

Translation

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Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2018 (under IFRS)

October 30, 2017

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 Listing: Tokyo Stock Exchange
 Securities code: 4185
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Scheduled date to file quarterly securities report: November 10, 2017
 Scheduled date to commence dividend payments: November 30, 2017
 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, 2018 (from April 1, 2017 to September 30, 2017)

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

	Revenue		Operating profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
September 30, 2017	203,538	11.7	23,365	56.3	24,829	70.7	19,183	61.5
September 30, 2016	182,229	–	14,953	–	14,546	–	11,877	–

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Six months ended						
September 30, 2017	17,970	53.6	28,475	–	80.75	80.52
September 30, 2016	11,696	–	607	–	52.03	51.88

(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
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of					
September 30, 2017	609,011	399,413	382,907	62.9	1,720.41
March 31, 2017	578,484	376,364	361,889	62.6	1,626.36

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, 2017	–	25.00	–	25.00	50.00
Fiscal year ending March 31, 2018	–	25.00			
Fiscal year ending March 31, 2018 (Forecast)			–	25.00	50.00

Note: Revisions to the forecast of cash dividends most recently announced: None

**3. Consolidated earnings forecasts for the fiscal year ending March 31, 2018
(from April 1, 2017 to March 31, 2018)**

(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, 2018	410,000	5.5	43,000	19.6	44,500	16.2	33,500	9.8	31,500	4.2	141.55

Note: Revisions to the earnings forecasts most recently announced: None

*** 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: None
 - 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, 2017	226,126,145 shares
As of March 31, 2017	226,074,545 shares

- b. Number of treasury shares at the end of the period

As of September 30, 2017	3,559,230 shares
As of March 31, 2017	3,560,532 shares

- c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

For the six months ended September 30, 2017	222,528,841 shares
For the six months ended September 30, 2016	224,812,466 shares

* Quarterly financial results reports are not required to be subjected to quarterly reviews.

* Proper use of earnings forecasts, and other special matters

The JSR Group has adopted International Financial Reporting Standards (IFRS) from the first six months of the fiscal year ending March 31, 2018. Consolidated financial statements for the six months ended September 30, 2016, and the fiscal year ended March 31, 2017, are also presented in accordance with IFRS.

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 30, 2017.

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1. Qualitative Information on Quarterly Results

(1) Explanation of Business Results

Overview of the First Half of the FY ending March 2018 (April 1, 2017 to September 30, 2017)

The demand for automobile tires in JSR Group's main customers has progressed steadily since April. It was strong in Japan, China, and elsewhere while it slid in North America. The demand in the semiconductor market expanded, and the flat panel display market was also firm.

Under these circumstances, JSR Group has focused on expanding global sales of products in its Elastomers Business and Plastics Business with advantages in technological competitiveness. In the Fine Chemicals and Other Products Business, the Group has promoted sales expansion of semiconductor materials applicable to cutting-edge technologies as well as greater sales of display materials in the Chinese market where strong growth is expected. The Group has also focused on expansion of its Life Sciences Business, positioned as a new core business following these businesses.

In the first half of the FY ending March 2018, the Group reported revenue of 203,538 million yen (up 11.7% year-on-year), operating profit of 23,365 million yen (up 56.3% year-on-year), and profit attributable to owners of parent of 17,970 million yen (up 53.6% year-on-year).

(Unit: Millions of yen)

Segment	2nd Quarter of FY ended March 2017 (Apr. 1 to Sept. 30, 2016)		2nd Quarter of FY ending March 2018 (Apr. 1 to Sept. 30, 2017)		Change	
	Amount	Component Ratio	Amount	Component Ratio	Amount	Percentage
Revenue						
Elastomers	83,282	45.7%	94,619	46.5%	11,337	13.6%
Plastics	22,111	12.1%	25,144	12.3%	3,034	13.7%
Fine Chemicals and Other Products	76,836	42.2%	83,775	41.2%	6,939	9.0%
合計	182,229	100.0%	203,538	100.0%	21,310	11.7%
Revenue in Japan	82,277	45.2%	88,280	43.4%	6,003	7.3%
Overseas revenue	99,952	54.8%	115,258	56.6%	15,307	15.3%
Segment	2nd Quarter of FY ended March 2017 (Apr. 1 to Sept. 30, 2016)		2nd Quarter of FY ending March 2018 (Apr. 1 to Sept. 30, 2017)		Change	
	Amount	Percentage of revenue	Amount	Percentage of revenue	Amount	Percentage
Operating profit	14,953	8.2%	23,365	11.5%	8,412	56.3%
Profit attributable to owners of parent	11,696	6.4%	17,970	8.8%	6,274	53.6%

(i) Elastomers Business Segment

The sales volume in the Elastomers Business slightly declined from the same period of the previous year. On the other hand, revenue was up from the same period of the previous year because product prices were raised to reflect increases in raw material prices at the end of the previous FY.

Operating profit increased because of improved profits from higher sale prices, despite increased costs caused by increases in raw material prices.

Consequently, the Elastomers Business segment posted an operating profit of 8,577 million yen (up 273.0% year-on-year) on revenue of 94,619 million yen (up 13.6% year-on-year) in the first half of the FY ending March 2018.

(ii) Plastics Business Segment

The sales volume of plastics progressed favorably particularly overseas, and the total sales volume increased. Revenue was up from the same period of the previous year because, in addition to the higher sales volume, product prices were raised to reflect increases in raw material prices.

Operating profit increased because of improved profits from the greater sales volume and higher product prices, despite increased costs caused by increases in raw material prices.

