

For the Fiscal Year Ended 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 Fiscal Year Ended March 31, 2018

May 8, 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 date of the general shareholders' meeting: June 20, 2018  
 Scheduled date of dividend payment: June 21, 2018  
 Scheduled date of filing annual securities report: June 20, 2018  
 Supplementary materials prepared: Yes  
 Financial results information meeting held: Yes (for securities analysts and institutional investors)

(Figures are rounded off to the nearest million yen)

### 1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (here after FY2017) (from April 1, 2017 to March 31, 2018)

#### (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	%
FY 2017	322,801	9.8	26,727	26.4	32,293	30.9	24,280	25.4
FY 2016	293,970	-9.0	21,151	-32.3	24,664	-28.2	19,361	-25.5

Note: Comprehensive income (millions of yen): FY 2017: 23,723 10.2%  
 FY 2016: 21,535 15.3%

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit on assets	Operating profit to net sales
	Yen	Yen	%	%	%
FY 2017	608.84	-	8.1	7.1	8.3
FY 2016	478.36	-	6.8	5.9	7.2

Reference: Share of profit of entities accounted for using equity method (millions of yen): FY 2017: 4,405  
 FY 2016: 2,150

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Mar. 31, 2018	470,102	310,762	65.4	7,705.05
As of Mar. 31, 2017	433,610	292,275	66.6	7,238.33

Reference: Shareholders' equity (millions of yen): As of Mar. 31, 2018: 307,271  
 As of Mar. 31, 2017: 288,672

For the Fiscal Year Ended March 31, 2018

## (3) Consolidated statement of cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY 2017	38,823	-27,498	-9,762	51,612
FY 2016	37,474	-44,515	-3,533	51,700

## 2. Dividends

	Dividends per share					Total dividends (Annual)	Payout ratio (Consolidated)	Dividends on equity (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY 2016	-	75.00	-	75.00	150.00	6,035	31.4	2.1
FY 2017	-	75.00	-	85.00	160.00	6,381	26.3	2.1
FY 2018 (forecast)	-	80.00	-	80.00	160.00		26.0	

## 3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2019

(from April 1, 2018 to March 31, 2019)

(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	170,000	6.9	12,000	-14.5	15,000	-10.3	11,500	-4.3	288.37
Full year	350,000	8.4	27,000	1.0	32,500	0.6	24,500	0.9	614.36

## ※Notes

(1) Changes in significant subsidiaries during the period (changes in specific subsidiaries that affect the scope of consolidation): None

(2) 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

(3) Number of shares issued and outstanding (common stock)

1) Number of shares issued and outstanding at the end of the period (including treasury stock)

Mar. 31, 2018: 40,800,000 shares                      Mar. 31, 2017: 40,800,000 shares

2) Number of treasury stock at the end of the period

Mar. 31, 2018: 920,844 shares                      Mar. 31, 2017: 919,039 shares

3) Average number of shares outstanding during the period

FY2017: 39,880,159 shares                      FY2016: 40,474,088 shares

For the Fiscal Year Ended March 31, 2018

**(Reference) Non-consolidated Business Overview****1. Non-consolidated Business Results for the Fiscal Year Ended March 31, 2018****(from April 1, 2017 to March 31, 2018)****(1) Non-consolidated operating results****(Percentages indicate rate of changes year-over-year)**

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY 2017	226,887	15.6	21,540	37.5	28,612	17.5	21,330	9.6
FY 2016	196,195	-7.2	15,661	-20.2	24,341	-13.4	19,467	-8.8

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
FY 2017	534.86		-	
FY 2016	480.97		-	

**(2) Non-consolidated financial position**

	Total assets		Net assets		Equity ratio		Net assets per share	
	Millions of yen		Millions of yen		%		Yen	
As of Mar. 31, 2018	355,998		253,933		71.3		6,367.56	
As of Mar. 31, 2017	329,121		236,166		71.8		5,921.77	

Reference: Shareholders' equity (millions of yen): As of Mar. 31, 2018: 253,933

As of Mar. 31, 2017: 236,166

**2. Non-consolidated Business Forecast for the Fiscal Year Ending March 31, 2019****(from April 1, 2018 to March 31, 2019)****(Percentages indicate rate of changes year-over-year)**

	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	
First half	114,500	2.9	9,200	-20.5	14,700	-12.8	11,800	-6.1	295.89	
Full year	235,500	3.8	21,000	-2.5	27,800	-2.8	21,300	-0.1	534.11	

**※Indication regarding execution of audit procedures**

This 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 financial results report, the audit procedures for 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. Overview of Business Results, etc.****(1) Overview of Business Results for FY 2017 (April 1, 2017 – March 31, 2018)**

The world economy in the current fiscal year saw the United States economy continuing to recover, the situation in Europe also recovering moderately, and a pickup continuing in China and other emerging countries in Asia.

As for the Japanese economy, the country saw a moderate recovery trend due primarily to an increase in capital investment and steady employment conditions.

In the chemicals industry, although costs of raw materials are tracking upwards, the business environment was generally firm, supported by an increase in demand.

**1) Overview**

(Unit: Millions of yen)

	FY 2016	FY 2017	Change	
			(Amount)	(% growth)
Net sales	293,970	322,801	28,831	9.8%
Operating profit	21,151	26,727	5,576	26.4%
Ordinary profit	24,664	32,293	7,629	30.9%
Profit attributable to owners of parent	19,361	24,280	4,919	25.4%
Basic earnings per share	478.36 yen	608.84 yen	130.48 yen	27.3%
ROA (Return on Assets)	5.9%	7.1%	-	1.2 points
ROE (Return on Equity)	6.8%	8.1%	-	1.3 points
Foreign exchange rates (\$ and EUR)	\$=¥108.36	\$=¥110.82	2.46 yen	
	EUR=¥118.76	EUR=¥129.70	10.94 yen	
Naphtha price	34,700 yen/kl	41,900 yen/kl	7,200 yen/kl	

Under these conditions, the Group's consolidated net sales in the current fiscal year increased 9.8% year-on-year to 322,801 million yen, up 28,831 million yen. Contributing factors included a revision in sales prices on account of rising raw material costs and market conditions for products outside of Japan, as well as increased sales volume.

With regard to profits, in spite of a contraction in the spread owing to a hike in raw material costs in excess of the increase in sales prices, increased production and sales volume resulting in volume effects led to higher operating profit, which was up 26.4% year-on-year to 26,727 million yen, up 5,576 million yen.

Non-operating income increased 2,053 million yen due to an increase in share of profit of entities accounted for using equity method. As a result, ordinary profit was up 30.9% to 32,293 million yen, 7,629 million yen higher than the previous fiscal year.

Extraordinary income rose 112 million yen year-on-year due to the absence of loss on closing of laboratory, while gain on sales of investment securities decreased and impairment loss and loss on removal of non-current assets were posted. As a result, profit attributable to owners of parent rose 25.4% to 24,280 million yen, up 4,919 million yen.

**2) Outline of Sales by Business Segment**

(Unit: Millions of yen)

**Basic Chemicals**

	FY 2016	FY 2017	Change
Net sales	107,580	120,025	12,445
Operating profit	8,207	12,912	4,705

**Functional Chemicals**

	FY 2016	FY 2017	Change
Net sales	159,961	173,965	14,004
Operating profit	12,119	13,935	1,815

**Environment & Catalysts**

	FY 2016	FY 2017	Change
Net sales	26,429	28,811	2,382
Operating profit	748	268	-480

**Basic Chemicals**

Sales of acrylic acids and acrylates increased due to a revision in sales prices accompanying rising raw materials costs and market conditions for products outside of Japan, as well as increased sales volume.

Sales of ethylene oxide and ethanolamine increased due to a revision in sales prices accompanying higher raw materials costs and increased sales volume.

Sales of ethylene glycol increased due to a revision in sales prices accompanying rising market conditions for products outside of Japan, despite declined sales volume.

