



JSR Corporation
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Consolidated Business Results for the 1st Half, FY March 2015

October 27, 2014

Name of listed company: JSR Corporation

Stock Exchange: Tokyo

Code # 4185

URL <http://www.jsr.co.jp>

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Expected date of the release of Asset Security Report: November 10, 2014

Expected date of dividend payment: November 27, 2014

Supplementary information for the quarterly financial statements to be prepared: Yes

Meeting to explain for the quarterly financial statements to be held: Yes (for institutional investors and analysts)

(Figures are rounded down to the nearest million)

1. Consolidated Business Results for the 1st Half, FY2015 (April 1 to September 30, 2014)

(1) Consolidated Operating Results

(Note: % implies the rate of increase/decrease year-on-year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
1st half, FY2015	199,900	5.9	17,933	0.5	19,370	-5.0	13,007	-1.1
1st half, FY2014	188,785	3.4	17,847	4.6	20,380	3.2	13,147	-3.5

Note: Comprehensive Income: 16,451 million yen (-10.2%) for the 1st half, FY2015, 18,310 million yen (72.8%) for the 1st half, FY2014

	Net income per share		Net income per share after latent share adjustment	
	Yen		Yen	
1st half, FY2015	55.35		55.22	
1st half, FY2014	55.37		55.24	

(2) Consolidated Financial Position

	Total assets	Net assets	Equity capital ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
1st half, FY2015	513,852	349,941	67.0	1,464.25
FY2014	501,319	337,259	66.1	1,409.06

Note: Equity capital: 344,055 million yen for the 1st half, FY2015, 331,283 million yen for FY2014

2. Status of Distribution

(Reference date)	Dividend per share				
	1st quarter, end	1st half, end	3rd quarter, end	Term end	Full year
	Yen	Yen	Yen	Yen	Yen
FY2014	-	19.00	-	19.00	38.00
FY2015	-	20.00			
FY2015 (Expected)			-	20.00	40.00

Note: Changes of expected dividend during the term: No

3. Forecast results for FY2015 (April 1, 2014 to March 31, 2015)

(Note: % implies the rate of increase/decrease year-on-year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Full FY2015	410,000	4.0	38,000	5.4	39,000	-1.6	28,000	11.2	119.09

Note: Changes from the latest forecasts released: No

* Notes

(1) Changes to major subsidiaries during the current fiscal year (changes to subsidiaries during the current fiscal year, accompanied by the scope of consolidation): No

(2) Application of special accounting treatments for quarterly financial statements: Yes

(3) Changes in accounting policy, changes in accounting estimates, and restatements

1) Changes due to revisions of accounting policy, etc. : Yes

2) Changes in policy other than 1) : No

3) Changes in accounting estimates : No

4) Restatements : No

(4) Number of shares issued (common shares)

1) The number of shares issued at the end of the fiscal year (including own shares)

1st half, FY2015	237,973,205 shares	FY2014	237,973,205 shares
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2) The number of treasury stocks

1st half, FY2015	3,003,675 shares	FY2014	2,862,706 shares
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3) The average number of shares issued within the fiscal year

1st half, FY2015	234,989,880 shares	1st half, FY2014	237,458,672 shares
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* Implementation status about the quarterly review

These financial statements are exempt from quarterly review procedures as required by the Financial Instruments and Exchange Act. A part of quarterly review based on Financial Instruments and Exchange Act were not completed at the time of the disclosure of these financial statements.

* Statement regarding appropriate use of forward-looking statements and other notes

The preceding descriptions of projections and plans are "forward-looking statements," which involve known and unknown risks and uncertainties. These variables could cause the JSR Group's actual performance and financial results to differ substantially from management's projections and plans.

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1. Qualitative Information on Quarterly Results

(1) Explanation of Business Results

Overview of the First Half of FY March 2015 (April 1, 2014 to September 30, 2014)

Here is an overview of the JSR Group's major customers' industries.

In the Petrochemical Products Business, the supply-demand balance globally eased, resulting in narrowing margin spreads. The production of tires in Japan decreased from the previous year due to the effects of the consumption tax rate hike.

In the Fine Chemicals and Other Products Business, our shipments to the semiconductor market remained steady, supported by PC replacement demand in addition to demand for smartphone and multi-functional mobile terminal applications. The production of flat panel displays (FPDs) increased from the previous year, due to the expansion of demand for large-sized televisions and continued growth of demand for mobile equipment.

