Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

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

July 25, 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
Inquiries: General Manager, Corporate Communications Department Nobuhiko Kuwashima TEL 03-6218-3517

Scheduled date to file Quarterly Securities Report: August 10, 2016
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 three months ended June 30, 2016 (from April 1, 2016 to June 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	%
Three months ended June 30, 2016	88,786	(7.0)	5,637	(23.9)	5,674	(19.7)	4,268	(13.8)
Three months ended June 30, 2015	95,435	(0.7)	7,407	(8.9)	7,069	(15.6)	4,950	(7.9)

(Note) Comprehensive Income -7,328 million yen (－%) for Three months ended June 30, 2016 5,436 million yen (10.6%) for Three months ended June 30, 2015

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2016	18.92	18.87
Three months ended June 30, 2015	21.51	21.46

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2016	507,763	354,175	67.0	1,508.85
As of March 31, 2016	516,359	362,353	68.4	1,565.45

(Reference) Equity 340,381 million yen as of June 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	Yen	Yen	Yen	Yen
Year ended March 31, 2016	–	25.00	–	25.00	50.00
Year ending March 31, 2017	–				
Year ending March 31, 2017 (Forecast)		25.00	–	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
Six months ending September 30, 2016	190,000	(2.6)	17,000	(11.1)	17,500	4.1	12,500	(0.1)	55.41
Full year	395,000	2.1	35,000	1.7	36,000	7.0	24,500	1.8	108.61

(Note) Revision of the latest forecast of consolidated financial results : No

4. Notes

(1) Changes in significant subsidiaries during the three months ended June 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 June 30, 2016	226,074,545 shares	As of March 31, 2016	226,074,545 shares

Number of treasury shares at the end of the period

As of June 30, 2016	484,404 shares	As of March 31, 2016	488,223 shares

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

Three months ended June 30, 2016	225,588,655 shares	Three months ended June 30, 2015	230,111,335 shares

* 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) Notes on Quarterly Consolidated Financial Statements…….. 8
(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 Quarter of FY ending March 2017 (April 1, 2016 to June 30, 2016)

In JSR Group's main customers' industries, the global demand for automobiles and automobile tires was strong mainly in China, the U.S. and Europe while demand within Japan was weak. Demand in the semiconductor market was relatively strong while demand in the flat panel display market continued to be weak following the previous year. The value of the yen has further appreciated since the end of the previous fiscal year.

Under these circumstances, JSR Group has focused on expanding global sales of products of the Petrochemicals Business, taking advantage of their technological competitiveness. In the Fine Chemicals and Other Products Business, the Group implemented sales promotion of materials applicable to cutting-edge semiconductor technologies. 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 quarter of FY ending March 2017, the Company reported net sales of 88,786 million yen (down 7.0% year-on-year), operating income of 5,637 million yen (down 23.9% year-on-year), ordinary income of 5,674 million yen (down 19.7% year-on-year), and profit attributable to the owners of the parent company of 4,268 million yen (down 13.8% year-on-year).

(Unit: Millions of yen)

Segment	1st Quarter of FY ended March 2016 (April 1 to June 30,2015)		1st Quarter of FY ending March 2017 (April 1 to June 30,2016)		Change	
	Amount	Component Ratio	Amount	Component Ratio	Amount	Percentage
Net Sales						
Elastomers	43,559	45.6%	40,528	45.6%	(3,032)	(7.0%)
Plastics	13,332	14.0%	11,251	12.7%	(2,081)	(15.6%)
Fine Chemicals and Other Products	38,543	40.4%	37,007	41.7%	(1,537)	(4.0%)
Total	95,435	100.0%	88,786	100.0%	(6,650)	(7.0%)
Sales in Japan	42,027	44.0%	39,706	44.7%	(2,322)	(5.5%)
Overseas sales	53,408	56.0%	49,080	55.3%	(4,328)	(8.1%)

Segment	1st Quarter of FY ended March 2016 (April 1 to June 30,2015)		1st Quarter of FY ending March 2017 (April 1 to June 30,2016)		Change	
	Amount	Percentage to net sales	Amount	Percentage to net sales	Amount	Percentage
Operating income	7,407	7.8%	5,637	6.3%	(1,770)	(23.9%)
Ordinary income	7,069	7.4%	5,674	6.4%	(1,395)	(19.7%)
Profit attributable to owners of parent	4,950	5.2%	4,268	4.8%	(683)	(13.8%)

(i) Elastomers Business Segment

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

Operating income increased mainly due to the increased sales volume while sales revenues decreased.

Consequently, the Elastomers Business segment posted operating income of 903 million yen (up 7.2% year-on-year) on net sales of 40,528 million yen (down 7.0%) in the first quarter of 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 as the same period of the previous 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 previous year mainly due to the lower profit margin. This was because we had to lower product prices as a result of the decline of material prices. The accounting treatment of some transactions with overseas subsidiaries also had negative effect on the operating income.

Consequently, the Plastics Business segment posted operating income of 451 million yen (down 67.1% year-on-year) on net sales of 11,251 million yen (down 15.6%) in the first quarter of 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. In particular, sales revenues of display materials decreased due to the low operating ratio of the LCD panel plant continuing from the latter half of the previous year and the intensified competition in the market. 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. The sales of KBI Biopharma, Inc. also increased.

