revenue         |      | Operating profit |      | Profit before tax |     | Profit          |     | Profit attributable to owners of parent |     | Basic earnings per share |
|-----------------------------------|-----------------|------|------------------|------|-------------------|-----|-----------------|-----|---|-----|--------------------------|
|                                   | Millions of yen | %    | Millions of yen  | %    | Millions of yen   | %   | Millions of yen | %   | Millions of yen                         | %   | Yen                      |
| Fiscal year ending March 31, 2019 | 490,000         | 16.1 | 48,000           | 10.2 | 49,000            | 6.0 | 36,000          | 2.9 | 33,500                                  | 0.8 | 150.50                   |

Note: Revisions to the earnings forecasts most recently announced: None

**\* Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes  
New: 1 (Company Name: Crown Bioscience International)

(2) Changes in accounting policies and changes in accounting estimates

- a. Changes in accounting policies required by IFRS: Yes
- b. Changes in accounting policies due to other reasons: None
- c. Changes in accounting estimates: None

(3) Number of issued shares (ordinary shares)

a. Total number of issued shares at the end of the period (including treasury shares)

|                          |                    |
|--------------------------|--------------------|
| As of September 30, 2018 | 226,126,145 shares |
| As of March 31, 2018     | 226,126,145 shares |

b. Number of treasury shares at the end of the period

|                          |                  |
|--------------------------|------------------|
| As of September 30, 2018 | 5,789,889 shares |
| As of March 31, 2018     | 3,534,779 shares |

c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

|   |                    |
|---|--------------------|
| For the six months ended September 30, 2018 | 222,020,261 shares |
| For the six months ended September 30, 2017 | 222,528,841 shares |

\* Quarterly financial results reports are not required to be subjected to quarterly reviews.

\* Proper use of earnings forecasts, and other special matters

*Caution regarding forward-looking statements*

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company. These statements do not purport that the Company pledges to realize such statements. Actual business and other results may differ substantially due to various factors.

*How to obtain supplementary material on quarterly financial results*

The material on quarterly financial results is available on the Company's website on Monday, October 29, 2018.

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## 1. Qualitative Information on Quarterly Results

## (1) Explanation of Business Results

Overview of the First Half of FY ending March 2019 (April 1, 2018 to September 30, 2018)

In JSR Group's main customer industries, demand for automobile tires, which had progressed steadily since April, turned to a slight downward trend in China and other markets since July. Demand has stayed firm, however, in the semiconductor market and the LCD panel market.

Under these circumstances, in the Elastomers Business, JSR Group has focused on expanding global sales of products with advantages in technological competitiveness. In the Plastics Business, the Group started operations at Techno-UMG Co. Ltd. (a new company formed through the merger between Techno Polymer Co. Ltd. and UMG ABS, Ltd.) on April 1, 2018. In the Digital Solutions Business, the Group has promoted sales of semiconductor materials applicable to cutting-edge technologies as well as sales of display materials in the Chinese market, where strong growth is expected. In the Life Sciences Business, which is positioned as the third core business, the Group completed the acquisition of Crown Bioscience International at the end of May 2018 and established a framework supporting drug-discovery processes.

In the First Half of FY ending March 2019, the Company reported revenue of 245,695 million yen (up 20.7% year-on-year), operating profit of 22,413 million yen (down 4.1% year-on-year), and profit attributable to owners of parent of 16,717 million yen (down 7.0% year-on-year).

The Group has changed its reportable segments since the beginning of the First Quarter of FY ending March 2019. For the year-on-year comparisons, figures for the same period of the previous year have been reclassified according to the new reportable segments.