Amid these circumstances, the JSR Group expanded the production capacity of products with technological advantages in the Petrochemical Products Business, with global sales expansion. In the Fine Chemicals and other Products Business, centering on information-electronics materials, the Group focused on developing materials that correspond to cutting-edge semiconductor technology and strengthened technical support services for materials used for large-sized televisions in the East Asia region.

In the first half of FY March 2015 ended September 30, 2014, we reported consolidated net sales of 199,900 million yen (up 5.9% from the previous year), operating income of 17,933 million yen (up 0.5%), ordinary income of 19,370 million yen (down 5.0%), and net income of 13,007 million yen (down 1.1%).

(Unit: million yen)

	1st Half of FY Mar. 2014 (April 1 to September 30, 2013)		1st Half of FY Mar. 2015 (April 1 to September 30, 2014)		Year-on-year change	
	Millions of yen	% of Net Sales	Millions of yen	% of Net Sales	Millions of yen	The rate of increase/decrease
Net sales						
Elastomers	96,408	51.1%	98,201	49.1%	1,793	1.9%
Plastics	26,491	14.0%	26,968	13.5%	476	1.8%
Fine chemicals and other products	65,886	34.9%	74,730	37.4%	8,844	13.4%
Total	188,785	100.0%	199,900	100.0%	11,114	5.9%
Sales in Japan	92,734	49.1%	94,692	47.4%	1,958	2.1%
Overseas sales	96,051	50.9%	105,207	52.6%	9,156	9.5%
	1st Half of FY Mar. 2014 (April 1 to September 30, 2013)		1st Half of FY Mar. 2015 (April 1 to September 30, 2014)		Year-on-year change	
	Millions of yen	% of Net Sales	Millions of yen	% of Net Sales	Millions of yen	The rate of increase/decrease
Operating income	17,847	9.5%	17,933	9.0%	85	0.5%
Ordinary income	20,380	10.8%	19,370	9.7%	-1,010	-5.0%
Net income	13,147	7.0%	13,007	6.5%	-139	-1.1%

(Review of Operations by Segment)

(Elastomers Business Segment)

The sales volume of synthetic rubbers decreased from the previous year, mainly because the production of automobile tires was sluggish in Japan. Although net sales increased from the previous year due to a price revision associated with rising raw material costs and the impact of foreign exchange fluctuations, operating income decreased from the previous year because of weak overseas markets and an increase in regular repair expenses.

Consequently, the Elastomers Business segment posted operating income of 4,992 million yen (down 41.7%) on net sales of 98,201 million yen (up 1.9%) in the first half of FY March 2015.

(Plastics Business Segment)

Total sales of plastics products increased from the previous year due to a price revision associated with rising raw material costs and the impact of foreign exchange fluctuations, despite a decline in sales volume, centering on automobile applications. Operating income decreased from the previous year mainly due to a decline in sales volume.

Consequently, the Plastics Business segment posted operating income of 811 million yen (down 56.7%) on net sales of 26,968 million yen (up 1.8%) in the first half of FY March 2015.

(Fine Chemicals and Other Products Business Segment)

Sales of semiconductor materials increased from the previous year due to the start of a full-scale mass production of the cutting-edge 20 nm (nano-meter) generation by main customers, in which the Company holds a large share, in addition to robust demand for smartphone and multi-functional mobile terminal applications as well as for PC replacements.

Sales of display materials increased from the previous year due to strong demand for large-sized television and mobile equipment applications.

Operating income of the Fine Chemicals and Other Products Business segment exceeded that of the previous year due to robust sales of semiconductor materials and display materials.

Consequently, the Fine Chemicals and Other Products Business segment posted operating income of 12,129 million yen (up 63.8%) on net sales of 74,730 million yen (up 13.4%) in the first half of FY March 2015.

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

The JSR Group has not revised its forecast of consolidated business results for the full-year of FY March 2015 as announced in the *Consolidated Business Results for FY March 2014* on April 23, 2014.

2. Items Concerning to Summary Information (notes)

(1) Adoption of Special Accounting Methods for Preparing Quarterly Consolidated Financial Statements (Calculation of tax expenses)

Tax expenses are calculated by rationally estimating the effective tax rate after applying deferred tax accounting for net income before income taxes for the consolidated fiscal year, including the second quarter under review, and multiplying net income before income taxes for the quarterly period by the said estimated effective tax rate.

