

For the Third 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 Third Quarter of the Fiscal Year Ending March 31, 2018**  
**(Nine Months Ended December 31, 2017)**

February 5, 2018

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: February 8, 2018  
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 Third Quarter of the Fiscal Year Ending March 31, 2018 (hereafter FY 2017) (from April 1, 2017 to December 31, 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	%
Nine months ended Dec. 31, 2017	243,177	16.2	20,392	34.3	25,179	37.4	18,634	23.8
Nine months ended Dec. 31, 2016	209,322	-15.5	15,183	-38.7	18,326	-32.6	15,048	-27.9

Note: Comprehensive income (millions of yen):  
Nine months ended December 31, 2017: 24,426 743.2 %  
Nine months ended December 31, 2016: 2,897 -84.8%

	Basic earnings per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2017	467.25	-
Nine months ended Dec. 31, 2016	370.81	-

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Dec. 31, 2017	467,824	311,468	65.8	7,720.31
As of Mar. 31, 2017	433,610	292,275	66.6	7,238.33

Reference: Shareholders' equity (millions of yen):  
As of Dec. 31, 2017: 307,883  
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	-	75.00	-		
FY 2017 (forecast)				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
Full year	320,000	8.9	26,000	22.9	30,000	21.6	22,000	13.6	551.65

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)

Dec. 31, 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

Dec. 31, 2017:	920,431 shares	Mar. 31, 2017:	919,039 shares
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  - 3) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2017:	39,880,401 shares	Nine months ended Dec. 31, 2016:	40,581,979 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.

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

(Unit: Millions of yen)

	Nine months ended Dec. 31, 2016	Nine months ended Dec. 31, 2017	Change		FY2016
			(Amount)	(% growth)	
Net sales	209,322	243,177	33,855	16.2%	293,970
Operating income	15,183	20,392	5,209	34.3%	21,151
Ordinary income	18,326	25,179	6,854	37.4%	24,664
Profit*	15,048	18,634	3,586	23.8%	19,361
Earnings per share	370.81 yen	467.25 yen	96.44 yen	26.0%	478.36 yen
ROA (Return on Assets)	6.0%	7.4%	-	1.4 points	5.9%
ROE (Return on Equity)	7.2%	8.3 %	-	1.1 points	6.8%
Foreign exchange rates (\$ and EUR)	\$=106.62 yen EUR=118.00 yen	\$=111.69 yen EUR=128.55 yen		5.07 yen 10.55 yen	\$=108.36 yen EUR=118.76 yen
Naphtha price	32,300 yen/kl	39,900 yen/kl		7,600 yen/kl	34,700 yen/kl

\*Profit attributable to owners of parent

Note) 1.The ROA and ROE figures shown for each nine-month period are annualized.

**(2) Consolidated Financial Forecasts and Other Forward-looking Statements**

As announced on November 7, 2017, the Group's full fiscal year results forecast are as follows: consolidated net sales of 320.0 billion yen, operating income of 26.0 billion yen, ordinary income of 30.0 billion yen, and profit attributable to owners of parent of 22.0 billion yen.

The consolidated financial forecasts (full year) for FY 2017 are based on the assumption that the exchange rate in the fourth quarter of FY 2017 will be 110 yen to the US dollar, 130 yen to the euro, and naphtha prices of 50,000 yen/kl.

The previously announced forecasts by business segment for the fiscal year ending March 31, 2018 are as follows:

(Unit: Billions of yen)

	Basic Chemicals		Functional Chemicals		Environment & Catalysts	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Forecasts announced on November 7, 2017	117.0	11.3	175.0	14.5	28.0	0.5

**2. Quarterly Consolidated Financial Statements****(1) Consolidated Balance sheets**

(Unit: Millions of yen)