(Unit: Millions of yen)

| Segment                                    | First Half of FY ended<br>March 2018<br>(April 1 to September 30,<br>2017) |                          | First Half of FY ending<br>March 2019<br>(April 1 to September 30,<br>2018) |                          | Change  |            |
|--|--|--------------------------|---|--------------------------|---------|------------|
|  | Amount   | Component<br>ratio       | Amount  | Component<br>ratio       | Amount  | Percentage |
| Revenue                                    |  |                          |   |                          |         |            |
| Elastomers                                 | 93,798   | 46.1%                    | 99,375  | 40.5%                    | 5,577   | 5.9%       |
| Plastics                                   | 25,966   | 12.7%                    | 52,600  | 21.4%                    | 26,634  | 102.6%     |
| Digital Solutions                          | 69,874   | 34.3%                    | 71,585  | 29.1%                    | 1,711   | 2.4%       |
| Life Sciences                              | 11,176   | 5.5%                     | 19,269  | 7.8%                     | 8,093   | 72.4%      |
| Other                                      | 2,566  | 1.3%                     | 2,866   | 1.2%                     | 300     | 11.7%      |
| Adjustment                                 | 159  | 0.1%                     | 1   | 0.0%                     | (158)   | (99.4%)    |
| Total                                      | 203,538  | 100.0%                   | 245,695   | 100.0%                   | 42,157  | 20.7%      |
| Revenue in Japan                           | 88,280   | 43.4%                    | 109,446   | 44.5%                    | 21,166  | 24.0%      |
| Overseas revenue                           | 115,258  | 56.6%                    | 136,249   | 55.5%                    | 20,991  | 18.2%      |
| Segment                                    | First Half of FY ended<br>March 2018<br>(April 1 to September 30,<br>2017) |                          | First Half of FY ending<br>March 2019<br>(April 1 to September 30,<br>2018) |                          | Change  |            |
|  | Amount   | Percentage to<br>revenue | Amount  | Percentage to<br>revenue | Amount  | Percentage |
| Operating profit                           | 23,365   | 11.5%                    | 22,413  | 9.1%                     | (952)   | (4.1%)     |
| Profit attributable to owners of<br>parent | 17,970   | 8.8%                     | 16,717  | 6.8%                     | (1,253) | (7.0%)     |

(i) Elastomers Business Segment

Revenue in the Elastomers Business surpassed that of the same period of the previous year. Operating profit, on the other hand, dropped considerably due to contraction in price spreads caused by a rise in raw material prices.

Consequently, the Elastomers Business segment posted an operating profit of 4,715 million yen (down 45.0% year-on-year) on revenue of 99,375 million yen (up 5.9% year-on-year) in the First Half of FY ending March 2019.

(ii) Plastics Business Segment

Both revenue and operating profit in the Plastics Business segment jumped significantly from the same period of the previous year, due to the establishment in April of Techno-UMG Co. Ltd., formed through the merger of Techno Polymer Co. Ltd. and UMG ABS, Ltd.

Consequently, the Plastics Business segment posted an operating profit of 3,947 million yen (up 24.4% year-on-year) on revenue of 52,600 million yen (up 102.6% year-on-year) in the First Half of FY ending March 2019.

(iii) Digital Solutions Business Segment

Revenue improved in the Digital Solutions Business segment from the same period of the previous year, thanks to an increase in the sales volume of semiconductor materials on the back of the favorable semiconductor market. Profits expanded with the increase in revenue from semiconductor materials, leading to higher operating profit over the same period of the previous year.

Consequently, the Digital Solutions Business segment posted an operating profit of 16,615 million yen (up 3.4% year-on-year) on revenue of 71,585 million yen (up 2.4% year-on-year) in the First Half of FY ending March 2019.

(iv) Life Sciences Business Segment

The Life Sciences Business segment saw a sharp rise in revenue and operating profit from the same period of the previous year because of expanded sales at KBI Biopharma, Inc. and the acquisition of Crown Bioscience International as a new consolidated subsidiary.

Consequently, the Life Sciences Business segment posted an operating profit of 418 million yen, up from an operating loss of 2,050 million yen in the same period of the previous year, on revenue of 19,269 million yen (up 72.4% year-on-year) in the First Half of FY ending March 2019.

(2) Explanation of Future Forecast Information, such as Forecast of Consolidated Business Results

There are no changes in the forecast of consolidated business results for the full term of FY ending March 2019, which was announced in the “Consolidated Business Results for FY ended March 2018” on April 25, 2018.

