

Translation

Notice: This document is an excerpt translation of the original Japanese document and is for reference purposes only. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2020 (under IFRS)

July 29, 2019

Company name: JSR Corporation
 Listing: Tokyo Stock Exchange
 Securities code: 4185
 URL: <http://www.jsr.co.jp/>
 Representative: Nobuo Kawahashi, Representative Director, President and COO
 Inquiries: Nobuhiko Kuwashima, General Manager of Corporate Communications Department
 TEL: +81-3-6218-3517

Scheduled date to file quarterly securities report: August 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 three months of the fiscal year ending March 31, 2020 (from April 1, 2019 to June 30, 2019)

(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, 2019	119,501	(2.3)	10,035	(12.6)	9,854	(15.0)	8,038	(9.1)
June 30, 2018	122,257	20.9	11,483	(9.6)	11,594	(14.0)	8,842	(12.0)

	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, 2019	7,291	(18.4)	5,400	(30.2)	33.20	33.13
June 30, 2018	8,939	(5.4)	7,736	(41.6)	40.16	40.05

(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, 2019	677,914	436,116	396,427	58.5	1,817.71
March 31, 2019	691,435	440,360	401,998	58.1	1,823.69

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, 2019	—	30.00	—	30.00	60.00
Fiscal year ending March 31, 2020	—				
Fiscal year ending March 31, 2020 (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, 2020
(from April 1, 2019 to March 31, 2020)**

(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, 2019	252,000	2.6	21,500	(4.1)	21,500	(8.5)	16,500	(4.4)	15,000	(10.3)	68.05
Fiscal year ending March 31, 2020	508,000	2.3	44,500	3.4	44,500	0.7	34,000	1.2	31,000	(0.4)	140.63

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): None
- (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, 2019	226,126,145 shares
As of March 31, 2019	226,126,145 shares

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

As of June 30, 2019	8,035,009 shares
As of March 31, 2019	5,694,949 shares

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

For the three months ended June 30, 2019	219,595,826 shares
For the three months ended June 30, 2018	222,601,596 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 29, 2019.

Table for Contents for the Attachment

1. Qualitative Information on Quarterly Results	2
(1) Explanation of Business Results	2
(2) Explanation of Future Forecast Information, such as Forecast of Consolidated Business Results	3
2. Condensed Quarterly Consolidated Financial Statements	4
(1) Condensed Quarterly Consolidated Statement of Financial Position	4
(2) Condensed Quarterly Consolidated Statement of Profit or Loss	6
(3) Condensed Quarterly Consolidated Statement of Comprehensive Income	7
(4) Condensed Quarterly Consolidated Statement of Changes in Equity	8
(5) Notes on Condensed Quarterly Consolidated Financial Statements	9
(Cautionary Notes regarding Assumptions of Going Concern)	9
(Significant Accounting Policies)	9
(Changes in Accounting Policy)	9
(Segment Information)	10

1. Qualitative Information on Quarterly Results

(1) Explanation of Business Results

Overview of the First Quarter of FY ending March 2020 (April 1, 2019 to June 30, 2019)

JSR Group's main customer industries have continued to face tough conditions since the second half of the previous fiscal year, given the U.S.-China trade conflict, the confusion surrounding the negotiations of the U.K.'s exit from the EU, and other factors.

Under these circumstances, JSR Group has focused in the Elastomers Business on expanding global sales of products with advantages in technological competitiveness. In the Plastics Business, Techno-UMG Co. Ltd. — in its second year since its merger — has aimed to realize synergy benefits through business consolidations and continued with integration of sales, development, and manufacturing. In the Digital Solutions Business, the Group has promoted expanded sales of semiconductor materials applicable to cutting-edge technologies as well as greater sales of display materials in the Chinese market where strong growth is expected. In the Life Sciences Business, the Group has concentrated on enhancing consolidation of the structures undertaking end-to-end biomedical drug discovery, production process development, and contract manufacturing obtained through active business acquisitions, in addition to greater sales of highly functional materials, a company strength.

In the First Quarter of FY ending March 2020, the Company reported revenue of 119,501 million yen (down 2.3% year-on-year), operating profit of 10,035 million yen (down 12.6% year-on-year), and profit attributable to owners of parent of 7,291 million yen (down 18.4% year-on-year).

