

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2016 (Based on Japanese GAAP)

October 24, 2016

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, 2016
 Scheduled date to commence dividend payments: November 24, 2016
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts are rounded off to the nearest million yen)

1. Consolidated financial results for the six months ended September 30, 2016 (from April 1, 2016 to September 30, 2016)

(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, 2016	181,866	(6.8)	12,298	(35.7)	13,812	(17.9)	10,915	(12.8)
Six months ended September 30, 2015	195,133	(2.4)	19,119	6.6	16,816	(13.2)	12,514	(3.8)

(Note) Comprehensive Income -268 million yen (-%) for Six months ended September 30, 2016 5,437million yen (-66.9%) for Six months ended September 30, 2015

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2016	48.55		48.41	
Six months ended September 30, 2015	54.68		54.54	

(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, 2016	515,897	356,714	66.5	1,541.29
As of March 31, 2016	516,359	362,353	68.4	1,565.45

(Reference) Equity 342,902 million yen as of September 30, 2016 353,144 million yen as of March 31, 2016

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, 2016	-	25.00	-	25.00	50.00
Year ending March 31, 2017	-	25.00			
Year ending March 31, 2017 (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, 2017 (from April 1, 2016 to March 31, 2017)

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	367,000	(5.1)	26,000	(24.4)	28,000	(16.7)	21,000	(12.7)	93.41

(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, 2016
(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: No
- Changes in accounting policies due to other reasons: Yes
- Changes in accounting estimates: Yes
- 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, 2016	226,074,545 shares	As of March 31, 2016	226,074,545 shares
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Number of treasury shares at the end of the period

As of September 30, 2016	3,597,087 shares	As of March 31, 2016	488,223 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, 2016	224,812,466 shares	Six months ended September 30, 2015	228,859,365 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.

Table of Contents for Attached Materials

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.	Items Concerning Summary Information (notes).....	4
	(1) Adoption of Special Accounting Methods for Preparing Quarterly Consolidated Financial Statements.....	4
	(2) Changes in accounting policy, changes in accounting estimates, and restatements.....	4
3.	Quarterly Consolidated Financial Statements.....	5
	(1) Consolidated Balance Sheets.....	5
	(2) Consolidated Statements of Income(Cumulative) and Consolidated Statements of Comprehensive Income(Cumulative).....	6
	Consolidated Statements of Income(Cumulative).....	6
	Consolidated Statements of Comprehensive Income(Cumulative).....	7
	(3) Consolidated Statements of Cash Flow.....	8
	(4) Notes on Quarterly Consolidated Financial Statements.....	9
	(Notes on Assumption of Going Concern).....	9
	(Notes on Significant Changes in Shareholders' Equity).....	9
	(Segment Information, etc.).....	10

1. Qualitative Information on Quarterly Results

(1) Explanation of Business Results

Overview of the First Half of the FY ending March 2017 (April 1, 2016 to September 30, 2016)

In JSR Group's main customers' industries, the global demand for automobiles and automobile tires was strong mainly in China and elsewhere while demand within Japan was weak. Demand in the semiconductor market was relatively strong, and demand in the flat panel display market rebounded from the weak demand that had continued from the second half of the previous year. The value of the yen has further appreciated since the end of the previous fiscal year.

Given these circumstances, JSR Group has focused on expanding global sales of products in the Petrochemicals Business, taking advantage of their technological competitiveness. In the Fine Chemicals and Other Products Business segment, the Group promoted sales of products applicable to cutting-edge technologies in semiconductor materials, and sales of display materials were promoted in the Chinese market where strong growth is expected. The Group also focused on expansion of the life sciences business, its third core business following the Petrochemicals Business and the Fine Chemicals Business.

In the first half of the FY ending March 2017, the Company reported net sales of 181,866 million yen (down 6.8% year-on-year) and operating income of 12,298 million yen (down 35.7% year-on-year). The Company reported ordinary income of 13,812 million yen (down 17.9% year-on-year) due to decreased foreign exchange losses and the occurrence of investment partnership operation gains, and quarterly profit attributable to the owners of the parent company of 10,915 million yen (down 12.8% year-on-year).