## 2. Condensed Quarterly Consolidated Financial Statements

## (1) Condensed Quarterly Consolidated Statement of Financial Position

|   | (Millions of yen)    |                          |
|---|----------------------|--------------------------|
|   | As of March 31, 2018 | As of September 30, 2018 |
| Assets  |                      |                          |
| Current assets                                |                      |                          |
| Cash and cash equivalents                     | 124,956              | 78,233                   |
| Trade and other receivables                   | 122,476              | 140,984                  |
| Inventories                                   | 87,567               | 109,688                  |
| Other financial assets                        | 13,776               | 8,379                    |
| Other current assets                          | 9,134                | 7,686                    |
| Total current assets                          | 357,908              | 344,970                  |
| Non-current assets                            |                      |                          |
| Property, plant and equipment                 | 159,834              | 182,761                  |
| Goodwill                                      | 19,389               | 61,086                   |
| Other intangible assets                       | 10,403               | 12,561                   |
| Investments accounted for using equity method | 24,777               | 24,342                   |
| Retirement benefit asset                      | 1,003                | 1,074                    |
| Other financial assets                        | 64,970               | 62,013                   |
| Other non-current assets                      | 1,862                | 2,116                    |
| Deferred tax assets                           | 7,552                | 8,867                    |
| Total non-current assets                      | 289,791              | 354,821                  |
| Total assets                                  | 647,699              | 699,791                  |

(Millions of yen)

|   | As of March 31, 2018 | As of September 30, 2018 |
|---|----------------------|--------------------------|
| Liabilities and equity                        |                      |                          |
| Liabilities                                   |                      |                          |
| Current liabilities                           |                      |                          |
| Trade and other payables                      | 110,303              | 127,188                  |
| Borrowings                                    | 25,947               | 35,534                   |
| Income taxes payable                          | 4,520                | 6,114                    |
| Other financial liabilities                   | 641                  | 1,337                    |
| Other current liabilities                     | 12,607               | 14,182                   |
| Total current liabilities                     | <u>154,019</u>       | <u>184,356</u>           |
| Non-current liabilities                       |                      |                          |
| Borrowings                                    | 53,456               | 49,915                   |
| Retirement benefit liability                  | 14,500               | 15,447                   |
| Other financial liabilities                   | 1,674                | 1,906                    |
| Other non-current liabilities                 | 2,480                | 2,433                    |
| Deferred tax liabilities                      | 9,955                | 8,819                    |
| Total non-current liabilities                 | <u>82,064</u>        | <u>78,520</u>            |
| Total liabilities                             | <u>236,084</u>       | <u>262,876</u>           |
| Equity  |                      |                          |
| Equity attributable to owners of parent       |                      |                          |
| Share capital                                 | 23,370               | 23,370                   |
| Capital surplus                               | 18,502               | 18,523                   |
| Retained earnings                             | 331,913              | 343,466                  |
| Treasury shares                               | (5,358)              | (10,209)                 |
| Other components of equity                    | 25,071               | 24,305                   |
| Total equity attributable to owners of parent | <u>393,499</u>       | <u>399,456</u>           |
| Non-controlling interests                     | <u>18,116</u>        | <u>37,460</u>            |
| Total equity                                  | <u>411,615</u>       | <u>436,915</u>           |
| Total liabilities and equity                  | <u>647,699</u>       | <u>699,791</u>           |

## (2) Condensed Quarterly Consolidated Statement of Profit or Loss

|  | (Millions of yen)                      |  |
|--|--|--|
|  | Six months ended<br>September 30, 2017 | Six months ended<br>September 30, 2018 |
| Revenue  | 203,538                                | 245,695                                |
| Cost of sales  | (139,940)                              | (173,541)                              |
| Gross profit   | 63,598                                 | 72,154                                 |
| Selling, general and administrative expenses                     | (41,659)                               | (50,139)                               |
| Other operating income   | 1,600                                  | 679                                    |
| Other operating expenses   | (646)                                  | (817)                                  |
| Share of profit of investments accounted for using equity method | 472                                    | 537                                    |
| Operating profit   | 23,365                                 | 22,413                                 |
| Finance income   | 1,894                                  | 1,679                                  |
| Finance costs  | (429)                                  | (598)                                  |
| Profit before tax  | 24,829                                 | 23,495                                 |
| Income taxes   | (5,646)                                | (6,228)                                |
| Profit   | 19,183                                 | 17,267                                 |
| Profit attributable to:  |  |  |
| Owners of parent   | 17,970                                 | 16,717                                 |
| Non-controlling interests  | 1,214                                  | 551                                    |
| Total  | 19,183                                 | 17,267                                 |
| Earnings per share   |  |  |
| Basic earnings per share (Yen)                                   | 80.75                                  | 75.29                                  |
| Diluted earnings per share (Yen)                                 | 80.52                                  | 75.09                                  |