Consequently, the Plastics Business segment posted an operating profit of 3,170 million yen (up 113.5% year-on-year) on revenue of 25,144 million yen (up 13.7% year-on-year) in the first half of the FY ending March 2018.

(iii) Fine Chemicals and Other Products Business Segment

Revenue for the entire Fine Chemicals and Other Products Business segment increased from the same period of the previous year, due in large part to increased revenue in semiconductor materials, where the sales volume rose sharply because of particularly favorable growth in the semiconductor market.

Operating profit for the entire Fine Chemicals and Other Products Business segment climbed, driven by higher profits along with increased revenue in semiconductor materials.

Consequently, the Fine Chemicals and Other Products Business segment posted an operating profit of 11,618 million yen (up 4.0% year-on-year) on revenue of 83,775 million yen (up 9.0% year-on-year) in the first half of FY ending March 2018.

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

In light of recent operating performance and business circumstances, JSR Group revised on October 23, 2017, its forecast of consolidated business results for the full-year of the FY ending March 2018 from those announced on April 24, 2017. As a result of the revision, the Group forecasts revenue of 410,000 million yen (up 5.5% year-on-year), operating profit of 43,000 million yen (up 19.6% year-on-year), profit before tax of 44,500 million yen (up 16.2% year-on-year), profit of 33,500 million yen (up 9.8% year-on-year), and profit attributable to owners of parent of 31,500 million yen (up 4.2% year-on-year). This forecast is premised on an assumed foreign exchange rate of 110 yen to the U.S. dollar.

(Forecast of consolidated business results)

(Unit: Millions of yen)

	Current forecast (A)	Previous forecast (B)	Difference (A - B)	Percentage change
Revenue	410,000	405,000	+5,000	+1.2%
Operating profit	43,000	35,000	+8,000	+22.9%
Profit before tax	44,500	36,000	+8,500	+23.6%
Profit	33,500	28,000	+5,500	+19.6%
Profit attributable to owners of parent	31,500	26,500	+5,000	+18.9%

2. Condensed Quarterly Consolidated Financial Statements and Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Millions of yen)

	IFRS Transition Date As of April 1, 2016	As of March 31, 2017	As of September 30, 2017
Assets			
Current assets			
Cash and cash equivalents	97,283	97,416	82,441
Trade and other receivables	91,034	111,130	117,085
Inventories	77,857	81,918	86,353
Other financial assets	28,868	44,970	44,198
Other current assets	9,101	8,695	5,917
Total current assets	304,142	344,128	335,993
Non-current assets			
Property, plant and equipment	120,612	131,748	144,826
Goodwill	9,354	9,331	19,996
Other intangible assets	8,133	9,190	10,181
Investments accounted for using equity method	23,206	21,712	23,674
Retirement benefit asset	–	373	747
Other financial assets	47,185	46,529	58,069
Other non-current assets	5,819	7,129	7,151
Deferred tax assets	7,481	8,343	8,374
Total non-current assets	221,790	234,355	273,017
Total assets	525,933	578,484	609,011

(Millions of yen)

	IFRS Transition Date As of April 1, 2016	As of March 31, 2017	As of September 30, 2017
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	77,984	95,037	96,845
Borrowings	20,793	23,740	26,653
Income taxes payable	1,948	8,360	4,757
Other financial liabilities	546	626	872
Other current liabilities	10,191	11,357	11,482
Total current liabilities	111,461	139,120	140,610
Non-current liabilities			
Borrowings	22,245	38,381	41,477
Retirement benefit liability	15,180	13,904	14,228
Other financial liabilities	2,534	2,005	1,812
Other non-current liabilities	2,448	2,278	1,918
Deferred tax liabilities	6,223	6,432	9,553
Total non-current liabilities	48,630	63,000	68,988
Total liabilities	160,091	202,120	209,597
Equity			
Equity attributable to owners of parent			
Share capital	23,320	23,320	23,370
Capital surplus	26,110	18,441	18,540
Retained earnings	288,147	309,517	321,957
Treasury shares	(957)	(5,396)	(5,394)
Other components of equity	15,569	16,006	24,435
Total equity attributable to owners of parent	352,189	361,889	382,907
Non-controlling interests	13,653	14,475	16,506
Total equity	365,842	376,364	399,413
Total liabilities and equity	525,933	578,484	609,011

(2) Condensed Quarterly Consolidated Statement of Profit or Loss

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Revenue	182,229	203,538
Cost of sales	(128,904)	(139,940)
Gross profit	53,324	63,598
Selling, general and administrative expenses	(40,173)	(41,659)
Other operating income	2,111	1,600
Other operating expenses	(844)	(646)
Share of profit of investments accounted for using equity method	535	472
Operating profit	14,953	23,365
Finance income	680	1,894
Finance costs	(1,086)	(429)
Profit before tax	14,546	24,829
Income taxes	(2,669)	(5,646)
Profit	11,877	19,183
Profit attributable to:		
Owners of parent	11,696	17,970
Non-controlling interests	181	1,214
Total	11,877	19,183
Earnings per share		
Basic earnings per share (Yen)	52.03	80.75
Diluted earnings per share (Yen)	51.88	80.52

(3) Condensed Quarterly Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Profit	11,877	19,183
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	(1,539)	7,018
Share of other comprehensive income of entities accounted for using equity method	6	(4)
Items that may be reclassified to profit or loss		
Net change in fair value of cash flow hedges	32	(15)
Exchange differences on translation of foreign operations	(7,288)	2,102
Share of other comprehensive income of entities accounted for using equity method	(2,481)	191
Total other comprehensive income, net of tax	(11,270)	9,292
Total comprehensive income	607	28,475
Comprehensive income attributable to:		
Owners of parent	1,512	26,516
Non-controlling interests	(905)	1,959
Total	607	28,475