(Unit: Millions of yen)

Segment	First Quarter of FY ended March 2019 (April 1 to June 30, 2018)		First Quarter of FY ending March 2020 (April 1 to June 30, 2019)		Change	
	Amount	Component ratio	Amount	Component ratio	Amount	Percentage
Revenue						
Elastomers	49,653	40.6%	45,792	38.3%	(3,861)	(7.8%)
Plastics	26,400	21.6%	24,822	20.8%	(1,579)	(6.0%)
Digital Solutions	35,398	29.0%	36,038	30.2%	640	1.8%
Life Sciences	8,974	7.3%	12,308	10.3%	3,334	37.2%
Other	1,800	1.5%	541	0.4%	(1,259)	(69.9%)
Adjustment	31	0.0%	0	0.0%	(31)	(99.8%)
Total	122,257	100.0%	119,501	100.0%	(2,756)	(2.3%)

Revenue in Japan	54,011	44.2%	51,372	43.0%	(2,639)	(4.9%)
Overseas revenue	68,246	55.8%	68,129	57.0%	(117)	(0.2%)

Segment	First Quarter of FY ended March 2019 (April 1 to June 30, 2018)		First Quarter of FY ending March 2020 (April 1 to June 30, 2019)		Change	
	Amount	Percentage of revenue	Amount	Percentage of revenue	Amount	Percentage
Operating profit	11,483	9.4%	10,035	8.4%	(1,448)	(12.6%)
Profit attributable to owners of parent	8,939	7.3%	7,291	6.1%	(1,648)	(18.4%)

(i) Elastomers Business Segment

Overall sales volume in the Elastomers Business segment decreased from the same period of the previous year and revenue was also down, despite satisfactory growth in SSBR sales volume. Operating profit dropped considerably, impacted by a contraction in price spreads due to lower sales prices caused primarily by lower raw material prices.

Consequently, the Elastomers Business segment posted an operating profit of 294 million yen (down 88.0% year-on-year) on revenue of 45,792 million yen (down 7.8% year-on-year) in the first three months of FY ending March 2020.

(ii) Plastics Business Segment

Sales volume, especially sales to overseas destinations, in the Plastics Business segment slipped from the same period of the previous year and revenue also fell. Despite better price spreads supported by improved sales prices on higher raw material prices, operating profit declined due to the significant impact of the sales volume slump.

Consequently, the Plastics Business segment posted an operating profit of 1,970 million yen (down 9.3% year-on-year) on revenue of 24,822 million yen (down 6.0% year-on-year) in the first three months of FY ending March 2020.

(iii) Digital Solutions Business Segment

Revenue improved in the Digital Solutions Business segment from the same period of the previous year, on the back of sales volume growth in edge computing materials and a good showing by semiconductor and display materials in spite of tough conditions in customer markets. Operating profit also rose slightly, driven by revenue growth.

Consequently, the Digital Solutions Business segment posted an operating profit of 8,333 million yen (up 1.6% year-on-year) on revenue of 36,038 million yen (up 1.8% year-on-year) in the first three months of FY ending March 2020.

(iv) Life Sciences Business Segment

The Life Sciences Business segment saw a sizable jump in revenue from the same period of the previous year, supported by expanded sales in biomedical drug discovery, production process development, and contract manufacturing as well as in diagnostic reagents. The segment's operating profit increased due to a rise in profits concurrent with expanded revenue.

Consequently, the Life Sciences Business segment posted an operating profit of 1,145 million yen (up 211.3% year-on-year) on revenue of 12,308 million yen (up 37.2% year-on-year) in the first three months of FY ending March 2020.

(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 2020, as announced in the "Consolidated Business Results for FY ended March 2019" on April 24, 2019.