## (3) Condensed Quarterly Consolidated Statement of Comprehensive Income

|   | (Millions of yen)                      |  |
|---|--|--|
|   | Six months ended<br>September 30, 2017 | Six months ended<br>September 30, 2018 |
| Profit  | 19,183                                 | 17,267                                 |
| Other comprehensive income  |  |  |
| Items that will not be reclassified to profit or loss                                       |  |  |
| Net change in financial assets measured at fair value<br>through other comprehensive income | 7,018                                  | (1,881)                                |
| Share of other comprehensive income of entities<br>accounted for using equity method        | (4)                                    | 3                                      |
| Items that may be reclassified to profit or loss  |  |  |
| Net change in fair value of cash flow hedges  | (15)                                   | 31                                     |
| Exchange differences on translation of foreign<br>operations                                | 2,102                                  | 3,216                                  |
| Share of other comprehensive income of entities<br>accounted for using equity method        | 191                                    | (1,262)                                |
| Total other comprehensive income, net of tax  | 9,292                                  | 108                                    |
| Total comprehensive income  | 28,475                                 | 17,376                                 |
| Comprehensive income attributable to:   |  |  |
| Owners of parent  | 26,516                                 | 16,381                                 |
| Non-controlling interests   | 1,959                                  | 995                                    |
| Total   | 28,475                                 | 17,376                                 |

(4) Condensed Quarterly Consolidated Statement of Changes in Equity  
*First Half of FY ended March 2018 (April 1 to September 30, 2017)*

(Millions of yen)

|   | Equity attributable to owners of parent |                 |                   |                 |                            | Total   | Non-controlling interests | Total equity |
|---|---|-----------------|-------------------|-----------------|----------------------------|---------|---------------------------|--------------|
|   | Share capital                           | Capital surplus | Retained earnings | Treasury shares | Other components of equity |         |                           |              |
| Balance at April 1, 2017                                      | 23,320                                  | 18,441          | 309,517           | (5,396)         | 16,006                     | 361,889 | 14,475                    | 376,364      |
| Profit  |   |                 | 17,970            |                 |                            | 17,970  | 1,214                     | 19,183       |
| Other comprehensive income                                    |   |                 |                   |                 | 8,547                      | 8,547   | 745                       | 9,292        |
| Total comprehensive income                                    |   |                 | 17,970            |                 | 8,547                      | 26,516  | 1,959                     | 28,475       |
| Share-based payment transactions                              | 50                                      | 70              |                   |                 | (85)                       | 35      |                           | 35           |
| Dividends   |   |                 | (5,563)           |                 |                            | (5,563) | (43)                      | (5,605)      |
| Changes in treasury shares                                    |   | 0               |                   | 2               |                            | 2       |                           | 2            |
| Transfer from other components of equity to retained earnings |   |                 | 33                |                 | (33)                       |         |                           |              |
| Changes in non-controlling interests                          |   | 28              |                   |                 |                            | 28      | 114                       | 142          |
| Other movements   |   |                 |                   |                 |                            |         | 1                         | 1            |
| Total transactions with owners, etc.                          | 50                                      | 98              | (5,530)           | 2               | (118)                      | (5,498) | 72                        | (5,426)      |
| Balance at September 30, 2017                                 | 23,370                                  | 18,540          | 321,957           | (5,394)         | 24,435                     | 382,907 | 16,506                    | 399,413      |