(4) Condensed Quarterly Consolidated Statement of Changes in Equity

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

(Millions of yen)

	Equity attributable to owners of parent					Total	Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity			
Balance at April 1, 2016	23,320	26,110	288,147	(957)	15,569	352,189	13,653	365,842
Profit			11,696			11,696	181	11,877
Other comprehensive income					(10,184)	(10,184)	(1,086)	(11,270)
Total comprehensive income	–	–	11,696	–	(10,184)	1,512	(905)	607
Share-based payment transactions		15				15		15
Dividends			(5,640)			(5,640)	(33)	(5,673)
Changes in treasury shares		0		(4,494)		(4,494)		(4,494)
Transfer from other components of equity to retained earnings			56		(56)	–		–
Changes in non-controlling interests		(58)				(58)	90	32
Other movements			(15)			(15)	(3)	(18)
Total transactions with owners, etc.	–	(43)	(5,598)	(4,494)	(56)	(10,192)	54	(10,137)
Balance at September 30, 2016	23,320	26,067	294,245	(5,451)	5,329	343,509	12,802	356,311

Cumulative first half of the current consolidated fiscal year (April 1, 2017 to September 30, 2017)

(Millions of yen)

	Equity attributable to owners of parent					Total	Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity			
Balance at April 1, 2017	23,320	18,441	309,517	(5,396)	16,006	361,889	14,475	376,364
Profit			17,970			17,970	1,214	19,183
Other comprehensive income					8,547	8,547	745	9,292
Total comprehensive income	–	–	17,970	–	8,547	26,516	1,959	28,475
Share-based payment transactions	50	70			(85)	35		35
Dividends			(5,563)			(5,563)	(43)	(5,605)
Changes in treasury shares		0		2		2		2
Transfer from other components of equity to retained earnings			33		(33)	–		–
Changes in non-controlling interests		28				28	114	142
Other movements						–	1	1
Total transactions with owners, etc.	50	98	(5,530)	2	(118)	(5,498)	72	(5,426)
Balance at September 30, 2017	23,370	18,540	321,957	(5,394)	24,435	382,907	16,506	399,413

(5) Notes on Condensed Quarterly Consolidated Financial Statements

(Cautionary Notes regarding Assumptions of Going Concern)

Not applicable

(Reporting Entity)

JSR Corporation (the “Company”) is incorporated in Japan. The condensed quarterly consolidated financial statements comprise the Company and its subsidiaries (collectively, the “Group”). The Group is primarily engaged in Elastomers Business, Plastics Business, and Fine Chemicals and Other Products Business, as well as businesses related to these. The products of these businesses are wide ranging. See Page 11 — (Segment Information) for further details.

(Basis of Preparation)

1. Compliance with Accounting Standards

The Group meets the requirements of a “specified company” set forth in Article 1-2 of the “Ordinance on Quarterly Consolidated Financial Statements.” Accordingly, the Group prepares condensed quarterly consolidated financial statements in accordance with IAS 34 pursuant to the provisions of Article 93 of said Ordinance.

The Group has adopted International Financial Reporting Standards (“IFRS”) from the current FY (April 1, 2017 to March 31, 2018), and the annual consolidated financial statements for the current FY will be the first consolidated financial statements prepared in accordance with IFRS. The date of transition to IFRS was April 1, 2016, and the Group has applied IFRS 1 — *First-time Adoption of International Financial Reporting Standards*. The effects of the transition from Japanese GAAP to IFRS are stated on Page 12 — (Disclosure on Transition to IFRS).

2. Basis for Measurement

The Group’s condensed quarterly consolidated financial statements, with the exception of assets pertaining to post-employment benefit plans, financial instruments measured at fair value, etc., are prepared on a historical cost model.

3. Presentation Currency and Units

The Group’s condensed quarterly consolidated financial statements are presented in Japanese yen, the currency of the primary economic environment in which the Company performs business activities (the “functional currency”), with amounts rounded to the nearest million yen.

4. Significant Accounting Estimates and Judgments

In the preparation of condensed quarterly consolidated financial statements, management uses judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income, and expenses. However, actual results may differ from these estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis, and the effects of the review of accounting estimates are recognized in the accounting period in which the review was conducted and future accounting periods.

Estimates and judgements of management that have significant effect on the Group’s consolidated financial statements are as follows:

- Evaluation of recoverability of property, plant and equipment, goodwill, and other intangible assets

- Evaluation of recoverability of deferred tax assets
- Measurements of defined benefit obligations

5. Matters Related to Early Adoption of New Standards

The Group was in compliance with IFRS effective as of September 30, 2017 and has adopted IFRS 9 — *Financial Instruments* (Revised in July 2014) prior to its effective date.

6. Standards and Interpretations Published But Not Yet Adopted

Of the major new or revised standards and interpretations published prior to the date of authorization of the condensed quarterly consolidated financial statements, the Group is not applying the following standards at the end of the current FY because their application is not yet mandatory. The effects of the application of these standards on the Group are under review and cannot be estimated at the present time.

IFRS Standard	Name of Standard	Mandatory Effective Date (applies to FY beginning on or after this date)	The Group's application FY	Summary of New / Revised Standard
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	Reporting period ending March 2019	Revises accounting related to recognition of revenue (replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18, and SIC-31)
IFRS 16	Leases	January 1, 2019	Reporting period ending March 2020	Revises accounting related to lease contracts (replaces IAS 17, IFRIC 4, SIC-15, and SIC-27)

(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 first quarter of the FY.

