

For the First Quarter of the Fiscal Year Ending March 31, 2018

\* This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.

**Summary of Consolidated Financial Results**  
**For the First Quarter of the Fiscal Year Ending March 31, 2018**  
**(Three Months Ended June 30, 2017)**

August 3, 2017

Company name: NIPPON SHOKUBAI CO., LTD. Listing: TSE (First Section)  
 Code number: 4114 URL: <http://www.shokubai.co.jp/>  
 Representative: Yujiro Goto, President and Representative Member of the Board  
 Contact for inquiries: Teruhisa Wada, General Manager of General Affairs Dept. Phone: +81-6-6223-9111  
 Scheduled quarterly report filing date: August 9, 2017  
 Scheduled date of dividend payment: -  
 Supplementary quarterly materials prepared: None  
 Quarterly results information meeting held: None

(Figures are rounded off to the nearest million yen)

**1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2018 (hereafter FY 2017) (from April 1, 2017 to June 30, 2017)**

## (1) Consolidated operating results (cumulative)

(Percentages represent year-over-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended Jun. 30, 2017	80,294	11.5	7,550	34.6	9,224	47.9	6,391	34.6
Three months ended Jun. 30, 2016	71,994	-15.2	5,611	-37.6	6,235	-37.3	4,748	-43.0

Note: Comprehensive income (millions of yen): Three months ended June 30, 2017: 7,188 - %  
 Three months ended June 30, 2016: -1,658 - %

	Basic earnings per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2017	160.26	-
Three months ended Jun. 30, 2016	117.00	-

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Jun. 30, 2017	448,330	297,232	65.5	7,363.33
As of Mar. 31, 2017	433,610	292,275	66.6	7,238.33

Reference: Shareholders' equity (millions of yen): As of June 30, 2017: 293,655  
 As of Mar. 31, 2017: 288,672

**2. Dividends**

	Dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2016	-	75.00	-	75.00	150.00
FY 2017	-				
FY 2017 (forecast)		75.00	-	75.00	150.00

Note: Revisions to dividends forecast during the period: No

**3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2018  
(from April 1, 2017 to March 31, 2018)**

(Percentages indicate rate of changes year-over-year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	150,000	8.5	10,000	4.3	12,000	9.3	9,000	5.8	225.67
Full year	310,000	5.5	23,000	8.7	26,000	5.4	19,500	0.7	488.96

Note: Revisions to consolidated earnings forecast during the period: No

**※Notes**

- (1) Changes in significant subsidiaries during the period (changes in specific subsidiaries that affect the scope of consolidation): None
- (2) Application of simplified accounting methods and accounting methods peculiar to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies; changes in accounting estimates; restatements
  - 1) Changes in accounting policies due to amendment of accounting standards: None
  - 2) Other changes in accounting policies: Yes
  - 3) Changes in accounting estimates: None
  - 4) Restatements: None
- (4) Number of shares issued and outstanding (common stock)
  - 1) Number of shares issued and outstanding at the end of the period (including treasury stock)
 

	Jun. 30, 2017:	40,800,000 shares	Mar. 31, 2017:	40,800,000 shares
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  - 2) Number of treasury stock at the end of the period
 

	Jun. 30, 2017:	919,290 shares	Mar. 31, 2017:	919,039 shares
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  - 3) Average number of shares outstanding during the period
 

	Three months ended Jun. 30, 2017:	39,880,831 shares	Three months ended Jun. 30, 2016:	40,582,234 shares
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**※Indication regarding execution of audit procedures**

This quarterly financial results report is exempt from the audit procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial results report, the audit procedures for quarterly financial statements in accordance with the Financial Instruments and Exchange Act are incomplete.

**※Appropriate use of business forecasts; other special items**

In this document, statements other than historical facts are forward-looking statements that reflect the Company's plans and expectations. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results and achievements to differ from those anticipated in these statements.