*First Half of FY ended March 2019 (April 1 to September 30, 2018)*

(Millions of yen)

|   | Equity attributable to owners of parent |                 |                   |                 |                            | Total    | Non-controlling interests | Total equity |
|---|---|-----------------|-------------------|-----------------|----------------------------|----------|---------------------------|--------------|
|   | Share capital                           | Capital surplus | Retained earnings | Treasury shares | Other components of equity |          |                           |              |
| Balance at April 1, 2018                                      | 23,370                                  | 18,502          | 331,913           | (5,358)         | 25,071                     | 393,499  | 18,116                    | 411,615      |
| Profit  |   |                 | 16,717            |                 |                            | 16,717   | 551                       | 17,267       |
| Other comprehensive income                                    |   |                 |                   |                 | (336)                      | (336)    | 444                       | 108          |
| Total comprehensive income                                    |   |                 | 16,717            |                 | (336)                      | 16,381   | 995                       | 17,376       |
| Share-based payment transactions                              |   | (51)            |                   | 88              | (64)                       | (27)     |                           | (27)         |
| Dividends   |   |                 | (5,565)           |                 |                            | (5,565)  | (46)                      | (5,610)      |
| Changes in treasury shares                                    |   | 7               |                   | (4,939)         |                            | (4,932)  |                           | (4,932)      |
| Transfer from other components of equity to retained earnings |   |                 | 430               |                 | (430)                      |          |                           |              |
| Increase by business combination                              |   | 65              | 7                 |                 | 63                         | 135      | 17,679                    | 17,814       |
| Other movements   |   |                 | (36)              |                 | 1                          | (35)     | 715                       | 680          |
| Total transactions with owners, etc.                          |   | 21              | (5,164)           | (4,851)         | (430)                      | (10,424) | 18,349                    | 7,925        |
| Balance at September 30, 2018                                 | 23,370                                  | 18,523          | 343,466           | (10,209)        | 24,305                     | 399,456  | 37,460                    | 436,915      |

## (5) Notes on Condensed Quarterly Consolidated Financial Statements

(Cautionary Notes regarding Assumptions of Going Concern)

Not applicable

## (Changes in Accounting Policy)

The significant accounting policies that apply to the Group's condensed quarterly consolidated financial statements are identical to the accounting policies applied to the consolidated financial statements pertaining to FY ended March 2018, apart from the matters stated below.

Income tax expenses in the First Half of FY ending March 2019 have been calculated on the basis of the estimated annual effective tax rate.

The Group has applied the following standard from the First Quarter of FY ending March 2019.

| IFRS  | Summary of New / Revised Standard          |
|---|--|
| IFRS 15 — Revenue from Contracts with Customers | Revision related to recognition of revenue |

The Group has applied IFRS 15 — Revenue from Contracts with Customers (published in May 2014) and Clarifications to IFRS 15 (published in April 2016) (hereafter jointly referred to as “IFRS 15”) from the First Quarter of FY ending March 2019. For the adoption of IFRS 15, the Group has employed a method recognizing the cumulative effect of the standard's application on the application date, which is deemed to be a transitional measure.

As from the adoption of IFRS 15, the Group recognizes revenue by applying the following five steps, apart from interest and dividend income based on IFRS 9 — Financial Instruments.

Step 1: Identify the contract with the customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to performance obligations.

Step 5: Recognize revenue when (or as) the Group satisfies a performance obligation.

The effect of applying the new accounting standard on the Group's condensed quarterly consolidated financial statements is minor compared to if the previous accounting standard had been applied.

## (Segment Information)

## (1) Outline of Reportable Segments

JSR Group's reportable segments are based on the Group's business segments for which separate financial information is available and which the Board of Directors determines the basis that are subject to regular reviews for decisions on the allocation of managerial resources and the evaluation of business results.

The Group has established divisions by product at its head office. Each division formulates comprehensive domestic and overseas strategies for its products and conducts business activities according to the strategies. Core Group companies take the initiative in working out comprehensive domestic and overseas strategies and conduct business activities according to the strategies. Thus, the JSR Group's businesses consist of business segments by product based on divisions and core Group companies.

JSR Group has four reportable segments: Elastomers Business, which consists mainly of the manufacture and sale of general-purpose synthetic rubber products for automobile tires, functional special synthetic rubber for automobile components, thermoplastic elastomers for modifying plastics, and synthetic rubber latex for coated paper; Plastics Business, which engages mainly in the manufacture and sale of ABS and other resins for automobiles, office equipment, and amusement applications; Digital Solutions Business, which conducts mainly the manufacture and sale of semiconductor materials, display materials, and products related to edge computing; and Life Sciences Business. The Digital Solutions Business is a reportable segment comprising multiple segments based on the nature of the products and services, the nature of production processes, and similarity in markets and other economic characteristics.