Sales of secondary alcohol ethoxylates increased due to increased sales volume and a revision in sales prices accompanying higher raw materials costs.

As a result of the above, net sales in the basic chemicals segment increased 11.6% year-on-year to 120,025 million yen.

Operating profit rose 57.3% year-on-year, to 12,912 million yen. This was due to factors such as an increase in production and sales volume, widening of the spread, and lower processing costs.

**Functional Chemicals**

Sales of superabsorbent polymers increased due to a revision in sales prices accompanying higher raw materials costs and increased sales volume.

Sales of ethyleneimine derivatives, resins for paints, adhesive products and electronic information material increased due to higher sales volume.

Sales of special acrylates increased due to a revision in sales prices accompanying rising raw materials costs and market conditions for products outside of Japan, as well as increased sales volume.

Sales of maleic anhydride increased due to a revision in sales prices accompanying higher raw materials costs and increased sales volume.

Sales of polymers for concrete admixture fell due to a drop in sales prices, despite increased sales volume.

Sales of water-soluble polymers for raw materials of detergents, resin modifiers and iodine compounds fell due to a decline in sales volume.

As a result, net sales in the functional chemicals segment rose 8.8% year-on-year to 173,965 million yen.

Operating profit increased 15.0% year-on-year to 13,935 million yen. This was due to factors such as increased production and sales volume, despite a contraction in the spread and an increase in processing costs.

**Environment & Catalysts**

Sales of automotive catalysts increased due to the appreciation of sales prices of precious metals and increased sales volume.

Sales of process catalysts increased due to higher sales volume.

Sales of fuel cell materials, materials for lithium-ion batteries, dioxins decomposition catalysts and wet oxidation

catalysts fell due to lower sales volume.

Sales of De-NO<sub>x</sub> catalysts and waste gas treatment catalysts rose due to higher sales volume.

As a result of the above, net sales in the environment & catalysts segment rose 9.0% year-on-year to 28,811 million yen. Operating profit in the segment fell 64.2% year-on-year to 268 million yen, on account of an increase in processing costs and selling, general, and administrative expenses.

## **(2) Overview of Financial Position for FY 2017 (April 1, 2017 – March 31, 2018)**

Total assets at the end of the current fiscal year increased 36,493 million yen from the end of the previous fiscal year to 470,102 million yen. Current assets increased 17,024 million yen compared to the end of the previous fiscal year. Contributing factors included a rise in the unit price of inventories accompanying higher raw materials costs, as well as an increase in notes and accounts receivable – trade on account of a revision in sales prices. Non-current assets were 19,469 million yen higher than at the end of the previous fiscal year. This was due to an increase in property, plant and equipment as a result of capital investment and increased investment securities on account of a rise in market values.

Liabilities increased 18,006 million yen compared to the end of the previous fiscal year to 159,341 million yen. This was due to an increase in notes and accounts payable – trade accompanying higher raw materials costs and an increase in income taxes payable.

Net assets increased 18,487 million yen compared to the end of the previous fiscal year to 310,762 million yen. This was due to increased retained earnings and valuation difference on available-for-sale securities.

Shareholders' equity ratio fell 1.2 percentage points, from 66.6% at the end of the previous fiscal year to 65.4%. Net assets per share increased 466.72 yen compared to the end of the previous fiscal year to 7,705.05 yen.

## **(3) Overview of Cash Flows for FY 2017**

Cash and cash equivalents at the end of the current fiscal year amounted to 51,612 million yen, almost the same level as the end of the previous fiscal year, as cash flows provided by operating activities and cash flows used in investing activities including capital investment and cash flows used in financing activities were at the same level.

### **Cash flow from operating activities**

Net cash provided by operating activities in the current fiscal year amounted to 38,823 million yen (37,474 million yen was provided in the previous fiscal year). This was due primarily to increased profit before income taxes, which led to increased inflows of 1,349 million yen compared to the previous fiscal year.

### **Cash flow from investing activities**

Net cash used in investing activities totaled 27,498 million yen (44,515 million yen was used in the previous fiscal year). Outflows decreased for the purchase of property, plant and equipment and the purchase of shares of subsidiaries and associates, which led to decreased outflows of 17,017 million yen compared to the previous fiscal year.

### **Cash flow from financing activities**

Net cash used in financing activities amounted to 9,762 million yen (3,533 million yen was used in the previous fiscal year). This was an increase of 6,229 million yen in cash outflows compared to the previous fiscal year. Contributing factors included the absence of the proceeds from issuance of bonds recorded in the previous fiscal year.

For the Fiscal Year Ended March 31, 2018

**(Reference) Condition of cash flow indicators**

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Shareholders' equity ratio	59.3%	63.2%	68.3%	66.6%	65.4%
Shareholders' equity ratio at market base	62.1%	85.3%	57.0%	69.7%	61.2%
Cash flow to interest-bearing debt ratio	4.0 years	2.0 years	1.0 year	1.5 years	1.5 years
Interest coverage ratio	27.7	52.6	123.7	87.2	96.8

Shareholders' equity ratio = shareholders' equity/ total assets

Shareholders' equity ratio at market base = market capitalization/ total assets

Cash flow to interest-bearing debt ratio = interest-bearing debt/ operating cash flow

Interest coverage ratio = operating cash flow/ interest payments

- Notes:
1. All indicators are calculated based on consolidated figures.
  2. Market capitalization = closing share price at period end × outstanding shares at period end (after deducting treasury stock)
  3. We use "net cash provided by operating activities" from the consolidated statements of cash flows for "operating cash flow."
  4. We have included all interest-bearing debts in the consolidated balance sheet for "interest-bearing debt."
  5. We use "interest expenses paid" from the consolidated statements of cash flows for "interest payments."

**(4) Future Outlook**

The Japanese economy is expected to remain on a moderate recovery trend, due to an improvement in the employment environment, an increase in capital investment and the expansion of exports in line with the global economic recovery. Meanwhile, it is predicted that the management environment surrounding the Company will be unpredictable, owing to factors such as trends in the policy operation in the United States and China, and uncertainty in the political situation in Europe.

Under such conditions, projected earnings in the next fiscal year are based on exchange rates of 110 yen to the U.S. dollar and 130 yen to the euro, and naphtha prices of 46,000 yen/kl. Sales volumes are projected to increase centered around functional chemicals, and sales prices are expected to increase due to higher raw material prices. We therefore forecast consolidated net sales to increase 8.4% to 350,000 million yen (up 27,199 million yen), with 170,000 million yen in the first half compared to the current fiscal year.

With regard to profits, while fixed costs such as depreciation expense accompanying the reinforcement of facilities at overseas subsidiaries will increase, the Company projections incorporate the expected effect of increased sales volumes and widening of the spread, that will lead to an increase in operating profit by 1.0%, to 27,000 million yen (up 273 million yen), with 12,000 million yen in the first half compared to the current fiscal year.

Non-operating profit is projected to decrease 65 million yen due to a decrease in share of profit of entities accounted for using equity method, despite an absence of foreign exchange losses. As a result of these, the Company projects an increase in ordinary profit by 0.6%, to 32,500 million yen (up 207 million yen), with 15,000 million yen in the first half, and an increase in profit attributable to owners of parent by 0.9%, to 24,500 million yen (up 220 million yen), with 11,500 million yen in the first half, compared to the current fiscal year.

