

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2015 (Based on Japanese GAAP)

October 26, 2015

Company name: JSR Corporation
 Stock exchange listing: Tokyo
 Stock code: 4185 URL <http://www.jsr.co.jp>
 Representative: Representative Director and President Mitsunobu Koshiba
 General Manager, Corporate
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 Scheduled date to file Quarterly Securities Report: November 10, 2015
 Scheduled date to commence dividend payments: November 26, 2015
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2015 (from April 1, 2015 to September 30, 2015)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2015	195,133	(2.4)	19,119	6.6	16,816	(13.2)	12,514	(3.8)
Six months ended September 30, 2014	199,900	5.9	17,933	0.5	19,370	(5.0)	13,007	(1.1)

(Note) Comprehensive Income 5,437 million yen (-66.9%) for Six months ended September 30, 2015 16,451 million yen (-10.2%) for Six months ended September 30, 2014

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2015	54.68		54.54	
Six months ended September 30, 2014	55.35		55.22	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2015	515,901	356,276	68.3	1,562.43
As of March 31, 2015	534,592	364,673	67.0	1,557.08

(Reference) Equity 352,444 million yen as of September 30, 2015 358,302 million yen as of March 31, 2015

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended March 31, 2015	–	20.00	–	20.00	40.00
Year ending March 31, 2016	–	25.00	–	–	–
Year ending March 31, 2016 (Forecast)	–	–	–	25.00	50.00

(Note) Revision of the latest forecast of cash dividends : No

3. Forecast of consolidated financial results for the year ending March 31, 2016 (from April 1, 2015 to March 31, 2016)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	400,000	(1.0)	41,000	7.7	39,500	(5.1)	30,000	0.3	131.08

(Note) Revision of the latest forecast of consolidated financial results : Yes

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2015
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2015	237,973,205 shares	As of March 31, 2015	237,973,205 shares
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Number of treasury shares at the end of the period

As of September 30, 2015	12,399,181 shares	As of March 31, 2015	7,861,771 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2015	228,859,365 shares	Six months ended September 30, 2014	234,989,880 shares
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* Implementation status about the audit procedure

These financial statements are exempt from audit procedure as required by the Financial Instruments and Exchange Act. A part of audit 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 2016 (April 1, 2015 to September 30, 2015)

Among the JSR Group's main customers' industries, automobile production was robust in North America, while slowing down in China after July and falling below the previous year's level in Japan. Automobile tire production was sluggish in the Asian region, mainly China, and fell below the previous year's level in Japan. In addition, the supply-demand balance of synthetic rubber and butadiene continued to deteriorate.

In the semiconductor market, demand remained robust mainly for smartphone and multifunctional mobile terminal applications. The production of flat panel displays (FPDs) was almost unchanged from the previous year.

Amid these circumstances, the JSR Group is trying to expand its sales globally in terms of products with technological advantages in the Petrochemicals Business, while in the Fine Chemicals and Other Products Business, it is focusing on materials that correspond to cutting-edge semiconductor technology, and is striving to boost sales of materials used for displays in the Chinese market, where strong growth is expected.

In the first half of FY March 2016, the Company reported net sales of 195,133 million yen (down 2.4% year-on-year), operating income of 19,119 million yen (up 6.6% year-on-year), ordinary income of 16,816 million yen (down 13.2% year-on-year), and net income attributable to the owners of the parent company of 12,514 million yen (down 3.8% year-on-year).

(Millions of yen)

Segment	1st Half of FY March 2015 (April 1 to September 30, 2014)		1st Half of FY March 2016 (April 1 to September 30, 2015)		Change	
	Amount	Component Ratio	Amount	Component Ratio	Amount	Component Ratio
Net sales						
Elastomers	98,201	49.1%	90,287	46.3%	(7,914)	(8.1%)
Plastics	26,968	13.5%	26,938	13.8%	(29)	(0.1%)
Fine Chemicals and Other Products	74,730	37.4%	77,907	39.9%	3,177	4.3%
Total	199,900	100.0%	195,133	100.0%	(4,766)	(2.4%)
Sales in Japan	94,692	47.4%	86,320	44.2%	(8,372)	(8.8%)
Overseas Sales	105,207	52.6%	108,813	55.8%	3,605	3.4%
Segment	1st Half of FY March 2015 (April 1 to September 30, 2014)		1st Half of FY March 2016 (April 1 to September 30, 2015)		Change	
	Amount	Component Ratio	Amount	Component Ratio	Amount	Component Ratio
Operating income	17,933	9.0%	19,119	9.8%	1,186	6.6%
Ordinary income	19,370	9.7%	16,816	8.6%	(2,554)	(13.2%)
Net income attributable to owners of parent company	13,007	6.5%	12,514	6.4%	(492)	(3.8%)

(Review of Operations by Segment)

(Elastomers Business Segment)

The sales volume of synthetic rubbers decreased due to sluggish automobile tire production in Japan. Net sales also decreased partly owing to weak markets.

Operating income fell below the previous year's level due to the continued narrowing of spread margins owing to deterioration of the supply-demand balance in synthetic rubber and butadiene, as well as a decrease in sales volume.

