

This Convocation Notice is a translation of the Japanese language original “*Teiji Kabunushisoukai Shoushugotsuchi*,” and is provided in English for convenience purposes only. In the event of any discrepancy, the Japanese language original shall prevail.

Securities Code: 4114

May 31, 2017

To Our Shareholders

Yujiro Goto
Representative Member of the Board
and President
NIPPON SHOKUBAI CO., LTD.
4-1-1 Koraibashi, Chuo-ku, Osaka

**Convocation Notice of
The 105th Ordinary General Meeting of Shareholders**

NIPPON SHOKUBAI CO., LTD. (the “Company”) will be holding the 105th Ordinary General Meeting of Shareholders and requests your attendance. The meeting will be held as described below.

If you are unable to attend the meeting, you can exercise your voting rights in writing or via the Internet. Please review the “Reference Materials for the Ordinary General Meeting of Shareholders” set forth below and exercise your voting rights by indicating your intention to vote “for” or “against” each agenda item by returning the enclosed Voting Rights Exercise Form or accessing the Company website to exercise your voting rights at <http://www.evotc.jp/>. The Voting Rights Exercise Form must be received by 5:00 p.m. on June 20, 2017 (Tuesday).

- 1. Date/Time:** June 21, 2017 (Wednesday) 10:00 a.m.
- 2. Venue:** Kogin Building 5F, 4-1-1 Koraibashi, Chuo-ku, Osaka
(Osaka Head Office of the Company)
- 3. Meeting Agenda:**

[Matters to be Reported]

1. Business report, consolidated financial statements, and financial statements for the 105th Term (from April 1, 2016 to March 31, 2017)
2. Report on results of the audits conducted by the accounting auditor and the board of corporate auditors with respect to the consolidated financial statements for the 105th Term

[Matters to be Resolved]

- 1st Agenda: Appropriation of Retained Earnings
- 2nd Agenda: Election of Nine (9) Members of the Board
- 3rd Agenda: Election of One (1) Corporate Auditor
- 4th Agenda: Bonuses for Officers for the 105th Term

(Attachment)

Business Report

(April 1, 2016 through March 31, 2017)

I. Current Status of the Group

1. Progress and Results of Operations

(1) Outline of Business

The world economy in the current fiscal year saw the United States economy continuing to recover and the situation in Europe also recovering moderately, while economic deceleration continued in China and resource-rich countries.

As for the Japanese economy, although there were signs of weakness in personal consumption, the country saw a moderate recovery trend due primarily to steady employment conditions.

In the chemicals industry, the future outlook remained unclear including the trend of costs of raw materials and foreign exchange.

Under these conditions, the Group's consolidated net sales in the current fiscal year declined 9.0% year-on-year to 293,970 million yen, down 29,154 million yen. Contributing factors included a drop in sales prices on account of falling raw material costs and market conditions for products outside of Japan, as well as the yen appreciation.

With regard to profits, in spite of decreased processing costs and increased production and sales volume resulting in volume effects, a contraction in the spread owing to a decline in market conditions for products in excess of the decrease in raw material costs led to lower operating profit, which was down 32.3% year-on-year to 21,151 million yen, down 10,083 million yen.

Non-operating income increased 405 million yen due to improved foreign exchange losses and decreased technology transfer study related expenses, although share of profit of entities accounted for using equity method decreased. As a result, ordinary profit was down 28.2% to 24,664 million yen, 9,678 million yen lower than the previous fiscal year.

Extraordinary income fell 838 million yen year-on-year due to the recording of the loss on closing of laboratory and the absence of gain on sales of shares of subsidiaries and associates, while gain on sales of investment securities was posted. As a result, profit attributable to owners of parent fell 25.5% to 19,361 million yen, down 6,642 million yen.

Consolidated net sales	294.0 billion yen (down 9.0% year-on-year)
Consolidated operating profit	21.2 billion yen (down 32.3% year-on-year)
Consolidated ordinary profit	24.7 billion yen (down 28.2% year-on-year)
Profit attributable to owners of parent	19.4 billion yen (down 25.5% year-on-year)

Sales by business segment are as follows.

[Basic Chemicals]

Sales of acrylic acids and acrylates decreased due to a decline in sales prices in Japan in line with a drop in raw materials costs and a stronger yen, and to falling sales prices outside Japan caused by deteriorating market conditions in Southeast Asia, amid a state where global supply continues to exceed demand, despite heightened sales volume.

Sales of ethylene oxide declined due to a drop in sales prices accompanying lower raw materials costs, despite increased sales volume.

Sales of ethylene glycol decreased due to effects such as a decline in overseas market conditions and a stronger yen, despite increased sales volume.

Sales of ethanolamine increased due to increased sales volume despite a drop in sales prices accompanying lower raw materials costs.

Sales of secondary alcohol ethoxylates declined due to decreased sales volume and falling sales prices accompanying lower raw materials costs.

As a result of the above, net sales in the basic chemicals segment decreased 8.6% year-on-year to 107,580 million yen.

Operating profit fell 7.3% year-on-year, to 8,207 million yen. This was due to factors such as a contraction in the spread, which outweighed an increase in production and sales volume and lower processing costs.

[Functional Chemicals]

Sales of superabsorbent polymers fell due to the yen appreciation and lower sales prices that reflected a decline in raw materials costs, despite higher sales volume.

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

Sales of special acrylates increased due to higher sales volume, even though sales prices declined as a result of effects such as a decline in overseas market conditions and a stronger yen.

Sales of maleic anhydride decreased due to lower sales volume and a drop in sales prices accompanying lower raw materials costs.

Sales of resin modifiers fell due to a decline in sales prices that reflected lower raw materials costs, even though sales volume increased.

Sales of iodine compounds declined as a result of effects such as a decline in overseas market conditions and a stronger yen, despite increased sales volume.

Sales of polymers for concrete admixture and water-soluble polymers for raw materials of detergents, etc. decreased due to a lower sales volume and the yen appreciation.

Sales of resins for paints declined due to the product mix.

As a result, net sales in the functional chemicals segment fell 10.0% year-on-year to 159,961 million yen.

Operating profit decreased 43.4% year-on-year to 12,119 million yen. Although production and sale volume increased and processing costs and selling, general, and administrative expenses decreased, factors contributing to the results included the effects of a contraction in the spread exceeding the above.

[Environment & Catalysts]

Sales of automotive catalysts decreased due to decreased sales prices that reflected the depreciation of sales prices of precious metals.

Sales of materials for lithium-ion batteries, fuel cell materials and wet oxidation catalysts rose due to higher sales volume.

Sales of process catalysts, De-NOx catalysts, dioxins decomposition catalysts and waste gas treatment catalysts fell due to lower sales volume.

As a result of the above, net sales in the environment & catalysts segment fell by 4.5% year-on-year to 26,429 million yen.

Operating profit in the segment rose by 20.6% year-on-year to 748 million yen, on account of an increase in sales volume of fuel cell materials and wet oxidation catalysts.

(Sales by Business Segment)

(Unit: Millions of yen)

	Fiscal Year ended March 31, 2016 (Apr. 1, 2015 – Mar. 31, 2016)	Fiscal Year ended March 31, 2017 (Apr. 1, 2016 – Mar. 31, 2017)	Change
Basic chemicals	117,643	107,580	-10,063
Functional chemicals	177,798	159,961	-17,837
Environment & catalysts	27,683	26,429	-1,254

(Operating Profit by Business Segment)

(Unit: Millions of yen)

	Fiscal Year ended March 31, 2016 (Apr. 1, 2015 – Mar. 31, 2016)	Fiscal Year ended March 31, 2017 (Apr. 1, 2016 – Mar. 31, 2017)	Change
Basic chemicals	8,851	8,207	-645
Functional chemicals	21,422	12,119	-9,302
Environment & catalysts	620	748	128

(2) Capital Expenditures

The total amount of the Company's capital expenditures for the fiscal year 2016 was 37,289 million yen (on a construction basis), which was mainly the construction of production facility (Nippon Shokubai Europe N.V.) of superabsorbent polymers and acrylic acids.

(3) Fund Procurement

During the fiscal year 2016, the Company's requirements for funds included capital investment, strategic investment funds and repayment of borrowings, which were met by using internal resources, issuing bonds and taking out loans from financial institutions.

Interest-bearing debt as of March 31, 2017 was 58,040 million yen, 7,361 million yen more than the previous fiscal year primarily due to payment for capital investment and other increased demand for funds.

(4) Issues to Be Addressed

The Group has been working from April 2014 on its long-term business Plan "Reborn Nippon Shokubai 2020" and the 1st medium-term business plan which is the action plan for the initial three years under its mission, management commitment and its corporate credo. The Group has now formulated medium-term business plan "Reborn Nippon Shokubai 2020 NEXT," which spans the period from fiscal 2017 to fiscal 2020.

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

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

"Reborn Nippon Shokubai 2020" is designed to ensure safe, reliable production activities. The plan also highlights profitability over sales, setting goals for strengthening existing and core businesses, establishing new businesses, and launching new products to the market quickly.

[Review of the 1st medium-term business plan and business environment analysis]

Consolidated business results for the three years of the 1st medium-term business plan continued favorable performance in fiscal 2014, the first year of the plan, and in fiscal 2015, the second year of the plan, and while net sales fell short of targets in fiscal 2015 due to lower raw material prices, etc., profits posted record-high earnings, and the Company achieved its target profits under the plan one year ahead of schedule. However, conditions changed rapidly in fiscal 2016, the third year of the plan, and in addition to further declines in raw material prices, a deterioration in the business environment of mainstay acrylic acid and superabsorbent polymers had an effect, causing both sales and profits to fall short of targets. Furthermore, growth was insufficient in new businesses as well.

Concerning business conditions, as profitability declines due to intensifying competition in the acrylic acid and superabsorbent polymers business as described above, challenges toward improving profitability and strengthening competitiveness are high priorities. Meanwhile, advancing the early launch of new businesses and quickly bringing new products to market will require maximization of our comprehensive strength not only in research and development divisions, but through cooperation among marketing divisions that understand customer needs (marketing), production and management divisions that are tasked with speedily creating marketable products and reducing costs (production technologies).

Additionally, various changes are underway in the external environment surrounding the Company, such as the United Kingdom's exit from the EU, the launch of the Trump administration in the United States, intensifying competition with South Korean, Taiwanese, and Chinese manufacturers at the forefront, and significant volatility in raw materials prices and exchange rates, with the intensity growing year by year. In addition, alongside various societal changes such as social issues surrounding global population growth, which include natural resources, energy, and the environment, market needs also continue to shift, making it a necessity to predict and be sensitive to environmental changes, ultimately capturing growth markets and sectors at an early stage.

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

Upon implementation of a review and business environment analysis of the 1st medium-term business plan, the 2nd medium-term business plan “Reborn Nippon Shokubai 2020 NEXT” is a specific action plan to achieve targets for 2020 as part of realizing the goals of Vision for 2025.

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 fiscal 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

[Group mission, management commitment and corporate credo]

Nippon Shokubai Group mission, management commitment and corporate credo will be held firm.

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

[Vision for 2025]

Portions of Vision for 2025, which was stipulated in the “Reborn Nippon Shokubai 2020,” the long-term business plan, have been redefined.

◆ 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

◆ Corporate strategy

In the 2nd medium-term business plan “Reborn Nippon Shokubai 2020 NEXT,” the Company will work toward achieving the plan via the following business policies, priority challenge and basic posture.

Business policies • Focusing on profitability over sales

• Safe, reliable production activities

Priority challenge • Survival of superabsorbent polymer business

• Launch of new businesses in high-growth potential markets for our future key driver

Basic posture • Create products and services which market needs, and provide the products and the services when market needs.

◆ Targets for 2020

In consideration of significant changes in conditions assumed when the long-term business plan was formulated, the targets for 2020 have been reset as a milestone for the Vision for 2025.

Management Indexes and Numerical Targets

(Unit: Billion yen)

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

1 Return of 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	Superabsorbent polymer 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	New energy materials/catalyst 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 will be 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 will 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 will focus 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 to work toward launch of new businesses in high-growth potential markets for our future key driver, fundamental strategic shifts will be made.