Our full-year forecasts by business segment are as follows:

(Unit: Billions of yen)

	Basic Chemicals		Functional Chemicals		Environment & Catalysts	
	Net sales	Operating profit	Net sales	Operating profit	Net sales	Operating profit
First-half forecasts	64.0	5.9	93.0	6.0	13.0	0.1
Second-half forecasts	67.0	7.1	99.0	7.5	14.0	0.4
Full-year forecasts	131.0	13.0	192.0	13.5	27.0	0.5

**(5) Basic Policy on the Distribution of Profits, and Dividends for FY 2017 and FY 2018**

The Company has positioned the return of profits to shareholders as the most important management task, and, in consideration of the dividend payout ratio, etc., distributes dividends under a basic policy of aiming to improve medium- to long-term dividend levels in line with projected trends in consolidated earnings, while at the same time taking an overall view to expand the business and strengthen the corporate structure. In addition to dividend distributions, the Company intends to consider stock buybacks as one of the options to raise the value per share.

Meanwhile, aggressive investments in equipment, strategies, and R&D are also necessary for the maintenance of competitiveness and continued growth. As such, the Company regards retention of internal reserves also essential; therefore we will continue to distribute profits by carefully considering the balance of above factors.

The Company pays dividends twice a year, once at the end of the interim period and once at the end of the fiscal year.

Based on the above basic policy, the Company plans to pay a year-end dividend of 85 yen per share for FY 2017, taking into consideration the business environment, results and future prospects for business growth. As a result, annual dividends will total 160 yen per share, marking a record-high, for a consolidated payout ratio of 26.3%.

For FY 2018, based on the above basic policy, annual dividends are scheduled to be 160 yen (interim dividends of 80 yen and year-end dividends of 80 yen), taking into consideration the state of achievement of profit forecasts.



## 2. Corporate Group

(1) The Nippon Shokubai corporate group consists of 25 subsidiaries and 17 affiliates, and its mainstay business is the manufacture and sale of chemicals.

The table below shows the positioning and relationship of mainstay companies among the group's business segments.

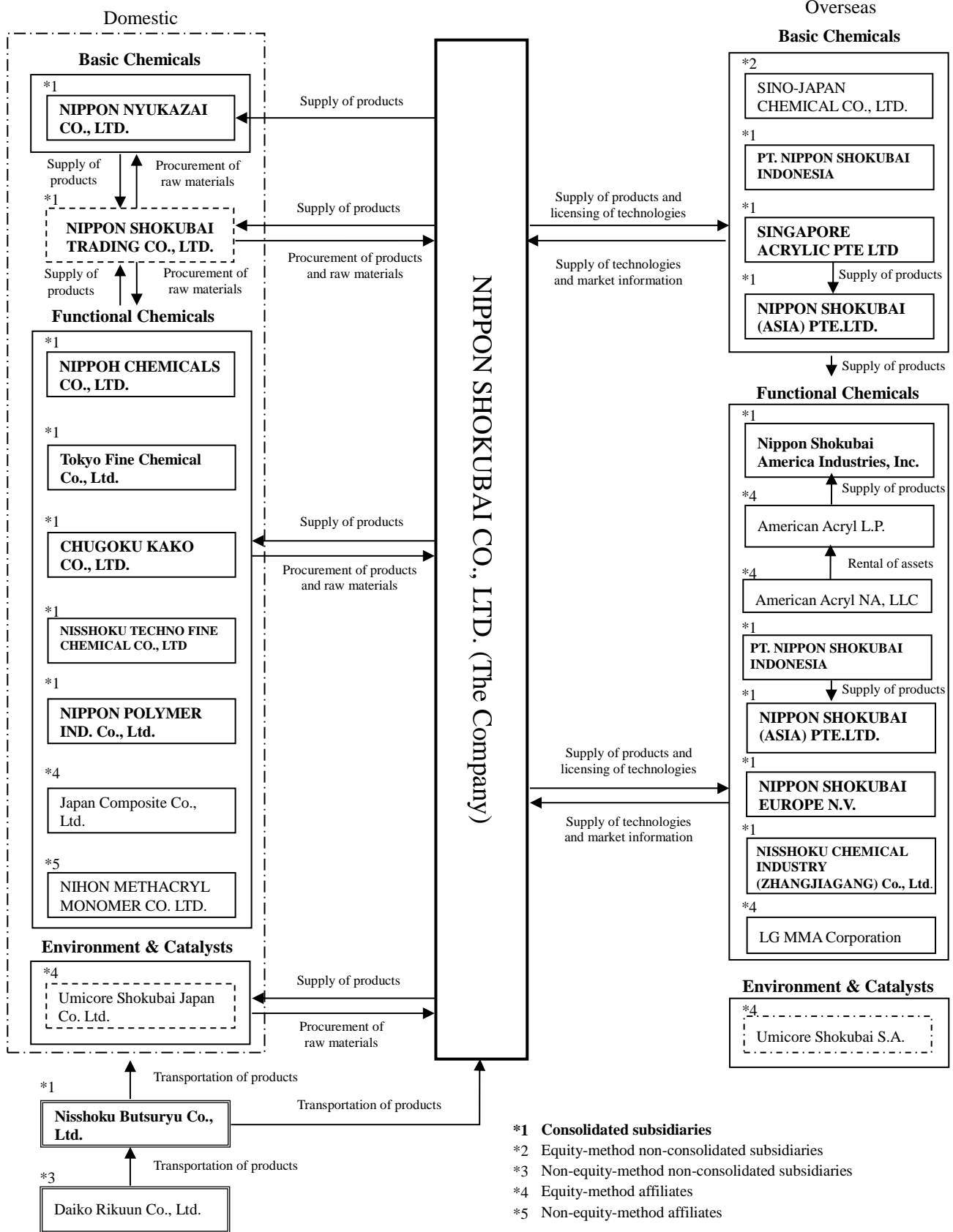
Business segments	Main products	Positioning of mainstay companies within the business
Basic Chemicals	<p>Acrylic acid Acrylates Ethylene oxide Ethylene glycol Ethanolamine Secondary alcohol ethoxylates Glycol ether</p>	<p>NIPPON SHOKUBAI CO., LTD. ('the Company') manufactures and sells acrylic acids, acrylates, and other basic chemicals.</p> <p>NIPPON SHOKUBAI TRADING CO., LTD. procures mainly basic chemicals from the Company and sells them. It also procures products and raw materials to supply to the Company.</p> <p>PT. NIPPON SHOKUBAI INDONESIA manufactures and sells acrylic acids and acrylates.</p> <p>SINGAPORE ACRYLIC PTE LTD and NIPPON SHOKUBAI (ASIA) PTE.LTD. manufacture and sell acrylic acids.</p> <p>NIPPON NYUKAZAI CO., LTD. manufactures and sells surfactants and chemical products such as glycol ether. It procures ethylene oxide and other raw materials for surfactants from the Company.</p> <p>SINO-JAPAN CHEMICAL CO., LTD. manufactures and sells surfactants and other industrial chemicals in Taiwan.</p>
Functional Chemicals	<p>Superabsorbent polymers Intermediates for pharmaceuticals Polymers for concrete admixtures Electronic and information materials Iodine compounds Maleic anhydride Resins for adhesives/paints  Processed adhesive products</p>	<p>The Company manufactures and sells superabsorbent polymers, pharmaceutical intermediates, and other functional chemicals.</p> <p>Nippon Shokubai America Industries, Inc. manufactures and sells superabsorbent polymers, polymers for concrete admixtures, and acrylic acid detergent builders in the US. It procures acrylic acid, the raw material of superabsorbent polymers, from American Acryl L.P.</p> <p>NIPPON SHOKUBAI EUROPE N.V. manufactures and sells superabsorbent polymers in Belgium.</p> <p>NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) Co., Ltd. manufactures and sells superabsorbent polymers and polymers for concrete admixtures in China.</p> <p>PT. NIPPON SHOKUBAI INDONESIA manufactures and sells superabsorbent polymers in Indonesia.</p> <p>NIPPON SHOKUBAI (ASIA) PTE.LTD. procures superabsorbent polymers and other chemicals from the Company and PT. NIPPON SHOKUBAI INDONESIA and sells them.</p> <p>NIPPOH CHEMICALS CO., LTD. manufactures and sells iodine compounds, natural gas, and raw materials for pharmaceuticals, agricultural chemicals, and fragrances.</p> <p>Tokyo Fine Chemical Co., Ltd. manufactures and sells stabilizers, preservatives, and anti-freeze solutions. It procures ethylene glycol, the raw material of anti-freeze solutions, from the Company.</p> <p>NISSHOKU TECHNO FINE CHEMICAL CO., LTD manufactures and sells raw materials for dye agents among other products, and the Company sells some of these products. It also procures acrylic acids among other raw materials from the Company.</p> <p>CHUGOKU KAKO CO., LTD. procures adhesive resins and other raw materials from the Company, and manufactures and sells proceeded adhesives and other products.</p> <p>NIPPON POLYMER IND. Co., Ltd. procures acrylates among other raw materials from the Company, and manufactures resins for adhesives and paint; the Company sells some of these products.</p> <p>LG MMA Corporation manufactures and sells MMA monomers and polymers.</p>

