

**Translation**

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

January 28, 2019

Company name: JSR Corporation  
 Listing: Tokyo Stock Exchange  
 Securities code: 4185  
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Scheduled date to file quarterly securities report: February 8, 2019  
 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 nine months of the fiscal year ending March 31, 2019 (from April 1, 2018 to December 31, 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	%
Nine months ended								
December 31, 2018	376,548	20.1	37,948	2.1	38,706	0.0	29,367	1.3
December 31, 2017	313,524	11.5	37,152	44.5	38,690	39.5	28,992	31.4

	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
Nine months ended						
December 31, 2018	27,719	0.2	23,168	(47.9)	125.13	124.80
December 31, 2017	27,660	24.0	44,471	105.0	124.29	123.93

### (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					
December 31, 2018	693,203	435,437	398,011	57.4	1,805.93
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 December 31, 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 December 31, 2018	5,735,106 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 nine months ended December 31, 2018	221,530,015 shares
For the nine months ended December 31, 2017	222,540,898 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, January 28, 2019.

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## 1. Qualitative Information on Quarterly Results

## (1) Explanation of Business Results

Overview of the First Nine Months of FY ending March 2019 (April 1, 2018 to December 31, 2018)

In JSR Group's main customer industries, demand for automobile tires, which had progressed steadily since April, has turned to a slight downward trend in China and other markets since July.

Although demand has stayed firm in the semiconductor market and the LCD panel market, uncertainty has been rising due to underlying concerns about contraction in the smartphone market and U.S.-China trade friction.

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 nine months of FY ending March 2019, the Company reported revenue of 376,548 million yen (up 20.1% year-on-year), operating profit of 37,948 million yen (up 2.1% year-on-year), and profit attributable to owners of parent of 27,719 million yen (up 0.2% 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	3rd Quarter of FY ended March 2018 (Apr. 1 to Dec. 31, 2017)		3rd Quarter of FY ending March 2019 (Apr. 1 to Dec. 31, 2018)		Change	
	Amount	Component ratio	Amount	Component ratio	Amount	Percentage
Revenue						
Elastomers	144,171	46.0%	151,808	40.3%	7,637	5.3%
Plastics	40,050	12.8%	79,595	21.1%	39,545	98.7%
Digital Solutions	106,311	33.9%	109,105	29.0%	2,794	2.6%
Life Sciences	18,824	6.0%	32,336	8.6%	13,512	71.8%
Other	3,903	1.2%	3,704	1.0%	(199)	(5.1%)
Adjustment	266	0.1%	1	0.0%	(265)	(99.6%)
Total	313,524	100.0%	376,548	100.0%	63,024	20.1%
Revenue in Japan	136,735	43.6%	167,203	44.4%	30,468	22.3%
Overseas revenue	176,789	56.4%	209,345	55.6%	32,557	18.4%
Segment	3rd Quarter of FY ended March 2018 (Apr. 1 to Dec. 31, 2017)		3rd Quarter of FY ending March 2019 (Apr. 1 to Dec. 31, 2018)		Change	
	Amount	Percentage to revenue	Amount	Percentage to revenue	Amount	Percentage
Operating profit	37,152	11.8%	37,948	10.1%	796	2.1%
Profit attributable to owners of parent	27,660	8.8%	27,719	7.4%	59	0.2%

(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 7,436 million yen (down 43.5% year-on-year) on revenue of 151,808 million yen (up 5.3% year-on-year) in the first nine 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, 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 6,741 million yen (up 35.9% year-on-year) on revenue of 79,595 million yen (up 98.7% year-on-year) in the first nine 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 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 27,283 million yen (up 11.0% year-on-year) on revenue of 109,105 million yen (up 2.6% year-on-year) in the first nine months 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 1,339 million yen, up from an operating loss of 1,608 million yen in the same period of the previous year, on revenue of 32,336 million yen (up 71.8% year-on-year) in the first nine 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 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

(Unit: Millions of yen)

	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	124,956	73,411
Trade and other receivables	122,476	141,543
Inventories	87,567	116,324
Other financial assets	13,776	3,657
Other current assets	9,134	9,997
Total current assets	<u>357,908</u>	<u>344,932</u>
Non-current assets		
Property, plant and equipment	159,834	182,457
Goodwill	19,389	60,617
Other intangible assets	10,403	12,461
Investments accounted for using equity method	24,777	24,773
Retirement benefit asset	1,003	1,109
Other financial assets	64,970	55,850
Other non-current assets	1,862	2,190
Deferred tax assets	7,552	8,813
Total non-current assets	<u>289,791</u>	<u>348,271</u>
Total assets	<u><u>647,699</u></u>	<u><u>693,203</u></u>

(Unit: Millions of yen)

	As of March 31, 2018	As of December 31, 2018
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	110,303	129,287
Borrowings	25,947	32,335
Income taxes payable	4,520	4,277
Other financial liabilities	641	720
Other current liabilities	12,607	12,536
<b>Total current liabilities</b>	<b>154,019</b>	<b>179,156</b>
<b>Non-current liabilities</b>		
Borrowings	53,456	51,932
Retirement benefit liability	14,500	15,617
Other financial liabilities	1,674	1,776
Other non-current liabilities	2,480	2,274
Deferred tax liabilities	9,955	7,011
<b>Total non-current liabilities</b>	<b>82,064</b>	<b>78,610</b>
<b>Total liabilities</b>	<b>236,084</b>	<b>257,765</b>
<b>Equity</b>		
<b>Equity attributable to owners of parent</b>		
Share capital	23,370	23,370
Capital surplus	18,502	18,427
Retained earnings	331,913	348,050
Treasury shares	(5,358)	(10,112)
Other components of equity	25,071	18,277
<b>Total equity attributable to owners of parent</b>	<b>393,499</b>	<b>398,011</b>
<b>Non-controlling interests</b>	<b>18,116</b>	<b>37,427</b>
<b>Total equity</b>	<b>411,615</b>	<b>435,437</b>
<b>Total liabilities and equity</b>	<b>647,699</b>	<b>693,203</b>