(Segment Information)

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

1. Information on revenue and loss amounts for each reporting segment

(Unit: Millions of yen)

	Reporting Segment				Amount Recorded in the Condensed Quarterly Consolidated Statement of Profit or Loss
	Elastomers	Plastics	Fine Chemicals and Other Products	Total	
Revenue from external customers	83,282	22,111	76,836	182,229	182,229
Total operating profit	2,300	1,485	11,168	14,953	14,953
Finance income					680
Finance costs					(1,086)
Quarterly profit before tax					14,546

II Cumulative first half of the current consolidated fiscal year (April 1, 2017 to September 30, 2017)

1. Information on revenue and loss amounts for each reporting segment

(Unit: Millions of yen)

	Reporting Segment				Amount Recorded in the Condensed Quarterly Consolidated Statement of Profit or Loss
	Elastomers	Plastics	Fine Chemicals and Other Products	Total	
Revenue from external customers	94,619	25,144	83,775	203,538	203,538
Total operating profit	8,577	3,170	11,618	23,365	23,365
Finance income					1,894
Finance costs					(429)
Quarterly profit before tax					24,829

(Disclosure on Transition to IFRS)

The Group has adopted IFRS from the current FY and has prepared the current condensed quarterly consolidated financial statement in accordance with IAS 34.

The Significant Accounting Policies stated on Page 10 were applied in the preparation of the condensed quarterly consolidated financial statements for the first half of the FY ending March 2018 (April 1 to September 30, 2017) and the first half of the FY ended March 2017 (April 1 to September 30, 2016), the consolidated financial statements for the FY ended March 2017 (April 1, 2016 to March 31, 2017), and the consolidated statement of financial position on the date of transition to IFRS (April 1, 2016).

1. Exemptions of IFRS 1

The exemptions the Group adopted for the transition from Japanese GAAP to IFRS are as follows.

(1) Business Combinations

IFRS 3 can be applied retrospectively or prospectively. The Group has elected to not apply IFRS 3 retrospectively to business combinations executed prior to the date of transition to IFRS. As a result, business combinations executed prior to the date of transition to IFRS are not restated.

(2) Exchange Differences on Translating Foreign Operations

Under IFRS 1, the Group can elect to deem the cumulative amount of exchange differences on translating foreign operations as zero as of the date of transition or to recalculate the exchange differences retrospectively to when the subsidiary, etc., was established or acquired. The Group has elected to deem the cumulative amount of exchange differences on translating foreign operations as zero as of the date of transition.

(3) Recognition of Prior Designated Financial Instruments

Under IFRS 1, the Group can designate financial assets following IFRS 9 — *Financial Instruments* based on relevant facts and circumstances that existed at the date of transition to IFRS. The Group has designated equity instruments as equity instruments measured at fair value through other comprehensive income.

(4) Share-Based Payments

IFRS 1 recommends, but does not require, the application of IFRS 2 — *Share-Based Payment* to share-based payments granted on or after November 7, 2002, and vested prior to the date of transition to IFRS. The Group has elected to not apply IFRS 2 to share-based payments vested prior to the date of transition to IFRS.

2. Adjustments from Japanese GAAP to IFRS

In preparing the consolidated financial statements in accordance with IFRS, the Group has adjusted the amounts in the consolidated financial statements prepared in accordance with Japanese GAAP.

The effects of the transition from Japanese GAAP to IFRS are as given in the following reconciliation tables.

The Reclassification column in the reconciliation tables presents items with no effects on retained earnings or comprehensive income, whereas the Differences in Recognition and Measurement column presents items with effects on retained earnings or comprehensive income.

(1) Adjustments to Equity on Date of Transition (April 1, 2016)

							(Unit: Millions of yen)
Japanese GAAP Line Item	Japanese GAAP	Effect of Change in Reporting Date / Consolidation Range	Reclassification	Differences in Recognition and Measurement	IFRS	Note	IFRS Line Item
Assets							Assets
Current assets							Current assets
Cash and deposits	52,081	7,888	37,314	-	97,283		Cash and cash equivalents
Notes and accounts receivable (net)	77,878	(879)	14,035	-	91,034		Trade and other receivables
Short-term investment securities	60,010	-	(60,010)	-			
Inventories	77,458	399	-	-	77,857		Inventories
		31	28,836	-	28,868		Other current financial assets
Others	33,104	63	(24,066)	-	9,101		Other current assets
Total current assets	300,532	7,501	(3,891)	-	304,142		Total current assets
Non-current assets							Non-current assets
Property, plant and equipment	112,694	6,067	-	1,851	120,612	A, B	Property, plant and equipment
Intangible assets							
Goodwill	9,788	(434)	-	-	9,354		Goodwill
Others	6,875	260	998	-	8,133		Other intangible assets
Investments and other assets							
Investment securities	67,878	(6,918)	(37,727)	(27)	23,206	D	Investments accounted for using equity method
Long-term loans receivable	5,894	6	40,460	824	47,185	H	Other current financial assets
Others	12,698	38	(6,917)	-	5,819		Other non-current assets
		18	7,077	386	7,481	D, E	Deferred tax assets
Total non-current assets	215,827	(963)	3,891	3,034	221,790		Total non-current assets
Total assets	516,360	6,539	-	3,034	525,933		Total assets

(Unit: Millions of yen)