For the Fiscal Year Ended March 31, 2018

Business segments	Main products	Positioning of mainstay companies within the business
Environment & Catalysts	Automotive catalysts De-NOx catalysts Dioxins decomposition catalysts Process catalysts Equipment for exhaust gas treatment Fuel cell materials	The Company manufactures and sells automotive catalysts and other environment & catalyst products. Umicore Shokubai Japan Co. Ltd procures automotive catalysts from the Company and sells them.

Note: 1. Nisshoku Butsuruyu Co., Ltd. mainly transports the Company's manufactured and commercial products and is therefore involved in all business segments.

(2) The following is a diagram of the corporate group



### 3. Management Policy

#### (1) Basic Management Policy

Based on Nippon Shokubai Group's mission of "TechnoAmenity: providing affluence and comfort to people and society, with our unique technology," we set the management commitment of 1) We conduct all of our corporate activities based upon a deep respect for humanity, 2) We aim at coexisting with society and working in harmony with the environment, 3) We pursue technologies that will create the future, and 4) We act on the global stage, and work on initiatives to build a more solid business structure and gain a sharper competitive edge to keep pace with rapid changes in the world.

#### (2) Challenges, Long-term Business Strategies, and Performance Targets

Under its mission, management commitment and its corporate credo, the Group is working on its long-term business Plan "Reborn Nippon Shokubai 2020" started in April 2014 and the 2nd medium-term business plan "Reborn Nippon Shokubai 2020 NEXT," which is a specific action plan from FY 2017 onwards.

<p>Nippon Shokubai Group Mission  <b>TechnoAmenity</b>          Providing affluence and comfort to people and society, with our unique technology</p>	<p>Corporate Credo          Safety takes priority over production.</p>
<p>Management Commitment</p> <ul style="list-style-type: none"> <li>• We conduct all of our corporate activities based upon a deep respect for humanity.</li> <li>• We aim at coexisting with society, and working in harmony with the environment.</li> <li>• We pursue technologies that will create the future.</li> <li>• We act on the global stage.</li> </ul>	

[Outline of the long-term business plan "Reborn Nippon Shokubai 2020"]

We defined the long-term Vision for 2025 and we have set the Target for 2020 as a milestone for the Vision for 2025.

[The 2nd medium-term business plan "Reborn Nippon Shokubai 2020 NEXT"]

The 2nd medium-term business plan "Reborn Nippon Shokubai 2020 NEXT" is a specific action plan to achieve Vision for 2025 and Targets for 2020 that were set out in the long-term business plan "Reborn Nippon Shokubai 2020."

Toward realizing the Targets for 2020, "Reborn Nippon Shokubai 2020 NEXT" holds "Focusing on profitability over sales" and "Safe, reliable production activities" as business policies to achieve the priority challenges of "Survival of superabsorbent polymer business" and "Launch of new businesses in high-growth potential markets for our future key driver." To this end, all vectors will be concentrated on the basic posture of "Create products and services which market needs, and provide the products and the services when market needs" to accomplish the Group mission of "TechnoAmenity: providing affluence and comfort to people and society, with our unique technology."

Additionally, during execution of the plan, through all employees acting with a sense of impending crisis and consciousness ("think and act on your own") and achieving the goals set forth, the Company will work to realize "a company\* that everybody can be proud of." Furthermore, during FY 2020, the final year of the 2nd medium-term business plan, the Company aims to be in a position to prospect further strong Group growth for next ten years.

- \* A company that promotes work safety and peace of mind  
 A company that rewards people who make their best efforts and achieve results  
 A company that people can be proud to work for

## ◆ Vision for 2025

**An innovative chemical company that provides new value for people's lives**

We;

- Take on the challenge of creating new value by developing new products and business through our advanced technologies and our creativity
- Deliver the new values globally through our unique products and technologies
- Manufacture products that embody new value and feature the highest safety and productivity
- Create new value that contributes to the global environment
- Create new value by promoting dynamism and diversity in the workplace throughout all Group companies

## Business Activities

- a) Reconfirmed: Existing businesses, such as EO (ethylene oxide and its derivatives), AA/SAP (acrylic acid and its derivatives including superabsorbent polymer) etc., will be strengthened more. Performance chemicals, new energy materials, health and medical materials and/or any other new businesses\* will contribute more to corporate profit. As a result, these expected businesses will be expanded much more and be higher position in comparison to the existing businesses.

\*New businesses: businesses in the market which we could not enter into yet, or businesses in the market which is not formed yet.

- b) Accelerate business development continuously throughout the global market
- c) Employ our competencies in R&D, production technologies and marketing and maximize the synergy from such activities

## ◆ Targets for 2020

The Targets for 2020 have been set as a milestone for the Vision for 2025.

## Management Indexes and Numerical Targets

(Unit: Billion yen)

	Sales	Ordinary profit	ROA <sup>1</sup>	Sales for new products <sup>2</sup> in existing businesses	Sales for new businesses
FY2020 target figures	400	40	7.5%	39	38

1 Return on assets (ROA), ratio of ordinary profit to total assets. As the Company mainly uses large-scale production equipment, it has heretofore placed importance on profitability and asset efficiency, and the Company thus uses ROA, which consists of the ratio of ordinary profit to sales as well as total asset turnover ratio, as a KPI (Key Performance Indicator) that it works to improve.

2 Total sales of products launched within the last five years, excluding superabsorbent polymer.

## ◆ Strategies by Business area

In order to meet Targets for 2020, we have adopted the following basic strategies for each business area.

Basic Chemicals	Ethylene oxide (EO) business	We strengthen our competitiveness by structural reform of our EO plant such as partnership with other company.
	Acrylic business	We aim to be a leading global player through active sales and marketing.
Functional Chemicals	Superabsorbents business	We supply products with a high quality and competitive price to strategic-partner customers.
	Functional chemicals business	We expand sales of unique and functional products.
Environment & Catalysts	Catalysts & green energy materials business	We expand sales of various battery materials manufactured at competitive large-scale facility.
New businesses	Health and Medical business	We consistently support drug development in certain categories.
	New businesses	We establish a new business (model) in high-growth potential markets and genres by the use of our strengths.

## ◆ Investing in management resources

To strengthen existing businesses and launch new businesses in high-growth potential markets to realize our future key driver, investments will be made in the following management resources.

	Capital investment	Strategic investment	R&D expenses	Employees as of the end of FY2020
Fiscal 2017 to Fiscal 2020 Plan (4 years cumulative total)	90 billion yen	60 billion yen	57 billion yen	4,600

## ◆ Policies to priority challenge

To meet Targets for 2020, while steadily executing basic strategies in each business, investment in management resources are prioritized with focus on “Strengthen competitiveness of superabsorbent polymer business” and “Accelerate creation of new businesses and products” as measures toward the priority challenge.