**Qualitative Information, Financial Statements, etc.****1. Consolidated Operating Results****(1) Overview**

(Unit: Millions of yen)

	Three months ended Jun. 30, 2016	Three months ended Jun. 30, 2017	Change		FY2016
			(Amount)	(% growth)	
Net sales	71,994	80,294	8,300	11.5%	293,970
Operating profit	5,611	7,550	1,939	34.6%	21,151
Ordinary profit	6,235	9,224	2,988	47.9%	24,664
Profit attributable to owners of parent	4,748	6,391	1,643	34.6%	19,361
Basic earnings per share	117.00 yen	160.26 yen	43.26 yen	37.0%	478.36 yen
ROA (Return on Assets)	6.1%	8.4%	-	2.3 points	5.9%
ROE (Return on Equity)	6.9%	8.8%	-	1.9 points	6.8%
Foreign exchange rates (\$ and EUR)	\$=108.04 yen EUR=121.88 yen	\$=111.09 yen EUR=122.26 yen		3.05 yen 0.38 yen	\$=108.36 yen EUR=118.76 yen
Naphtha price	31,600 yen/kl	39,100 yen/kl		7,500 yen/kl	34,700 yen/kl

Note) The ROA and ROE figures shown for each three-month period are annualized.

### 3. Quarterly Consolidated Financial Statements

#### (1) Consolidated Balance sheets

(Unit: Millions of yen)

	FY2016 As of Mar.31, 2017	1Q-FY2017 As of Jun.30, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	56,139	55,555
Notes and accounts receivable - trade	64,201	68,358
Merchandise and finished goods	28,162	31,513
Work in process	6,315	5,828
Raw materials and supplies	16,632	17,315
Other	13,070	11,521
Allowance for doubtful accounts	-11	-9
Total current assets	184,509	190,081
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	65,159	60,398
Land	32,607	32,604
Other, net	69,809	81,941
Accumulated impairment loss	-4,415	-4,365
Total property, plant and equipment	163,160	170,577
Intangible assets		
Other	3,877	3,713
Total intangible assets	3,877	3,713
Investments and other assets		
Investment securities	65,760	68,485
Other	16,370	15,541
Allowance for doubtful accounts	-66	-67
Total investments and other assets	82,064	83,958
Total non-current assets	249,101	258,248
Total assets	433,610	448,330
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	44,615	43,434
Short-term loans payable	9,976	12,981
Current portion of long-term loans payable	11,583	5,534
Income taxes payable	3,378	3,076
Provision for bonuses	3,065	4,872
Other provision	2,685	2,886
Other	11,545	11,401
Total current liabilities	86,845	84,185
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	26,374	37,820
Net defined benefit liability	12,072	12,454
Other	6,044	6,639
Total non-current liabilities	54,489	66,912
Total liabilities	141,335	151,098

(Unit: Millions of yen)

	FY2016 As of Mar.31, 2017	1Q-FY2017 As of Jun.30, 2017
Net assets		
Shareholders' equity		
Capital stock	25,038	25,038
Capital surplus	22,396	22,396
Retained earnings	229,092	233,260
Treasury shares	-6,249	-6,251
Total shareholders' equity	270,277	274,443
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,247	14,089
Deferred gains or losses on hedges	11	11
Foreign currency translation adjustment	6,153	5,588
Remeasurements of defined benefit plans	-16	-477
Total accumulated other comprehensive income	18,395	19,212
Non-controlling interests	3,604	3,577
Total net assets	292,275	297,232
Total liabilities and net assets	433,610	448,330

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

(Unit: Millions of yen)

	1Q- FY 2016	1Q- FY 2017
	Apr.1, 2016 to Jun.30, 2016	Apr.1, 2017 to Jun.30, 2017
Net sales	71,994	80,294
Cost of sales	56,617	62,999
Gross profit	15,378	17,295
Selling, general and administrative expenses	9,767	9,745
Operating profit	5,611	7,550
Non-operating income		
Interest income	29	42
Dividend income	630	525
Share of profit of entities accounted for using equity method	661	847
Real estate rent	235	299
Technical support fee	33	28
Foreign exchange gains	-	99
Other	204	136
Total non-operating income	1,792	1,977
Non-operating expenses		
Interest expenses	112	104
Foreign exchange losses	851	-
Depreciation	34	39
Taxes and dues	60	68
Other	110	91
Total non-operating expenses	1,168	303
Ordinary profit	6,235	9,224
Extraordinary losses		
Loss on valuation of investment securities	47	-
Total extraordinary losses	47	-
Profit before income taxes	6,189	9,224
Income taxes - current	1,710	3,294
Income taxes - deferred	-272	-503
Total income taxes	1,438	2,791
Profit	4,750	6,433
Profit attributable to non-controlling interests	2	41
Profit attributable to owners of parent	4,748	6,391