## Main Products in Each Business Segment

| Business segment           | Main products   |
|----------------------------|---|
| Elastomers Business        | Synthetic rubbers, such as styrene-butadiene rubber, poly-butadiene rubber, ethylene and propylene rubber and compounded products; thermoplastic elastomers and compounded products; latex for paper processing; general industrial-use latex; acrylic emulsions; natural latex compounded products; high-functional coating materials; high-functional dispersants; industrial particles; thermal control materials; materials for heat insulation paints; materials for batteries; butadiene monomers; etc. |
| Plastics Business          | Synthetic resins including ABS resins, AES resins, AS resins, and ASA resins  |
| Digital Solutions Business | <Semiconductor Materials> Lithography materials (photoresists, multilayer materials); CMP materials; mounting materials; etc.<br><Display Materials> Materials for color LCDs; functional coating materials; etc.<br><Edge Computing Materials> Heat-resistant transparent resins and functional films; high-functional UV curable resins; photo fabrication and photo molding systems; etc.  |
| Life Sciences Business     | Diagnostic and research reagents and similar materials; bio-process materials; contract bio-process development and manufacturing, etc.   |

JSR Group had maintained three reportable segments: Elastomers Business, Plastics Business, and Fine Chemicals and Other Products Business. With the expansion of the Life Sciences Business, which had been included in the Fine Chemicals and Other Products Business, the Life Sciences Business has become a new reportable segment starting from the First Quarter of FY ending March 2019. Furthermore, the Fine Chemicals Business, which had been included in the Fine Chemicals and Other Products Business, has been renamed Digital Solutions Business and made a reportable segment. The previous Petrochemical Products Business and the Fine Chemicals and Other Products Business have been discontinued. Accordingly, the Group's reportable segments from the First Quarter of FY ending March 2019 are the Elastomers Business, the Digital Solutions

Business, the Life Sciences Business, and the Plastics Business led by Techno-UMG Co., Ltd. With the revisions to each business segment's details caused by the segment changes, the Group has reclassified and presented segment information for the First Half of FY ended March 2018 with the segment categories used for the First Half of FY ending March 2019.

The accounting methods for the reportable segments are the same as the methods adopted for preparation of consolidated financial statements.

## (2) Reportable Segment Revenues, Profits and Losses

The following information pertains to the Group's reportable segments.

### *First Half of FY ended March 31, 2018 (April 1 to September 30, 2017)*

|                                 | Reportable Segment |          |                      |               |         | Other<br>[Note 1] | Total   | Adjustment<br>[Note 2] | Amount<br>Recorded<br>on the<br>Condensed<br>Quarterly<br>Consolidated<br>Statement<br>of Profit or<br>Loss |
|---------------------------------|--------------------|----------|----------------------|---------------|---------|-------------------|---------|------------------------|---|
|                                 | Elastomers         | Plastics | Digital<br>Solutions | Life Sciences |         |                   |         |                        |   |
| Revenue from external customers | 93,798             | 25,966   | 69,874               | 11,176        | 2,566   | 203,379           | 159     | 203,538                |   |
| Operating profit or (loss)      | 8,575              | 3,172    | 16,070               | (2,050)       | (1,056) | 24,711            | (1,347) | 23,365                 |   |
| Finance income                  |                    |          |                      |               |         |                   |         | 1,894                  |   |
| Finance costs                   |                    |          |                      |               |         |                   |         | (429)                  |   |
| Quarterly profit before tax     |                    |          |                      |               |         |                   |         | 24,829                 |   |

Note 1: The Other segment is a business segment not contained in the reportable segments. It includes the lithium-ion capacitor and other businesses.

Note 2: The operating profit downward adjustment of 1,347 million yen contains company-wide profits and losses not allocated to the reportable segments.