Japanese GAAP Line Item	Japanese GAAP	Effect of Change in Reporting Date / Consolidation Range	Reclassification	Differences in Recognition and Measurement	IFRS	Note	IFRS Line Item
Liabilities and net assets							Liabilities and equities
Current liabilities							Current liabilities
Notes and accounts payable	53,836	2,443	21,705	-	77,984		Trade and other payables
Current borrowings	20,840	(47)	-	-	20,793		Borrowings
		33	1,916	-	1,948		Income tax payable
		(20)	269	297	546	B	Other financial liabilities
Others	34,646	30	(25,513)	1,027	10,191	E	Other current liabilities
Total current liabilities	109,322	2,438	(1,623)	1,324	111,461		Total current liabilities
Non-current liabilities							Non-current liabilities
Non-current borrowings	22,249	(4)	-	-	22,245		Borrowings
Retirement benefit liabilities	15,180	-	-	-	15,180		Retirement benefit liabilities
		-	344	2,189	2,534	B, F	Other financial liabilities
Others	7,254	(18)	(4,788)	-	2,448		Other non-current liabilities
		-	6,067	156	6,223	A, D, H	Deferred tax liabilities
Total non-current liabilities	44,684	(21)	1,623	2,345	48,630		Total non-current liabilities
Total liabilities	154,006	2,417	-	3,668	160,091		Total liabilities
Net assets							Equity
Common stock	23,320	-	-	-	23,320		Share capital
Capital surplus	25,179	-	930	-	26,110		Capital surplus
Retained earnings	281,878	(411)	-	6,681	288,147	E, I, J	Retained earnings
Treasury shares	(957)	-	-	-	(957)		Treasury shares
Accumulated other comprehensive income	23,724	(922)	-	(7,233)	15,569	F, G, I	Other components of equity
	353,145	(1,334)	930	(552)	352,189		Total equity attributable to owners of parent
Subscription rights to shares	930	-	(930)	-			
Minority interests	8,279	5,456	-	(82)	13,653		Non-controlling interests
Total net assets	362,354	4,122	-	(634)	365,842		Total equity
Total liabilities and net assets	516,360	6,539	-	3,034	525,933		Total liabilities and equities

(2) Adjustments to Equity in the First Half of FY ended March 2017 (September 30, 2016)

(Unit: Millions of yen)

Japanese GAAP Line Item	Japanese GAAP	Effect of Change in Reporting Date	Reclassification	Differences in Recognition and Measurement	IFRS	Note	IFRS Line Item
Assets							
Current assets							
Cash and deposits	78,177	103	6,198	-	84,478		Cash and cash equivalents
Notes and accounts receivable (net)	76,836	648	15,081	-	92,564		Trade and other receivables
Short-term investment securities	42,000	-	△42,000	-			
Inventories	74,901	303	-	-	75,204		Inventories
		△45	43,074	-	43,029		Other current financial assets
Others	30,892	46	△25,562	-	5,377		Other current assets
Total current assets	302,806	1,055	△3,209	-	300,652		Total current assets
Non-current assets							
Property, plant and equipment	120,363	47	-	1,722	122,133	A, B	Property, plant and equipment
Intangible assets							
Goodwill	8,731	△142	-	239	8,828	C	Goodwill
Others	7,263	24	591	-	7,879		Other intangible assets
Investments and other assets							
Investment securities	57,633	-	△36,807	△17	20,808	D	Investments accounted for using equity method
		△25	44,906	824	45,705	H	Other current financial assets
Others	19,100	0	△12,108	-	6,992		Other non-current assets
		0	6,628	473	7,101	D, E	Deferred tax assets
Total non-current assets	213,090	△95	3,209	3,240	219,445		Total non-current assets
Total assets	515,897	960	-	3,240	520,098		Total assets

(Unit: Millions of yen)

Japanese GAAP Line Item	Japanese GAAP	Effect of Change in Reporting Date	Reclassification	Differences in Recognition and Measurement	IFRS	Note	IFRS Line Item
Liabilities and net assets							Liabilities and equities
Current liabilities							Current liabilities
Notes and accounts payable	56,082	285	21,136	-	77,503		Trade and other payables
Current borrowings	17,992	202	-	-	18,195		Borrowings
		0	2,704	-	2,704		Income tax payable
		21	291	297	608	B	Other financial liabilities
Others	34,971	646	△25,661	1,027	10,983	E	Other current liabilities
Total current liabilities	109,045	1,154	△1,530	1,324	109,993		Total current liabilities
Non-current liabilities							Non-current liabilities
Non-current borrowings	28,684	△87	-	-	28,596		Borrowings
Retirement benefit liabilities	15,081	-	-	-	15,081		Retirement benefit liabilities
		59	391	2,009	2,458	B, F	Other financial liabilities
Others	6,372	△3	△4,155	-	2,215		Other non-current liabilities
		△6	5,293	156	5,443	A, D, H	Deferred tax liabilities
Total non-current liabilities	50,137	△38	1,530	2,165	53,794		Total non-current liabilities
Total liabilities	159,182	1,116	-	3,488	163,787		Total liabilities
Net assets							Equity
Common stock	23,320	-	-	-	23,320		Share capital
Capital surplus	25,122	-	931	14	26,067		Capital surplus
Retained earnings	286,878	△51	-	7,418	294,245	I, J	Retained earnings
Treasury shares	△5,451	-	-	-	△5,451		Treasury shares
Accumulated other comprehensive income	13,033	△98	-	△7,607	5,329	F, G, I	Other components of equity
	342,902	△149	931	△174	343,509		Total equity attributable to owners of parent
Subscription rights to shares	931	-	△931	-			
Minority interests	12,882	△7	-	△74	12,802		Non-controlling interests
Total net assets	356,714	△156	-	△248	356,311		Total equity
Total liabilities and net assets	515,897	960	-	3,240	520,098		Total liabilities and equities