**Consolidated Statements of Comprehensive Income**

(Unit: Millions of yen)

	1Q- FY 2016 Apr.1, 2016 to Jun.30, 2016	1Q- FY 2017 Apr.1, 2017 to Jun.30, 2017
Profit	4,750	6,433
Other comprehensive income		
Valuation difference on available-for-sale securities	-1,575	1,844
Deferred gains or losses on hedges	-11	0
Foreign currency translation adjustment	-4,197	-1,064
Remeasurements of defined benefit plans, net of tax	153	-463
Share of other comprehensive income of entities accounted for using equity method	-779	437
Total other comprehensive income	-6,408	755
Comprehensive income	-1,658	7,188
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	-1,547	7,208
Comprehensive income attributable to non-controlling interests	-111	-21

**(3) Consolidated Statements of Cash Flows**

(Unit: Millions of yen)

	1Q- FY 2016 Apr.1, 2016 to Jun.30, 2016	1Q- FY 2017 Apr.1, 2017 to Jun.30, 2017
<b>Cash flows from operating activities</b>		
Profit before income taxes	6,189	9,224
Depreciation	4,331	4,178
Loss (gain) on valuation of investment securities	47	-
Interest and dividend income	-659	-567
Interest expenses	112	104
Share of (profit) loss of entities accounted for using equity method	-661	-847
Decrease (increase) in notes and accounts receivable - trade	1,422	-2,244
Decrease (increase) in inventories	-1,031	-716
Increase (decrease) in notes and accounts payable - trade	-874	-2,401
Increase (decrease) in accrued consumption taxes	0	826
Other	3,106	2,892
<b>Subtotal</b>	<b>11,982</b>	<b>10,448</b>
Interest and dividend income received	2,001	2,327
Interest expenses paid	-100	-170
Income taxes paid	-4,386	-3,614
<b>Cash flows from operating activities</b>	<b>9,497</b>	<b>8,991</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	-3,986	-8,805
Proceeds from sales of investment securities	17	81
Purchase of shares of subsidiaries and associates	-	-612
Collection of investments in capital	-	388
Other	-209	453
<b>Cash flows from investing activities</b>	<b>-4,178</b>	<b>-8,496</b>



(Unit: Millions of yen)

	1Q- FY 2016 Apr.1, 2016 to Jun.30, 2016	1Q- FY 2017 Apr.1, 2017 to Jun.30, 2017
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	-1,646	2,464
Proceeds from long-term loans payable	780	8,399
Repayments of long-term loans payable	-2,075	-6,942
Proceeds from issuance of bonds	10,000	-
Purchase of treasury shares	-2	-2
Cash dividends paid	-3,450	-2,991
Dividends paid to non-controlling interests	-13	-2
Other	-7	-7
Cash flows from financing activities	3,587	918
Effect of exchange rate change on cash and cash equivalents	-1,728	-8
Net increase (decrease) in cash and cash equivalents	7,179	1,405
Cash and cash equivalents at beginning of period	64,055	51,700
Increase (decrease) in cash and cash equivalents resulting from changes in the fiscal year-end of subsidiaries	-	-1,414
Cash and cash equivalents at end of period	71,234	51,691

**(4) Notes Concerning Quarterly Consolidated Financial Statements****【Going Concern Assumption】**

Not applicable.

**【Notes on Substantial Changes in the Amount of Shareholders' Equity】**

Not applicable.

**【Changes in Accounting Policies】**

The Company previously applied the allocation method of hedge accounting to forward foreign currency exchange contracts that meet certain criteria, and special treatment to interest rate swaps that meet certain criteria, but in order to more appropriately reflect the reality of derivatives transactions in consolidated financial statements, from the first quarter of the current fiscal year, the Company has changed to the deferral method of hedge accounting, that is, valuing forward foreign currency exchange contracts and interest rate swaps at fair value at the end of the period.

Furthermore, as the effect of this change in accounting policies on past periods is immaterial, it has not been applied retrospectively.