### *First Half of FY ending March 31, 2019 (April 1 to September 30, 2018)*

|                                 | Reportable Segment |          |                      |               |       | Other<br>[Note 1] | Total   | Adjustment<br>[Note 2] | Amount<br>Recorded<br>on the<br>Condensed<br>Quarterly<br>Consolidated<br>Statement<br>of Profit or<br>Loss |
|---------------------------------|--------------------|----------|----------------------|---------------|-------|-------------------|---------|------------------------|---|
|                                 | Elastomers         | Plastics | Digital<br>Solutions | Life Sciences |       |                   |         |                        |   |
| Revenue from external customers | 99,375             | 52,600   | 71,585               | 19,269        | 2,866 | 245,695           | 1       | 245,695                |   |
| Operating profit or (loss)      | 4,715              | 3,947    | 16,615               | 418           | (936) | 24,760            | (2,347) | 22,413                 |   |
| Finance income                  |                    |          |                      |               |       |                   |         | 1,679                  |   |
| Finance costs                   |                    |          |                      |               |       |                   |         | (598)                  |   |
| Quarterly profit before tax     |                    |          |                      |               |       |                   |         | 23,495                 |   |

Note 1: The Other segment is a business segment not contained in the reportable segments. It includes the lithium-ion capacitor and other businesses.

Note 2: The operating profit downward adjustment of 2,347 million yen contains company-wide profits and losses not allocated to the reportable segments.

## (Business Combinations)

## 1. Absorption-type split in which a subsidiary is the successor company

## (1) Overview of the Business Combination

The Company executed an absorption-type split dated April 1, 2018, with UMG ABS, Ltd., which is equally owned by Ube Industries, Ltd. (50%) and Mitsubishi Chemical Corporation (50%), as the absorbed company and Techno Polymer Co., Ltd. (renamed Techno-UMG Co., Ltd. on April 1, 2018), a wholly-owned subsidiary of the Company, as the successor company.

In keeping with the absorption-type split, Techno-UMG Co., Ltd. issued new common shares so that the Company owns 51 percent of the shares of Techno-UMG Co., Ltd.

## (i) Name of acquired company and business domain

Name of acquired company: UMG ABS, Ltd.

Business domain: manufacture and sale of ABS resins

## (ii) Date of business combination

April 1, 2018

## (iii) Method for the acquiring company to obtain control over the acquired company

An absorption-type split through the allocation of 58,800 common shares of Techno Polymer Co., Ltd. as the successor company, with UMG ABS, Ltd. as the absorbed company.

## (2) Primary Reason for the Business Combination

The conditions surrounding the ABS resin business will become increasingly challenging both in and outside of Japan. The primary purpose of the business combination is to optimize operations, enhance manufacturing efficiencies, and secure cost competitiveness for the ABS resin business, in order to secure the stable supply of products in Japan and expand sales in global markets.

## (3) Fair Value of Assets Acquired, Liabilities Assumed, and Goodwill Recognized as of Acquisition Date

## (i) Fair value of the consideration transferred

Techno-UMG Co., Ltd. common shares 19,269 million yen

## (ii) Share valuation method

The Company calculated the share valuation in consultation with the transaction parties, using as a reference a share valuation report and other materials received from a third-party valuation institution.

## (iii) Assets acquired, liabilities assumed, and goodwill recognized

Date of Acquisition (April 1, 2018)

|                               | Amount          |
|-------------------------------|-----------------|
|                               | Millions of yen |
| Current assets                |                 |
| Cash and cash equivalents     | 2,617           |
| Trade and other receivables   | 10,508          |
| Inventories                   | 6,945           |
| Other                         | 736             |
| Non-current assets            |                 |
| Property, plant and equipment | 11,356          |
| Other intangible assets       | 357             |
| Deferred tax assets           | 992             |
| Other                         | 1,775           |
| Assets acquired               | 35,287          |
| Current liabilities           |                 |

|  |        |
|--|--------|
| Trade and other payables                             | 13,865 |
| Borrowings   | 3,450  |
| Income taxes payable                                 | 719    |
| Other  | 910    |
| Non-current liabilities                              |        |
| Borrowings   | 80     |
| Retirement benefit liability                         | 629    |
| Others   | 45     |
| Liabilities assumed                                  | 19,698 |
| Assets acquired and liabilities assumed (net amount) | 15,589 |
| Goodwill   | 3,680  |

Goodwill is primarily composed of synergies with existing businesses and excess earning power that are expected to arise from the acquisition, which do not individually fulfill the criteria for recognition. Furthermore, the goodwill is not deductible for tax purposes.