## (1) Strengthen competitiveness of superabsorbent polymer business

For the superabsorbent polymer business to survive, fundamental improvement in profitability and strengthening of competitiveness will be required, and as specific measures, all employees companywide advance the “SAP\* Survival project,” which seeks large-scale cost reductions and gains in competitiveness through cost reductions across the entire supply chain and reduction of the amount of capital investment via new processes, and “strengthening development capability,” which focuses personnel assignment in research, technology, and manufacturing.

\*SAP: Superabsorbent polymer

## (2) Accelerate creation of new businesses and products

To accelerate creation of new businesses and products, further attention will be paid to market needs, and strategy is implemented to make shifts to new businesses in high-growth potential markets for our future key driver.

As specific measures, with the corporate philosophy and the Company’s reason for being at the core, the Company considered potential markets, familiarity, and social issues, chose three business sectors as our new business fields, namely, (1) ICT, (2) Life Sciences and (3) Energy and Environment and is working to acquire new technologies. Additionally, in addition to reorganizing the existing research system, efforts are being made to implement reforms to transition to an organizational structure that emphasizes business development, such as collaborative research with universities and alliances with other companies.

## ◆ Target to continuous growth

To strengthen the management foundation toward achieving continuous growth of the Group, the entire company is working toward the following issues.

## (1) Develop an active corporate team and organization

As personnel strategy and in order to secure and develop personnel over the long term toward realizing Vision for 2025, the Company’s “personnel and organizational target” was defined. In addition, to secure human

For the Fiscal Year Ended March 31, 2018

resources to support the Company's growth, various measures are implemented with the objectives such as reducing workloads. Furthermore, efforts continue in making reforms to create an organizational atmosphere that promotes active discussion and challenges.

(2) Enhance the confidence of stakeholders

Toward "regeneration into a chemical company that is trusted by society," while further strengthening internal structures such as safe and stable operation on the manufacturing plant floor and compliance, the Company exchanges views with various stakeholders to implement continuous CSR (corporate social responsibility) activities to increase corporate value.

(3) Strengthen Group management

By implementing selection and concentration in businesses and products and spreading knowledge of the Group mission, deeper ties are being made among the various group companies to make better use of the various management resources that each company has accumulated over time.

◆ Progress in FY2017

At NIPPON SHOKUBAI EUROPE N.V., our subsidiary in Belgium, construction of an additional production plant for superabsorbent polymers with an annual production capacity of 100,000 tons, and a new production plant for acrylic acid with an annual production capacity of 100,000 tons was completed. Both will commence commercial operation around summer 2018. The completion of these plants raises the worldwide annual production capacity of the Group to 710,000 tons for superabsorbent polymers and 880,000 tons for acrylic acids.

In the functional chemicals business, we decided to construct an additional production plant for our proprietary functional monomer "VEEA," and functional polymers "EPOCROS" and "EPOMIN." Slated for completion between August 2018 and December 2019, the new facilities will increase their production capacity two to three times that of the current facilities.

In the health and medical materials business, we are constructing a facility for API synthesis at our Suita Research Center, with plans for completion in December 2018 and commencement of operation in April 2019. In conjunction with the laboratory for API synthesis established in September 2016, this will establish our contract synthesis system for APIs and INDs, targeting peptide drugs and nucleic acid drugs where market growth is expected.

Furthermore, as an effort to develop an active corporate team and organization, the "Workstyle Innovation Committee" was established in July 2017. At this committee, initiatives such as workload reduction and active IT utilization are developed in order to concentrate human resources on high-value-added operations for future growth.

#### 4. Basic Policy of the Choice of Accounting Standards

To sustain comparability of consolidated financial statements between periods as well as between companies, the Group prepares consolidated financial statements under Japanese GAAP.

With regard to the International Financial Reporting Standards (IFRS), we are preparing the internal systems with an eye to their future application. We will appropriately determine the timing for the application while considering various circumstances in Japan and overseas.

**5. Consolidated Financial Statements****(1) Consolidated Balance Sheets**

(Unit: Millions of yen)

	FY2016 As of Mar. 31, 2017	FY2017 As of Mar. 31, 2018
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	56,139	55,920
Notes and accounts receivable - trade	64,201	78,038
Merchandise and finished goods	28,162	31,414
Work in process	6,315	5,437
Raw materials and supplies	16,632	20,163
Deferred tax assets	3,154	3,129
Other	9,916	7,440
Allowance for doubtful accounts	-11	-9
<b>Total current assets</b>	<b>184,509</b>	<b>201,532</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	105,916	106,516
Accumulated depreciation	-65,278	-67,065
Accumulated impairment loss	-1,407	-1,361
Buildings and structures, net	39,231	38,090
Machinery, equipment and vehicles	353,624	358,212
Accumulated depreciation	-288,464	-298,461
Accumulated impairment loss	-2,896	-3,079
Machinery, equipment and vehicles, net	62,263	56,672
Tools, furniture and fixtures	19,812	20,427
Accumulated depreciation	-16,470	-17,051
Accumulated impairment loss	-111	-113
Tools, furniture and fixtures, net	3,230	3,263
Land	32,607	32,609
Leased assets	580	615
Accumulated depreciation	-414	-477
Leased assets, net	166	138
Construction in progress	25,664	44,470
<b>Total property, plant and equipment</b>	<b>163,160</b>	<b>175,241</b>
<b>Intangible assets</b>		
Other	3,877	3,531
<b>Total intangible assets</b>	<b>3,877</b>	<b>3,531</b>
<b>Investments and other assets</b>		
Investment securities	65,760	74,707
Investments in capital	3,265	2,354
Long-term loans receivable	1,172	931
Deferred tax assets	1,868	2,239
Net defined benefit asset	7,298	6,160
Other	2,767	3,474
Allowance for doubtful accounts	-66	-66
<b>Total investments and other assets</b>	<b>82,064</b>	<b>89,798</b>
<b>Total non-current assets</b>	<b>249,101</b>	<b>268,570</b>
<b>Total assets</b>	<b>433,610</b>	<b>470,102</b>



(Unit: Millions of yen)

	FY2016 As of Mar. 31, 2017	FY2017 As of Mar. 31, 2018
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	44,615	58,066
Short-term loans payable	9,976	8,244
Current portion of long-term loans payable	11,583	4,438
Lease obligations	25	28
Income taxes payable	3,378	5,489
<b>Provision</b>		
Provision for bonuses	3,065	3,405
Provision for directors' bonuses	159	172
Provision for repairs	2,525	2,442
Total provisions	5,750	6,020
Other	11,520	10,351
<b>Total current liabilities</b>	<b>86,845</b>	<b>92,636</b>
<b>Non-current liabilities</b>		
Bonds payable	10,000	10,000
Long-term loans payable	26,374	35,301
Lease obligations	83	52
Deferred tax liabilities	4,971	5,087
Net defined benefit liability	12,072	13,607
Other	989	2,658
<b>Total non-current liabilities</b>	<b>54,489</b>	<b>66,705</b>
<b>Total liabilities</b>	<b>141,335</b>	<b>159,341</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	25,038	25,038
Capital surplus	22,396	22,400
Retained earnings	229,092	248,158
Treasury shares	-6,249	-6,263
<b>Total shareholders' equity</b>	<b>270,277</b>	<b>289,334</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	12,247	14,786
Deferred gains or losses on hedges	11	3
Foreign currency translation adjustment	6,153	4,868
Remeasurements of defined benefit plans	-16	-1,719
<b>Total accumulated other comprehensive income</b>	<b>18,395</b>	<b>17,937</b>
<b>Non-controlling interests</b>	<b>3,604</b>	<b>3,491</b>
<b>Total net assets</b>	<b>292,275</b>	<b>310,762</b>
<b>Total liabilities and net assets</b>	<b>433,610</b>	<b>470,102</b>

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

(Unit: Millions of yen)

