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

July 30, 2018

Company name: JSR Corporation  
 Listing: Tokyo Stock Exchange  
 Securities code: 4185  
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Scheduled date to file quarterly securities report: August 10, 2018  
 Scheduled date to commence dividend payments: —  
 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 three months of the fiscal year ending March 31, 2019 (from April 1, 2018 to June 30, 2018)

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

	Revenue		Operating profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2018	122,257	20.9	11,483	(9.6)	11,594	(14.0)	8,842	(12.0)
June 30, 2017	101,128	13.3	12,706	84.9	13,488	109.7	10,047	93.1

	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
Three months ended						
June 30, 2018	8,939	(5.4)	7,736	(41.6)	40.16	40.05
June 30, 2017	9,449	87.0	13,238	—	42.46	42.34

### (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
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of					
June 30, 2018	678,359	432,257	396,037	58.4	1,778.98
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	—				
Fiscal year ending March 31, 2019 (Forecast)		30.00	—	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
Six months ending September 30, 2018	240,000	17.9	22,000	(5.8)	22,500	(9.4)	17,000	(11.4)	15,000	(16.5)	67.39
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 June 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 June 30, 2018	3,505,489 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 three months ended June 30, 2018	222,601,596 shares
For the three months ended June 30, 2017	222,513,989 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, July 30, 2018.

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## 1. Qualitative Information on Quarterly Results

## (1) Explanation of Business Results

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

JSR Group's main customer industries have progressed steadily since April. Demand for automobile tires grew in Japan and other regions while it was sluggish in the U.S., and demand in the semiconductor market expanded.

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 of Techno-UMG Co. Ltd. (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, positioned as the third core business, the Group completed the acquisition of Crown Bioscience International at the end of May 2018 and established a system supporting drug-discovery processes.

In the First Quarter of FY ending March 2019, the Company reported revenue of 122,257 million yen (up 20.9% year-on-year), operating profit of 11,483 million yen (down 9.6% year-on-year), and profit attributable to owners of parent of 8,939 million yen (down 5.4% 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 Quarter of FY ended March 2018 (April 1 to June 30, 2017)		First Quarter of FY ending March 2019 (April 1 to June 30, 2018)		Change	
	Amount	Component ratio	Amount	Component ratio	Amount	Percentage
Revenue						
Elastomers	47,438	46.9%	49,653	40.6%	2,215	4.7%
Plastics	12,824	12.7%	26,400	21.6%	13,576	105.9%
Digital Solutions	34,584	34.2%	35,398	29.0%	814	2.4%
Life Sciences	5,156	5.1%	8,974	7.3%	3,818	74.0%
Other	1,051	1.0%	1,800	1.5%	750	71.4%
Adjustment	75	0.1%	31	0.0%	(45)	(59.2%)
Total	101,128	100.0%	122,257	100.0%	21,128	20.9%
Revenue in Japan	43,815	43.3%	54,011	44.2%	10,195	23.3%
Overseas revenue	57,313	56.7%	68,246	55.8%	10,933	19.1%
Segment	First Quarter of FY ended March 2018 (April 1 to June 30, 2017)		First Quarter of FY ending March 2019 (April 1 to June 30, 2018)		Change	
	Amount	Percentage to revenue	Amount	Percentage to revenue	Amount	Percentage
Operating profit	12,706	12.6%	11,483	9.4%	(1,223)	(9.6%)
Profit attributable to owners of parent	9,449	9.3%	8,939	7.3%	(509)	(5.4%)

(i) Elastomers Business Segment

Sales volume in the Elastomers Business segment increased from the same period of the previous year and revenue was also up. Operating profit, on the other hand, fell 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 2,452 million yen (down 57.5% year-on-year) on revenue of 49,653 million yen (up 4.7% year-on-year) in the first three months 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, because of 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 2,171 million yen (up 53.0% year-on-year) on revenue of 26,400 million yen (up 105.9% year-on-year) in the first three months 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 a large increase in the sales volume of semiconductor materials on the back of the favorable semiconductors 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 8,199 million yen (up 1.5% year-on-year) on revenue of 35,398 million yen (up 2.4% year-on-year) in the first three months of FY ending March 2019.