(3) Adjustments to Equity in FY ended March 2017 (March 31, 2017)

(Unit: Millions of yen)

Japanese GAAP Line Item	Japanese GAAP	Effect of Change in Reporting Date	Reclassification	Differences in Recognition and Measurement	IFRS	Note	IFRS Line Item
Assets							Assets
Current assets							Current assets
Cash and deposits	98,933	-	△1,517	-	97,416		Cash and cash equivalents
Notes and accounts receivable (net)	90,695	-	20,435	-	111,130		Trade and other receivables
Short-term investment securities	42,000	-	△42,000	-			
Inventories	81,918	-	-	-	81,918		Inventories
		-	44,970	-	44,970		Other current financial assets
Others	34,667	-	△25,971	-	8,695		Other current assets
Total current assets	348,212	-	△4,084	-	344,128		Total current assets
Non-current assets							Non-current assets
Property, plant and equipment	130,160	-	-	1,587	131,748	A, B	Property, plant and equipment
Intangible assets							
Goodwill	8,817	-	-	513	9,331	C	Goodwill
Others	8,369	-	822	△1	9,190		Other intangible assets
Investments and other assets							
Investment securities	61,684	-	△39,936	△36	21,712	D	Investments accounted for using equity method
Retirement benefit assets	373	-	-	-	373		Assets for retirement benefits
		-	46,555	△26	46,529	H	Other current financial assets
Others	18,401	-	△11,273	-	7,129		Other non-current assets
		-	7,914	429	8,343	D, E	Deferred tax assets
Total non-current assets	227,805	-	4,084	2,467	234,355		Total non-current assets
Total assets	576,016	-	-	2,467	578,484		Total assets

(Unit: Millions of yen)

Japanese GAAP Line Item	Japanese GAAP	Effect of Change in Reporting Date	Reclassification	Differences in Recognition and Measurement	IFRS	Note	IFRS Line Item
Liabilities and net assets							Liabilities and equities
Current liabilities							Current liabilities
Notes and accounts payable	75,026	-	20,011	-	95,037		Trade and other payables
Current borrowings	23,740	-	-	-	23,740		Borrowings
Income tax payable	8,360	-	-	-	8,360		Income tax payable
		-	329	297	626	B	Other financial liabilities
Others	32,536	-	△22,194	1,015	11,357	E	Other current liabilities
Total current liabilities	139,663	-	△1,854	1,312	139,120		Total current liabilities
Non-current liabilities							Non-current liabilities
Non-current borrowings	38,381	-	-	-	38,381		Borrowings
Retirement benefit liabilities	13,904	-	-	-	13,904		Retirement benefit liabilities
		-	408	1,597	2,005	B, F	Other financial liabilities
Others	7,354	-	△5,076	-	2,278		Other non-current liabilities
		-	6,522	△90	6,432	A, D, H	Deferred tax liabilities
Total non-current liabilities	59,639	-	1,854	1,507	63,000		Total non-current liabilities
Total liabilities	199,302	-	-	2,818	202,120		Total liabilities
Net assets							Equity
Common stock	23,320	-	-	-	23,320		Share capital
Capital surplus	17,469	-	912	60	18,441		Capital surplus
Retained earnings	300,547	-	-	8,970	309,517	E, I, J	Retained earnings
Treasury shares	△5,396	-	-	-	△5,396		Treasury shares
Accumulated other comprehensive income	25,454	-	-	△9,448	16,006	F, G, I	Other components of equity
	361,394	-	912	△417	361,889		Total equity attributable to owners of parent
Subscription rights to shares	912	-	△912	-			
Minority interests	14,409	-	-	66	14,475		Non-controlling interests
Total net assets	376,715	-	-	△351	376,364		Total equity
Total liabilities and net assets	576,016	-	-	2,467	578,484		Total liabilities and equities

(4) Adjustments to Comprehensive Income in the First Half of FY ended March 2017 (April 1 to September 30, 2016)

(Unit: Millions of yen)

Japanese GAAP Line Item	Japanese GAAP	Effect of Change in Reporting Date	Reclassification	Differences in Recognition and Measurement	IFRS	Note	IFRS Line Item
Net sales	181,866	363	-	-	182,229		Revenue
Cost of sales	△128,880	△244	-	219	△128,904	G	Cost of sales
Gross profit	52,986	119	-	219	53,324		Gross profit
Selling, general and administrative expense	△40,687	109	△209	615	△40,173	A, C G, E	Selling, general and administrative expenses
		-	2,125	△14	2,111		Other operating income
		-	△870	25	△844		Other operating expenses
		-	550	△15	535	D	Share of profit of investments accounted for using equity method
Operating income	12,298	229	1,596	830	14,953		Operating profit
Non-operating income	3,468	-	△3,468	-			
Non-operating expense	△1,954	-	1,954	-			
Extraordinary losses	△209	-	209	-			
		△1	794	△113	680	H	Finance income
		24	△1,085	△25	△1,086	G, H	Finance costs
Quarterly profit before tax and other adjustments	13,603	252	-	691	14,546		Quarterly profit before tax
Corporate, inhabitant, and enterprise taxes	△2,576	△65	-	△28	△2,669	D	Income taxes
Income tax - deferred							
Quarterly profit	11,026	187	-	663	11,877		Quarterly profit

(Unit: Millions of yen)