	FY 2016 Apr. 1, 2016 to Mar. 31, 2017	FY 2017 Apr. 1, 2017 to Mar. 31, 2018
Net sales	293,970	322,801
Cost of sales	233,499	256,664
Gross profit	60,471	66,137
Selling, general and administrative expenses	39,319	39,409
Operating profit	21,151	26,727
Non-operating income		
Interest income	200	180
Dividend income	1,256	1,204
Share of profit of entities accounted for using equity method	2,150	4,405
Real estate rent	1,108	1,174
Technical support fee	347	570
Miscellaneous income	1,085	373
Total non-operating income	6,148	7,906
Non-operating expenses		
Interest expenses	445	387
Technology transfer study related expenses	267	167
Foreign exchange losses	630	393
Depreciation	151	158
Taxes and dues	246	259
Loss on disposal of non-current assets	164	161
Loss on retirement of non-current assets	47	472
Miscellaneous loss	684	342
Total non-operating expenses	2,635	2,341
Ordinary profit	24,664	32,293
Extraordinary income		
Gain on sales of investment securities	1,199	589
State subsidy	3	36
Gain on sales of non-current assets	136	-
Total extraordinary income	1,339	626
Extraordinary losses		
Impairment loss	-	465
Loss on removal of non-current assets	-	198
Loss on reduction of non-current assets	3	36
Loss on sales of non-current assets	-	7
Loss on closing of research center	797	-
Loss on liquidation of business	159	-
Loss on valuation of investment securities	115	-
Other	457	-
Total extraordinary losses	1,531	706
Profit before income taxes	24,471	32,212
Income taxes - current	5,630	8,322
Income taxes - deferred	-519	-435
Total income taxes	5,112	7,888
Profit	19,359	24,325
Profit (loss) attributable to non-controlling interests	-2	44
Profit attributable to owners of parent	19,361	24,280

**Consolidated Statements of Comprehensive Income**

(Unit: Millions of yen)

	FY 2016 Apr. 1, 2016 to Mar. 31, 2017	FY 2017 Apr. 1, 2017 to Mar. 31, 2018
Profit	19,359	24,325
Other comprehensive income		
Valuation difference on available-for-sale securities	4,640	2,538
Deferred gains or losses on hedges	-6	-8
Foreign currency translation adjustment	-4,526	-2,537
Remeasurements of defined benefit plans, net of tax	2,980	-1,765
Share of other comprehensive income of entities accounted for using equity method	-913	1,170
Total other comprehensive income	2,176	-602
Comprehensive income	21,535	23,723
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	21,569	23,823
Comprehensive income attributable to non-controlling interests	-34	-100

**(3) Consolidated Statements of Changes in Equity**

Fiscal year ended Mar. 31, 2017 (Apr. 1, 2016 to Mar. 31, 2017)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	25,038	22,395	216,224	-1,010	262,648
Changes of items during period					
Dividends of surplus			-6,493		-6,493
Profit attributable to owners of parent			19,361		19,361
Purchase of treasury shares				-5,239	-5,239
Disposal of treasury shares		0		0	0
Change in ownership interest of parent due to transactions with non-controlling interests					-
Effect resulting from change of accounting period of consolidated subsidiaries					-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	0	12,868	-5,239	7,629
Balance at end of current period	25,038	22,396	229,092	-6,249	270,277

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	7,613	16	11,474	-2,916	16,187	3,651	282,485
Changes of items during period							
Dividends of surplus							-6,493
Profit attributable to owners of parent							19,361
Purchase of treasury shares							-5,239
Disposal of treasury shares							0
Change in ownership interest of parent due to transactions with non-controlling interests							-
Effect resulting from change of accounting period of consolidated subsidiaries							-
Net changes of items other than shareholders' equity	4,634	-6	-5,321	2,900	2,208	-47	2,161
Total changes of items during period	4,634	-6	-5,321	2,900	2,208	-47	9,790
Balance at end of current period	12,247	11	6,153	-16	18,395	3,604	292,275

Fiscal year ended Mar. 31, 2018 (Apr. 1, 2017 to Mar. 31, 2018)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	25,038	22,396	229,092	-6,249	270,277
Changes of items during period					
Dividends of surplus			-5,982		-5,982
Profit attributable to owners of parent			24,280		24,280
Purchase of treasury shares				-14	-14
Disposal of treasury shares		0		0	0
Change in ownership interest of parent due to transactions with non-controlling interests		4			4
Effect resulting from change of accounting period of consolidated subsidiaries			768		768
Net changes of items other than shareholders' equity					
Total changes of items during period	-	4	19,067	-14	19,057
Balance at end of current period	25,038	22,400	248,158	-6,263	289,334

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	12,247	11	6,153	-16	18,395	3,604	292,275
Changes of items during period							
Dividends of surplus							-5,982
Profit attributable to owners of parent							24,280
Purchase of treasury shares							-14
Disposal of treasury shares							0
Change in ownership interest of parent due to transactions with non-controlling interests							4
Effect resulting from change of accounting period of consolidated subsidiaries							768
Net changes of items other than shareholders' equity	2,539	-8	-1,285	-1,703	-457	-113	-570
Total changes of items during period	2,539	-8	-1,285	-1,703	-457	-113	18,487
Balance at end of current period	14,786	3	4,868	-1,719	17,937	3,491	310,762

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

(Unit: Millions of yen)

	FY 2016 Apr. 1, 2016 to Mar. 31, 2017	FY 2017 Apr. 1, 2017 to Mar. 31, 2018
Cash flows from operating activities		
Profit before income taxes	24,471	32,212
Depreciation	17,957	16,997
Loss (gain) on sales of investment securities	-1,199	-589
Subsidy income	-3	-36
Impairment loss	-	465
Loss on removal of non-current assets	-	198
Loss on reduction of non-current assets	3	36
Loss (gain) on sales of non-current assets	-136	7
Loss on closing of research center	797	-
Loss on liquidation of business	159	-
Loss (gain) on valuation of investment securities	115	-
Decrease (increase) in net defined benefit asset	-1,153	-1,060
Increase (decrease) in net defined benefit liability	245	372
Interest and dividend income	-1,456	-1,384
Interest expenses	445	387
Share of loss (profit) of entities accounted for using equity method	-2,150	-4,405
Loss on abandonment of non-current assets	47	472
Decrease (increase) in notes and accounts receivable - trade	53	-12,399
Decrease (increase) in inventories	-2,796	-3,339
Increase (decrease) in notes and accounts payable - trade	6,712	12,412
Increase (decrease) in accrued consumption taxes	-726	590
Other, net	516	1,516
Subtotal	41,901	42,452
Interest and dividend income received	2,847	3,159
Interest expenses paid	-430	-401
Proceeds from subsidy income	3	36
Income taxes paid	-6,847	-6,423
Net cash provided by (used in) operating activities	37,474	38,823
Cash flows from investing activities		
Purchase of property, plant and equipment	-36,228	-27,126
Proceeds from sales of property, plant and equipment	150	58
Purchase of intangible assets	-320	-213
Purchase of investment securities	-558	-733
Proceeds from sales of investment securities	1,260	867
Purchase of shares of subsidiaries and associates	-9,588	-1,277
Collection of investments in capital	408	686
Collection of loans receivable	127	119
Other, net	236	121
Net cash provided by (used in) investing activities	-44,515	-27,498

For the Fiscal Year Ended March 31, 2018

(Unit: Millions of yen)

	FY 2016 Apr. 1, 2016 to Mar. 31, 2017	FY 2017 Apr. 1, 2017 to Mar. 31, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-3,035	-1,928
Proceeds from long-term loans payable	9,262	8,826
Repayments of long-term loans payable	-7,999	-10,631
Proceeds from issuance of bonds	10,000	-
Purchase of treasury shares	-5,239	-14
Cash dividends paid	-6,493	-5,982
Dividends paid to non-controlling interests	-13	-2
Other, net	-15	-31
Net cash provided by (used in) financing activities	-3,533	-9,762
Effect of exchange rate change on cash and cash equivalents	-1,781	-238
Net increase (decrease) in cash and cash equivalents	-12,355	1,326
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	51,700	51,612

## 5) Notes Concerning Consolidated Financial Statements

### 【Going Concern Assumption】

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.