(Unit: Millions of yen)

Segment	1st Half of FY ended March 2016 (April 1 to Sep. 30,2015)		1st Half of FY ending March 2017 (April 1 to Sep. 30,2016)		Change	
	Amount	Component Ratio	Amount	Component Ratio	Amount	Percentage
Net Sales						
Elastomers	90,287	46.3%	83,282	45.8%	(7,006)	(7.8%)
Plastics	26,938	13.8%	22,110	12.2%	(4,828)	(17.9%)
Fine Chemicals and Other Products	77,907	39.9%	76,473	42.0%	(1,434)	(1.8%)
Total	195,133	100.0%	181,866	100.0%	(13,268)	(6.8%)
Sales in Japan	86,320	44.2%	82,245	45.2%	(4,076)	(4.7%)
Overseas sales	108,813	55.8%	99,621	54.8%	(9,193)	(8.4%)

Segment	1st Half of FY ended March 2016 (April 1 to Sep. 30,2015)		1st Half of FY ending March 2017 (April 1 to Sep. 30,2016)		Change	
	Amount	Percentage to net sales	Amount	Percentage to net sales	Amount	Percentage
Operating income	19,119	9.8%	12,298	6.8%	(6,821)	(35.7%)
Ordinary income	16,816	8.6%	13,812	7.6%	(3,005)	(17.9%)
Profit attributable to owners of parent	12,514	6.4%	10,915	6.0%	(1,600)	(12.8%)

Review of Operations by Segment

(i) Elastomers Business Segment

The total sales volume of synthetic rubbers increased from the same period of the previous year due largely to the start of full-scale sales of solution polymerization SBRs (SSBRs) at the Thailand joint venture, JSR BST Elastomer Co, Ltd. (JBE). On the other hand, sales revenues declined, affected significantly by the lowering of product prices forced by the decline in raw material prices.

Operating income decreased from the same period of the previous year, despite lower costs due to the decline in raw material prices, because of worsening profit margins from lower product prices.

Consequently, the Elastomers Business segment posted operating income of 1,765 million yen (down 54.8% year-on-year) on net sales of 83,282 million yen (down 7.8%) in the first half of the FY ending March 2017.

(ii) Plastics Business Segment

The total sales volume of plastics decreased from the same period of the previous year due to decreased overseas sales, while the sales volume in Japan remained almost the same year-on-year. Sales revenues declined due to the decrease in the sales volume and the lowering of product prices resulting from the decline in raw material prices.

Operating income decreased from the same period of the previous year. The decline was due to worsening profit margins from lower product prices, despite lower costs, forced by the decline in raw material prices. The accounting treatment of some transactions with overseas subsidiaries also had negative effect on operating income.

Consequently, the Plastics Business segment posted operating income of 1,413 million yen (down 49.1% year-on-year) on net sales of 22,110 million yen (down 17.9%) in the first half of the FY ending March 2017.

(iii) Fine Chemicals and Other Products Business Segment

The total sales revenues of the Fine Chemicals and Other Products segment decreased from the same period of the previous year. This was mainly due to the decreases in sales revenues of semiconductor materials and display materials in the fine chemicals area affected by the appreciation of the yen. Furthermore, intensified competition in display materials caused a decrease in sales revenues in the fine chemicals business. These negative factors could not be fully offset by the significant increase in sales revenues in the life sciences business due to the inclusion of the sales of MEDICAL & BIOLOGICAL LABORATORIES CO., LTD., which was restructured into a consolidated subsidiary of JSR, and increased sales by KBI Biopharma, Inc. Because of these factors, the overall operating income of the Fine Chemicals and Other Products Business segment decreased from the same period of the previous year.

Consequently, the Fine Chemicals and Other Products Business segment posted operating income of 9,120 million yen (down 26.7% year-on-year) on net sales of 76,473 million yen (down 1.8% year-on-year) in the first half of the FY ending March 2017.

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

In light of the operating performance of the first half of the FY ending March 2017, JSR Group has revised its forecast of consolidated business results for the full-year of the FY ending March 2017 from those announced on April 25, 2016. As a result of the revision, the Group forecasts consolidated net sales of 367,000 million yen (down 5.1% year-on-year), operating income of 26,000 million yen (down 24.4% year-on-year), ordinary income of 28,000 million yen (down 16.7% year-on-year), and net income attributable to the owners of the parent company of 21,000 million yen (down 12.7% year-on-year). This forecast is premised on an assumed foreign exchange rate of 100 yen to the U.S. dollar.

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 first half under review, and multiplying net income before income taxes for the quarterly period by said estimated effective tax rate.

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

(Changes in accounting policies that are difficult to separate from changes in accounting estimates)

(Change in the depreciation method of property, plant and equipment)

Traditionally, JSR Corporation and some of its consolidated subsidiaries adopted the declining balance method for the depreciation of property, plant and equipment (excluding lease assets), excluding buildings (excluding equipment attached to buildings) that have been acquired on and after April 1, 1998. From the first quarter of the current fiscal year, the depreciation method for these property, plant and equipment was changed to the straight line method.