(iv) Life Sciences Business Segment

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

Consequently, the Life Sciences Business segment posted an operating profit of 368 million yen from an operating loss of 1,430 million yen in the same period of the previous year on revenue of 8,974 million yen (up 74.0% year-on-year) in the first three months 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 first six-month period and 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 June 30, 2018
Assets		
Current assets		
Cash and cash equivalents	124,956	85,667
Trade and other receivables	122,476	130,310
Inventories	87,567	98,102
Other financial assets	13,776	7,394
Other current assets	9,134	6,884
Total current assets	357,908	328,357
Non-current assets		
Property, plant and equipment	159,834	178,358
Goodwill	19,389	59,933
Other intangible assets	10,403	12,328
Investments accounted for using equity method	24,777	23,617
Retirement benefit asset	1,003	1,037
Other financial assets	64,970	64,121
Other non-current assets	1,862	2,163
Deferred tax assets	7,552	8,446
Total non-current assets	289,791	350,002
Total assets	647,699	678,359

	(Millions of yen)	
	As of March 31, 2018	As of June 30, 2018
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	110,303	118,740
Borrowings	25,947	27,678
Income taxes payable	4,520	2,626
Other financial liabilities	641	1,010
Other current liabilities	12,607	11,813
Total current liabilities	<u>154,019</u>	<u>161,867</u>
Non-current liabilities		
Borrowings	53,456	54,938
Retirement benefit liability	14,500	15,493
Other financial liabilities	1,674	2,016
Other non-current liabilities	2,480	2,317
Deferred tax liabilities	9,955	9,471
Total non-current liabilities	<u>82,064</u>	<u>84,235</u>
Total liabilities	<u>236,084</u>	<u>246,102</u>
Equity		
Equity attributable to owners of parent		
Share capital	23,370	23,370
Capital surplus	18,502	18,523
Retained earnings	331,913	335,543
Treasury shares	(5,358)	(5,313)
Other components of equity	25,071	23,914
Total equity attributable to owners of parent	<u>393,499</u>	<u>396,037</u>
Non-controlling interests	<u>18,116</u>	<u>36,220</u>
Total equity	<u>411,615</u>	<u>432,257</u>
Total liabilities and equity	<u><u>647,699</u></u>	<u><u>678,359</u></u>

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

	(Millions of yen)	
	Three months ended June 30, 2017	Three months ended June 30, 2018
Revenue	101,128	122,257
Cost of sales	(68,209)	(85,929)
Gross profit	32,920	36,328
Selling, general and administrative expenses	(20,391)	(25,210)
Other operating income	301	418
Other operating expenses	(276)	(406)
Share of profit of investments accounted for using equity method	153	353
Operating profit	12,706	11,483
Finance income	1,007	433
Finance costs	(225)	(322)
Profit before tax	13,488	11,594
Income taxes	(3,441)	(2,752)
Profit	10,047	8,842
Profit attributable to:		
Owners of parent	9,449	8,939
Non-controlling interests	599	(97)
Total	10,047	8,842
Earnings per share		
Basic earnings per share (Yen)	42.46	40.16
Diluted earnings per share (Yen)	42.34	40.05



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

	(Millions of yen)	
	Three months ended June 30, 2017	Three month ended June 30, 2018
Profit	10,047	8,842
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in financial assets measured at fair value through other comprehensive income	2,187	(170)
Share of other comprehensive income of entities accounted for using equity method	(3)	6
Items that may be reclassified to profit or loss		
Net change in fair value of cash flow hedges	(55)	22
Exchange differences on translation of foreign operations	506	182
Share of other comprehensive income of entities accounted for using equity method	556	(1,146)
Total other comprehensive income, net of tax	3,191	(1,106)
Total comprehensive income	13,238	7,736
Comprehensive income attributable to:		
Owners of parent	12,293	7,977
Non-controlling interests	945	(241)
Total	13,238	7,736