The amount of goodwill included in the Condensed Quarterly Consolidated Statement of Financial Position as of June 30, 2018 was 1,877 million yen because of the change in ownership ratio in Techno-UMG Co., Ltd.

The fair value of assets acquired and liabilities assumed are provisional amounts recognized at the time of the acquisition date and are subject to adjustment over the course of the measurement period (one year from the acquisition date).

#### (4) Acquisition-related Costs

Acquisition-related costs pertaining to the business combination were 136 million yen, including the amount incurred in and prior to FY ended March 2018. The amount incurred in the First Half of FY ending March 2019 is accounted for as an expense in the *Selling, general and administrative expenses* on the Condensed Quarterly Consolidated Statement of Profit or Loss.

#### (5) Effect on the Group

It is difficult to calculate rationally the quantitative effect on the Group during the First Half of FY ending March 2019, therefore a quantitative statement of the effect on the Group has been omitted.

#### (6) Effect on Non-Controlling Interests

Non-controlling interests increased by 17,625 million yen due to the decrease in ownership ratio in Techno-UMG Co., Ltd. from 100 percent to 51 percent.

## 2. Acquisition of Crown Bioscience International

### (1) Overview of the Business Combination

#### (i) Name of acquired company and business domain

Name of acquired company: Crown Bioscience International

Business domain: drug discovery and development services

#### (ii) Date of Acquisition

May 31, 2018

#### (iii) Percentage of voting rights acquired

100 percent

#### (iv) Method for the acquiring company to obtain control over the acquired company

Acquisition of shares in exchange for cash payment

(v) Primary reason for the business combination

The primary purpose of the business combination is to incorporate a drug discovery and development outsourcing business into the Group's Life Sciences Business and to provide seamless value to the pharmaceutical industry, from the provision of products and services for drug-discovery processes to GMP manufacturing.

(2) Fair Value of Consideration Transferred and Recognized Value of Assets Acquired and Liabilities

Assumed as of Acquisition Date

|                               | Amount          |
|-------------------------------|-----------------|
|                               | Millions of yen |
| Fair value of consideration   | 40,583          |
| Current assets                |                 |
| Cash and cash equivalents     | 4,398           |
| Trade and other receivables   | 2,164           |
| Other                         | 429             |
| Non-current assets            |                 |
| Property, plant and equipment | 2,412           |
| Other intangible assets       | 933             |
| Deferred tax assets           | 132             |
| Other                         | 87              |
| Assets acquired               | 10,555          |
| Current liabilities           |                 |
| Trade and other payables      | 1,282           |
| Other                         | 3,941           |
| Non-current liabilities       |                 |
| Borrowings                    | 2,581           |
| Deferred tax liabilities      | 128             |
| Liabilities assumed           | 7,932           |
| Non-controlling interests     | 157             |
| Goodwill                      | 38,117          |

The initial accounting is still provisional for the amount of goodwill incurred and the amounts of assets acquired and liabilities assumed on the date of the business combination because the designation of identifiable assets and liabilities on the date of the business combination is still under review. Consequently, the allocation of the acquisition value is incomplete as of September 30, 2018.

Acquisition-related costs pertaining to the business combination were 335 million yen, including the amount incurred in and prior to FY ended March 2018. The amount incurred in the First Quarter of FY ending March 2019 is accounted for as an expense in the *Selling, general and administrative expenses* on the Condensed Quarterly Consolidated Statement of Profit or Loss.

Goodwill is primarily composed of expected future earning power. The goodwill cannot be reported as a deductible for tax purposes.



(3)Effect on the Group

Revenue and quarterly profit arising from Crown Bioscience International since the acquisition date of 2,935 million yen and 373 million yen respectively are included on the Group's Condensed Quarterly Consolidated Statement of Profit or Loss. The effect on the Group in the First Half of FY ending March 2019 has been minor, when assuming the business combination was executed at the start of the term.