2. Condensed Quarterly Consolidated Financial Statements

(1) Condensed Quarterly Consolidated Statement of Financial Position

	(Millions of yen)	
	As of March 31, 2019	As of June 30, 2019
Assets		
Current assets		
Cash and cash equivalents	70,785	70,366
Trade and other receivables	135,280	125,929
Inventories	117,046	116,597
Other financial assets	5,002	3,106
Other current assets	10,870	6,008
Total current assets	<u>338,983</u>	<u>322,005</u>
Non-current assets		
Property, plant and equipment	183,457	198,534
Goodwill	59,066	57,709
Other intangible assets	14,205	14,587
Investments accounted for using equity method	24,269	24,001
Retirement benefit asset	1,503	1,535
Other financial assets	58,895	50,070
Other non-current assets	2,305	2,258
Deferred tax assets	8,751	7,214
Total non-current assets	<u>352,452</u>	<u>355,909</u>
Total assets	<u><u>691,435</u></u>	<u><u>677,914</u></u>

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	118,053	107,270
Borrowings	33,519	24,628
Income taxes payable	5,598	5,096
Other financial liabilities	532	490
Other current liabilities	14,752	11,630
Total current liabilities	172,455	149,114
Non-current liabilities		
Borrowings	50,777	55,731
Retirement benefit liability	15,870	16,028
Other financial liabilities	1,675	14,394
Other non-current liabilities	2,733	3,442
Deferred tax liabilities	7,565	3,088
Total non-current liabilities	78,620	92,684
Total liabilities	251,075	241,798
Equity		
Equity attributable to owners of parent		
Share capital	23,370	23,370
Capital surplus	18,436	18,386
Retained earnings	351,476	358,870
Treasury shares	(10,042)	(13,708)
Other components of equity	18,758	9,509
Total equity attributable to owners of parent	401,998	396,427
Non-controlling interests	38,361	39,689
Total equity	440,360	436,116
Total liabilities and equity	691,435	677,914

(2) Condensed Quarterly Consolidated Statement of Profit or Loss

	(Millions of yen)	
	Three months ended June 30, 2018	Three months ended June 30, 2019
Revenue	122,257	119,501
Cost of sales	(85,929)	(83,458)
Gross profit	36,328	36,043
Selling, general and administrative expenses	(25,210)	(26,021)
Other operating income	418	209
Other operating expenses	(406)	(498)
Share of profit of investments accounted for using equity method	353	302
Operating profit	11,483	10,035
Finance income	433	416
Finance costs	(322)	(597)
Profit before tax	11,594	9,854
Income taxes	(2,752)	(1,817)
Profit	8,842	8,038
Profit attributable to:		
Owners of parent	8,939	7,291
Non-controlling interests	(97)	747
Total	8,842	8,038
Earnings per share		
Basic earnings per share (Yen)	40.16	33.20
Diluted earnings per share (Yen)	40.05	33.13

(3) Condensed Quarterly Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Three months ended June 30, 2018	Three month ended June 30, 2019
Profit	8,842	8,038
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	(170)	416
Share of other comprehensive income of entities accounted for using equity method	6	(2)
Items that may be reclassified to profit or loss		
Net change in fair value of cash flow hedges	22	(52)
Exchange differences on translation of foreign operations	182	(2,765)
Share of other comprehensive income of entities accounted for using equity method	(1,146)	(236)
Total other comprehensive income, net of tax	(1,106)	(2,638)
Total comprehensive income	7,736	5,400
Comprehensive income attributable to:		
Owners of parent	7,977	4,599
Non-controlling interests	(241)	801
Total	7,736	5,400

(4) Condensed Quarterly Consolidated Statement of Changes in Equity
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 remuneration 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

First Quarter of FY ended March 2020 (April 1 to June 30, 2019)

(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, 2019	23,370	18,436	351,476	(10,042)	18,758	401,998	38,361	440,360
Effect of changes in accounting policies			133			133		133
Restated balance at April 1, 2019	23,370	18,436	351,609	(10,042)	18,758	402,131	38,361	440,493
Profit			7,291			7,291	747	8,038
Other comprehensive income					(2,692)	(2,692)	54	(2,638)
Total comprehensive income	–	–	7,291	–	(2,692)	4,599	801	5,400
Share-based remuneration transactions		(49)			26	(23)		(23)
Dividends			(6,613)			(6,613)	(895)	(7,508)
Changes in treasury shares		(1)		(3,667)		(3,668)		(3,668)
Transfer from other components of equity to retained earnings			6,583		(6,583)	–		–
Increase by business combination						–		–
Changes in equity due to capital increase of subsidiary						–	1,422	1,422
Other movements						–		–
Total transactions with owners, etc.	–	(50)	(29)	(3,667)	(6,557)	(10,303)	527	(9,776)
Balance at June 30, 2019	23,370	18,386	358,870	(13,708)	9,509	396,427	39,689	436,116

(5) Notes on Condensed Quarterly Consolidated Financial Statements
 (Cautionary Notes regarding Assumptions of Going Concern)
 Not applicable

(Significant Accounting Policies)

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 2019, apart from the matters stated below.