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

(Unit: Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Revenue	313,524	376,548
Cost of sales	(213,944)	(262,005)
Gross profit	99,580	114,543
Selling, general and administrative expenses	(64,119)	(76,604)
Other operating income	1,888	1,273
Other operating expenses	(968)	(1,630)
Share of profit of investments accounted for using equity method	771	366
Operating profit	37,152	37,948
Finance income	2,281	1,695
Finance costs	(743)	(937)
Profit before tax	38,690	38,706
Income taxes	(9,698)	(9,340)
Profit	28,992	29,367
Profit attributable to:		
Owners of parent	27,660	27,719
Non-controlling interests	1,333	1,648
Total	28,992	29,367
Earnings per share		
Basic earnings per share (Yen)	124.29	125.13
Diluted earnings per share (Yen)	123.93	124.80



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

(Unit: Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Profit	28,992	29,367
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	10,873	(6,101)
Share of other comprehensive income of entities accounted for using equity method	(6)	(1)
Items that may be reclassified to profit or loss		
Net change in fair value of cash flow hedges	56	(19)
Exchange differences on translation of foreign operations	4,168	608
Share of other comprehensive income of entities accounted for using equity method	388	(685)
Total other comprehensive income, net of tax	15,479	(6,198)
Total comprehensive income	44,471	23,168
Comprehensive income attributable to:		
Owners of parent	42,086	21,777
Non-controlling interests	2,384	1,391
Total	44,471	23,168

(4) Condensed Quarterly Consolidated Statement of Changes in Equity  
*Cumulative nine months of the previous consolidated fiscal year (April 1, 2017 to December 31, 2017)*

(Unit: 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			27,660			27,660	1,333	28,992
Other comprehensive income					14,427	14,427	1,052	15,479
Total comprehensive income	–	–	27,660	–	14,427	42,086	2,384	44,471
Share-based payment transactions	50	51			(55)	46		46
Dividends			(11,127)			(11,127)	(42)	(11,169)
Changes in treasury shares		8		12		20	0	20
Transfer from other components of equity to retained earnings			168		(168)	–		–
Changes in non-controlling interests		28			4	32	111	143
Other movements					(666)	(666)	990	324
Total transactions with owners, etc.	50	87	(10,959)	12	(885)	(11,695)	1,059	(10,636)
Balance at December 31, 2017	23,370	18,529	326,217	(5,384)	29,548	392,280	17,918	410,198

*Cumulative nine months of the current consolidated fiscal year (April 1, 2018 to December 31, 2018)*

(Unit: 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			27,719			27,719	1,648	29,367
Other comprehensive income					(5,942)	(5,942)	(257)	(6,198)
Total comprehensive income	–	–	27,719	–	(5,942)	21,777	1,391	23,168
Share-based payment transactions		(142)		88	(33)	(87)		(87)
Dividends			(12,175)			(12,175)	(623)	(12,798)
Changes in treasury shares		1		(4,843)		(4,841)		(4,841)
Transfer from other components of equity to retained earnings			582		(582)	–		–
Increase by business combination		65	46		(239)	(128)	17,824	17,697
Other movements			(36)		1	(35)	718	683
Total transactions with owners, etc.	–	(75)	(11,583)	(4,755)	(853)	(17,265)	17,919	654
Balance at December 31, 2018	23,370	18,427	348,050	(10,112)	18,277	398,011	37,427	435,437

## (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 nine 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 since 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. <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 nine months of FY ended March 2018 with the segment categories used for the first nine months 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.

### *Cumulative nine months of the previous consolidated fiscal year (April 1, 2017 to December 31, 2017)*

(Unit: Millions of yen)

	Reportable Segment					Other [Note 1]	Total	Adjustment [Note 2]	Amount Recorded on the Condensed Quarterly Consolidated Statement of Profit or Loss
	Elastomers	Plastics	Digital Solutions	Life Sciences					
Revenue from external customers	144,171	40,050	106,311	18,824	3,903	313,258	266	313,524	
Operating profit or (loss)	13,154	4,961	24,578	(1,608)	(1,722)	39,363	(2,211)	37,152	
Finance income								2,281	
Finance costs								(743)	
Quarterly profit before tax								38,690	

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 2,211 million yen contains company-wide profits and losses not allocated to the reportable segments.

### *Cumulative nine months of the current consolidated fiscal year (April 1, 2018 to December 31, 2018)*

(Unit: Millions of yen)

	Reportable Segment					Other [Note 1]	Total	Adjustment [Note 2]	Amount Recorded on the Condensed Quarterly Consolidated Statement of Profit or Loss
	Elastomers	Plastics	Digital Solutions	Life Sciences					
Revenue from external customers	151,808	79,595	109,105	32,336	3,704	376,547	1	376,548	
Operating profit or (loss)	7,436	6,741	27,283	1,339	(1,274)	41,525	(3,577)	37,948	
Finance income								1,695	
Finance costs								(937)	
Quarterly profit before tax								38,706	

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 3,577 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 the date of business combination 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 nine months 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 nine months 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 December 31, 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 nine months 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 5,947 million yen and 718 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 nine months of FY ending March 2019 has been minor, when assuming the business combination was executed at the start of the term.