As specific measures, with the corporate philosophy and the Company’s reason for being at the core and from among new business sector candidates that had been previously under consideration, the Company

considered potential markets, familiarity, and social issues, and chose three business sectors as our new business fields, namely, (1) ICT, (2) Life Sciences and (3) Energy and Environment, for the creation of new businesses. Additionally, efforts will be made to implement reforms to transition to an organizational structure that emphasizes business development.

◆ Target to continuous growth

To strengthen the management foundation toward achieving continuous growth of the Group, and also in review of the 1st medium-term business plan, the entire company will work 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 resources to support the Company's growth, various measures will be implemented with the objectives such as reducing workloads. Furthermore, efforts will 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 will exchange 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 will be made among the various group companies to make better use of the various management resources that each company has accumulated over time.

We would like to ask all our shareholders for your continued support for the future.

2. Financial Condition, Profit and Loss

Financial Condition, Profit and Loss of the Group

	102nd Term (April 2013 - March 2014)	103rd Term (April 2014 - March 2015)	104th Term (April 2015 - March 2016)	105th Term (April 2016 - March 2017)
Net sales (¥ millions)	302,136	374,873	323,124	293,970
Operating profit (¥ millions)	13,752	26,133	31,234	21,151
Ordinary profit (¥ millions)	16,647	29,941	34,342	24,664
Profit attributable to owners of parent (¥ millions)	10,503	19,089	26,003	19,361
Basic earnings per share (¥)	258.72	470.28	640.69	478.36
Total assets (¥ millions)	398,396	419,634	407,997	433,610
Net assets (¥ millions)	242,193	270,128	282,485	292,275
Net assets per share (¥)	5,820.51	6,535.66	6,870.84	7,238.33
ROA (Return on Assets) (%)	4.4	7.3	8.3	5.9
ROE (Return on Equity) (%)	4.7	7.6	9.6	6.8

Note: The Company conducted a reverse stock split at a ratio of one common share for every five common shares on October 1, 2015. The figures for basic earnings per share and net assets per share are amounts on the assumption that the Company conducted the reverse stock split at the beginning of the 102nd Term.

- (1) Although the fiscal year ended March 31, 2014 (102nd Term) was affected by the accident at the Himeji Plant, net sales increased due to establishing new facilities and increasing capacity at overseas subsidiaries, in addition to a weaker yen and revisions to sale prices in line with an increase in the price of raw materials. With respect to profits, although fixed costs were higher due to establishing new facilities and increasing capacity, associated economies of scale, and improvement in the spread led to higher operating profit and ordinary profit. Furthermore, profit increased due to the recording of extraordinary income such as the receipt of insurance related to the accident.
- (2) For the fiscal year ended March 31, 2015 (103rd Term), operations at all Himeji plants were resumed, greatly increasing sales volume and increasing net sales. With regard to profits, an increase in sales volume by the resumption of production as well as widened spreads by a drop in raw materials costs led to increased operating and ordinary profit. Profit also rose as the result of a decrease in loss on liquidation of business and a gain on sales of investment securities was recorded.
- (3) For the fiscal year ended March 31, 2016 (104th Term), net sales dropped due to drop in sales prices on account of declines in raw material prices and overseas market conditions, decreasing sales volume in certain products and the exclusion of a subsidiary from the scope of consolidation. With regard to profits, both operating profit and ordinary profit increased as a result of decreased processing costs including fixed costs, and selling, general, and administrative expenses, as well as increased production and sales volume. Profit attributable to owners of parent rose thanks to a recording of gain on sales of shares of subsidiaries and associates, and the absence of impairment loss that was recorded in the previous fiscal year.
- (4) For information concerning the fiscal year ended March 31, 2017 (105th Term), please refer to “1. Progress and Results of Operation” above.

(Reference) Financial Condition, Profit and Loss of the Company

	102nd Term (April 2013 - March 2014)	103rd Term (April 2014 - March 2015)	104th Term (April 2015 - March 2016)	105th Term (April 2016 - March 2017)
Net sales (¥ millions)	185,653	236,227	211,368	196,195
Operating profit (¥ millions)	6,924	15,124	19,628	15,661
Ordinary profit (¥ millions)	11,702	22,164	28,094	24,341
Profit (¥ millions)	8,349	14,248	21,343	19,467
Basic earnings per share (¥)	205.65	351.02	525.88	480.97
Total assets (¥ millions)	291,598	301,487	301,914	329,121
Net assets (¥ millions)	194,431	210,874	223,920	236,166
Net assets per share (¥)	4,789.71	5,195.38	5,517.67	5,921.77
ROA (Return on Assets) (%)	4.1	7.5	9.3	7.7
ROE (Return on Equity) (%)	4.4	7.0	9.8	8.5

Note: The Company conducted a reverse stock split at a ratio of one common share for every five common shares on October 1, 2015. The figures for basic earnings per share and net assets per share are amounts on the assumption that the Company conducted the reverse stock split at the beginning of the 102nd Term.

3. Significant Subsidiaries

Name	Capital (¥ millions, unless otherwise quoted)	Nippon Shokubai's Shareholding Percentage (%)	Major Businesses
NIPPON NYUKAZAI CO., LTD.	1,000	100.00	Manufacture and sale of surfactants and chemical products
Nippoh Chemicals Co., Ltd.,	517	84.35	Manufacture and sale of iodine compounds, natural gas, and raw materials for pharmaceuticals, agricultural chemicals, and fragrances
Nisshoku Butsuryu Co., Ltd.	100	100.00	Logistics
Nippon Shokubai America Industries, Inc.	* (US\$ thousands) 100,000	100.00	Manufacture and sale of superabsorbent polymers, polymers for concrete admixtures, and acrylic acid detergent builders
PT. NIPPON SHOKUBAI INDONESIA	(US\$ thousands) 120,000	99.99	Manufacture and sale of acrylic acids, acrylates and superabsorbent polymers
NIPPON SHOKUBAI EUROPE N.V.	(€ thousands) 193,000	100.00	Manufacture and sale of superabsorbent polymers
Singapore Acrylic PTE LTD	(US\$ thousands) 27,007	51.00	Manufacture and sale of crude acrylic acids
NIPPON SHOKUBAI (ASIA) PTE. LTD.	* (US\$ thousands) 4,175	100.00	Manufacture and sale of glacial acrylic acids, and sale of other chemicals
NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) Co., Ltd.	(US\$ thousands) 52,820	100.00	Manufacture and sale of superabsorbent polymers and polymers for concrete admixtures

(Note 1) Asterisk mark (*) in the above list means “paid-in capital”.

(Note 2) Figures listed with respect to the Company's shareholding percentage in the above list are truncated.

4. Description of Principal Businesses

The Group mainly manufactures and sells the following products:

Business	Principal Products
Basic chemicals	Acrylic acid, acrylates, ethylene oxide, ethylene glycol, ethanolamine, secondary alcohol ethoxylates, glycol ether
Functional chemicals	Superabsorbent polymers, intermediates for pharmaceuticals, polymers for concrete admixtures, electronic and information materials, iodine compounds, maleic anhydride, resins for adhesives/paints, processed adhesive products
Environment & catalysts	Automotive catalysts, De-NOx catalysts, dioxin decomposition catalysts, process catalysts, equipment for waste gas treatment, and fuel cell materials

5. Principal Offices and Plants

(1) The Company

Head Offices: Osaka Office (Osaka, Osaka Prefecture), Tokyo Office (Chiyoda-ku, Tokyo)

Laboratories: Strategic Technology Research Center, Advanced Materials Research Center, Fine & Specialty Chemicals Research Center, E&I Performance Materials Research Center (Suita, Osaka Prefecture),

Catalyst Technology Research Center, Superabsorbents Research Center (Himeji, Hyogo Prefecture)

Plants: Kawasaki Plant (Kawasaki, Kanagawa Prefecture),
Himeji Plant (Himeji, Hyogo Prefecture)

Note: We have revised our organization pursuant to the reorganization effective April 1, 2017 as follows.

Laboratories: Research Center, Analysis Technology Center, Ethylene Oxide Business Division Research Department, Performance Chemicals Business Division Research Department, Catalysts & Green Energy Materials Business Division Research Department (Suita, Osaka Prefecture), Acrylic Business Division Research Department, Superabsorbents Research Department (Himeji, Hyogo Prefecture)

(2) Subsidiaries

NIPPON NYUKAZAI CO., LTD. (Head Office: Chuo-ku, Tokyo / Plant: Kawasaki, Kanagawa Prefecture and Kamisu, Ibaraki Prefecture)

Nippoh Chemicals Co., Ltd. (Head Office: Chuo-ku, Tokyo / Plant: Isumi, Chiba Prefecture)

Nisshoku Butsuryu Co., Ltd. (Head Office: Osaka, Osaka Prefecture)

Nippon Shokubai America Industries, Inc. (Head Office & Plant: U.S.A.)

PT. NIPPON SHOKUBAI INDONESIA (Head Office & Plant: Indonesia)

NIPPON SHOKUBAI EUROPE N.V. (Head Office & Plant: Belgium)

Singapore Acrylic PTE LTD (Head Office & Plant: Singapore)

NIPPON SHOKUBAI (ASIA) PTE. LTD. (Head Office & Plant: Singapore)

NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) Co., Ltd. (Head Office & Plant: China)

6. Employees of the Company and Group Companies

Number of Employees	Increase / Decrease Compared to the End of the Previous Fiscal Year
4,161	Increase of 155 persons

(Note) The number of employees includes those who were reemployed.

(Reference) Employees of the Company

Number of Employees	Increase / Decrease Compared to the End of the Previous Fiscal Year	Average Age	Average Length of Service
2,207	Increase of 44 persons	37.9 years old	16.1 years

(Note 1) “Number of Employees” listed above includes employees seconded from affiliates of the Company, but excludes employees seconded to affiliates of the Company and temporary employees.

(Note 2) From the current fiscal year, the number of employees includes those who were reemployed.

(Note 3) Average age and average length of service do not include reemployed employees.

7. Principal Lenders

(Millions of yen)

Name of Lender	Amount Outstanding
Japan Bank for International Cooperation	10,193
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	8,700
Resona Bank, Limited	7,907
Mizuho Bank, Ltd.	6,183
Syndicated Loan	5,500

(Note 1) Of the amount outstanding of Syndicated Loan, 5,000 million yen was raised in April 2012 and 500 million yen was raised in July 2013.

(Note 2) Figures in “Amount Outstanding” above include overseas local subsidiaries of each institution.

II. Matters Concerning the Company

1. Matters Concerning the Company's Shares as of March 31, 2017

- (1) Total Number of Authorized Shares: 127,200,000 (common stock)
- (2) Total Number of Issued and Outstanding Shares: 40,800,000 (common stock)
- (3) Number of Shareholders: 9,984
- (4) Major Shareholders (Top 10 shareholders)

Name	Number of Shares Owned (thousand shares)	Ratio of Capital Contribution (%)
Sumitomo Chemical Company, Limited	2,795	7.00
Japan Trustee Services Bank, Ltd. (Trust Account)	2,156	5.40
JX Holdings, Inc.	2,129	5.33
JP MORGAN CHASE BANK 385632	1,730	4.33
Resona Bank, Limited.	1,373	3.44
National Mutual Insurance Federation of Agricultural Cooperatives	1,308	3.27
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,300	3.25
Sanyo Chemical Industries, Ltd.	1,267	3.17
Japan Trustee Services Bank, Ltd. (Trust Account 9)	960	2.40
Mizuho Bank, Ltd.	948	2.37

(Note 1) Other than the above, the Company holds 919 thousand shares as treasury stock.

(Note 2) Treasury stock is excluded from the calculation for "Shareholding Ratio of the Total Shares Outstanding" above.

(Note 3) Figures in "Number of Shares Owned" and "Shareholding Ratio of the Total Shares Outstanding" are truncated.

(Note 4) JX Holdings, Inc. has merged with TonenGeneral Sekiyu K.K. as of April 1, 2017 and changed its trade name to JXTG Holdings, Inc.