(4) Condensed Quarterly Consolidated Statement of Changes in Equity  
*First Quarter of FY ended March 2018 (April 1 to June 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			9,449			9,449	599	10,047
Other comprehensive income					2,844	2,844	346	3,191
Total comprehensive income	–	–	9,449	–	2,844	12,293	945	13,238
Share-based payment transactions		22				22		22
Dividends			(5,563)			(5,563)	(6)	(5,569)
Changes in treasury shares				(0)		(0)		(0)
Transfer from other components of equity to retained earnings			(2)		2	–		–
Changes in non-controlling interests								
Other movements								
Total transactions with owners, etc.	–	22	(5,565)	(0)	2	(5,541)	(6)	(5,547)
Balance at June 30, 2017	23,320	18,464	313,400	(5,396)	18,853	368,641	15,414	384,055

*First Quarter of FY ended March 2019 (April 1 to June 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			8,939			8,939	(97)	8,842
Other comprehensive income					(962)	(962)	(144)	(1,106)
Total comprehensive income	–	–	8,939	–	(962)	7,977	(241)	7,736
Share-based payment transactions		(49)			25	(24)		(24)
Dividends			(5,565)			(5,565)	(46)	(5,610)
Changes in treasury shares		5		44		49		49
Transfer from other components of equity to retained earnings			284		(284)	–		–
Increase by business combination		65	7			72	17,670	17,742
Changes in non-controlling interests						–	2	2
Other movements			(36)		64	28	718	746
Total transactions with owners, etc.	–	21	(5,309)	44	(196)	(5,440)	18,345	12,905
Balance at June 30, 2018	23,370	18,523	335,543	(5,313)	23,914	396,037	36,220	432,257

- (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 three months 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, deemed to be a transitional measure, on the application date.

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. <Display Materials> Materials for color LCDs; functional coating materials; etc. <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 Quarter of FY ended March 2018 with the segment categories used for the First Quarter 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 Quarter of FY ended March 31, 2018 (April 1 to June 30, 2017)*

	Reportable Segment					Total	Adjustment [Note 2]	Amount Recorded on the Condensed Quarterly Consolidated Statement of Profit or Loss
	Elastomers	Plastics	Digital Solutions	Life Sciences	Other [Note 1]			
Revenue from external customers	47,438	12,824	34,584	5,156	1,051	101,053	75	101,128
Operating profit or (loss)	5,764	1,419	8,077	(1,430)	(440)	13,390	(684)	12,706
Finance income								1,007
Finance costs								(225)
Quarterly profit before tax								13,488

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 684 million yen contains company-wide profits and losses not allocated to the reportable segments.

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

	Reportable Segment					Total	Adjustment [Note 2]	Amount Recorded on the Condensed Quarterly Consolidated Statement of Profit or Loss
	Elastomers	Plastics	Digital Solutions	Life Sciences	Other [Note 1]			
Revenue from external customers	49,653	26,400	35,398	8,974	1,800	122,226	31	122,257
Operating profit or (loss)	2,452	2,171	8,199	368	(463)	12,727	(1,244)	11,483
Finance income								433
Finance costs								(322)
Quarterly profit before tax								11,594

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 1,244 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)

## Current assets

Cash and cash equivalents 2,617 million yen

Trade and other receivables 10,508 million yen

Inventories 6,945 million yen

Other 736 million yen

## Non-current assets

Property, plant and equipment 11,356 million yen

Other intangible assets 357 million yen

Deferred tax assets 992 million yen

Other 1,775 million yen

Assets acquired 35,287 million yen

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

Note: Goodwill

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.

(4) Acquisition-related Costs

Acquisition-related costs were 136 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 included 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 FY ending March 2019, so 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

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

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 are still under review and, consequently, the allocation of the acquisition value is incomplete as of June 30, 2018.

Acquisition-related costs pertaining to the business consolidation 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

The effect of this acquisition on business performance over the First Quarter of FY ending March 2019 is minor.