The operating income of the Fine Chemicals and Other Products Business segment decreased from the previous year mainly due to the decreased profit resulting from the fall in the sales of display materials.

Consequently, the Fine Chemicals and Other Products Business segment posted operating income of 4,283 million yen (down 17.6% year-on-year) on net sales of 37,007 million yen (down 4.0%) in the first quarter of FY ending March 2017.

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

JSR Corporation has not revised its forecast of consolidated business results for the first six-month period and the full term of the fiscal year ending March 31 2017, as announced in the “Consolidated Business Results for FY ended March 2016” on April 25, 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 quarter under review, and multiplying net income before income taxes for the quarterly period by the said estimated effective tax rate.

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

(Changes in accounting 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 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, the JRS 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 will become easier.

As a result, operating income, ordinary income and net income before income taxes for the first quarter of FY ending March 2017 computed by using the straight line method increased by 483 million yen compared to that computed by using the traditional depreciation method.

Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: Millions of yen)

	As of March 31, 2016	As of June 30, 2016
Assets		
Current assets		
Cash and deposits	52,081	80,853
Notes and accounts receivable - trade, net	77,878	73,678
Securities	60,010	42,009
Inventories	77,458	74,188
Other	33,104	28,555
Total current assets	300,532	299,283
Non-current assets		
Property, plant and equipment	112,693	119,485
Intangible assets		
Goodwill	9,788	9,296
Other	6,875	7,240
Total intangible assets	16,663	16,536
Investments and other assets		
Investment securities	67,877	53,865
Other	18,592	18,595
Total investments and other assets	86,470	72,459
Total non-current assets	215,827	208,480
Total assets	516,359	507,763
Liabilities		
Current liabilities		
Notes and accounts payable - trade	53,836	51,433
Short-term loans payable	20,840	18,646
Other	34,646	35,055
Total current liabilities	109,322	105,133
Non-current liabilities		
Long-term loans payable	22,249	28,004
Net defined benefit liability	15,180	15,303
Other	7,254	5,147
Total non-current liabilities	44,683	48,454
Total liabilities	154,005	153,587
Net assets		
Shareholders' equity		
Common stock	23,320	23,320
Capital surplus	25,179	25,123
Retained earnings	281,877	280,245
Treasury shares	(956)	(949)
Total shareholders' equity	329,420	327,739
Accumulated other comprehensive income		
Unrealized gains on securities, net of taxes	15,231	10,828
Foreign currency translation adjustment	9,307	2,437
Remeasurements of defined benefit plans	(814)	(622)
Total accumulated other comprehensive income	23,724	12,642
Subscription rights to shares	930	930
Non-controlling interests	8,278	12,864
Total net assets	362,353	354,175
Total liabilities and net assets	516,359	507,763

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

Consolidated Statements of Income (Cumulative)

(Unit: Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Net sales	95,435	88,786
Cost of sales	70,081	62,482
Gross profit	25,354	26,304
Selling, general and administrative expenses	17,947	20,667
Operating income	7,407	5,637
Non-operating income		
Equity in earnings of affiliated companies	299	334
Other	560	918
Total non-operating income	859	1,252
Non-operating expenses		
Foreign exchange losses	614	567
Other	583	647
Total non-operating expenses	1,197	1,215
Ordinary income	7,069	5,674
Extraordinary losses		
Loss on valuation of investment securities	–	206
Provision of allowance for doubtful accounts	–	209
Loss on sales of investments in capital of subsidiaries and associates	344	–
Total extraordinary losses	344	415
Income before income taxes and minority interests	6,724	5,259
Income taxes	2,526	1,091
Profit	4,198	4,168
Loss attributable to non-controlling interests	(752)	(100)
Profit attributable to owners of parent	4,950	4,268

Consolidated Statements of Comprehensive Income (Cumulative)

(Unit: Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Profit	4,198	4,168
Other comprehensive income		
Unrealized gains on securities, net of taxes	477	(4,406)
Foreign currency translation adjustment	953	(6,426)
Remeasurements of defined benefit plans, net of tax	(35)	190
Share of other comprehensive income of entities accounted for using equity method	(156)	(854)
Total other comprehensive income	1,238	(11,496)
Comprehensive income	5,436	(7,328)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,200	(6,290)
Comprehensive income attributable to non-controlling interests	(764)	(1,038)

(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 first quarter of the previous consolidated fiscal year (April 1, 2015 to June 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	43,559	13,332	38,543	95,435	-	95,435
Inter-segment Sales/Transfers	962	-	-	962	(962)	-
Total	44,521	13,332	38,543	96,398	(962)	95,435
Operating income	842	1,369	5,195	7,407	-	7,407

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 quarter of the current consolidated fiscal year (April 1, 2016 to June 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	40,528	11,251	37,007	88,786	-	88,786
Inter-segment Sales/Transfers	902	-	-	902	(902)	-
Total	41,429	11,251	37,007	89,688	(902)	88,786
Operating income	903	451	4,283	5,637	-	5,637

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.