2. Executives of the Company

(1) Directors and Corporate Auditors of the Company

Position	Name	Responsibility in the Company and/or Important Positions Concurrently held at Other Companies
Representative Member of the Board, President	Masanori Ikeda	
Representative Member of the Board, Senior Managing Executive Officer	Haruhisa Yamamoto	Sales & Marketing, Ethylene Oxide Business Division and Purchasing & Logistics Division President of NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) CO., LTD. President of Nisshoku Trading (Shanghai) Co., Ltd.
Member of the Board, Senior Managing Executive Officer	Masao Yamamoto	Planning, Administration, Purchasing, Finance, General Administration & Personal Division, Finance & Accounting Division and IT Management Office
Member of the Board, Managing Executive Officer	Yojiro Takahashi	Research & Development Director of Research Planning & Development Division Health & Medical Business Development Office
Member of the Board, Managing Executive Officer	Yujiro Goto	Production & Technology, Responsible Care Division, Production Division, Engineering Division and Belgium Project
Member of the Board, Executive Officer	Yukihiro Matsumoto	Director of Corporate Planning Division
Member of the Board	Koichi Miura	Emeritus Professor of Kyoto University Specially Appointed Professor of Institute of Advanced Energy, Kyoto University
Member of the Board	Takashi Sakai	Advisor to Osaka Gas Co., Ltd. Chairman of Board of Directors, Gas and Power Co., Ltd.
Member of the Board	Kozo Arai	Attorney-at-law Outside Corporate Auditor of Nankai Electric Railway Co., Ltd. Outside Director of The Japan Wool Textile Co., Ltd. Outside Audit & Supervisory Board Member of HOSOKAWA MICRON CORPORATION
Corporate Auditor	Taizo Maruo	(Full-time)
Corporate Auditor	Yoshihiro Arita	(Full-time)
Corporate Auditor	Kunimitsu Oba	Director and Senior Vice President of JX Holdings, Inc.
Corporate Auditor	Yoichiro Komatsu	Attorney-at-law Patent attorney Director of Kansai University

(Note 1) Mr. Kozo Arai resigned from Corporate Auditor at the conclusion of the 104th Ordinary General Meeting of Shareholders held on June 21, 2016.

(Note 2) Mr. Koichi Miura, Mr. Takashi Sakai and Mr. Kozo Arai are outside Members of the Board.

(Note 3) Mr. Kunimitsu Oba and Mr. Yoichiro Komatsu are outside Corporate Auditors.

(Note 4) Mr. Kunimitsu Oba has a long working experience in the finance and accounting division of Japan Energy Corporation and JX Nippon Oil & Gas Exploration Corporation, and has sufficient knowledge of finance and accounting.

- (Note 5) JX Holdings, Inc., where Mr. Kunimitsu Oba, a Corporate Auditor, concurrently holds an important position, has merged with TonenGeneral Sekiyu K.K. as of April 1, 2017 and changed its trade name to JXTG Holdings, Inc.
- (Note 6) Mr. Koichi Miura, Mr. Takashi Sakai and Mr. Kozo Arao, outside Members of the Board, and Mr. Yoichiro Komatsu, an outside Corporate Auditor, are registered at Tokyo Stock Exchange Markets as independent executives.
- (Note 7) There was a change in positions, responsibilities in the Company and/or important positions concurrently held at other companies of directors of the Company as of April 1, 2017 as follows:

Position	Name	Responsibility in the Company
Representative Member of the Board, Chairman	Masanori Ikeda	
Representative Member of the Board, President	Yujiro Goto	
Representative Member of the Board, Senior Managing Executive Officer	Haruhisa Yamamoto	Sales & Marketing, Ethylene Oxide Business Division and Purchasing & Logistics Division
Member of the Board, Managing Executive Officer	Yojiro Takahashi	Innovation & Business Development Health & Medical Business Development Office and Malonates Business Development Office
Member of the Board, Executive Officer	Yukihiro Matsumoto	Director of Corporate Planning Division, Responsible Care Division, Production Division, Engineering Division and Belgium Project

(Reference)

Executive officers, except individuals who are also Members of the Board, are as follows.

(As of April 1, 2017)

Position	Name	Responsibility in the Company
Managing Executive Officer	Koichiro Yamada	Director of Acrylic Business Division In charge of Superabsorbents Business Division
Managing Executive Officer	Nobuyuki Harada	Associate Director of Nippon Shokubai Research Alliance Laboratories
Executive Officer	Takumi Hatsuda	President of Nippon Shokubai America Industries, Inc.
Executive Officer	Kin-ya Nagasuna	Director of Innovation & Business Development Division
Executive Officer	Masaya Yoshida	Director of Catalysts & Green Energy Materials Business Division
Executive Officer	Kazukiyo Arakawa	Plant Manager of Himeji Plant
Executive Officer	Teruo Kamei	Plan Manager of Kawasaki Plant
Executive Officer	Ren Hasebe	Director of Performance Chemicals Business Division

(2) Remuneration to Members of the Board and Corporate Auditors

1) Aggregate Amount of Remuneration to Directors and Corporate Auditors

Title	Number of Persons (persons)	Aggregate Amount of Remuneration (¥ millions)
Members of the Board	10	396
(Outside Members of the Board)	(3)	(32)
Corporate Auditors	5	57
(Outside Corporate Auditors)	(3)	(11)

(Note 1) “Number of Persons” above includes one Member of the Board and one Corporate Auditor who stepped down during the fiscal year 2016.

(Note 2) The “Aggregate Amount of Remuneration” includes 130 million yen in bonuses for officers, which is scheduled for resolution at the 105th Ordinary General Meeting of Shareholders.

2) Policy for Determination of Remuneration for Directors and Corporate Auditors

The remuneration, etc. for Members of the Board of the Company consists of “Basic remuneration” and “Bonuses.” “Basic remuneration” consists of fixed remuneration portion and performance-linked remuneration portion. “Bonuses” are resolved and determined at the General Meeting of Shareholders each time the payment is made by taking into account the business results for the fiscal year and other circumstances. Outside Members of the Board and Corporate Auditors receive only “basic remuneration” (in principal, fixed remuneration) because remuneration linked to earnings is not appropriate for these individuals who oversee business operations from an independent standpoint.

Furthermore, the Company has established a voluntary Nomination and Remuneration Committee mainly composed of Independent Outside Directors, from which the Company is to obtain advice on remuneration and bonuses for Directors, thereby securing transparency and fairness.

The Company abolished the program of retirement benefits for directors at the 93rd Ordinary General Meeting of Shareholders on June 22, 2005. To the directors who were incumbent at the closing of the

93rd Ordinary General Meeting of Shareholders and have remained on the board thereafter, retirement benefits are therefore paid upon their retirement.

(3) Matters Concerning the Company's Outside Members of the Board and Corporate Auditors

1) Important positions held concurrently such as executive Members of the Board (*gyoumu shikko torishimariyaku*) of other companies

Name	Important Positions Concurrently Held at Other Companies
Koichi Miura (Outside Member of the Board)	Emeritus Professor of Kyoto University, Specially Appointed Professor of Institute of Advanced Energy, Kyoto University
Takashi Sakai (Outside Member of the Board)	Advisor to Osaka Gas Co., Ltd., Chairman of Board of Directors, Gas and Power Co., Ltd.
Kozo Arao (Outside Member of the Board)	Attorney-at-law, Outside Corporate Auditor of Nankai Electric Railway Co., Ltd., Outside Director of The Japan Wool Textile Co., Ltd., Outside Audit & Supervisory Board Member of HOSOKAWA MICRON CORPORATION
Kunimitsu Oba (Outside Corporate Auditor)	Director and Senior Vice President of JX Holdings, Inc.
Yoichiro Komatsu (Outside Corporate Auditor)	Attorney-at-law, patent attorney, Director of Kansai University

(Note 1) There are no special interests between the Company and either of the entities referred to above.

(Note 2) JX Holdings, Inc., where Mr. Kunimitsu Oba concurrently holds an important position, has merged with TonenGeneral Sekiyu K.K. as of April 1, 2017 and changed its trade name to JXTG Holdings, Inc.

2) Principal activities during the fiscal year 2016

Name	Principal Activities
Koichi Miura (Outside Member of the Board)	Mr. Koichi Miura attended all 14 meetings of the Board that were held during the fiscal year 2016. From his viewpoint as a specialist in chemical engineering who is familiar with the chemical industry, he provides useful advice concerning the Company's management and supervises the Company's management from an independent perspective.
Takashi Sakai (Outside Member of the Board)	Mr. Takashi Sakai attended all 14 meetings of the Board that were held during the fiscal year 2016. Due to his experience as an executive of a company that is a manufacturer and has a strong commitment to public interest, he provides useful advice concerning the Company's management and supervises the Company's management from an independent perspective.
Kozo Arao (Outside Member of the Board)	Mr. Kozo Arao attended all 11 meetings of the Board that were held during the fiscal year 2016 following his election as a Member of the Board. Based on his highly professional expertise and a wealth of experience as attorney-at-law and achievements as outside officers of other companies, he provides useful advice concerning the Company's management and supervises the Company's management from an independent perspective.
Kunimitsu Oba (Outside Corporate Auditor)	Mr. Kunimitsu Oba attended 11 of the 14 meetings of the Board that were held during the fiscal year 2016. At these meetings, he provides his views from the perspective of a corporate executive as required. Mr. Oba also attended 11 of the 13 meetings of the Corporate Auditors that were held during the fiscal year 2016, exchanged opinions with respect to the results of audits and discussed important issues regarding such audits. Furthermore, he periodically exchanged opinions with the senior management.
Yoichiro Komatsu (Outside Corporate Auditor)	Mr. Yoichiro Komatsu attended all 11 meetings of the Board that were held during the fiscal year 2016 following his election as a Corporate Auditor. At these meetings, he provides his views from the perspective of an attorney as required. Mr. Komatsu also attended all 10 meetings of the Corporate Auditors that were held during the fiscal year 2016 following his election as a Corporate Auditor, exchanged opinions with respect to the results of audits and discussed important issues regarding such audits. Furthermore, he periodically exchanged opinions with the senior management.

3) Summary of Contract for Limitation of Liability

The Company has signed liability limitation contracts with outside Members of the Board and outside corporate auditors concerning liability as prescribed in Article 423, Paragraph 1 of the Companies Act of Japan. The contracts limit liability to the total of the monetary amounts in all items of Article 425, Paragraph 1 of this act as long as outside Members of the Board and outside corporate auditors perform their duties in good conscience and without any gross negligence.

3. Matters Concerning Accounting Auditor

(1) Name of Accounting Auditor

Ernst & Young ShinNihon LLC

(2) Remuneration Paid to Accounting Auditor

Classification	Amount Paid
(1) Total amount payable by the Company to the Accounting Auditor	¥49 million
(2) Total amount of cash and other financial benefits payable by the Company and its subsidiaries to the Accounting Auditor	¥68 million

(Note 1) Because no distinction is made between remuneration for audit services rendered pursuant to the Companies Act and remuneration for audit services rendered pursuant to the Financial Instruments and Exchange Act of Japan under the agreement between the Company and the Accounting Auditor, the amount of remuneration paid to the Accounting Auditor listed above in “(1) Total amount payable by the Company to the Accounting Auditor” is the sum of these two.

(Note 2) Among the significant subsidiaries of the Company, Nippon Shokubai America Industries, Inc., PT. NIPPON SHOKUBAI INDONESIA, NIPPON SHOKUBAI EUROPE N.V., Singapore Acrylic PTE LTD, NIPPON SHOKUBAI (ASIA) PTE. LTD. and NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) Co., Ltd. have been audited by auditing firms other than the Accounting Auditor of the Company.

(Note 3) After receiving an explanation of this fiscal year's audit plan from the Accounting Auditor, the Board of Corporate Auditors considered risks that would require special consideration based on the Company's risk approach as well as methods to deal with other auditing items of importance and the auditing time and personnel scheduling they would require, audit plans and results from years past, audit quality, audit time, and changes in auditor remuneration. Furthermore, the Board of Corporate Auditors received an explanation of the implementation status of the business improvement plan from the Accounting Auditor, accompanying the receipt of the administrative sanctions from the Financial Services Agency in 2015, and confirmed that there are no problems with the implementation status. Upon this consideration, the remuneration for this fiscal year's Accounting Auditor was determined to be of an amount not in conflict with retaining audit quality and was thus approved.

(3) Content of Non-auditing Services

The Company pays a fee to the Accounting Auditor in consideration of the advisory services regarding consideration of the introduction of the International Financial Reporting Standards (IFRS) and preparation services of a comfort letter related to the issuance of unsecured bonds.

