JSR Corporation

Translation

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

October 28, 2019

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Listing: Tokyo Stock Exchange
Securities code: 4185
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Scheduled date to file quarterly securities report: November 8, 2019
Scheduled date to commence dividend payments: November 27, 2019
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, 2020 (from April 1, 2019 to September 30, 2019)

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

	Revenue		Operating profit		Profit before tax		Profit	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2019	240,149	(2.3)	18,999	(15.2)	18,894	(19.6)	15,061	(12.8)
September 30, 2018	245,695	20.7	22,413	(4.1)	23,495	(5.4)	17,267	(10.0)

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
Six months ended	Millions of yen	%	Millions of yen	%	Yen	Yen
September 30, 2019	13,472	(19.4)	11,042	(36.4)	61.77	61.65
September 30, 2018	16,717	(7.0)	17,376	(39.0)	75.29	75.09

(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, 2019	667,451	435,518	395,099	59.2	1,840.19
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	–	30.00			
Fiscal year ending March 31, 2020 (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, 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
Fiscal year ending March 31, 2020	483,000	(2.8)	40,000	(7.0)	40,000	(9.5)	31,000	(7.7)	28,000	(10.0)	130.41

Note: Revisions to the earnings forecasts most recently announced: Yes

*** 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 September 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 September 30, 2019	11,420,414 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 six months ended September 30, 2019	218,114,505 shares
For the six months ended September 30, 2018	222,020,261 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 28, 2019.

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1. Qualitative Information on Quarterly Results

(1) Explanation of Business Results

Overview of the First Half of FY ending March 2020 (April 1, 2019 to September 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, which are exacerbated by the growing economic slowdown in East Asia countries.

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 products 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 enlarged sales of highly functional products, a company strength.

In the First Half of FY ending March 2020, the Company reported revenue of 240,149 million yen (down 2.3% year-on-year), operating profit of 18,999 million yen (down 15.2% year-on-year), and profit attributable to owners of parent of 13,472 million yen (down 19.4% year-on-year).

(Millions of yen)

Segment	First Half of FY ended March 2019 (April 1 to September 30, 2018)		First Half of FY ending March 2020 (April 1 to September 30, 2019)		Change	
	Amount	Component ratio	Amount	Amount	Component ratio	Amount
Revenue						
Elastomers	99,375	40.5%	91,007	37.9%	(8,368)	(8.4%)
Plastics	52,600	21.4%	48,962	20.4%	(3,638)	(6.9%)
Digital Solutions	71,585	29.1%	73,731	30.7%	2,146	3.0%
Life Sciences	19,269	7.8%	25,080	10.4%	5,811	30.2%
Other	2,866	1.2%	1,370	0.6%	(1,497)	(52.2%)
Adjustment	1	0.0%	0	0.0%	(1)	(88.0%)
Total	245,695	100.0%	240,149	100.0%	(5,546)	(2.3%)

Revenue in Japan	109,446	44.5%	101,964	42.5%	(7,483)	(6.8%)
Overseas revenue	136,249	55.5%	138,186	57.5%	1,937	1.4%

Segment	First Half of FY ended March 2019 (April 1 to September 30, 2018)		First Half of FY ending March 2020 (April 1 to September 30, 2019)		Change	
	Amount	Percentage to revenue	Amount	Percentage to revenue	Amount	Percentage
Operating profit	22,413	9.1%	18,999	7.9%	(3,415)	(15.2%)
Profit attributable to owners of parent	16,717	6.8%	13,472	5.6%	(3,244)	(19.4%)

(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 loss of 278 million yen, down from an operating profit of 4,715 million yen in the same period of the previous year, on revenue of 91,007 million yen (down 8.4% year-on-year) in the First Half 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 lower cost prices on declining 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 3,635 million yen (down 7.9% year-on-year) on revenue of 48,962 million yen (down 6.9% year-on-year) in the First Half 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 semiconductors 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 17,048 million yen (up 2.6% year-on-year) on revenue of 73,731 million yen (up 3.0% year-on-year) in the First Half 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 1,992 million yen (up 376.0% year-on-year) on revenue of 25,080 million yen (up 30.2% year-on-year) in the First Half of FY ending March 2020.

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

JSR Group revised its forecast of consolidated business results for the full-year of FY ending March 2020 from those announced on July 29, 2019. While the Life Sciences Business has been going strong, sales volume declines and sluggish market conditions in the Elastomers and Plastics Businesses, and the slowdown in customer demand for display materials in the Digital Solutions Business depress the forecast and it is expected to fall below the previous forecast. For detailed numerical information, please refer to “Supplemental Data” published on October 28,2019.