(2) Changes in accounting policy, changes in accounting estimates, and restatements

Changes in accounting policy

(Application of accounting standard for retirement benefits)

Starting with the first quarter of the fiscal year ending March 31, 2015, JSR has applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012; hereinafter the "Accounting Standard") and the Guidance on the Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012; hereinafter the "Guidance") with regard to the provisions prescribed in the main text of Section 35 of the Accounting Standard and Section 67 of the Guidance. As a result, the Company reviewed the calculation methods of retirement benefit obligations and service costs, applied the benefit formula standard for the method of attributing expected retirement benefit to periods, and changed the calculation method of discount rates.

For the application of the above Accounting Standard and other Sections, in accordance with the transitional handling prescribed in Section 37 of the Accounting Standard, at the beginning of the first half of the current fiscal year the effects of the changes in the calculation methods of retirement benefit obligations and service costs were reflected in adjustments in retained earnings.

Consequently, net defined benefit liability decreased by 1,498 million yen and retained earnings increased by 964 million yen at the beginning of the first half of FY March 2015. The application of the Accounting Standard did not have a material effect on operating income, ordinary income or net income before income taxes in the first half of FY March 2015.

3. Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Unit: Millions of Yen)

	Full FY2014 (As of March 31, 2014)	1st Half of FY2015 (As of September 30, 2014)
Assets		
Current assets		
Cash and deposits	33,390	31,737
Notes and accounts receivable - trade, net	87,613	84,122
Securities	81,004	98,665
Inventories	78,689	80,498
Other	45,804	35,749
Total current assets	326,504	330,773
Non-current assets		
Property, plant and equipment	95,630	100,302
Intangible assets	7,250	7,883
Investments and other assets		
Investment securities	60,952	64,541
Other	10,982	10,351
Total investments and other assets	71,935	74,892
Total non-current assets	174,815	183,078
Total assets	501,319	513,852
Liabilities		
Current liabilities		
Notes and accounts payable - trade	85,333	82,018
Short-term loans payable	15,578	14,042
Income taxes payable	6,396	5,369
Other	25,133	29,036
Total current liabilities	132,442	130,467
Non-current liabilities		
Long-term loans payable	11,069	13,287
Net defined benefit liability	15,242	13,883
Other	5,305	6,271
Total non-current liabilities	31,617	33,443
Total liabilities	164,059	163,910
Net assets		
Shareholders' equity		
Common stock	23,320	23,320
Capital surplus	25,179	25,179
Retained earnings	269,620	278,944
Treasury shares	-5,087	-5,355
Total shareholders' equity	313,033	322,088
Accumulated other comprehensive income		
Unrealized gains on securities, net of taxes	11,467	12,878
Foreign currency translation adjustment	6,971	9,182
Remeasurements of defined benefit plans	-188	-94
Total accumulated other comprehensive income	18,250	21,966
Subscription rights to shares	792	834
Minority interests	5,183	5,051
Total net assets	337,259	349,941
Total liabilities and net assets	501,319	513,852

(2) Consolidated Quarterly Income Statement and Comprehensive Income Statement
Consolidated Quarterly Statements of Income

(Unit: Millions of Yen)

	1st Half of FY2014 (April 1 to September 30, 2013)	1st Half of FY2015 (April 1 to September 30, 2014)
Net sales	188,785	199,900
Cost of sales	140,028	149,740
Gross profit	48,756	50,159
Selling, general and administrative expenses	30,909	32,226
Operating income	17,847	17,933
Non-operating income		
Foreign exchange gains	593	1,188
Other	2,309	1,168
Total non-operating income	2,903	2,356
Non-operating expenses		
Total non-operating expenses	370	919
Ordinary income	20,380	19,370
Extraordinary losses		
Loss on valuation of investment securities	135	509
Loss on abandonment of inventories	241	-
Other	23	-
Total extraordinary losses	401	509
Income before income taxes and minority interests	19,979	18,861
Income taxes	7,276	6,285
Income before minority interests	12,703	12,576
Minority interests in loss	-444	-431
Net income	13,147	13,007

Consolidated Quarterly Statements of Comprehensive Income

(Unit: Millions of Yen)