(4) Policies on Dismissal or Non-reappointment of the Accounting Auditor

In the event that the Board of Corporate Auditors determines that the Accounting Auditor falls under any of the items of Article 340, Paragraph 1 of the Companies Act, the Board of Corporate Auditors will dismiss the Accounting Auditor upon unanimous consent of the Corporate Auditors.

Additionally, if it is deemed that it is difficult for the Accounting Auditor to adequately execute its duties, or if it is determined that a change in Accounting Auditor would be appropriate in order to further increase auditing suitability, the Board of Corporate Auditors will determine an agenda item regarding the dismissal or non-reappointment of the Accounting Auditor to be submitted to the General Meeting of Shareholders.

III. Systems and Policies of the Company

1. Systems to Ensure Proper Business Activities

The Company's basic policy with respect to the development of internal control system is as follows:

The Company is guided by the Nippon Shokubai Group Mission “**TechnoAmenity**: providing affluence and comfort to people and society, with our unique technology.” Based on this mission, we have established the following fundamental policy for the creation of internal control systems. This policy reflects the understanding that the establishment and operation of a system for conducting business operations properly is vital to the continuous preservation and growth of corporate value.

(1) Systems to ensure that Members of the Board and employees perform their duties in compliance with laws, regulations and the Articles of Incorporation

1. Establish the Corporate Ethics Committee and implement a system to comply with laws and regulations.
2. Formulate the Code of Conduct and make it a norm for Members of the Board, executive officers and employees.
3. Formulate the Corporate Code of Ethics and prevent the violation of laws and regulations.
4. As an internal auditing division, establish the Internal Audit Office, which is to be independent from other executive sections.
5. Establish the Internal Reporting System under which facts with respect to the violation of laws and regulations and other compliance-related matters will be reported internally.

(2) Systems for storing and managing information concerning the execution of duties by the Members of the Board

Information concerning the execution of duties by Members of the Board shall be stored and managed, as the minutes of meetings of the Board (*torishimariyakukai gijiroku*), internal memo to obtain approval (*ringisho*) and other documents, pursuant to the Regulations of the Board (*torishimariyakukai kitei*) and the Document Handling Regulations (*bunsho kitei*), and other rules.

(3) Rules and systems with respect to the management of the risks of loss

1. Establish the Risk Management Committee and implement a system to manage risks of loss.
2. Formulate the Risk Management Regulations (*risuku kanri kitei*) to clarify risk recognition and procedures, and prevent such risks from occurring.
3. Upon the occurrence of an unexpected event, establish a special headquarters with the Company president as its head and take prompt and appropriate measures pursuant to the rules concerning measures for unexpected events.

(4) Systems to ensure that Members of the Board execute their duties efficiently

1. In order to deliberate and determine matters with respect to the execution of duties by Members of the Board, a meeting of the Board shall, in principle, be held monthly so that prompt decision-making may be carried out.
2. The Board shall select executive officers. The Board is responsible for reaching decisions involving management and supervising business operations, and the executive officers are responsible for conducting business operations. Separating these functions increases the efficiency of management and clearly defines accountability.
3. The Company shall have outside Members of the Board for the purpose of ensuring the suitability of decisions and the oversight of business operations by the Board.
4. The Company shall conduct a corporate management meeting consisting of the Company president and executive officers named by the president. In principle, this committee shall meet twice each month (including one meeting attended by all executive officers) for the purpose of discussing subjects involving fundamental management policies and actions involving important matters.

- (5) Systems to ensure proper business activities by the Group, which consists of the Company and its subsidiaries
 1. The group companies shall report the overview of business and status of profit and loss to the Corporate Planning Office. The Corporate Planning Office shall provide advice as needed.
 2. In order to properly understand the operational status of the group companies, the Corporate Planning Office shall promptly report managerial and other issues to the corporate management meeting and the Board.
 3. In order to ensure proper business activities by the Group companies, the Internal Audit Office and the Responsible Care Office shall audit each group company as appropriate.
 4. The Corporate Ethics Committee shall make effort to improve corporate ethics across the Group.
 5. The Risk Management Committee shall implement a system to manage risks of loss across the Group.
- (6) Matters concerning employees who are allocated to assist the corporate auditors, matters concerning the independence of these employees from the Members of the Board and matters concerning ensuring the effectiveness of instructions of the corporate auditors to the employees who assist the corporate auditors
 1. The Auditor Office, which shall be established under the direct control of the corporate auditors of the Company, and the employees thereof shall assist the corporate auditors in their duties.
 2. The Auditor Office shall be independent from the Board, and the employees assigned thereto shall, pursuant to the Business Segregation Rules (*gyoumu bunshou*) and instructions of the corporate auditors, perform their duties independent from the Board, the respective Members of the Board and executive officers. The personnel affairs of the employees who belong to the Auditor Office shall be determined after obtaining the consent of the corporate auditors.
- (7) Systems for submitting reports from Members of the Board and employees to the corporate auditors, for posting other reports to corporate auditors and for ensuring effective of audits by the corporate auditors
 1. In order to understand important decision-making processes and the status of executing operations executed/to be executed, the corporate auditors shall attend important meetings such as the corporate management meetings and budget meetings, in addition to meetings of the Board.
 2. Members of the Board, executive officers, and employees shall report to corporate auditors important information associated with the status of the Company's and its group companies' internal audits, compliance, risk management and internal reporting.
 3. The director of each division shall report the status of executing operations in accordance with the audit plan (annual plan) prepared by corporate auditors.
 4. Directors, corporate auditors and employees of the group companies shall immediately report to the corporate auditors when the corporate auditors request them to report matters concerning the execution of business, internal audit status, compliance, risk control and internal reporting.
 5. Those who reported to the corporate auditors shall not receive any disadvantageous treatment due to their reporting.
 6. In the case that Corporate Auditors make claims to the Company regarding costs incurred during the execution of their duties, the Company shall bear those costs excluding cases where those costs are assessed as not necessary for the execution of the Corporate Auditor's duties.
- (8) Basic policy on the elimination of anti-social forces

No relations, including those for business transactions, shall be had with anti-social forces that serve to disturb the order and safety of civil society and threaten wholesome corporate activities, and these anti-social forces shall be firmly dealt with in cooperation with outside specialists such as the police, etc.

Outline of the State of Operations of Internal Control Systems

(1) Legal Compliance

The Corporate Ethics Committee has implemented activities such as holding educational activities, corporate ethics training, as well as legal training on internal reporting and creating a legal compliance manual and a Corporate Ethics Guidebook, thereby strengthening the Company and group companies' legal compliance structures.

Additionally, steps in order to disseminate this information are being taken, such as printing the Code of Conduct and distributing it in the Corporate Ethics Guidebook and CSR report, and through database records and internal notices.

(2) Execution of Duties by Board Members

The Board of Directors convened a total of 14 times throughout this fiscal year, and by reporting, deliberating, and deciding on items regarding to the execution of their duties, the Board of Directors supervises the execution of its members' duties.

By separating the Board, which is responsible for reaching decisions involving management and supervising business options, with executive officers, who are responsible for conducting business operations, attempts are being made to establish efficient management and clear definition of accountability.

Additionally, three outside Members of the Board were elected, and through their advice based on their wealth of experience and specialized knowledge as managers, as well as their supervision from a position independent of management, the Board of Director's decision-making process and the executive officers' appropriateness is being ensured.

During the fiscal year, the Corporate Management Meeting convened 22 times to deliberate on matters regarding basic management policies and the execution of items of importance. Attempts are being made to realize more efficient business operations, and measures are being taken regarding the execution of important business duties.

(3) Management of Risks of Loss

The Risk Management Committee discovers Company and group companies' risks, evaluates them, and analyzes them, centrally managing risk information. Additionally, the Committee creates policies to minimize risks upon the results of this risk analysis such as by revising a business continuation plan.

In addition, regular comprehensive earthquake response drills and more are held so that a swift and appropriate response can be made in the case of an unexpected emergency by establishing a countermeasures headquarters.

(4) Ensuring Suitability of the Company Group's Business Activities

Group companies issue regular reports to the Corporate Planning Office on the overview of business and status of profit and loss, and the Corporate Planning Office provides advice as needed. Additionally, the Corporate Planning Office reports to the corporate management meeting and the Board regarding managerial and other issues as necessary.

Also, the Internal Audit Office and the Responsible Care Office each audit group companies based on their auditing plans.

(5) Ensuring the Efficacy of Auditor Audits

The Board of Corporate Auditors convened a total of 13 times over the course of this fiscal year to report, deliberate, and decide on matters of importance.

Corporate Auditors also attend important meetings such as Corporate Management Meetings and meetings of the Board in order to understand important decision-making processes and the status of executing operations, and also receive reports from the Accounting Auditor, Members of the Board, and other individuals in order to deliberate and present auditing opinions.

Also, Corporate Auditor interview locations are determined according to audit plans where Corporate Auditors receive reports on the execution of business duties from General Managers of each department as well as from management executives of subsidiary companies.

(6) The Elimination of Anti-Social Forces

Information is regularly gathered from the police and other external specialist agencies so that no relations are had with anti-social forces, and internal calls for caution are also made by preparing manual for responding to unreasonable demands. Additionally, contracts formed with major clients include items stating that no relations shall be had with anti-social forces.

2. Basic Policies Concerning Control of the Company

(1) Summary of basic policy for parties that control the Company's financial and business policies

The Group is guided by the Nippon Shokubai Group Mission “**TechnoAmenity**: providing affluence and comfort to people and society, with our unique technology.” Based on this mission, we devise and execute management strategies and work on becoming more competitive and profitable in order to achieve the goal of being “An innovative chemical company that provides new value for people's lives.” The objective of these activities is to increase corporate value and the common interests of shareholders.

The Company will take any actions (Takeover Defense Measures) that are needed to protect corporate value and the common interests of shareholders from harm caused by disruptions to the above corporate mission and management strategies resulting from a large-scale purchase of the Company's stock. (Articles of Incorporation Articles 33 to 35)

When there is a proposal by a third party for a large-scale purchase of the Company's stock (proposed acquisition), the Company believes that its shareholders at that time should be entrusted with reaching the final decision about whether or not to accept the proposed acquisition. Consequently, to allow shareholders to reach a proper decision, the Takeover Defense Measures prescribe the rules and procedures that are needed to give shareholders the necessary information about the proposed acquisition and provide a sufficient amount of time.

(2) Special initiatives for the effective use of assets, establishment of a proper corporate group and activities involving other fundamental policies

1) Activities involving the Medium- to Long-term Business Plan

The Company has worked on its long-term business plan for the fiscal years 2014 to 2020, entitled “Reborn Nippon Shokubai 2020,” along with the 1st medium-term business plan, which will specify an action plan for the initial three years of the period. The Company has formulated and announced the 2nd medium-term business plan “Reborn Nippon Shokubai 2020 NEXT” for the fiscal years 2017 to 2020 and is currently working to achieve the plan.

Review of the 1st medium-term business plan and summary of the 2nd medium-term business plan is described under 1. (4) Issues to Be Addressed, on pages 5 to 9.

2) Measures to strengthen corporate governance

The Group is guided by the Nippon Shokubai Group Mission “**TechnoAmenity**: providing affluence and comfort to people and society, with our unique technology” in becoming “An innovative chemical company that provides new value for people's lives,” “A chemical company that is strongly trusted by society,” and “A company that everybody can be proud of, including stakeholders” and works to raise corporate value and attain constant growth.

In order to achieve this, the Company understands that it is important to realize highly-effective corporate governance and is thus involved in initiatives including ensuring rights and equality of shareholders and engaging in dialogue with shareholders, appropriate methods of cooperation with various stakeholders, ensuring appropriate information disclosure and transparency, appropriate execution of Board of Directors and management roles and responsibilities, appropriate oversight of business operations, improvement and enhancement of internal control systems, and the improvement and enhancement of corporate governance.

By having three outside members joined the Board, who can provide useful advice concerning management and supervise management from an independent perspective, the Company aims to strengthen corporate governance. In addition, the Company uses the executive officer system for the purpose of separating the roles of management decision-making and oversight and the execution of business operations. The Company is using this system to strengthen corporate governance and increase the speed of management decision-making and the execution of business operations.