	FY2016 As of Mar.31, 2017	3Q-FY2017 As of Dec.31, 2017
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	56,139	54,786
Notes and accounts receivable - trade	64,201	76,078
Merchandise and finished goods	28,162	31,287
Work in process	6,315	4,916
Raw materials and supplies	16,632	17,779
Other	13,070	10,288
Allowance for doubtful accounts	-11	-10
<b>Total current assets</b>	<b>184,509</b>	<b>195,126</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Machinery, equipment and vehicles, net	65,159	57,060
Land	32,607	32,626
Construction in progress	25,664	50,457
Other, net	44,145	42,655
Accumulated impairment loss	-4,415	-4,445
<b>Total property, plant and equipment</b>	<b>163,160</b>	<b>178,352</b>
<b>Intangible assets</b>		
Other	3,877	3,710
<b>Total intangible assets</b>	<b>3,877</b>	<b>3,710</b>
<b>Investments and other assets</b>		
Investment securities	65,760	74,665
Other	16,370	16,037
Allowance for doubtful accounts	-66	-66
<b>Total investments and other assets</b>	<b>82,064</b>	<b>90,636</b>
<b>Total non-current assets</b>	<b>249,101</b>	<b>272,698</b>
<b>Total assets</b>	<b>433,610</b>	<b>467,824</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	44,615	53,064
Short-term loans payable	9,976	11,809
Current portion of long-term loans payable	11,583	5,169
Income taxes payable	3,378	2,925
Provision for bonuses	3,065	1,390
Other provision	2,685	2,509
Other	11,545	12,137
<b>Total current liabilities</b>	<b>86,845</b>	<b>89,003</b>
<b>Non-current liabilities</b>		
Bonds payable	10,000	10,000
Long-term loans payable	26,374	36,110
Net defined benefit liability	12,072	13,403
Other	6,044	7,839
<b>Total non-current liabilities</b>	<b>54,489</b>	<b>67,352</b>
<b>Total liabilities</b>	<b>141,335</b>	<b>156,356</b>

(Unit: Millions of yen)

	FY2016 As of Mar.31, 2017	3Q-FY2017 As of Dec.31, 2017
Net assets		
Shareholders' equity		
Capital stock	25,038	25,038
Capital surplus	22,396	22,400
Retained earnings	229,092	242,512
Treasury shares	-6,249	-6,260
Total shareholders' equity	270,277	283,690
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,247	17,036
Deferred gains or losses on hedges	11	8
Foreign currency translation adjustment	6,153	7,797
Remeasurements of defined benefit plans	-16	-649
Total accumulated other comprehensive income	18,395	24,192
Non-controlling interests	3,604	3,586
Total net assets	292,275	311,468
Total liabilities and net assets	433,610	467,824

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

(Unit: Millions of yen)

	3Q- FY 2016	3Q- FY 2017
	Apr.1, 2016 to Dec.31, 2016	Apr.1, 2017 to Dec.31, 2017
Net sales	209,322	243,177
Cost of sales	165,488	193,200
Gross profit	43,834	49,977
Selling, general and administrative expenses	28,651	29,585
Operating profit	15,183	20,392
Non-operating income		
Interest income	150	140
Dividend income	1,007	1,050
Share of profit of entities accounted for using equity method	1,810	3,249
Real estate rent	822	882
Technical support fee	271	340
Foreign exchange gains	—	123
Other	479	260
Total non-operating income	4,538	6,042
Non-operating expenses		
Interest expenses	299	318
Loss on abandonment of non-current assets	25	249
Foreign exchange losses	316	—
Depreciation	111	119
Taxes and dues	184	193
Other	461	376
Total non-operating expenses	1,396	1,254
Ordinary profit	18,326	25,179
Extraordinary income		
Gain on sales of investment securities	1,141	479
Total extraordinary income	1,141	479
Extraordinary losses		
Impairment loss	—	272
Loss on removal of non-current assets	—	129
Total extraordinary losses	—	401
Profit before income taxes	19,466	25,258
Income taxes - current	3,578	5,749
Income taxes - deferred	849	830
Total income taxes	4,427	6,579
Profit	15,040	18,679
Profit (loss) attributable to non-controlling interests	-8	44
Profit attributable to owners of parent	15,048	18,634

**Consolidated Statements of Comprehensive Income**

(Unit: Millions of yen)

	3Q- FY 2016 Apr. 1, 2016 to Dec.31, 2016	3Q- FY 2017 Apr. 1, 2017 to Dec.31, 2017
Profit	15,040	18,679
Other comprehensive income		
Valuation difference on available-for-sale securities	3,916	4,792
Deferred gains or losses on hedges	0	-3
Foreign currency translation adjustment	-14,788	1,285
Remeasurements of defined benefit plans, net of tax	459	-652
Share of other comprehensive income of entities accounted for using equity method	-1,730	325
Total other comprehensive income	-12,143	5,748
Comprehensive income	2,897	24,426
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,175	24,432
Comprehensive income attributable to non-controlling interests	-279	-5