Income tax expenses in the first three months of FY ending March 2020 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 2020.

IFRS	Summary of New / Revised Standard
IFRS 16 — Leases	Revision accounting related to lease contracts

(Changes in Accounting Policy)

The Group has applied IFRS 16 — *Leases* (“IFRS 16”) from the First Quarter of FY ending March 2020. For the adoption of IFRS 16, the Group has employed a method recognizing the cumulative effect of the standard's application, deemed to be a transitional measure, as the balance of retained earnings at the beginning of the current period at the date of initial application, without presenting a restatement of comparative information (modified retrospective approach).

At inception of a contract, the Group assesses whether the contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group elects not to recognize right-of-use assets and lease liabilities for short-term leases within 12 months and leases of low-value assets.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date when a contract is assessed to be, or contain, a lease. The lease liability of a lease transaction is measured at the discounted present value of the total unpaid value of lease payments at the lease commencement date. The right-of-use asset is initially measured based on the initial measurement amount of the lease liability adjusted for any initial direct costs incurred or any lease payments made at or before the commencement date, plus any costs to restore the underlying asset or the site on which it is located and other related costs required in the lease contract. The right-of-use asset is periodically depreciated over the term of the lease. Lease payments are allocated to finance costs and an amortization component of the lease liability balance, in such a way as to apply a fixed interest rate to the lease liability balance. Finance costs are categorized and recorded as depreciation pertaining to the right-of-use asset on the Condensed Quarterly Consolidated Statement of Profit or Loss.

Whether a contract is a lease or whether a contract contains a lease is determined based on the substance of the contract, even when the contract is not legally a lease-type contract. The lease payments associated with leases with a term concluding within 12 months and leases for which the underlying asset is of low value are recognized as an expense on a straight-line basis over the lease term.

As a result of the transition to IFRS 16, right-of-use assets of 13,810 million yen have been incrementally recognized in *Property, plant and equipment* and lease liabilities of 13,678 million yen have been incrementally recognized in *Other financial liabilities* under current liabilities and non-current liabilities on the current Condensed Quarterly Consolidated Statement of Financial Position at the date of initial application. The weighted average incremental borrowing rate applied to lease liabilities recognized at the date of initial application of IFRS 16 was 3.0%.

(Segment Information)

(1) Outline of Reportable Segments

JSR Group reportable segments are components of the Group for which separate financial information is available. The Board of Directors determines the basis of business segments 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.

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

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	<p data-bbox="579 577 1423 633"><Semiconductor Materials> Lithography materials (photoresists, multilayer materials); CMP materials; mounting materials; etc.</p> <p data-bbox="579 633 1423 689"><Display Materials> Materials for color LCDs; functional coating materials; etc.</p> <p data-bbox="579 689 1423 790"><Edge Computing Materials> Heat-resistant transparent resins and functional films; high-functional UV curable resins; photo fabrication and photo molding systems; etc.</p>
Life Sciences Business	Diagnostic and research reagents and similar materials; bio-process materials; contract bio-process development and manufacturing, etc.

(2) Reportable Segment Revenues, Profits and Losses

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

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

	Reportable Segment					Other [Note 1]	Total	Adjustment [Note 2]	(Millions of yen)
	Elastomers	Plastics	Digital Solutions	Life Sciences	Amount Recorded in the Condensed Quarterly Consolidated Statement of Profit or Loss				
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.

First Quarter of FY ending March 31, 2020 (April 1 to June 30, 2019)

	Reportable Segment					Other [Note 1]	Total	Adjustment [Note 2]	(Millions of yen)
	Elastomers	Plastics	Digital Solutions	Life Sciences	Amount Recorded in the Condensed Quarterly Consolidated Statement of Profit or Loss				
Revenue from external customers	45,792	24,822	36,038	12,308	541	119,501	0	119,501	
Operating profit or (loss)	294	1,970	8,333	1,145	(315)	11,427	(1,392)	10,035	
Finance income								416	
Finance costs								(597)	
Quarterly profit before tax								9,854	

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 1,392 million yen contains company-wide profits and losses not allocated to the reportable segments.