(3) Summary of measures to prevent a party that is unsuitable from the point of view of the Company's basic corporate policies from gaining control over decisions concerning the Company's financial and business policies

Shareholders approved the establishment of Countermeasures (Takeover Defense Measures) against Large-Scale Purchases of Company Stock at the 95th Ordinary General Meeting of Shareholders that was held on June 20, 2007. These measures apply to large-scale purchases of Company stock, etc. by a specific shareholder group that is equivalent to at least 20% of all Company voting rights. The purpose is to contribute to the common interests of shareholders by enabling the Company to increase corporate value in a stable and consistent manner. At the 98th Ordinary General Meeting of Shareholders that was held on June 22, 2010 and 101st Ordinary General Meeting of Shareholders that was held on June 20, 2013, shareholders approved an extension of the Takeover Defense Measures with some revisions. Also, the 104th Ordinary General Meeting of Shareholders that was held on June 21, 2016 deliberated the extension of the Takeover Defense Measures under the same terms until the Ordinary General Meeting of Shareholders for the last fiscal year that ends within three years of the 104th Ordinary General Meeting of Shareholders, and the proposal was passed in its original form. (The extended Takeover Defense Measures are called “the Rules” hereafter.)

The Rules allow the Company’s Board to state a procedure that should be observed by a party that is proposing to purchase the Company’s stock (the Large-Scale Purchaser). The procedure provides an amount of time that is both necessary and sufficient for the Company to examine, assess and consider the proposed acquisition, and to provide its shareholders with this information as well as the Company’s alternative proposal. Shareholders can then decide directly at a general meeting of shareholders which proposal would contribute to the improvement of corporate value of the Company and the common interests of shareholders. Exceptionally, in the event that (1) the Large-Scale Purchaser does not comply with these Rules, or (2) it is determined that the Large-Scale Purchase will significantly damage the interests of the shareholders of the Company, countermeasures will be exercised by a resolution of the Board of Directors of the Company without a resolution from the General Meeting of Shareholders. With regard to the exercise of countermeasures due to (2), the Board of Directors shall consult with External Committee composed of at least three from amongst the Independent Outside Directors and the Independent Outside Corporate Auditors (including substitute Outside Corporate Auditors) of the Company who are independent from the management team which is responsible for executing the Company’s business, in order to preclude an arbitrary decision by the Board of Directors of the Company. With advice from the Board of Directors of the Company, the External Committee will consider and determine whether or not it is clear that the specific Large-Scale Purchase will significantly damage the interests of the shareholders of the Company and make recommendations to the Board of Directors of the Company as to whether or not to exercise the countermeasures. The Board of Directors of the Company will afford such recommendations the highest consideration and will decide whether or not to exercise the countermeasures.

For more information about the Rule, please see the press release of May 10, 2016 entitled “Continuation of Countermeasures (Takeover Defense Measures) against Large-Scale Purchases of Nippon Shokubai Co., Ltd. Shares”, which is posted on the Company’s website (<http://www.shokubai.co.jp/en/>).

(4) Decision of the Board concerning the above measures and reason for decision

In the event of a proposed acquisition, the Rules prescribe rules and procedures for the purpose of giving the Company's shareholders the necessary information and sufficient time for consideration to decide whether or not to activate the defensive measure (issue stock acquisition rights). The Rules allow the Company's shareholders to make the final decision as to whether or not to accept the proposed acquisition. As a result, the Board believes that these measures contribute to protecting and increasing the Company's corporate value and the common interests of its shareholders and that the measures are not harmful to the common interests of its shareholders. Furthermore, protecting the positions of the Company's executives is not the purpose of the Rules. For these reasons, the Board believes that the Rules are consistent with the above basic policy for parties that control the Company's financial and business policies.

The Rules may be abrogated by a resolution of the Board through the appointment or dismissal of Members of the Board pursuant to ordinary resolutions at one general meeting of shareholders. Moreover, the term of office of Members of the Board expires within one (1) year after appointment, and the terms of office of Members of the Board are not staggered.

Note: Unless otherwise noted in this business report, amounts and ratios are rounded off to the nearest unit.

Consolidated Financial Statements

(As of March 31, 2017)

(Unit: Millions of yen)

[Assets]	
Current assets	184,509
Cash and deposits	56,139
Notes and accounts receivable - trade	64,201
Merchandise and finished goods	28,162
Work in process	6,315
Raw materials and supplies	16,632
Deferred tax assets	3,154
Other	9,916
Allowance for doubtful accounts	-11
Non-current assets	249,101
Property, plant and equipment	163,160
Buildings and structures, net	40,638
Machinery, equipment and vehicles, net	65,159
Tools, furniture and fixtures, net	3,341
Land	32,607
Leased assets, net	166
Construction in progress	25,664
Accumulated impairment loss	-4,415
Intangible assets	3,877
Investments and other assets	82,064
Investment securities	65,760
Investments in capital	3,265
Long-term loans receivable	1,172
Deferred tax assets	1,868
Net defined benefit asset	7,298
Other	2,767
Allowance for doubtful accounts	-66
Total assets	433,610

[Liabilities]	
Current liabilities	86,845
Notes and accounts payable - trade	44,615
Short-term loans payable	9,976
Current portion of long-term loans payable	11,583
Lease obligations	25
Income taxes payable	3,378
Provision for bonuses	3,065
Provision for directors' bonuses	159
Provision for repairs	2,525
Other	11,520
Non-current liabilities	54,489
Bonds payable	10,000
Long-term loans payable	26,374
Lease obligations	83
Deferred tax liabilities	4,971
Net defined benefit liability	12,072
Other	989
Total liabilities	141,335
[Net assets]	
Shareholders' equity	270,277
Capital stock	25,038
Capital surplus	22,396
Retained earnings	229,092
Treasury shares	-6,249
Accumulated other comprehensive income	18,395
Valuation difference on available-for-sale securities	12,247
Deferred gains or losses on hedges	11
Foreign currency translation adjustment	6,153
Remeasurements of defined benefit plans	-16
Non-controlling interests	3,604
Total net assets	292,275
Total liabilities and net assets	433,610

Consolidated Statements of Income
(April 1, 2016 to March 31, 2017)

(Unit: Millions of yen)

Net sales	293,970
Cost of sales	233,499
Gross profit	60,471
Selling, general and administrative expenses	39,319
Operating profit	21,151
Non-operating income	6,148
Interest and dividend income	1,456
Share of profit of entities accounted for using equity method	2,150
Miscellaneous income	2,541
Non-operating expenses	2,635
Interest expenses	445
Miscellaneous loss	2,190
Ordinary profit	24,664
Extraordinary income	1,339
Gain on sales of investment securities	1,199
Gain on sales of non-current assets	136
State subsidy	3
Extraordinary losses	1,531
Loss on closing of laboratory	797
Loss on liquidation of business	159
Loss on valuation of investment securities	115
Loss on reduction of non-current assets	3
Other	457
Profit before income taxes	24,471
Income taxes	5,112
Income taxes - current	5,630
Income taxes - deferred	-519
Profit	19,359
Loss attributable to non-controlling interests	-2
Profit attributable to owners of parent	19,361

Consolidated Statements of Changes in Equity

(April 1, 2016 to March 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					-
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							-
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

(Reference)

Consolidated Statements of Cash Flows
(April 1, 2016 to March 31, 2017)

(Unit: Millions of yen)

I	Cash flows from operating activities	
	Profit before income taxes	24,471
	Depreciation	17,957
	Loss (gain) on sales of investment securities	-1,199
	Gain on sales of non-current assets	-136
	Subsidy income	-3
	Loss on closing of laboratory	797
	Loss on liquidation of business	159
	Loss (gain) on valuation of investment securities	115
	Loss on reduction of non-current assets	3
	Decrease (increase) in net defined benefit asset	-1,153
	Increase (decrease) in net defined benefit liability	245
	Interest and dividend income	-1,456
	Interest expenses	445
	Share of (profit) loss of entities accounted for using equity method	-2,150
	Decrease (increase) in notes and accounts receivable - trade	53
	Decrease (increase) in inventories	-2,796
	Increase (decrease) in notes and accounts payable - trade	6,712
	Increase (decrease) in accrued consumption taxes	-726
	Other, net	563
	Subtotal	41,901
	Interest and dividend income received	2,847
	Interest expenses paid	-430
	Proceeds from subsidy income	3
	Income taxes paid	-6,847
	Net cash provided by (used in) operating activities	37,474
II	Cash flows from investing activities	
	Purchase of property, plant and equipment	-36,228
	Purchase of intangible assets	-320
	Purchase of investment securities	-558
	Proceeds from sales of investment securities	1,260
	Purchase of shares of subsidiaries and associates	-9,588
	Other, net	920
	Net cash provided by (used in) investing activities	-44,515
III	Cash flows from financing activities	
	Net increase (decrease) in short-term loans payable	-3,035
	Proceeds from long-term loans payable	9,262
	Repayments of long-term loans payable	-7,999
	Proceeds from issuance of bonds	10,000
	Purchase of treasury shares	-5,239
	Cash dividends paid	-6,493
	Dividends paid to non-controlling interests	-13
	Other, net	-15
	Net cash provided by (used in) financing activities	-3,533
IV	Effect of exchange rate change on cash and cash equivalents	-1,781
V	Net increase (decrease) in cash and cash equivalents	-12,355
VI	Cash and cash equivalents at beginning of period	64,055
VII	Cash and cash equivalents at end of period	51,700

Notes to Consolidated Financial Statements

◆ Significant Accounting Policies

1. Scope of Consolidation

Consolidated subsidiaries are as follows:

- (1) Number of consolidated subsidiaries: 14 companies (8 in Japan and 6 overseas)

- (Japan) NIPPOH CHEMICALS CO., LTD.
Nisshoku Butsuryu Co., Ltd.
Tokyo Fine Chemical Co., Ltd.
CHUGOKU KAKO CO., LTD.
NIPPON SHOKUBAI TRADING CO., LTD.
NISSHOKU TECHNO FINE CHEMICAL CO.,LTD
NIPPON NYUKAZAI CO., LTD.
NIPPON POLYMER INDUSTRIES CO., LTD.
- (Overseas) Nippon Shokubai America Industries, Inc.
NIPPON SHOKUBAI (ASIA) PTE. LTD.
PT. NIPPON SHOKUBAI INDONESIA
NIPPON SHOKUBAI EUROPE N.V.
SINGAPORE ACRYLIC PTE LTD
NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) CO., LTD.

- (2) Names of major non-consolidated subsidiaries

SIRRUS Inc.
Daiko Rikuun Co., Ltd.

Reason for exclusion from the scope of consolidation

The total assets, net sales, profit (loss) (amount proportional to ownership), and retained earnings (amount proportional to ownership), etc. of the non-consolidated subsidiaries each do not have a significant effect on the consolidated financial statements.

2. Application of Equity Method

- (1) Non-consolidated subsidiary accounted for by the equity method: 1 company:

Name of the principal company: SINO-JAPAN CHEMICAL CO., LTD.

- (2) Associates accounted for by the equity method: 11 companies

Name of the principal company: Umicore Shokubai S.A.

- (3) Of non-consolidated subsidiaries and associates not accounted for by the equity method, names of the major companies

SIRRUS Inc.
Daiko Rikuun Co., Ltd., etc.
NIHON METHACRYL MONOMER CO., LTD.

Reason for not accounting for by the equity method

The impact of each of the companies which are not accounted for by the equity method, on the profits (loss) (amount proportional to ownership) and retained earnings (amount proportional to ownership), among others, of the Company is minor, and does not have a significant impact on the consolidated financial statements, and is not of importance as a whole, and are thus excluded from the scope of application of the equity method.

- (4) Matters deemed necessary to be stated concerning the procedures for applying equity method

For the companies accounted for by the equity method, which have a different fiscal year-end from the consolidated fiscal year-end, the financial statements as of the end of each fiscal year of the companies are used.

3. Fiscal Year-end of the Consolidated Subsidiaries

Among the consolidated subsidiaries, the fiscal year-ends of Nippon Shokubai America Industries, Inc., NIPPON SHOKUBAI (ASIA) PTE. LTD., PT. NIPPON SHOKUBAI INDONESIA, NIPPON SHOKUBAI EUROPE N.V., SINGAPORE ACRYLIC PTE LTD, and NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) CO., LTD. are December 31.

The Company prepares its consolidated financial statements using the financial statements of these companies as of December 31 each year. With respect to significant transactions conducted between December 31 and the consolidated fiscal year-end, necessary adjustments for the consolidation are made.