Japanese GAAP Line Item	Japanese GAAP	Effect of Change in Reporting Date	Reclassification	Differences in Recognition and Measurement	IFRS	Note	IFRS Line Item
Quarterly profit	11,026	187	-	663	11,877		Quarterly profit
Other comprehensive income							Other comprehensive income
Unrealized gains on securities, net of taxes	△1,584	△16	-	61	△1,539	H	Net change on financial assets measured at fair value through other comprehensive income
Foreign currency translation adjustment	△7,614	331	-	△5	△7,288	C	Net change in fair value on cash flow hedges
Remeasurements of defined benefit plans, net of tax	379	-	-	△379	-	G	Exchange differences on translation of foreign operations
Share of other comprehensive income of entities accounted for using equity method	△2,475	-	-	-	△2,475		Remeasurements of defined benefit liabilities
Total other comprehensive income	△11,295	315	-	△291	△11,270		Share of other comprehensive income of associates accounted for using equity method
Quarterly comprehensive income	△268	502	-	372	607		Total other comprehensive income, net of tax
							Total quarterly comprehensive income

(5) Adjustments to Comprehensive Income in FY ended March 2017 (April 1, 2016 to March 31, 2017)

(Unit: Millions of yen)

Japanese GAAP Line Item	Japanese GAAP	Effect of Change in Reporting Date	Reclassification	Differences in Recognition and Measurement	IFRS	Note	IFRS Line Item
Net sales	390,599	△2,143	-	-	388,455		Revenue
Cost of sales	△274,614	1,752	-	440	△272,422	G	Cost of sales
Gross profit	115,985	△391	-	440	116,034		Gross profit
Selling, general and administrative expense	△83,615	619	-	1,237	△81,759	A, C G, E	Selling, general and administrative expenses
		-	4,920	△14	4,906		Other operating income
		-	△3,916	-	△3,916		Other operating expenses
		-	714	△36	678	D	Share of profit of investments accounted for using equity method
Operating income	32,370	227	1,718	1,628	35,943		Operating profit
Non-operating income	6,400	-	△6,400	-			
Non-operating expense	△2,506	-	2,506	-			
Extraordinary gains	5,187	-	△5,187	-			
Extraordinary losses	△3,124	-	3,124	-			
		-	5,950	△2,905	3,045	H	Finance income
		55	△1,711	962	△694	G, H	Finance costs
Profit before tax and other adjustments	38,327	282	-	△315	38,294		Profit before tax
Corporate, inhabitant, and enterprise taxes	△9,938	△26	1,889	300	△7,776	D	Income taxes
Income tax - deferred	1,901	△13	△1,889	-			
Profit	30,291	243	-	△16	30,518		Profit

(単位：百万円)

Japanese GAAP Line Item	Japanese GAAP	Effect of Change in Reporting Date	Reclassification	Differences in Recognition and Measurement	IFRS	Note	IFRS Line Item
Profit	30,291	243	-	△16	30,518		Profit
Other comprehensive income							Other comprehensive income
Unrealized gains on securities, net of taxes	2,058	-	-	723	2,781	H	Net change on financial assets measured at fair value through other comprehensive income
Foreign currency translation adjustment	△730	412	-	16	△303	C	Net change in fair value on cash flow hedges
Remeasurements of defined benefit plans, net of tax	1,676	-	-	△758	918	G	Exchange differences on translation of foreign operations
Share of other comprehensive income of entities accounted for using equity method	△1,130	-	-	2	△1,128		Remeasurements of defined benefit liabilities
Total other comprehensive income	1,874	412	-	278	2,564		Share of other comprehensive income of associates accounted for using equity method
Comprehensive income	32,165	655	-	262	33,082		Total other comprehensive income, net of tax
							Total comprehensive income

3. Notes on Adjustments to Equity and Adjustments to Comprehensive Income

(1) Notes on Change in Reporting Date and Change in Consolidation Range

Under Japanese GAAP, in cases where the reporting date of subsidiaries or associates accounted for using the equity method differs from the Company's consolidated reporting date, consolidated financial statements are still prepared based on financial statements as of the reporting date of the subsidiary or associates accounted for using the equity method.

Under IFRS, however, financial statements of subsidiaries or associates accounted for using the equity method are prepared with the Company's consolidated reporting date as the reporting date, except where impractical, either by aligning the reporting date with the Company's consolidated reporting date or by preparing provisional settlement of accounts as of the consolidated reporting date. In cases where financial statements of subsidiaries or associates accounted for using the equity method are prepared on a date different from the Company's consolidated reporting date, adjustments are made for the effects of significant transactions or circumstances arising during the period of difference from the Company's consolidated reporting date.

Even under Japanese GAAP, at the end of the previous consolidated FY, the Group prepared the financial statements regarding the Company's consolidated reporting date as the reporting date of its subsidiaries or associates accounted for using equity method, either by aligning the individual reporting dates with the Company's reporting date (except some subsidiaries and associates) or by preparing provisional settlement of accounts as of the consolidated reporting date.

Furthermore, under Japanese GAAP, subsidiaries of little material relevance are excluded from the consolidation range and assessed on a cost basis. Under IFRS, however, key subsidiaries of little material relevance are included in the consolidation range.

Since the First Quarter of FY ended March 2017 prepared under Japanese GAAP, the Group included in the consolidation range JSR MOL Synthetic Rubber Ltd., PT.ELASTOMIX INDONESIA, and Techno Europe N.V., which had been excluded from the consolidation range, because of an increase in their material relevance. This action has aligned the consolidation range under IFRS and the consolidation range under Japanese GAAP.

With the acquisition of Selexis S.A., Selexis S.A. is included in the consolidation range from the 1st Quarter of FY ending March 2018.