2. Condensed Quarterly Consolidated Financial Statements

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and cash equivalents	70,785	65,040
Trade and other receivables	135,280	116,419
Inventories	117,046	116,585
Other financial assets	5,002	3,445
Other current assets	10,870	6,580
Total current assets	338,983	308,067
Non-current assets		
Property, plant and equipment	183,457	200,828
Goodwill	59,066	57,676
Other intangible assets	14,205	14,877
Investments accounted for using equity method	24,269	23,022
Retirement benefit asset	1,503	1,569
Other financial assets	58,895	51,871
Other non-current assets	2,305	2,265
Deferred tax assets	8,751	7,275
Total non-current assets	352,452	359,383
Total assets	691,435	667,451

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	118,053	92,529
Borrowings	33,519	26,668
Income taxes payable	5,598	6,157
Other financial liabilities	532	2,380
Other current liabilities	14,752	14,618
Total current liabilities	172,455	142,353
Non-current liabilities		
Borrowings	50,777	54,171
Retirement benefit liability	15,870	16,006
Other financial liabilities	1,675	12,468
Other non-current liabilities	2,733	3,357
Deferred tax liabilities	7,565	3,578
Total non-current liabilities	78,620	89,580
Total liabilities	251,075	231,932
Equity		
Equity attributable to owners of parent		
Share capital	23,370	23,370
Capital surplus	18,436	18,268
Retained earnings	351,476	364,886
Treasury shares	(10,042)	(19,582)
Other components of equity	18,758	8,158
Total equity attributable to owners of parent	401,998	395,099
Non-controlling interests	38,361	40,419
Total equity	440,360	435,518
Total liabilities and equity	691,435	667,451

(2) Condensed Quarterly Consolidated Statement of Profit or Loss

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Revenue	245,695	240,149
Cost of sales	(173,541)	(168,906)
Gross profit	72,154	71,243
Selling, general and administrative expenses	(50,139)	(51,651)
Other operating income	679	538
Other operating expenses	(817)	(1,322)
Share of profit of investments accounted for using equity method	537	190
Operating profit	22,413	18,999
Finance income	1,679	782
Finance costs	(598)	(886)
Profit before tax	23,495	18,894
Income taxes	(6,228)	(3,833)
Profit	17,267	15,061
Profit attributable to:		
Owners of parent	16,717	13,472
Non-controlling interests	551	1,589
Total	17,267	15,061
Earnings per share		
Basic earnings per share (Yen)	75.29	61.77
Diluted earnings per share (Yen)	75.09	61.65

(3) Condensed Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit	17,267	15,061
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	(1,881)	1,259
Share of other comprehensive income of entities accounted for using equity method	3	0
Items that may be reclassified to profit or loss		
Net change in fair value of cash flow hedges	31	(80)
Exchange differences on translation of foreign operations	3,216	(4,091)
Share of other comprehensive income of entities accounted for using equity method	(1,262)	(1,107)
Total other comprehensive income, net of tax	108	(4,019)
Total comprehensive income	17,376	11,042
Comprehensive income attributable to:		
Owners of parent	16,381	9,511
Non-controlling interests	995	1,531
Total	17,376	11,042

(4) Condensed Quarterly Consolidated Statement of Changes in Equity

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

(Millions of yen)

	Equity attributable to owners of parent							
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total	Non-controlling interests	Total 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 remuneration 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

First Half of FY ending March 2020 (April 1 to September 30, 2019)

(Millions of yen)

	Equity attributable to owners of parent							
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total	Non-controlling interests	Total 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			13,472			13,472	1,589	15,061
Other comprehensive income					(3,961)	(3,961)	(58)	(4,019)
Total comprehensive income	–	–	13,472	–	(3,961)	9,511	1,531	11,042
Share-based remuneration transactions		(143)		292	(222)	(72)		(72)
Dividends			(6,613)			(6,613)	(895)	(7,508)
Changes in treasury shares		(26)		(9,833)		(9,858)	(0)	(9,859)
Transfer from other components of equity to retained earnings			6,417		(6,417)	–		–
Increase by business combination						–		–
Changes in equity due to capital increase of subsidiary						–	1,422	1,422
Other movements						–		–
Total transactions with owners, etc.	–	(168)	(196)	(9,541)	(6,639)	(16,544)	527	(16,017)
Balance at September 30, 2019	23,370	18,268	364,886	(19,582)	8,158	395,099	40,419	435,518

(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 half 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 March2020.

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 within12 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	<Semiconductor Materials> Lithography materials (photoresists, multilayer materials); CMP materials; mounting materials; etc. <Display Materials> Materials for color LCDs; OLED 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.

(2) Reportable Segment Revenues, Profits and Losses

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

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

(Millions of yen)

	Reportable Segment				Other [Note 1]	Total	Adjustment [Note 2]	Amount Recorded in the Condensed Quarterly Consolidated Statement of Profit or Loss
	Elastomers	Plastics	Digital 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.

First Half of FY ending March 31, 2020 (April 1 to September 30, 2019)

(Millions of yen)

	Reportable Segment				Other [Note 1]	Total	Adjustment [Note 2]	Amount Recorded in the Condensed Quarterly Consolidated Statement of Profit or Loss
	Elastomers	Plastics	Digital Solutions	Life Sciences				
Revenue from external customers	91,007	48,962	73,731	25,080	1,370	240,149	0	240,149
Operating profit or (loss)	(278)	3,635	17,048	1,992	(696)	21,700	(2,702)	18,999
Finance income								782
Finance costs								(886)
Quarterly profit before tax								18,894

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 2,702 million yen contains company-wide profits and losses not allocated to the reportable segments.