4. Accounting Policies

(1) Basis and methods of valuation of major assets

1) Securities

- a. Shares of subsidiaries and associates: Primarily stated at cost, determined by the moving-average method.
- b. Held-to-maturity debt securities: Amortized cost method.
- c. Other securities:

Marketable securities:

Carried at fair value, based on market prices at fiscal year-end. (Unrealized holding gain or loss, net of the applicable income taxes, is reported as a separate component of net assets. Cost of securities sold is primarily determined by the moving-average method).

Nonmarketable securities:

Primarily stated at cost, determined by the moving-average method.

2) Inventories

Inventories held for sale in the ordinary course of business:

Primarily valued at cost, determined by the moving-average method (The book values are written down due to decreased profitability).

(2) Depreciation methods applicable to major depreciable assets

- 1) Property, plant and equipment (excluding lease assets): By the straight-line method.
- 2) Intangible assets (excluding lease assets): By the straight-line method.

Software (for internal use) is amortized by the straight-line method over the estimated useful life for internal use (five years).

- 3) Lease assets: Lease assets under finance lease transactions that do not transfer ownership are depreciated using the straight-line method, over the lease period as useful life to zero as residual value.
Those finance lease transactions that do not transfer ownership and also commenced on or before March 31, 2008 are accounted for as ordinary rental transactions.

(3) Method of providing major allowances and provisions

1) Allowance for doubtful accounts:

To provide for losses on doubtful accounts, the Company and its consolidated subsidiaries reserve an amount based on the historical write-off ratio for normal accounts, and amounts projected to be unrecoverable based on assessments for specific doubtful accounts such as claims with default possibility.

2) Provision for bonuses:

To provide for payment of bonuses to employees, amounts are recorded in the current fiscal year based on an estimate to be paid in the following fiscal year.

3) Provision for directors' bonuses:

To provide for payment of bonuses to directors, amounts are recorded in the current fiscal year based on an estimate to be paid in the following fiscal year.

4) Provision for repairs:

The Company and its consolidated subsidiaries provide an allowance for the cost of periodic repairs to large-scale production equipment based on estimates of the future cost of such repairs.

(4) Method of accounting for retirement benefits

1) Regarding determination of retirement benefit obligations, the benefit formula standard is adopted as the way of attributing expected benefit to the periods up to this fiscal year-end.

2) Prior service cost is amortized by the straight-line method over a period (mostly over five years) which is within the estimated average remaining years of service of the eligible employees. Actuarial gain or loss is amortized and charged to income in the year following the year in which such gain or loss is recognized by the straight-line method over a period (mostly over ten years) which is within the estimated average remaining years of service of the eligible employees.

(5) Method of providing applicable standards to major sales and expenses

Standards for booking net sales and cost of sales of completed construction contracts

“Percentage of completion standard” (estimates of percentage of completion are based on the cost-to-cost method) is applied to the portion of contracted work deemed to have been completed by the end of the fiscal year, and the “construction completion standard” is applied to other contracted work.

(6) Translation of significant assets and liabilities denominated in foreign currencies into Japanese Yen

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rate in effect at the consolidated balance sheet date, and any gains and losses resulting from the translation are credited or charged to income. Assets and liabilities, and sales and expenses of overseas subsidiaries are translated into Japanese yen at the spot exchange rate in effect at the balance sheet date, and any gains and losses resulting from the translation are recognized under net assets in the consolidated balance sheets as foreign currency translation adjustment and non-controlling interests.

(7) Method of major hedge accounting

1) Hedging method: Principally, deferred hedge treatment is adopted. However, with regard to hedging foreign exchange fluctuation risk, the Company uses appropriation treatment when the conditions for appropriation are fulfilled, and with regard to interest swaps, the Company uses special treatment when the conditions are fulfilled.

2) Hedging instruments and risks hedged:

Hedging methods to which hedge accounting was applied and hedge targets were as follows.

a. Hedging instruments: Forward exchange contracts

Hedged risk: Foreign currency-denominated monetary assets and liabilities

b. Hedging instruments: Interest rate swaps

Hedged risk: Borrowing

3) Hedging policy: Our policy is to establish hedges for risks associated with movements in foreign exchange rates and interest rates. Derivatives are not used for more than the actual amount of the associated transactions and are never used for speculation.

4) Evaluation method for the effectiveness of hedges

The Company evaluates the effectiveness of hedges by directly linking the hedging instruments with market changes in hedging methods or changes in cash flows.

(8) Other significant matters pertaining to the preparation of the consolidated financial statements

Consumption taxes and other local consumption taxes:

Consumption taxes and other local consumption taxes are excluded from the sales and expense accounts.

◆ **Additional Information**

The Company applied the Revised Implementation Guidance on Recoverability of Deferred Tax Assets (Accounting Standards Board of Japan (“ASBJ”) Guidance No. 26, March 28, 2016) from the current fiscal year.

◆ Notes to Consolidated Balance Sheets

(Unit: Millions of yen)

1.	Accumulated depreciation on property, plant and equipment:	370,627
2.	Advanced depreciation deducted from acquisition amount of property, plant and equipment:	4,294
3.	Collateral and secured liabilities:	
	Assets pledged as collateral:	842
	Cash and deposits	8
	Property, plant and equipment:	829
	Investment and other assets:	5
	Liabilities corresponding to the above:	594
	Notes and accounts payable-trade:	74
	Short-term loans payable:	520
4.	Balance of guaranteed debt, etc.	
	Balance of guaranteed debt:	1,361
	Balance of guaranteed debt includes 681 million yen of debt that has been re-guaranteed by other companies.	

◆ Notes to Consolidated Statements of Changes in Net Assets

- Number of issued and outstanding shares of the Company's stock at end of the fiscal year 2016
Common stock: 40,800,000 shares

- Matters related to distribution of retained earnings

- (1) Dividend payment

Resolution	Class of Shares	Total Amount of Dividends (¥ millions)	Dividend Per Share (¥)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 21, 2016	Common Stock	3,450	85.00	March 31, 2016	June 22, 2016
Meeting of the Board held on November 8, 2016	Common Stock	3,044	75.00	September 30, 2016	December 5, 2016

- (2) Dividends with a record date in the fiscal year 2016 but an effective date in the following fiscal year

Resolution	Class of Shares	Source of Dividends	Total Amount of Dividends (¥ millions)	Dividend Per Share (¥)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 21, 2017	Common Stock	Retained Earnings	2,991	75.00	March 31, 2017	June 22, 2017

◆ Notes to Financial Instruments

1. Conditions of financial instruments

The Group's policy is to restrict investment of funds to short-term deposits and similar financial instruments and to use bank loans as the primary means of procuring funds.

For operating receivables, business units periodically monitor the status of their major business partners and supervise maturity dates and balances for each counterparty. In addition, business units monitor the financial status of major business partners every six months.

Loans payable are used primarily to procure funds required for capital expenditures. There is some exposure to interest rate volatility risk because some loans carry floating interest rates, but this exposure is hedged by using derivatives (interest rate swap) transactions.

2. Fair value of financial instruments

The carrying value on the consolidated balance sheets, fair value, and their differences as of March 31, 2017 are shown as follows.

(Unit: Millions of yen)

	Carrying value	Fair value (*)	Difference
(1) Cash and deposits	56,139	56,139	-
(2) Notes and accounts receivable-trade	64,201	64,201	-
(3) Investment securities			
Available-for-sale securities	36,274	36,274	-
(4) Notes and accounts payable-trade	(44,615)	(44,615)	-
(5) Short-term loans payable	(9,976)	(9,976)	-
(6) Current portion of long-term loans payable	(11,583)	(11,565)	(-18)
(7) Long-term loans payable	(26,374)	(26,210)	(-164)
(8) Derivatives transactions	15	15	-

(*) Figures in parenthesis represent liability accounts.

(Note 1) Matters concerning determination of fair value of financial instruments and marketable securities and derivatives transactions

(1) Cash and deposits and (2) Notes and accounts receivable-trade

Fair value of the above financial instruments is deemed to be equal to their carrying amount because they are settled within a short period of time.

(3) Investment securities

Fair value of the above financial instruments such as stocks, are determined by prices at stock exchanges.

(4) Notes and accounts payable-trade and (5) Short-term loans payable

Fair value of the above financial instruments is deemed to be equal to their carrying amount because they are settled within a short period of time.

(6) Current portion of long-term loans payable and (7) Long-term loans payable

Fair value of the above financial instruments is calculated by discounting the combined value of principal and interests by the interest rate assumed were the Company to borrow new money. Long-term loans payable with floating interest rates are subject to the special treatment for interest rate swaps. The combined value of principal and interest that were processed as a single unit with the applicable interest rate swaps is discounted using a reasonable estimate of the interest rate that would have been applied if the Company had taken out a similar loan.

(8) Derivatives transactions

Derivatives subject to the special treatment for interest rate swaps and derivatives subject to the forward foreign exchange contracts using an appropriation treatment are processed as a single unit with the respective loans payable, accounts receivable-trade or accounts payable-trade hedged by these derivatives. As a result, fair values of these derivatives are included in the fair values of these hedged items.

Fair values of derivatives using a principle method are based on prices provided by the counterparty financial institution.

(Note 2) Financial instruments whose fair value is deemed to be extremely difficult to measure

(Unit: Millions of yen)

Item	Carrying value
Unlisted stock, etc.	1,214

Not included in “(3) Investment securities” because there is no market price and the fair value is deemed to be extremely difficult to determine.

◆ Per Share Information

1. Net assets per share: ¥7,238.33
2. Basic earnings per share: ¥478.36

Nonconsolidated Financial Statements

(As of March 31, 2017)

(Unit: Millions of yen)

[Assets]	
Current assets	122,431
Cash and deposits	20,319
Notes receivable - trade	128
Accounts receivable - trade	52,698
Merchandise and finished goods	15,797
Work in process	4,835
Raw materials and supplies	11,274
Prepaid expenses	856
Deferred tax assets	2,272
Short-term loans receivable from subsidiaries and associates	9,871
Accounts receivable - other	1,794
Other	2,586
Non-current assets	206,690
Property, plant and equipment	86,580
Buildings	17,362
Structures	9,094
Machinery and equipment	29,057
Vehicles	31
Tools, furniture and fixtures	2,505
Land	26,981
Construction in progress	3,909
Accumulated depreciation	-2,360
Intangible assets	914
Patent right	58
Leasehold right	120
Software	569
Telephone subscription right	16
Right of using facilities	7
Other	144
Investments and other assets	119,196
Investment securities	36,545
Shares of subsidiaries and associates	68,708
Investments in capital of subsidiaries and associates	5,646
Long-term loans receivable	69
Long-term loans receivable from employees	4
Long-term loans receivable from subsidiaries and associates	20
Long-term prepaid expenses	1,127
Lease and guarantee deposits	435
Prepaid pension cost	6,451
Other	236
Allowance for doubtful accounts	-46
Total assets	329,121

[Liabilities]	
Current liabilities	64,638
Accounts payable - trade	35,126
Short-term loans payable	8,751
Current portion of long-term loans payable	5,000
Accounts payable - other	6,190
Accrued expenses	1,600
Income taxes payable	2,841
Advances received	24
Deposits received	296
Provision for bonuses	2,085
Provision for directors' bonuses	130
Provision for repairs	2,407
Other	188
Non-current liabilities	28,317
Bonds payable	10,000
Long-term loans payable	7,200
Deferred tax liabilities	3,186
Provision for retirement benefits	7,202
Other	729
Total liabilities	92,955
[Net assets]	
Shareholders' equity	224,124
Capital stock	25,038
Capital surplus	22,072
Legal capital surplus	22,071
Other capital surplus	1
Retained earnings	183,263
Legal retained earnings	3,920
Other retained earnings	
Reserve for dividends	760
Reserve for special depreciation	19
Reserve for advanced depreciation of non-current assets	554
General reserve	120,665
Retained earnings brought forward	57,345
Treasury shares	-6,249
Valuation and translation adjustments	12,041
Valuation difference on available-for-sale securities	12,031
Deferred gains or losses on hedges	11
Total net assets	236,166
Total liabilities and net assets	329,121

Nonconsolidated Statements of Income

(April 1, 2016 to March 31, 2017)

(Unit: Millions of yen)