As a result, the Elastomers Business segment posted operating income of 3,903 million yen (down 21.8% year-on-year) on net sales of 90,287 million yen (down 8.1% year-on-year) in the first half of FY March 2016.

(Plastics Business Segment)

Total sales of plastics products were roughly the same as in the previous year due to a drop in raw material prices, despite an increase in sales volumes in Japan for miscellaneous products and amusement goods, as well as overseas for use in automobiles.

Operating income increased from the previous year due to a rise in sales volumes in addition to an improvement in profitability on the back of drops in raw material prices.

As a result, the Plastics Business segment posted operating income of 2,777 million yen (up 242.3% year-on-year) on net sales of 26,938 million yen (down 0.1% year-on-year) in the first half of FY March 2016.

(Fine Chemicals and Other Products Business Segment)

Sales of semiconductor materials were roughly the same as in the previous year due to continued robust demand for smartphone and multifunctional mobile terminal applications. Sales of FPD materials were also almost unchanged from the previous year.

Sales of strategic businesses and others increased from the previous year due to a rise in sales of diagnostic reagents in the life science field, as well as the consolidation of KBI Biopharma, Inc.

Operating income of the Fine Chemicals and Other Products Business segment increased from the previous year due to improved earnings in the life science field.

As a result, the Fine Chemicals and Other Products Business segment posted operating income of 12,438 million yen (up 2.5% year-on-year) on net sales of 77,907 million yen (up 4.3% year-on-year) in the first half of FY March 2016.

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

In light of the operating performance of the first half of FY March 2016, the JSR Group has revised its forecast of consolidated business results for the full-year of FY March 2016 from those announced on April 22, 2015. As a result of the revision, the Group forecasts consolidated net sales of 400,000 million yen (down 1.0% year-on-year), operating income of 41,000 million yen (up 7.7% year-on-year), ordinary income of 39,500 million yen (down 5.1% year-on-year), and net income attributable to the owners of the parent company of 30,000 million yen (up 0.3% year-on-year).

(Consolidated Performance Forecasts)

(Billions of yen)

	Current forecasts (A)	Previous forecasts (B)	Change from previous forecasts (A-B)	Percentage change from previous forecast
Net Sales	400	420	(20)	(4.8%)
Operating income	41	41	—	—
Ordinary income	39.5	42	(2.5)	(6.0%)
Net income attributable to owners of parent company	30	31	(1)	(3.2%)

2. Items Concerning 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 standards for business combinations)

Starting with the first quarter of the fiscal year March 31, 2016, JSR has applied the “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21 issued on September 13, 2013), the “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 issued on September 13, 2013), the “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 issued on September 13, 2013) and other standards, has changed its expression of net income, etc., and has changed “minority interests” to “non-controlling interests.” Financial statements for the first half of the previous fiscal year, as well as for the entire previous fiscal year, have been reclassified to reflect these changes.

3. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2015	As of September 30, 2015
Assets		
Current assets		
Cash and deposits	47,984	39,587
Notes and accounts receivable - trade, net	83,122	80,105
Securities	67,997	73,997
Inventories	79,320	81,048
Other	40,971	26,655
Total current assets	319,396	301,394
Non-current assets		
Property, plant and equipment	115,913	115,220
Intangible assets		
Goodwill	6,479	6,374
Other	7,818	7,100
Total intangible assets	14,298	13,474
Investments and other assets		
Investment securities	74,509	74,091
Other	10,473	11,719
Total investments and other assets	84,983	85,811
Total non-current assets	215,195	214,506
Total assets	534,592	515,901
Liabilities		
Current liabilities		
Notes and accounts payable - trade	72,441	64,996
Short-term loans payable	18,639	19,852
Other	35,245	31,780
Total current liabilities	126,327	116,629
Non-current liabilities		
Long-term loans payable	20,387	21,210
Net defined benefit liability	13,745	13,775
Other	9,458	8,008
Total non-current liabilities	43,591	42,994
Total liabilities	169,918	159,624
Net assets		
Shareholders' equity		
Common stock	23,320	23,320
Capital surplus	25,179	25,179
Retained earnings	291,151	299,287
Treasury shares	(15,329)	(24,299)
Total shareholders' equity	324,321	323,486
Accumulated other comprehensive income		
Unrealized gains on securities, net of taxes	19,257	16,250
Foreign currency translation adjustment	14,575	12,629
Remeasurements of defined benefit plans	148	78
Total accumulated other comprehensive income	33,981	28,957
Subscription rights to shares	852	890
Non-controlling interests	5,518	2,942
Total net assets	364,673	356,276
Total liabilities and net assets	534,592	515,901

(2) Consolidated Statements of Income (Cumulative) and Consolidated Statements of Comprehensive Income (Cumulative)
Consolidated Statements of Income (Cumulative)