## 3. Information Concerning Amounts of Net Sales, Income or Loss, Assets, and Other Items

Fiscal year ended Mar. 31, 2017 (Apr. 1, 2016 to Mar. 31, 2017)

(Unit: Millions of yen)

	Reportable segments				Adjustment (Note 1)	Consolidation (Note 2)
	Basic chemicals	Functional chemicals	Environment & catalysts	Total		
Net sales						
(1) Sales to third parties	107,580	159,961	26,429	293,970	—	293,970
(2) Intergroup sales and transfers	29,311	4,877	725	34,913	-34,913	—
Total	136,891	164,838	27,155	328,883	-34,913	293,970
Segment Income	8,207	12,119	748	21,074	77	21,151
Segment Assets	132,191	227,037	29,330	388,558	45,051	433,610
Other Items (Note 3)						
Depreciation and amortization	9,359	8,572	570	18,501	—	18,501
Increase in property, plant and equipment and intangible assets	6,905	28,753	2,792	38,450	—	38,450

Notes: 1. Below is a description of adjustments.

(1) The “Segment Income” adjustment refers to inter-segment transaction eliminations amounting to 77 million yen.

(2) The “Segment Assets” adjustment includes short-term surplus funds (cash and deposit) and long-term surplus funds (investments in securities) amounting to 45,051 million yen.



For the Fiscal Year Ended March 31, 2018

2. Segment income is adjusted for operating profit described in Consolidated Statements of Income.
3. Long-term prepaid expenses and its depreciation expenses are included in “Depreciation and amortization” and “Increase in property, plant and equipment and intangible assets.”

Fiscal year ended Mar. 31, 2018 (Apr. 1, 2017 to Mar. 31, 2018)

(Unit: Millions of yen)

	Reportable segments				Adjustment (Note 1)	Consolidation (Note 2)
	Basic chemicals	Functional chemicals	Environment & catalysts	Total		
Net sales						
(1) Sales to third parties	120,025	173,965	28,811	322,801	—	322,801
(2) Intergroup sales and transfers	34,849	6,181	2,012	43,043	-43,043	—
Total	154,874	180,147	30,823	365,844	-43,043	322,801
Segment Income	12,912	13,935	268	27,115	-388	26,727
Segment Assets	134,778	245,729	32,109	412,616	57,487	470,102
Other Items (Note 3)						
Depreciation and amortization	8,205	8,742	666	17,613	—	17,613
Increase in property, plant and equipment and intangible assets	7,103	18,621	1,115	26,839	—	26,839

Notes: 1. Below is a description of adjustments.

- (1) The “Segment Income” adjustment refers to inter-segment transaction eliminations amounting to -388 million yen.
- (2) The “Segment Assets” adjustment includes short-term surplus funds (cash and deposit) and long-term surplus funds (investments in securities) amounting to 57,487 million yen.
2. Segment income is adjusted for operating profit described in Consolidated Statements of Income.
3. Long-term prepaid expenses and its depreciation expenses are included in “Depreciation and amortization” and “Increase in property, plant and equipment and intangible assets.”

**【Information Concerning Impairment Loss of Non-current Assets by Reporting Segment】**

Fiscal year ended Mar. 31, 2017 (Apr. 1, 2016 to Mar. 31, 2017)

(Unit: Millions of yen)

	Reporting segment			Elimination or corporate	Total
	Basic chemicals	Functional chemicals	Environment & catalysts		
Impairment loss	19	108	-	716	844

Fiscal year ended Mar. 31, 2018 (Apr. 1, 2017 to Mar. 31, 2018)

(Unit: Millions of yen)

	Reporting segment			Elimination or corporate	Total
	Basic chemicals	Functional chemicals	Environment & catalysts		
Impairment loss	-	465	-	-	465

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

Fiscal year ended Mar. 31, 2017 (Apr. 1, 2016 to Mar. 31, 2017)

(Unit: Millions of yen)

	Asia	Europe	North America	Others	Total
I. Overseas sales	62,473	36,891	32,331	12,332	144,027
II. Consolidated sales					293,970
III. Overseas sales to consolidated sales	21.3%	12.5%	11.0%	4.2%	49.0%

Fiscal year ended Mar. 31, 2018 (Apr. 1, 2017 to Mar. 31, 2018)

(Unit: Millions of yen)

	Asia	Europe	North America	Others	Total
I. Overseas sales	71,339	41,633	28,066	13,935	154,973
II. Consolidated sales					322,801
III. Overseas sales to consolidated sales	22.1%	12.9%	8.7%	4.3%	48.0%

Notes:

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

For the Fiscal Year Ended March 31, 2018

**【Per Share Information】**

Net assets per share and the basis for calculation, and basic earnings per share and the basis for calculation are as follows.

FY 2016 ended Mar. 31, 2017 (Apr. 1, 2016 to Mar. 31, 2017)		FY 2017 ended Mar. 31, 2018 (Apr. 1, 2017 to Mar. 31, 2018)	
Net assets per share	7,238.33 yen	Net assets per share	7,705.05 yen
Basic earnings per share	478.36 yen	Basic earnings per share	608.84 yen

Notes:

1. Diluted earnings per share is not shown since there are no dilutive shares.
2. The basis for calculation of net assets per share is as follows.

	As of Mar. 31, 2017	As of Mar. 31, 2018
Total net assets (Millions of yen)	292,275	310,762
Deductions from net assets (Millions of yen)	3,604	3,491
[Non-controlling interests (Millions of yen)]	[3,604]	[3,491]
Net assets applicable to common stock (Millions of yen)	288,672	307,271
Number of shares of common stock used in calculation of net assets per share (Thousands of shares)	39,880	39,879

3. The basis for calculation of net income per share is as follows.

	FY 2016 ended Mar. 31, 2017 (Apr. 1, 2016 to Mar. 31, 2017)	FY 2017 ended Mar. 31, 2018 (Apr. 1, 2017 to Mar. 31, 2018)
Profit attributable to owners of parent (Millions of yen)	19,361	24,280
Amount not attributable to general shareholders (Millions of yen)	—	—
Net income applicable to common stock (Millions of yen)	19,361	24,280
Averages number of shares of common stock during the period (Thousands of shares)	40,474	39,880

**【Significant Subsequent Events】**

Not applicable

## 7. Supplementary Material

## Trend of Results and Key Management Indicators, and Features of FY 2018

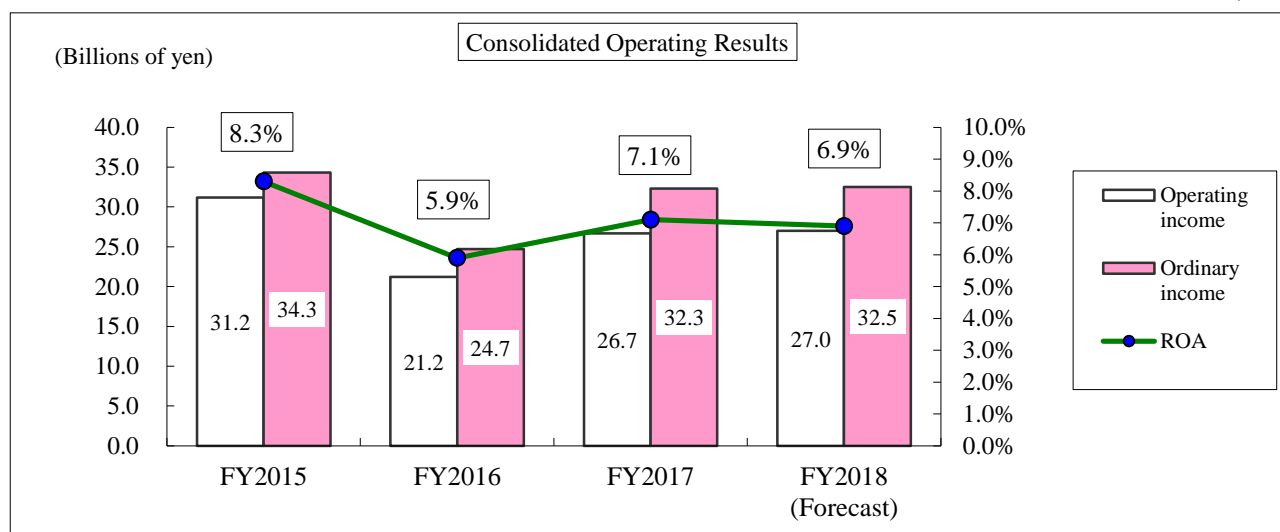
(Unit: Millions of yen)