Net sales	196,195
Cost of sales	150,745
Gross profit	45,450
Selling, general and administrative expenses	29,789
Operating profit	15,661
Non-operating income	11,087
Interest and dividend income	4,082
Miscellaneous income	7,005
Non-operating expenses	2,408
Interest expenses	206
Miscellaneous loss	2,201
Ordinary profit	24,341
Extraordinary income	1,187
Gain on sales of investment securities	1,184
State subsidy	3
Extraordinary losses	1,531
Loss on closing of laboratory	797
Loss on liquidation of business	159
Loss on valuation of investment securities	115
Loss on reduction of non-current assets	3
Other	457
Profit before income taxes	23,997
Income taxes	4,530
Income taxes - current	4,439
Income taxes - deferred	91
Profit	19,467

Nonconsolidated Statements of Changes in Equity
(April 1, 2016 to March 31, 2017)

(Unit: Millions of yen)

	Shareholders' equity										
	Capital stock	Capital Surplus			Retained earnings						
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other Retained earnings					Total Retained earnings
						Reserve for dividends	Reserve for special depreciation	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of current period	25,038	22,071	0	22,071	3,920	760	27	556	110,665	54,363	170,290
Changes of items during period											
Dividends of surplus										-6,493	-6,493
Profit										19,467	19,467
Reversal of reserve for special depreciation							-7			7	-
Reversal of reserve for advanced depreciation of non-current assets								-1		1	-
Provision of general reserve									10,000	-10,000	-
Purchase of treasury shares											
Disposal of treasury shares			0	0							
Net changes of items other than shareholders' equity											
Total changes of items during period	-	-	0	0	-	-	-7	-1	10,000	2,982	12,974
Balance at end of current period	25,038	22,071	1	22,072	3,920	760	19	554	120,665	57,345	183,263

(Unit: Millions of yen)

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of current period	-1,010	216,390	7,514	16	7,530	223,920
Changes of items during period						
Dividends of surplus		-6,493				-6,493
Profit		19,467				19,467
Reversal of reserve for special depreciation		-				-
Reversal of reserve for advanced depreciation of non-current assets		-				-
Provision of general reserve		-				-
Purchase of treasury shares	-5,239	-5,239				-5,239
Disposal of treasury shares	0	0				0
Net changes of items other than shareholders' equity			4,517	-6	4,511	4,511
Total changes of items during period	-5,239	7,735	4,517	-6	4,511	12,246
Balance at end of current period	-6,249	224,124	12,031	11	12,041	236,166

(Reference)

Nonconsolidated Statements of Cash Flows
(April 1, 2016 to March 31, 2017)

(Unit: Millions of yen)

I	Cash flows from operating activities	
	Profit before income taxes	23,997
	Depreciation	11,182
	Loss (gain) on sales of investment securities	-1,184
	Subsidy income	-3
	Loss on closing of laboratory	797
	Loss on liquidation of business	159
	Loss on valuation of investment securities	115
	Loss on reduction of non-current assets	3
	Increase (decrease) in provision for retirement benefits	185
	Decrease (increase) in prepaid pension costs	-477
	Increase (decrease) in allowance for doubtful accounts	-3,101
	Interest and dividend income	-4,082
	Interest expenses	206
	Decrease (increase) in notes and accounts receivable - trade	1,310
	Decrease (increase) in inventories	-3,755
	Increase (decrease) in notes and accounts payable - trade	4,955
	Other, net	294
	Subtotal	30,601
	Interest and dividend income received	4,076
	Interest expenses paid	-196
	Proceeds from subsidy income	3
	Income taxes (paid) refund	-5,252
	Net cash provided by (used in) operating activities	29,233
II	Cash flows from investing activities	
	Purchase of property, plant and equipment	-13,984
	Proceeds from sales of property, plant and equipment	3
	Purchase of intangible assets	-260
	Purchase of investment securities	-552
	Proceeds from sales of investment securities	1,242
	Purchase of shares of subsidiaries and associates	-16,219
	Payments of loans receivable	-19,160
	Collection of loans receivable	22,290
	Other, net	-25
	Net cash provided by (used in) investing activities	-26,663
III	Cash flows from financing activities	
	Net increase (decrease) in short-term loans payable	-2,905
	Proceeds from issuance of bonds	10,000
	Purchase of treasury shares	-5,239
	Cash dividends paid	-6,493
	Other, net	0
	Net cash provided by (used in) financing activities	-4,637
IV	Net increase (decrease) in cash and cash equivalents	-2,066
V	Cash and cash equivalents at beginning of period	22,301
VI	Cash and cash equivalents at end of period	20,235

Notes to Nonconsolidated Financial Statements

◆ Significant Accounting Policies

1. Basis and methods of valuation of assets

(1) Basis and methods of valuation of securities

1) Shares of subsidiaries and associates:

Stated at cost, determined by the moving- average method.

2) Other securities:

Marketable securities:

Carried at fair value, based on market prices at fiscal year-end. (Unrealized holding gain or loss, net of the applicable income taxes, is reported as a separate component of net assets. Cost of securities sold is primarily determined by the moving average method).

Nonmarketable securities:

Primarily stated at cost, determined mainly by the moving average method.

(2) Basis and methods of valuation of inventories:

Inventories held for sale in the ordinary course:

Valued at cost, determined by the moving-average method (The book values are written down due to decreased profitability).

2. Depreciation methods applicable to depreciable assets

(1) Property, plant and equipment :

By the straight-line method. Useful lives and residual values are calculated based on the same criteria as those stipulated under the Corporate Income Tax Law of Japan.

(2) Intangible assets:

By the straight-line method. Software (for internal use) is amortized by the straight-line method over the estimated useful life for internal use (five years).

3. Method of providing allowances and provisions

(1) Allowance for doubtful accounts:

To provide for losses on doubtful accounts, the Company reserves an amount based on the historical write-off ratio for normal accounts and amounts projected to be unrecoverable based on assessments for specific doubtful accounts such as claims with default possibility.

(2) Provision for bonuses:

To provide for payment of bonuses to employees, amounts are recorded in the current fiscal year based on an estimate to be paid in the following fiscal year.

(3) Provision for directors' bonuses:

To provide for payment of bonuses to directors, amounts are recorded in the current fiscal year based on an estimate to be paid in the following fiscal year.

(4) Provision for repairs:

The Company provides an allowance for the cost of periodic repairs to large-scale production equipment based on estimates of the future cost of such repairs.

(5) Provision for retirement benefits

The Company provides an allowance for accrued retirement benefits to employees based on the retirement benefit obligation and the fair value of the pension plan assets as of the end of the fiscal year.

1) Regarding determination of retirement benefit obligations, the benefit formula basis is adopted as the way of attributing expected benefit to the periods up to this fiscal year-end.

2) Prior service cost is amortized by the straight-line method over a period (mostly over five years) which is within the estimated average remaining years of service of the eligible employees. Actuarial gain or loss is amortized and charged to income in the year following the year in which such gain or loss is recognized by the straight-line method over a period (mostly over ten years) which is within the estimated average remaining years of service of the eligible employees.

4. Standards for booking net sales and cost of sales of completed construction contracts

“Percentage of completion standard” (estimates of percentage of completion are based on the cost-to-cost method) is applied to the portion of contracted work deemed to have been completed by the end of the fiscal year, and the “construction completion standard” is applied to other contracted work.

5. Other significant matters pertaining to the preparation of the financial statements

(1) Provision for retirement benefits

Methods of accounting for unrecognized actuarial differences for retirement benefits and unrecognized prior service costs differ from those employed in the consolidated financial statements.

(2) Method of material hedge accounting

1) Hedging method:

Deferred hedge treatment is adopted. However, with regard to hedging foreign exchange fluctuation risk, the Company uses appropriation treatment when the conditions for appropriation are fulfilled, and with regard to interest swaps, the Company uses special treatment when the conditions are fulfilled.

2) Hedging instruments and risks hedged:

Hedging methods to which hedge accounting was applied and hedge targets were as follows.

a. Hedging instruments : Forward exchange contracts

Hedged risk: Foreign currency-denominated monetary assets and liabilities

b. Hedging instruments : Interest rate swaps

Hedged risk: Borrowing

3) Hedging policy:

Our policy is to establish hedges for risks associated with movements in foreign exchange rates and interest rates. Derivatives are not used for more than the actual amount of the associated transactions and are never used for speculation.

4) Evaluation method for the effectiveness of hedges:

The Company evaluates the effectiveness of hedges by directly linking the hedging instruments with market changes in hedging methods or changes in cash flows.

(3) Consumption taxes:

Consumption taxes are excluded from the sales and expense accounts.

(4) Translation of assets and liabilities denominated in foreign currencies into Japanese Yen:

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rate in effect at the consolidated balance sheet date, and any gains and losses resulting from the translation are credited or charged to income.

◆Additional Information

The Company applied the Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016) from the current fiscal year.

◆Notes to Nonconsolidated Balance Sheet

1. Monetary claims and liabilities relating to subsidiaries and associates

Short-term monetary claims:	30,331 million yen
Long-term monetary claims:	31 million yen
Short-term monetary liabilities:	7,714 million yen
Long-term monetary liabilities:	37 million yen

2. Accumulated depreciation on property, plant and equipment: 268,429 million yen

3. Entry amount deducted from acquisition cost of property, plant and equipment: 3,545 million yen

4. Guarantee obligations and guarantee reservations and obligations

Outstanding balance of guarantee obligations: 11,739 million yen

Outstanding balance of guarantee reservations and obligations: 4,155 million yen

With regard to 681 million yen within the guarantee obligations, reinsurance from another company has been secured.

◆Notes to Nonconsolidated Statements of Income

Balance of transactions with subsidiaries and associates

Balance of operating transactions

Net sales: 58,280 million yen

Total purchase of goods: 41,280 million yen

Balance of non-operating transactions: 5,775 million yen

◆Notes to Nonconsolidated Changes in Shareholder's Equity

Class and number of shares of treasury stock at end of current period

Common stock: 919,039 shares

◆Notes to Tax Effect Accounting

Major factors for deferred tax assets and liabilities

Deferred tax assets	
Investment securities	2,591 million yen
Depreciation (including impairment loss)	1,448 million yen
Land	1,038 million yen
Provision for repairs	741 million yen
Provision for bonuses	642 million yen
Provision for retirement benefits	230 million yen
Other:	895 million yen
Deferred tax assets subtotal:	7,585 million yen
Valuation allowance:	-3,629 million yen
Total deferred tax assets:	3,956 million yen
Deferred tax liabilities	
Valuation difference on available-for-sale securities	-4,612 million yen
Reserve for advanced depreciation of non-current assets	-244 million yen
Reserve for special depreciation	-9 million yen
Other:	-5 million yen
Total deferred tax liabilities	-4,869 million yen
Deferred tax assets, net	-913 million yen

◆Notes with Regard to Business Partners

Subsidiaries and associates

Type		Subsidiary					Associates		
Name		Nippon Shokubai America Industries, Inc.		NIPPON SHOKUBAI EUROPE N.V.		PT. NIPPON SHOKUBAI INDONESIA	Umicore Shokubai Japan Co., Ltd.		
Location		Texas, United States of America		Antwerp, Kingdom of Belgium		Banten, Indonesia	Tokoname City, Aichi Prefecture, Japan		
Paid-in capital or equity stake		US\$100,000,000 (Note 1)		€193,000,000		US\$120,000,000	750 million yen		
Business description		Manufacturing of chemicals		Manufacturing of chemicals		Manufacturing of chemicals	Wholesale of chemicals		
Holding/held ratio of voting rights		Ownership Direct 100.0%		Ownership Direct 100.0%		Ownership Direct 99.9%	Ownership Indirect 40.0%		
Relationship		Financial assistance		Investment Guarantor of obligations Concurrent director (1 director)		Guarantor of obligations Concurrent director (2 directors)	Supply of Nippon Shokubai Products (automotive catalysts) and related transactions Concurrent director (1 director)		
Transactions		Loans (Note 2)		Contingent obligations (Note 3)	Undertaking of capital increase (Note 4)	Contingent obligations (Note 5)	Contingent obligations (Note 6)	Sale of automotive catalysts (Note 7)	Procurement of raw materials (Note 7)
Amount (millions of yen)		39,018		1,361	6,631	3,594	10,939	18,849	16,501
Category		Short-term loans receivable from subsidiaries and associates	—	—	—	—	—	Accounts receivable-trade	Accounts payable-trade
Amount at end of term (millions of yen)		8,751	—	—	—	—	—	7,005	4,486

(Note 1) Paid-in capital.