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Net sales	199,900	195,133
Cost of sales	149,740	141,121
Gross profit	50,159	54,012
Selling, general and administrative expenses	32,226	34,892
Operating income	17,933	19,119
Non-operating income		
Dividend income	457	581
Foreign exchange gains	1,188	–
Equity in earnings of affiliated companies	–	618
Other	710	468
Total non-operating income	2,356	1,669
Non-operating expenses		
Foreign exchange losses	–	2,777
Other	919	1,194
Total non-operating expenses	919	3,972
Ordinary income	19,370	16,816
Extraordinary losses		
Loss on valuation of investment securities	509	–
Restructuring loss	–	223
Loss on sales of investments in capital of subsidiaries and associates	–	363
Total extraordinary losses	509	586
Income before income taxes and minority interests	18,861	16,230
Income taxes	6,285	5,670
Profit	12,576	10,559
Loss attributable to non-controlling interests	(431)	(1,955)
Profit attributable to owners of parent	13,007	12,514

Consolidated Statements of Comprehensive Income (Cumulative)

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Profit	12,576	10,559
Other comprehensive income		
Unrealized gains on securities, net of taxes	1,411	(2,962)
Foreign currency translation adjustment	2,399	(2,046)
Remeasurements of defined benefit plans, net of tax	94	(70)
Share of other comprehensive income of entities accounted for using equity method	(29)	(41)
Total other comprehensive income	3,875	(5,121)
Comprehensive income	16,451	5,437
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	16,649	7,648
Comprehensive income attributable to non-controlling interests	(198)	(2,211)

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Cash flows from operating activities		
Income before income taxes and minority interests	18,861	16,230
Depreciation	8,144	8,899
Interest and dividend income	(581)	(705)
Interest expenses	164	184
Equity in (earnings) losses of affiliated companies	77	(618)
Loss (gain) on valuation of investment securities	509	–
Decrease (increase) in notes and accounts receivable - trade	3,437	1,813
Decrease (increase) in inventories	(731)	(3,055)
Increase (decrease) in notes and accounts payable - trade	(3,423)	(6,509)
Other, net	9,968	15,009
Subtotal	36,426	31,247
Interest and dividend income received	806	944
Interest expenses paid	(150)	(94)
Income taxes paid	(7,141)	(5,918)
Net cash provided by (used in) operating activities	29,940	26,179
Cash flows from investing activities		
Decrease (increase) in time deposits	1,498	10,478
Decrease (increase) in short-term investment securities	(22,000)	(8,500)
Purchase of non-current assets	(12,110)	(16,147)
Purchase of investment securities	(414)	(930)
Payments for investments in capital of subsidiaries and associates	–	(1,234)
Purchase of shares of subsidiaries and associates	(1,262)	(3,129)
Payments of loans receivable	(1,102)	(456)
Collection of loans receivable	1,415	2,513
Other, net	(252)	652
Net cash provided by (used in) investing activities	(37,225)	(16,753)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,477)	(577)
Repayments of long-term loans payable	(876)	(862)
Proceeds from long-term loans payable	2,209	3,466
Purchase of treasury shares	(268)	(8,996)
Cash dividends paid	(4,495)	(4,581)
Dividends paid to non-controlling interests	(28)	(32)
Other, net	(5)	(104)
Net cash provided by (used in) financing activities	(4,944)	(11,688)
Effect of exchange rate change on cash and cash equivalents	1,245	(214)
Net increase (decrease) in cash and cash equivalents	(10,983)	(2,477)
Cash and cash equivalents at beginning of period	91,114	77,906
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	498	–
Cash and cash equivalents at end of period	80,629	75,428

(4) Notes on Quarterly Consolidated Financial Statements

(Notes on Assumption of Going Concern)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Not applicable

(Segment Information, etc.)

[Segment Information]

I First half of the previous consolidated fiscal year (April 1, 2014 to September 30, 2014)

1. Information on the amount of net sales and profit or loss by reporting segment

(Millions of yen)

	Reporting Segment				Reconciliation	Consolidated
	Elastomers	Plastics	Fine chemicals and other products	Total		
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	201,740	(1,839)	199,900
Operating Income	4,992	811	12,129	17,933	—	17,933

2. The difference between the total amount of profit or loss of the reporting segments and the amount posted in the quarterly consolidated profit and loss statement, and the key details of said difference (matters related to difference adjustment)

The total amount of profit of the reporting segments and the operating income of the quarterly consolidated profit and loss statement coincide.

II First half of the current consolidated fiscal year (April 1, 2015 to September 30, 2015)

1. Information on the amount of net sales and profit or loss by reporting segment

(Millions of yen)

	Reporting Segment				Reconciliation	Consolidated
	Elastomers	Plastics	Fine chemicals and other products	Total		
Net Sales						
Sales to external customers	90,287	26,938	77,907	195,133	-	195,133
inter-segment sales/transfers	2,053	-	-	2,053	(2,053)	-
Sales Total	92,341	26,938	77,907	197,187	(2,053)	195,133
Operating Income	3,903	2,777	12,438	19,119	-	19,119

2. The difference between the total amount of profit or loss of the reporting segments and the amount posted in the quarterly consolidated profit and loss statement, and the key details of said difference (matters related to difference adjustment)

The total amount of profit of the reporting segments and the operating income of the quarterly consolidated profit and loss statement coincide.