	1st Half of FY2014 (April 1 to September 30, 2013)	1st Half of FY2015 (April 1 to September 30, 2014)
Income before minority interests	12,703	12,576
Other comprehensive income		
Valuation difference on available-for-sale securities	2,563	1,411
Foreign currency translation adjustment	2,197	2,399
Remeasurements of defined benefit plans, net of tax	-	94
Share of other comprehensive income of entities accounted for using equity method	846	-29
Total other comprehensive income	5,606	3,875
Comprehensive income	18,310	16,451
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	18,816	16,649
Comprehensive income attributable to minority interests	-506	-198

(3) Consolidated Quarterly Statements of Cash Flows

(Unit: Millions of Yen)

	1st Half of FY2014 (April 1 to September 30, 2013)	1st Half of FY2015 (April 1 to September 30, 2014)
Cash flows from operating activities		
Income before income taxes and minority interests	19,979	18,861
Depreciation	8,576	8,144
Interest and dividend income	-445	-581
Interest expenses	55	164
Share of (profit) loss of entities accounted for using equity method	-1,429	77
Loss (gain) on valuation of investment securities	135	509
Decrease (increase) in notes and accounts receivable - trade	14,426	3,437
Decrease (increase) in inventories	-3,907	-731
Increase (decrease) in notes and accounts payable - trade	-26,048	-3,423
Other, net	12,895	9,968
Subtotal	24,237	36,426
Interest and dividend income received	858	806
Interest expenses paid	-47	-150
Income taxes paid	-6,915	-7,141
Net cash provided by (used in) operating activities	18,132	29,940
Cash flows from investing activities		
Decrease (increase) in time deposits	8,499	-1,498
Decrease (increase) in short-term investment securities	15,500	-22,000
Purchase of non-current assets	-12,541	-12,110
Purchase of investment securities	-654	-414
Purchase of shares of subsidiaries and associates	-834	-1,262
Payments of loans receivable	-1,326	-1,102
Collection of loans receivable	1,067	1,415
Other, net	109	-252
Net cash provided by (used in) investing activities	9,820	-37,225
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-124	-1,477
Repayments of long-term loans payable	-	-876
Proceeds from long-term loans payable	940	2,209
Purchase of treasury shares	-2	-268
Cash dividends paid	-3,938	-4,495
Cash dividends paid to minority shareholders	-40	-28
Other, net	-6	-5
Net cash provided by (used in) financing activities	-3,171	-4,944
Effect of exchange rate change on cash and cash equivalents	943	1,245
Net increase (decrease) in cash and cash equivalents	25,725	-10,983
Cash and cash equivalents at beginning of period	53,818	91,114
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	-	498
Cash and cash equivalents at end of period	79,543	80,629

(4) Notes on Consolidated Quarterly Financial Statements

(Notes on Assumption of a Going Concern)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Not applicable

(Segment Information, etc.)

(Segment Information)

I. First Half of FY March 2014 (April 1, 2013 to September 30, 2013)

1. Information relating to net sales, income, or losses for each reporting segment

	Reporting segment				Reconciliation (Millions of yen)	Consolidated (Millions of yen)
	Elastomers (Millions of yen)	Plastics (Millions of yen)	Fine chemicals and other products (Millions of yen)	Total (Millions of yen)		
Net sales						
Sales to external customers	96,408	26,491	65,886	188,785	-	188,785
inter-segment sales/transfers	2,025	-	-	2,025	-2,025	-
Sales total	98,433	26,491	65,886	190,810	-2,025	188,785
Operating income	8,567	1,875	7,404	17,847	-	17,847

2. Major differences between the total income (or loss) of each reporting segment and the amount reported on the consolidated quarterly income statement (matters related to difference adjustment)

The total income of each segment agrees with the operating income reported on the consolidated quarterly income statement.

II. First Half of FY March 2015 (April 1, 2014 to September 30, 2014)

1. Information relating to net sales, income, or losses for each reporting segment

	Reporting segment				Reconciliation (Millions of yen)	Consolidated (Millions of yen)
	Elastomers (Millions of yen)	Plastics (Millions of yen)	Fine chemicals and other products (Millions of yen)	Total (Millions of yen)		
Net sales						
Sales to external customers	98,201	26,968	74,730	199,900	-	199,900
inter-segment sales/transfers	1,839	-	-	1,839	-1,839	-
Sales total	100,041	26,968	74,730	190,810	-1,839	199,900
Operating income	4,992	811	12,129	17,933	-	17,933

2. Major differences between the total income (or loss) of each reporting segment and the amount reported on the consolidated quarterly income statement (matters related to difference adjustment)

The total income of each segment agrees with the operating income reported on the consolidated quarterly income statement.