JSR Corporation actively pursues global expansion of its business in accordance with its Mid-Term Business Plan. In and after the current year, establishment of overseas sales and production sites, expansion of the overseas production capacity and overseas investments will be accelerated. Considering these changes in the resource allocation, JSR Corporation reviewed the depreciation methods for the Group's property, plant and equipment and decided that it would be appropriate to adopt the straight line method uniformly throughout the Group. Since the property, plant and equipment of JSR Group are generally stably usable for many years as a result of the establishment of technologically-robust production facilities and development of products and from the viewpoint of the actual economic conditions, the straight line method is appropriate for their depreciation. Moreover, JSR Group believes that the adoption of this depreciation method will contribute to appropriate cost comparison between our group companies and proper decision making on resource allocation. The globalization of its business will also be promoted as comparison of results with other multi-national companies operating globally will become easier.

As a result, operating income, ordinary income and net income before income taxes for the first half of the FY ending March 2017 computed by using the straight line method increased by 1,337 million yen compared to that computed by using the traditional depreciation method.

3. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Assets		
Current assets		
Cash and deposits	52,081	78,177
Notes and accounts receivable - trade, net	77,878	76,836
Securities	60,010	42,000
Inventories	77,458	74,901
Other	33,104	30,892
Total current assets	300,532	302,806
Non-current assets		
Property, plant and equipment	112,693	120,363
Intangible assets		
Goodwill	9,788	8,731
Other	6,875	7,263
Total intangible assets	16,663	15,994
Investments and other assets		
Investment securities	67,877	57,633
Other	18,592	19,100
Total investments and other assets	86,470	76,733
Total non-current assets	215,827	213,090
Total assets	516,359	515,897
Liabilities		
Current liabilities		
Notes and accounts payable - trade	53,836	56,082
Short-term loans payable	20,840	17,992
Other	34,646	34,971
Total current liabilities	109,322	109,045
Non-current liabilities		
Long-term loans payable	22,249	28,684
Net defined benefit liability	15,180	15,081
Other	7,254	6,372
Total non-current liabilities	44,683	50,137
Total liabilities	154,005	159,182
Net assets		
Shareholders' equity		
Common stock	23,320	23,320
Capital surplus	25,179	25,122
Retained earnings	281,877	286,878
Treasury shares	(956)	(5,451)
Total shareholders' equity	329,420	329,869
Accumulated other comprehensive income		
Unrealized gains on securities, net of taxes	15,231	13,665
Foreign currency translation adjustment	9,307	(202)
Remeasurements of defined benefit plans	(814)	(430)
Total accumulated other comprehensive income	23,724	13,033
Subscription rights to shares	930	931
Non-controlling interests	8,278	12,882
Total net assets	362,353	356,714
Total liabilities and net assets	516,359	515,897

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

	(Unit: Millions of yen)	
	Six months ended September 30, 2015	Six months ended September 30, 2016
Net sales	195,133	181,866
Cost of sales	141,121	128,880
Gross profit	54,012	52,986
Selling, general and administrative expenses	34,892	40,687
Operating income	19,119	12,298
Non-operating income		
Gain on investments in partnership	–	1,185
Other	1,669	2,283
Total non-operating income	1,669	3,468
Non-operating expenses		
Foreign exchange losses	2,777	832
Other	1,194	1,122
Total non-operating expenses	3,972	1,954
Ordinary income	16,816	13,812
Extraordinary losses		
Restructuring loss	223	–
Loss on sales of investments in capital of subsidiaries and associates	363	–
Provision of allowance for doubtful accounts	–	209
Total extraordinary losses	586	209
Profit before income taxes	16,230	13,603
Income taxes	5,670	2,576
Profit	10,559	11,026
Profit (loss) attributable to non-controlling interests	(1,955)	111
Profit attributable to owners of parent	12,514	10,915

Consolidated Statements of Comprehensive Income (Cumulative)

(Unit: Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Profit	10,559	11,026
Other comprehensive income		
Unrealized gains on securities, net of taxes	(2,962)	(1,584)
Foreign currency translation adjustment	(2,046)	(7,614)
Remeasurements of defined benefit plans, net of tax	(70)	379
Share of other comprehensive income of entities accounted for using equity method	(41)	(2,475)
Total other comprehensive income	(5,121)	(11,295)
Comprehensive income	5,437	(268)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,648	748
Comprehensive income attributable to non-controlling interests	(2,211)	(1,016)

