

Translation

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## Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2016 (Based on Japanese GAAP)

January 30, 2017

Company name: JSR Corporation  
 Stock exchange listing: Tokyo  
 Stock code: 4185 URL <http://www.jsr.co.jp>  
 Representative: Representative Director and President Mitsunobu Koshihira  
 General Manager, Corporate  
 Inquiries: Communications Department Nobuhiko Kuwashima TEL 03(6218)3517  
 Scheduled date to file Quarterly Securities Report: February 10, 2017  
 Scheduled date to commence dividend payments: –  
 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 nine months ended December 31, 2016 (from April 1, 2016 to December 31, 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	%
Nine months ended December 31, 2016	280,374	(4.8)	20,995	(28.8)	24,997	(10.4)	22,378	13.2
Nine months ended December 31, 2015	294,478	(3.7)	29,466	(3.0)	27,888	(15.6)	19,774	(14.0)

(Note) Comprehensive Income 19,497 million yen (54.0%) for Nine months ended December 31, 2016 12,657 million yen (-62.6%) for Nine months ended December 31, 2015

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2016	99.85		99.56	
Nine months ended December 31, 2015	86.78		86.54	

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2016	562,371	362,907	62.1	1,569.53
As of March 31, 2016	516,359	362,353	68.4	1,565.45

(Reference) Equity 349,204 million yen as of December 31, 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 : No

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 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 December 31, 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 December 31, 2016	3,585,547 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)

Nine months ended December 31, 2016	224,114,526 shares	Nine months ended December 31, 2015	227,873,664 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).....	3
	(1) Adoption of Special Accounting Methods for Preparing Quarterly Consolidated Financial Statements.....	3
	(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) Notes on Quarterly Consolidated Financial Statements.....	
	(Notes on Assumption of Going Concern).....	8
	(Notes on Significant Changes in Shareholders' Equity).....	8
	(Segment Information, etc.).....	8

## 1. Qualitative Information on Quarterly Results

### (1) Explanation of Business Results

Overview of the First Nine Months of FY ending March 2017 (April 1, 2016 to December 31, 2016)

In JSR Group's main customers' industries, the global demand for automobiles and tires was strong mainly in China and elsewhere, while demand in Japan was weak. Demand in the semiconductor market was relatively strong. In the flat panel display market, demand rebounded from the weak demand that had continued from the second half of the previous year. On the other hand, the value of the yen continued to appreciate until mid-year, despite the recent change toward a weaker yen.

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, JSR Group promoted sales of products applicable to cutting-edge technologies in semiconductor materials. Sales of display materials were promoted in the Chinese market where strong growth is expected. JSR 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 nine months of the FY ending March 2017, the Company reported net sales of 280,374 million yen (down 4.8% year-on-year), operating income of 20,995 million yen (down 28.8% year-on-year), ordinary income of 24,997 million yen (down 10.4% year-on-year) due to a decrease foreign exchange losses and the occurrence of investment partnership gains on investments, and net income attributable to the owners of the parent company of 22,378 million yen (up 13.2% year-on-year) that mainly reflected lower impairment losses and a gain on sales of investment securities.

(Unit: Millions of yen)

Segment	First 9months of FY ended March 2016 (April 1 to Dec. 31, 2015)		First 9months of FY ending March 2017 (April 1 to Dec. 31, 2016)		Change	
	Amount	Component Ratio	Amount	Component Ratio	Amount	Percentage
Net Sales						
Elastomers	135,247	45.9%	131,290	46.8%	(3,958)	(2.9%)
Plastics	40,610	13.8%	33,439	11.9%	(7,172)	(17.7%)
Fine Chemicals and Other Products	118,620	40.3%	115,646	41.3%	(2,975)	(2.5%)
Total	294,478	100.0%	280,374	100.0%	(14,105)	(4.8%)

Sales in Japan	130,535	44.3%	126,502	45.1%	(4,034)	(3.1%)
Overseas sales	163,943	55.7%	153,872	54.9%	(10,071)	(6.1%)

Segment	First 9months of FY ended March 2016 (April 1 to Dec. 31, 2015)		First 9months of FY ending March 2017 (April 1 to Dec. 31, 2016)		Change	
	Amount	Component Ratio	Amount	Component Ratio	Amount	Percentage
Operating income	29,466	10.0%	20,995	7.5%	(8,472)	(28.8%)
Ordinary income	27,888	9.5%	24,997	8.9%	(2,892)	(10.4%)
Profit attributable to owners of parent	19,774	6.7%	22,378	8.0%	2,604	13.2%

(Summary of Operating Results by Business Segment)  
(Elastomers Business Segment)

The total sales volume of synthetic rubbers increased from the same period of the previous year. That was largely due to the start of full-scale sales of solution polymerization SBRs (SSBRs) at JSR BST Elastomer Co, Ltd. (JBE), JSR Group's Thailand joint venture. 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. That was because of worsening profit margins resulting from lower product prices.

Consequently, the Elastomers Business segment posted operating income of 4,739 million yen (down 30.7% year-on-year) on net sales of 131,290 million yen (down 2.9%) in the first nine months of the FY ending March 2017.

(Plastics Business Segment)

The total sales volume of plastics remained nearly unchanged from the same period of the previous year. That was because both overseas and domestic sales volume rose only slightly. On the other hand, sales revenues declined year-on-year, affected by the lowering of product prices in response to the decline in raw material prices, as well as by appreciation of the yen.

Operating income decreased from the same period of the previous year. This was because lower costs due to the decline in raw material prices could not offset the worsening profit margins from lower product prices.

Consequently, the Plastics Business segment posted operating income of 2,722 million yen (down 32.4% year-on-year) on net sales of 33,439 million yen (down 17.7%) in the first nine months of the FY ending March 2017.