With the acquisition of a majority stake in Gokosyokai Co., Ltd. and LEXI Co., Ltd., Gokosyokai Co., Ltd. and LEXI Co., Ltd. are included in the consolidation range from the first half of the FY ending March 2018. Enthought, Inc. is included in the range of associates accounted for using equity method because of an increase in its material relevance.

(2) Notes on Reclassification

Short-term time deposits with deposit terms longer than three months presented as "Cash and deposits" under Japanese GAAP have been presented as current assets in "Other current financial assets" under IFRS.

Short-term investments with original maturity of three months or less presented as "Short-term investment securities" under Japanese GAAP have been presented as "Cash and cash equivalents" under IFRS.

All deferred tax assets and deferred tax liabilities that had been presented as current items have been reclassified to non-current items.

Amounts presented separately as “Subscription rights to shares” under Japanese GAAP have been included in “Capital surplus” under IFRS.

(3) Notes on Differences in Recognition and Measurement

A. Government Grants

Under Japanese GAAP, government grants are recognized as revenue en bloc at the time of reception. Under IFRS, however, government grants are deferred by direct deduction of the carrying amount of the asset and recognized as decrease of the depreciation expense using the straight-line method over the useful life of the asset.

B. Leases

Transactions deemed substantially as finance leases are not recognized as assets under Japanese GAAP, but they are accounted for as “Property, plant and equipment” under IFRS. Liabilities resulting from capitalization of the substantial lease transactions are presented in “Other financial liabilities.”

C. Goodwill

Under Japanese GAAP, goodwill is amortized, while it is not amortized under IFRS. Therefore the amount of amortization of goodwill accounted for under Japanese GAAP is reversed under IFRS.

D. Deferred Tax Assets and Deferred Tax Liabilities

Deferred tax assets were recognized under Japanese GAAP based on company classifications specified in Implementation Guidance to Corporate Accounting Standards No. 26 — *Implementation Guidance on the Recoverability of Deferred Tax Assets*. Under IFRS, however, unused tax losses and deductible temporary differences have been recognized as tax gains when management deemed it is probable that the unused tax losses and deductible temporary differences will be used against future taxable profits.

Under Japanese GAAP, tax effects associated with elimination of unrealized gains and losses are calculated using the effective tax rate of the selling entity, while under IFRS, such tax effects are calculated using the effective tax rate of the buying entity.

E. Levies

Non-current asset taxes levied by the government expensed across the FY in which tax was paid under Japanese GAAP have been recognized liabilities and expenses en bloc under IFRS at the time the obligation-triggering event occurs.

F. Derivative Transactions

Exemptions apply to interest rate swap contracts under Japanese GAAP provided they meet exemption provisions. Under IFRS, however, interest rate swap contracts are assessed on fair value. Changes in fair value are presented as other comprehensive income in “Net change in fair price on cash flow hedges,” and balances at the end of the reporting period are presented in “Other components of equity.”

G. Liabilities Pertaining to Defined Benefits

Under Japanese GAAP, the portion of actuarial differences occurring in the reporting period

not expensed are recognized in other comprehensive income. Under IFRS, however, such actuarial differences are immediately reclassified to “Retained earnings” through other comprehensive income.

The balance of all actuarial differences at the beginning of the reporting period that had been recognized in accumulated other comprehensive income under Japanese GAAP has been directly recognized in “Retained earnings” under IFRS.

Calculations of interest under Japanese GAAP use interest expenses, calculated by multiplying post-employment benefit liabilities by the discount rate, and expected investment returns, calculated by multiplying pension assets by the expected long-term investment return rate. Under IFRS, however, calculations of interest use the net of interest, calculated by multiplying the present value of defined benefit plan obligations less the fair value of the plan assets by the discount rate.

H. Financial Assets Measured at Fair Value through Other Comprehensive Income

Under Japanese GAAP, gains and losses on the sales of shares and other equity instruments and impairment losses are recognized in net profit or loss. Under IFRS, however, designated equity instruments measured at fair value through other comprehensive income are not recognized in net profit or loss, and at derecognition accumulated other comprehensive income previously recognized is reclassified to retained earnings.

Privately held companies generally assessed on a cost basis with the moving average method under the Japanese GAAP have been assessed on fair value under IFRS, resulting in changes to other comprehensive income.

I. Amount of Exchange Differences on Translating Foreign Operations

Through application of the first-time-adoption exemption provisions of IFRS 1, the cumulative amount of exchange differences on translating foreign operations has been deemed to be nil as of the date of transition to IFRS.

J. Retained Earnings

The effects of IFRS application on retained earnings are as follows. The following amounts are the amounts after adjustment of associated tax effects and non-controlling interests.

(Unit: Millions of yen)

	Date of Transition (April 1, 2016)	1st Quarter of FY ended March 2017 (June 30, 2016)	FY ended March 2017 (March 31, 2017)
Adjustments related to the change in reporting date / change in consolidation range (See (1))	△411	△51	-
Adjustments related to government grants (See A)	△219	△196	△187
Adjustments related to the amortization of goodwill (See C)	-	244	495
Adjustments related to deferred tax assets and deferred tax liabilities (See D)	43	138	68
Adjustments related to levies (See E)	△709	△709	△699
Adjustments related to changes in immediate recognition and accounting methods for actuarial differences in defined benefit plans (See G)	△815	△430	913
Adjustments related to the amount of exchange differences on translating foreign operations (See I)	8,385	8,385	8,385
Others	△5	△15	△4
Total retained earnings adjustment	6,270	7,367	8,970