(3) Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Cash flows from operating activities		
Profit before income taxes	16,230	13,603
Depreciation	8,899	6,667
Interest and dividend income	(705)	(670)
Interest expenses	184	252
Equity in (earnings) losses of affiliated companies	(618)	(550)
Loss (gain) on investments in partnership	–	(1,185)
Decrease (increase) in notes and accounts receivable - trade	1,813	1,015
Decrease (increase) in inventories	(3,055)	2,459
Increase (decrease) in notes and accounts payable - trade	(6,509)	2,463
Other, net	15,009	96
Subtotal	31,247	24,150
Interest and dividend income received	944	1,126
Interest expenses paid	(94)	(258)
Income taxes paid	(5,918)	(1,845)
Income taxes refund	–	1,858
Net cash provided by (used in) operating activities	26,179	25,030
Cash flows from investing activities		
Decrease (increase) in time deposits	10,478	(18,325)
Decrease (increase) in short-term investment securities	(8,500)	4,500
Purchase of non-current assets	(16,147)	(15,433)
Purchase of investment securities	(930)	(583)
Proceeds from sales of investment securities	–	315
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	–	23
Payments for investments in capital of subsidiaries and associates	(1,234)	–
Purchase of shares of subsidiaries and associates	(3,129)	(664)
Payments of loans receivable	(456)	(368)
Collection of loans receivable	2,513	171
Other, net	652	61
Net cash provided by (used in) investing activities	(16,753)	(30,304)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(577)	(1,998)
Repayments of long-term loans payable	(862)	(3,067)
Proceeds from long-term loans payable	3,466	11,353
Purchase of treasury shares	(8,996)	(4,525)
Cash dividends paid	(4,581)	(5,640)
Dividends paid to non-controlling interests	(32)	(34)
Other, net	(104)	(142)
Net cash provided by (used in) financing activities	(11,688)	(4,052)
Effect of exchange rate change on cash and cash equivalents	(214)	(3,315)
Net increase (decrease) in cash and cash equivalents	(2,477)	(12,641)
Cash and cash equivalents at beginning of period	77,906	89,395
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	–	7,621
Cash and cash equivalents at end of period	75,428	84,375

(4) Notes on Quarterly Consolidated Financial Statements

(Notes on Assumption of Going Concern)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

JSR Corporation acquired 3,125,000 treasury shares based on a resolution adopted at the July 25, 2016 board of directors' meeting. With this acquisition, treasury shares increased by 4,494 million yen during the first half, reaching 5,451 million yen at the end of the first half.

(Segment Information, etc.)

[Segment Information]

I Cumulative first half of the previous 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

(Unit: Millions of yen)

	Reporting Segment				Reconciliation	Amount reported in Quarterly Consolidated Income Statement
	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)	-
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 statements of income, 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 statements of income coincide.

II Cumulative first half of the current consolidated fiscal year (April 1, 2016 to September 30, 2016)

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

(Unit: Millions of yen)

	Reporting Segment				Reconciliation	Amount reported in Quarterly Consolidated Income Statement
	Elastomers	Plastics	Fine Chemicals and Other Products	Total		
Net Sales						
Sales to External Customers	83,282	22,110	76,473	181,866	-	181,866
Inter-segment Sales/Transfers	1,880	-	-	1,880	(1,880)	-
Total	85,162	22,110	76,473	183,745	(1,880)	181,866
Operating income	1,765	1,413	9,120	12,298	-	12,298

2. The difference between the total amount of profit or loss of the reporting segments and the amount posted in the quarterly consolidated statements of income, 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 statements of income coincide.

3. Matters related to changes to the reporting segments

As stated in the (Changes in accounting policies that are difficult to separate from changes in accounting estimates) section, traditionally, JSR Corporation and some of its consolidated subsidiaries adopted the declining balance method for the depreciation of property, plant and equipment (excluding lease assets), excluding buildings (excluding equipment attached to buildings) that have been acquired on and after April 1, 1998. From the first quarter of the current fiscal year, the depreciation method for these property, plant and equipment was changed to the straight line method.

As a result, segment profits for the first half of the FY ending March 2017 computed by using the straight line method increased by 630 million yen in the Elastomers segment, by 94 million yen in the Plastics segment, and by 613 million yen in the Fine Chemicals and Other Products segment, compared to that computed by using the traditional depreciation method.