**【Additional Information】**

For consolidated subsidiaries with a fiscal year-end of December 31, the Company previously used non-consolidated financial statements as of that date and made any adjustments necessary in consolidated financial statements for significant transactions that occurred between then and the consolidated fiscal year-end, but in aiming for more appropriate disclosure of consolidated financial statements, from the first quarter of the current fiscal year, the Company has changed the fiscal year-end of NIPPON SHOKUBAI EUROPE N.V. and four other companies to March 31, and changed the method of consolidation of NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) CO., LTD., whereby the company is consolidated based on its provisional financial statements as of March 31, the consolidated fiscal year-end.

Furthermore, in accordance with these changes to the fiscal year, in consolidated financial statements for the first quarter of the current fiscal year, the Company has made adjustments through retained earnings in profit (loss), and through "Increase (decrease) in cash and cash equivalents resulting from changes in the fiscal year-end of subsidiaries" in cash flows, respectively, for the three months from January 1, 2017 to March 31, 2017 for the relevant consolidated subsidiaries.

**【Segment Information】**

## I Three months ended June 30, 2016 (April 1, 2016 to June 30, 2016)

## 1. Information concerning net sales and profit or loss by reporting segment

(Unit: Millions of yen)

	Basic chemicals	Functional chemicals	Environment & catalysts	Total	Adjustment (Note 1)	Consolidation (Note 2)
Net sales						
(1) Sales to third parties	26,557	39,318	6,119	71,994	-	71,994
(2) Intergroup sales and transfers	7,267	1,133	112	8,511	-8,511	-
Total	33,824	40,451	6,230	80,505	-8,511	71,994
Segment Income (loss)	2,637	3,130	-152	5,615	-4	5,611

Notes: 1. The "Segment Income" adjustment refers to inter-segment transaction eliminations amounting to -4 million yen.

2. Segment income is adjusted for Operating Income described in Consolidated Statements of Income.

## 2. Information concerning impairment loss of noncurrent assets or goodwill etc. by reporting segment

Not applicable.

## II Three months ended June 30, 2017 (April 1, 2017 to June 30, 2017)

## 1. Information concerning net sales and profit or loss by reporting segment

(Unit: Millions of yen)

	Basic chemicals	Functional chemicals	Environment & catalysts	Total	Adjustment (Note 1)	Consolidation (Note 2)
Net sales						
(1) Sales to third parties	30,165	42,656	7,472	80,294	-	80,294
(2) Intergroup sales and transfers	9,257	1,504	585	11,347	-11,347	-
Total	39,423	44,160	8,058	91,641	-11,347	80,294
Segment Income (loss)	4,068	3,348	206	7,622	-71	7,550

Notes: 1. The "Segment Income" adjustment refers to inter-segment transaction eliminations amounting to -71 million yen.

2. Segment income is adjusted for Operating Income described in Consolidated Statements of Income.

## 2. Information concerning impairment loss of noncurrent assets or goodwill etc. by reporting segment

Not applicable.

**【Supplementary Information】****Overseas Sales**

Three months ended June 30, 2016 (April 1, 2016 to June 30, 2016)

(Unit: Millions of yen)

	Asia	Europe	North America	Others	Total
I. Overseas sales	15,080	9,327	7,290	3,035	34,732
II. Consolidated sales					71,994
III. Overseas sales to consolidated sales	20.9%	13.0%	10.1%	4.2%	48.2%

Three months ended June 30, 2016 (April 1, 2017 to June 30, 2017)

(Unit: Millions of yen)

	Asia	Europe	North America	Others	Total
I. Overseas sales	16,996	9,943	7,265	3,863	38,067
II. Consolidated sales					80,294
III. Overseas sales to consolidated sales	21.2%	12.4%	9.0%	4.8%	47.4%

Notes:

1. Geographical segments are classified according to geographical proximity.
2. Specific countries of each area:
  - (1) Asia: East and South East Asian countries
  - (2) Europe: European countries
  - (3) North America: North American countries
  - (4) Others: Areas/countries except Asia, Europe, North America, and Japan
3. "Overseas sales" means sales to outside Japan by NIPPON SHOKUBAI CO., LTD. and its consolidated subsidiaries.

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