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

(Unit: Millions of yen)

	3Q- FY 2016 Apr.1, 2016 to Dec.31, 2016	3Q- FY 2017 Apr.1, 2017 to Dec.31, 2017
<b>Cash flows from operating activities</b>		
Profit before income taxes	19,466	25,258
Depreciation	12,888	12,795
Loss (gain) on sales of investment securities	-1,141	-479
Impairment loss	—	272
Loss on removal of non-current assets	—	129
Interest and dividend income	-1,157	-1,189
Interest expenses	299	318
Share of (profit) loss of entities accounted for using equity method	-1,810	-3,249
Loss on abandonment of non-current assets	25	249
Decrease (increase) in notes and accounts receivable - trade	-2,727	-9,653
Decrease (increase) in inventories	-300	401
Increase (decrease) in notes and accounts payable - trade	7,296	6,834
Increase (decrease) in accrued consumption taxes	-503	647
Other	-1,905	-410
Subtotal	30,432	31,922
Interest and dividend income received	2,583	2,996
Interest expenses paid	-234	-377
Income taxes paid	-6,483	-6,248
Cash flows from operating activities	26,297	28,293
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	-22,696	-23,538
Proceeds from sales of investment securities	1,242	735
Purchase of shares of subsidiaries and associates	-400	-614
Collection of investments in capital	354	730
Other	-687	363
Cash flows from investing activities	-22,188	-22,324



	3Q- FY 2016 Apr.1, 2016 to Dec.31, 2016	3Q- FY 2017 Apr.1, 2017 to Dec.31, 2017
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-3,070	1,211
Proceeds from long-term loans payable	1,280	8,747
Repayments of long-term loans payable	-5,340	-10,169
Proceeds from issuance of bonds	10,000	—
Purchase of treasury shares	-6	-11
Cash dividends paid	-6,493	-5,982
Dividends paid to non-controlling interests	-13	-2
Other	-18	-24
Cash flows from financing activities	-3,661	-6,230
Effect of exchange rate change on cash and cash equivalents	-5,669	708
Net increase (decrease) in cash and cash equivalents	-5,221	446
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	58,834	50,732

#### **(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.

In addition, the impact of this change to profit and loss for the first half of the current fiscal year is immaterial.

##### **【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 half 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 Nine months ended December 31, 2016 (April 1, 2016 to December 31, 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	75,689	114,340	19,293	209,322	-	209,322
(2) Intergroup sales and transfers	20,574	3,418	723	24,714	-24,714	-
Total	96,263	117,758	20,015	234,036	-24,714	209,322
Segment Income	5,507	9,247	413	15,167	16	15,183

Notes: 1. The “Segment Income” adjustment refers to inter-segment transaction eliminations amounting to 16 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 Nine months ended December 31, 2017 (April 1, 2017 to December 31, 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	88,935	132,657	21,586	243,177	-	243,177
(2) Intergroup sales and transfers	25,628	4,365	1,742	31,736	-31,736	-
Total	114,563	137,021	23,329	274,913	-31,736	243,177
Segment Income	9,150	11,076	409	20,635	-243	20,392

Notes: 1. The “Segment Income” adjustment refers to inter-segment transaction eliminations amounting to -243 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

**【Important impairment loss concerning noncurrent assets】**

(Unit: Millions of yen)

	Reporting segment			Elimination or corporate	Total
	Basic chemicals	Functional chemicals	Environment & catalysts		
Impairment loss	-	272	-	-	272

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

Nine months ended December 31, 2016 (April 1, 2016 to December 31, 2016)

(Unit: Millions of yen)

	Asia	Europe	North America	Others	Total
I. Overseas sales	41,277	25,438	22,467	9,227	98,410
II. Consolidated sales					209,322
III. Overseas sales to consolidated sales	19.7%	12.2%	10.7%	4.4%	47.0%

Nine months ended December 31, 2017 (April 1, 2017 to December 31, 2017)

(Unit: Millions of yen)

	Asia	Europe	North America	Others	Total
I. Overseas sales	53,440	31,349	21,819	11,727	118,335
II. Consolidated sales					243,177
III. Overseas sales to consolidated sales	22.0%	12.9%	9.0%	4.8%	48.7%

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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