	FY 2015		FY 2016		FY 2017		FY 2018 (Forecast)		Change	
	Amount	YoY	Amount	YoY	Amount	YoY	Amount	YoY	FY2017- FY2016	FY2018- FY2017
Net sales	[1.53]		[1.50]		[1.42]		[1.49]			
<b>Consolidated</b>	<b>323,124</b>	<b>-13.8%</b>	<b>293,970</b>	<b>-9.0%</b>	<b>322,801</b>	<b>9.8%</b>	350,000	<b>8.4%</b>	<b>28,831</b>	<b>27,199</b>
Non-consolidated	211,368	-10.5%	196,195	-7.2%	226,887	15.6%	235,500	3.8%	30,692	8,613
Operating profit	[1.59]		[1.35]		[1.24]		[1.29]			
<b>Consolidated</b>	<b>31,234</b>	<b>19.5%</b>	<b>21,151</b>	<b>-32.3%</b>	<b>26,727</b>	<b>26.4%</b>	<b>27,000</b>	<b>1.0%</b>	<b>5,576</b>	<b>273</b>
Non-consolidated	19,628	29.8%	15,661	-20.2%	21,540	37.5%	21,000	-2.5%	5,879	-540
Ordinary profit	[1.22]		[1.01]		[1.13]		[1.17]			
<b>Consolidated</b>	<b>34,342</b>	<b>14.7%</b>	<b>24,664</b>	<b>-28.2%</b>	<b>32,293</b>	<b>30.9%</b>	<b>32,500</b>	<b>0.6%</b>	<b>7,629</b>	<b>207</b>
Non-consolidated	28,094	26.8%	24,341	-13.4%	28,612	17.5%	27,800	-2.8%	4,271	-812
Profit *	[1.22]		[0.99]		[1.14]		[1.15]			
<b>Consolidated</b>	<b>26,003</b>	<b>36.2%</b>	<b>19,361</b>	<b>-25.5%</b>	<b>24,280</b>	<b>25.4%</b>	<b>24,500</b>	<b>0.9%</b>	<b>4,919</b>	<b>220</b>
Non-consolidated	21,343	49.8%	19,467	-8.8%	21,330	9.6%	21,300	-0.1%	1,863	-30
Share of profit of entities accounted for using equity method	2,458		2,150		4,405		3,843		2,254	-562
Profit or loss attributable to non-controlling interests	110		-2		44		64		-46	-20
Total assets	[1.35]		[1.32]		[1.32]		[1.31]			
<b>Consolidated</b>	<b>407,997</b>	<b>-2.8%</b>	<b>433,610</b>	<b>6.3%</b>	<b>470,102</b>	<b>8.4%</b>	<b>478,000</b>	<b>1.7%</b>	<b>36,493</b>	<b>7,898</b>
Non-consolidated	301,914	0.1%	329,121	9.0%	355,998	8.2%	365,000	2.5%	26,877	9,002
Net assets	[1.26]		[1.24]		[1.22]		[1.22]			
<b>Consolidated</b>	<b>282,485</b>	<b>4.6%</b>	<b>292,275</b>	<b>3.5%</b>	<b>310,762</b>	<b>6.3%</b>	<b>328,745</b>	<b>5.8%</b>	<b>18,487</b>	<b>17,983</b>
Non-consolidated	223,920	6.2%	236,166	5.5%	253,933	7.5%	268,653	5.8%	17,767	14,720
ROA									Point	Point
<b>Consolidated</b>		<b>8.3%</b>		<b>5.9%</b>		<b>7.1%</b>		<b>6.9%</b>	<b>1.2</b>	<b>-0.2</b>
Non-consolidated		9.3%		7.7%		8.4%		7.7%	0.7	-0.7
ROE									Point	Point
<b>Consolidated</b>		<b>9.6%</b>		<b>6.8%</b>		<b>8.1%</b>		<b>7.7%</b>	<b>1.3</b>	<b>-0.4</b>
Non-consolidated		9.8%		8.5%		8.7%		8.2%	0.2	-0.5
Capital investment	[1.69]		[2.47]		[2.98]		[1.59]			
<b>Consolidated</b>	<b>15,156</b>	<b>22.8%</b>	<b>37,289</b>	<b>146.0%</b>	<b>25,827</b>	<b>-30.7%</b>	<b>27,000</b>	<b>4.5%</b>	<b>-11,462</b>	<b>1,173</b>
Non-consolidated	8,979	-3.1%	15,102	68.2%	8,666	-42.6%	17,000	96.2%	-6,436	8,334
Depreciation	[1.67]		[1.61]		[1.62]		[2.04]			
<b>Consolidated</b>	<b>17,875</b>	<b>-5.8%</b>	<b>17,957</b>	<b>0.5%</b>	<b>16,997</b>	<b>-5.3%</b>	<b>20,400</b>	<b>20.0%</b>	<b>-960</b>	<b>3,403</b>
Non-consolidated	10,714	-1.0%	11,182	4.4%	10,516	-6.0%	10,000	-4.9%	-665	-516
Research and development expenses	[1.07]		[1.07]		[1.06]		[1.07]			
<b>Consolidated</b>	<b>12,303</b>	<b>3.0%</b>	<b>13,283</b>	<b>8.0%</b>	<b>13,266</b>	<b>-0.1%</b>	<b>13,700</b>	<b>3.3%</b>	<b>-17</b>	<b>434</b>
Non-consolidated	11,551	2.9%	12,392	7.3%	12,479	0.7%	12,800	2.6%	88	321

The figures in brackets represent the consolidated-parent ratio.

\* Profit attributable to owners of parent

For the Fiscal Year Ended March 31, 2018



### Features of FY 2018 (forecast) and Comparison with FY 2017

**Sales up, profits up:** Sales volume is projected to grow mainly in functional chemicals, and due to increased selling prices along with increased costs of raw materials, sales go up.

Profits are forecast to increase due to the effects of higher sales volume and widening of the spread, although fixed costs such as depreciation expense will increase due to the reinforcement of facilities at overseas subsidiaries.

		Major components
Net sales	+27.2 bil. yen YoY	<ul style="list-style-type: none"> <li>• Increase in sales of basic chemicals and functional chemicals to exceed decrease in sales of environment and catalyst segment</li> <li>• Net sales are projected to increase as sales volume is forecast to increase, centered on functional chemicals, and due to higher selling prices in line with higher costs of raw materials in both basic chemicals and functional chemicals</li> </ul>
Operating profit	+0.3 bil. yen YoY	<ul style="list-style-type: none"> <li>• Increase in production and sales volume, and the spread between raw materials and sales prices to exceed increase in processing costs and selling, general, and administrative expenses</li> </ul>
Ordinary profit	+0.2 bil. yen YoY	<ul style="list-style-type: none"> <li>• Decrease in share of profit of entities accounted for using equity method</li> </ul>
Profit attributable to owners of parent	+0.2 bil. yen YoY	

*\* 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.*