(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 decreases in semiconductor materials and display materials affected by the appreciation of the yen. Furthermore, intensified competition in display materials caused this decrease. These negative factors could not fully offset the significant increase 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 net sales 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 13,534 million yen (down 27.3% year-on-year) on net sales of 115,646 million yen (down 2.5% year-on-year) in the first nine months of the FY ending March 2017.

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

There are no changes from the forecasted consolidated business results released on October 24, 2016.

**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 nine months 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) (however, for buildings acquired on and after April 1, 1998 (but excluding equipment attached to buildings), the straight-line method). 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 nine months of the FY ending March 2017 computed by using the straight-line method increased by 2,242 million yen, respectively, compared to what they otherwise would have been had the traditional depreciation method been used.

### 3. Quarterly Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Unit: Millions of yen)

	As of March 31, 2016	As of December 31, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	52,081	87,229
Notes and accounts receivable - trade, net	77,878	92,685
Securities	60,010	42,000
Inventories	77,458	77,553
Other	33,104	36,359
Total current assets	300,532	335,827
Non-current assets		
Property, plant and equipment	112,693	129,973
Intangible assets		
Goodwill	9,788	8,531
Other	6,875	8,343
Total intangible assets	16,663	16,874
Investments and other assets		
Investment securities	67,877	61,785
Other	18,592	17,912
Total investments and other assets	86,470	79,697
Total non-current assets	215,827	226,544
Total assets	516,359	562,371
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	53,836	73,162
Short-term loans payable	20,840	20,955
Other	34,646	43,776
Total current liabilities	109,322	137,894
Non-current liabilities		
Long-term loans payable	22,249	38,460
Net defined benefit liability	15,180	15,232
Other	7,254	7,878
Total non-current liabilities	44,683	61,570
Total liabilities	154,005	199,463
<b>Net assets</b>		
Shareholders' equity		
Common stock	23,320	23,320
Capital surplus	25,179	17,469
Retained earnings	281,877	292,835
Treasury shares	(956)	(5,434)
Total shareholders' equity	329,420	328,191
Accumulated other comprehensive income		
Unrealized gains on securities, net of taxes	15,231	16,481
Foreign currency translation adjustment	9,307	4,774
Remeasurements of defined benefit plans	(814)	(241)
Total accumulated other comprehensive income	23,724	21,013
Subscription rights to shares	930	928
Non-controlling interests	8,278	12,776
Total net assets	362,353	362,907
Total liabilities and net assets	516,359	562,371

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

	(Unit: Millions of yen)	
	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Net sales	294,478	280,374
Cost of sales	211,786	197,603
Gross profit	82,692	82,771
Selling, general and administrative expenses	53,226	61,777
Operating income	29,466	20,995
Non-operating income		
Foreign exchange gains	–	1,583
Gain on investments in partnership	–	1,181
Other	2,925	2,963
Total non-operating income	2,925	5,727
Non-operating expenses		
Interest expenses	386	441
Foreign exchange losses	2,664	–
Other	1,453	1,285
Total non-operating expenses	4,503	1,725
Ordinary income	27,888	24,997
Extraordinary income		
Gain on step acquisitions	1,757	–
Gain on sales of investment securities	–	1,811
Gain on transfer of business	–	758
Other	–	630
Total extraordinary income	1,757	3,199
Extraordinary losses		
Impairment loss	5,975	–
Other	593	–
Total extraordinary losses	6,569	–
Profit before income taxes	23,076	28,196
Income taxes	5,062	6,118
Profit	18,014	22,078
Loss attributable to non-controlling interests	(1,759)	(300)
Profit attributable to owners of parent	19,774	22,378

**(3) Consolidated Statements of Comprehensive Income (Cumulative)**

(Unit: Millions of yen )

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Profit	18,014	22,078
Other comprehensive income		
Unrealized gains on securities, net of taxes	(1,729)	1,227
Foreign currency translation adjustment	(2,011)	(2,248)
Remeasurements of defined benefit plans, net of tax	(111)	569
Share of other comprehensive income of entities accounted for using equity method	(1,504)	(2,129)
Total other comprehensive income	(5,357)	(2,581)
Comprehensive income	12,657	19,497
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	14,705	20,191
Comprehensive income attributable to non-controlling interests	(2,048)	(694)

**(3) 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 Cumulative nine months of the previous consolidated fiscal year (April 1, 2015 to Dec. 31, 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	135,247	40,610	118,620	294,478	-	294,478
Inter-segment Sales/Transfers	3,040	-	-	3,040	(3,040)	-
Total	138,288	40,610	118,620	297,519	(3,040)	294,478
Operating income	6,834	4,026	18,605	29,466	-	29,466

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. Information concerning non-current asset impairment loss and goodwill by reporting segment (Material impairment loss pertaining to non-current assets)

JSR Corporation posted an impairment loss of 5,975 million yen related to the Fine Chemicals and Other Products Business.

II Cumulative nine months of the current consolidated fiscal year (April 1, 2016 to Dec. 31, 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	131,290	33,439	115,646	280,374	-	280,374
Inter-segment Sales/Transfers	2,930	-	-	2,930	(2,930)	-
Total	134,220	33,439	115,646	283,304	(2,930)	280,374
Operating income	4,739	2,722	13,534	20,995	-	20,995

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) (however, for buildings acquired on and after April 1, 1998 (but excluding equipment attached to buildings), the straight-line method). 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 nine months of the FY ending March 2017 computed by using the straight-line method increased by 1,125 million yen in the Elastomers segment, by 159 million yen in the Plastics segment, and by 958 million yen in the Fine Chemicals and Other Products segment, compared to what they otherwise would have been had the traditional depreciation method been used.