(Note 2) Funding has been determined in light of market interest rates.

(Note 3) Debt guarantees have been made for loan obligations from financial institutions. With regard to 681 million yen within the loan guarantee amount, reinsurance from another company has been secured.

(Note 4) The Company undertook the full amount of the capital increase of NIPPON SHOKUBAI EUROPE N.V.

(Note 5) Debt guarantees have been made for loan obligations from financial institutions.

(Note 6) Guarantees for bank loans and debt guarantees have been made for loan obligations from financial institutions.

(Note 7) Sales of products and procurement of raw materials have been determined with negotiated prices in light of market prices and costs.

(Note 8) In the above amount, consumption tax and other taxes are not included in the transaction amount or loans at the end of the fiscal period. Consumption tax and other taxes are included in accounts receivable-trade and accounts payable-trade in the amount at the end of the fiscal period.

◆Notes with regard to information per share

Net assets per share: 5,921.77 yen

Basic earnings per share: 480.97 yen

Reference Materials for the Ordinary General Meeting of Shareholders

Agenda and Reference Matters:

Agenda Item No. 1: Appropriation of Retained Earnings

Appropriation of retained earnings of the Company for the fiscal year 2016 (ended March 31, 2017) is as follows.

1. Matters Concerning the Year-end Dividend

The Company 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 and, in consideration of the dividend payout ratio.

The Company proposes a year-end dividend of 75 yen per share for the fiscal year 2016, the same amount as the interim dividend (75 yen per share). Together with the interim dividend, this would give an annual dividend of 150 yen per share, the same amount as in the 104th term.

- (1) Type of Dividend: Cash
- (2) Dividend Payment and Total Amount:
 - 75.00 yen per share of common stock of the Company
 - Total amount of dividends: 2,991,072,075 yen
- (3) Effective Date of Distribution of Retained Earnings: June 22, 2017

2. Matters Concerning Other Retained Earnings

- (1) Item and the amount of surplus to be increased:
 - General reserve: 10,000,000,000 yen
- (2) Item and amount of surplus to be decreased:
 - Retained earnings brought forward: 10,000,000,000 yen

Agenda Item No. 2: Election of Nine (9) Members of the Board

As the term of office of all nine (9) Members of the Board will expire at the conclusion of this Ordinary General Meeting of Shareholders, we are submitting the following nine (9) candidates for reelection as Members of the Board.

The candidates for Member of the Board are as follows:

No.	Name (Date of birth)	Profile (Positions, responsibility in the Company and/or important positions concurrently held at other companies)	Number of Shares of the Company Owned
1	<p>Masanori Ikeda (Jan. 22, 1953)</p> <p>Attendance at the Board of Directors meetings during the current fiscal year: 14/14 meetings</p>	<p>Apr. 1976 Joined the Company</p> <p>June 2003 Member of the Board, General Manager of ERP Development Department, and Corporate Planning Division</p> <p>June 2006 Managing Director</p> <p>June 2009 Senior Managing Director and Representative Director</p> <p>June 2010 Vice President, Representative Member of the Board and Executive Officer</p> <p>Apr. 2011 President and Representative Member of the Board</p> <p>Apr. 2017 Member of the Board, Chairman (current)</p>	15,100 shares
	<p><Reasons for nominating as a candidate for Member of the Board> Mr. Masanori Ikeda has been playing a key role in the Company's management as Representative Member of the Board over many years. The Company requests the re-election of Mr. Ikeda for him to continue to serve as Member of the Board based on the belief that he will appropriately make decisions on the Company's management and provide supervision based on his wealth of experience and achievements.</p>		
2	<p>Yujiro Goto (May 4, 1957)</p> <p>Attendance at the Board of Directors meetings during the current fiscal year: 14/14 meetings</p>	<p>Apr. 1980 Joined the Company</p> <p>June 2012 Executive Officer, Plant Manager of Kawasaki Plant</p> <p>June 2015 Member of the Board and Managing Executive Officer</p> <p>Apr. 2017 Representative Member of the Board, President (current)</p>	2,500 shares
	<p><Reasons for nominating as a candidate for Member of the Board> Mr. Yujiro Goto has been engaging in production and technology divisions for a long time and has achievements in enhancing security, stable operation, and establishing a stable supply system for manufacturing sites in Japan and overseas. The Company believes that he will appropriately make decisions on the Company's management and provide supervision based on his achievements. Thus, the Company proposes him to continue as Director.</p>		

No.	Name (Date of birth)	Profile (Positions, responsibility in the Company and/or important positions concurrently held at other companies)	Number of Shares of the Company Owned
3	Haruhisa Yamamoto (Apr. 17, 1953) Attendance at the Board of Directors meetings during the current fiscal year: 14/14 meetings	Apr. 1977 Joined the Company June 2005 Member of the Board, and Director of Administration Division June 2009 Managing Director June 2010 Member of the Board and Managing Executive Officer June 2014 Member of the Board, Senior Managing Executive Officer June 2016 Representative Member of the Board, Senior Managing Executive Officer (current) (Current responsibility in the Company) Sales & Marketing, Ethylene Oxide Business Division and Purchasing & Logistics Division	5,600 shares
		<Reasons for nominating as a candidate for Member of the Board> Mr. Haruhisa Yamamoto has been engaging in sales & marketing and administrative divisions for a long time and has achievements in strengthening the sales foundation and execution of the growth strategy of each business, etc. The Company believes that he will appropriately make decisions on the Company's management and provide supervision based on his achievements. Thus, the Company proposes him to continue as Director.	
4	Masao Yamamoto (Aug. 29, 1952) Attendance at the Board of Directors meetings during the current fiscal year: 14/14 meetings	Apr. 1977 Joined Sumitomo Chemical Industry Co., Ltd. (at present, Sumitomo Chemical Co., Ltd.) Mar. 2009 Joined the Company Apr. 2009 Director of General Administration & Personnel Division June 2009 Member of the Board June 2010 Executive Officer June 2011 Member of the Board and Managing Executive Officer June 2016 Member of the Board, Senior Managing Executive Officer (current) (Current responsibility in the Company) Planning, Administration, Finance, General Administration & Personnel Division, Finance & Accounting Division and Information Technology Management Office	5,900 shares
		<Reasons for nominating as a candidate for Member of the Board> Mr. Masao Yamamoto has been mostly engaging in general administration & personnel division for a long time and has achievements in reforming the personnel system and strengthening the corporate governance system, etc. The Company believes that he will appropriately make decisions on the Company's management and provide supervision based on his achievements. Thus, the Company proposes him to continue as Director.	

No.	Name (Date of birth)	Profile (Positions, responsibility in the Company and/or important positions concurrently held at other companies)	Number of Shares of the Company Owned
5	<p>Yojiro Takahashi (July 7, 1954)</p> <p>Attendance at the Board of Directors meetings during the current fiscal year: 14/14 meetings</p>	<p>Apr. 1977 Joined the Company</p> <p>Apr. 2009 Director of Corporate Planning Division</p> <p>June 2009 Member of the Board</p> <p>June 2010 Executive Officer</p> <p>June 2013 Member of the Board and Managing Executive Officer (current)</p> <p>(Current responsibility in the Company) Innovation & Business Development Health & Medical Business Development Office and Malonates Business Development Office</p>	3,500 shares
	<p><Reasons for nominating as a candidate for Member of the Board> Mr. Yojiro Takahashi has been engaging in corporate planning and sales & marketing divisions for a long time and has achievements in formulating mid- to long-term business plans and creating new businesses, etc. The Company believes that he will appropriately make decisions on the Company's management and provide supervision based on his achievements. Thus, the Company proposes him to continue as Director.</p>		
6	<p>Yukihiro Matsumoto (Jan. 24, 1964)</p> <p>Attendance at the Board of Directors meetings during the current fiscal year: 11/11 meetings (after his election on June 21, 2016)</p>	<p>Apr. 1988 Joined the Company</p> <p>July 2004 Vice President of SINGAPORE ACRYLIC PTE LTD Vice President of SINGAPORE GLACIAL ACRYLIC PTE. LTD. (current NIPPON SHOKUBAI (ASIA) PTE. LTD.)</p> <p>Apr. 2009 General Manager of Technology Department of Himeji Plant</p> <p>Apr. 2014 Director of Production Division</p> <p>Apr. 2016 Director of Corporate Planning Division (current)</p> <p>June 2016 Member of the Board, Executive Officer (current)</p> <p>(Current responsibility in the Company) Director of Corporate Planning Division, Responsible Care Division, Production Division, Engineering Division and Belgium Project</p>	1,300 shares
	<p><Reasons for nominating as a candidate for Member of the Board> Mr. Yukihiro Matsumoto has been engaging in production and technology divisions and overseas services for a long time and has achievements in launching and smoothly operating manufacturing sites in Japan and overseas. The Company believes that he will appropriately make decisions on the Company's management and provide supervision based on his achievements. Thus, the Company proposes him to continue as Director.</p>		

No.	Name (Date of birth)	Profile (Positions, responsibility in the Company and/or important positions concurrently held at other companies)	Number of Shares of the Company Owned
7	<p>Koichi Miura (Jan. 11, 1949)</p> <p>Outside Member of the Board</p> <p>Independent officer</p> <p>Attendance at the Board of Directors meetings during the current fiscal year: 14/14 meetings</p>	<p>July 1980 Doctor of Engineering, Kyoto University</p> <p>Apr. 1982 Associate Professor of Department of Chemical Engineering, Faculty of Engineering, Kyoto University</p> <p>Jan. 1994 Professor of Graduate School of Engineering, Kyoto University</p> <p>Apr. 2013 Emeritus Professor of Kyoto University (current)</p> <p>Apr. 2013 Specially Appointed Professor of Institute of Advanced Energy, Kyoto University (current)</p> <p>June 2013 Outside Member of the Board at the Company (current)</p>	-
	<p><Reasons for nominating as a candidate for outside Member of the Board> The Company requests the re-election of Mr. Koichi Miura for him to continue to serve as outside Member of the Board based on the belief that he will contribute valuable advice to the Company's management and provide supervision from an independent position in light of his expertise in chemical engineering and familiarity with the chemical industry, in addition to Mr. Miura's past record as an outside Member of the Board at the Company. At the close of this Ordinary General Meeting of Shareholders, Mr. Miura will have been an outside Member of the Board for four years.</p>		
8	<p>Takashi Sakai (Oct. 9, 1952)</p> <p>Outside Member of the Board</p> <p>Independent officer</p> <p>Attendance at the Board of Directors meetings during the current fiscal year: 14/14 meetings</p>	<p>Apr. 1977 Joined Osaka Gas Co., Ltd.</p> <p>June 2010 Executive Vice President, Osaka Gas Co., Ltd.</p> <p>Apr. 2013 Chairman of Board of Directors, Gas and Power Co., Ltd. (current)</p> <p>June 2013 Advisor, Osaka Gas Co., Ltd. (current)</p> <p>June 2014 Outside Member of the Board at the Company (current)</p>	-
	<p><Reasons for nominating as a candidate for outside Member of the Board> The Company requests the re-election of Mr. Takashi Sakai for him to continue to serve as outside Member of the Board based on the belief that he will contribute valuable advice to the Company's management and provide supervision from an independent position based on his experience in corporate management in the manufacturing industry and at a company with high public utility properties, in addition to his past achievements as an outside Member of the Board of the Company. At the close of this Ordinary General Meeting of Shareholders, Mr. Sakai will have been an outside Member of the Board for three years.</p>		

No.	Name (Date of birth)	Profile (Positions, responsibility in the Company and/or important positions concurrently held at other companies)	Number of Shares of the Company Owned
9	<p>Kozo Arai (Jan. 20, 1946)</p> <p>Outside Member of the Board</p> <p>Independent officer</p> <p>Attendance at the Board of Directors meetings during the current fiscal year: 11/11 meetings (after his election on June 21, 2016)</p>	<p>July 1971 Registered as attorney-at-law Joined Nakasuji Law Office (current Nakanoshima Chuo Law Office) (current)</p> <p>Apr. 1996 Deputy Chairman of the Osaka Bar Association</p> <p>Apr. 1997 Member of the Committee for Conciliation of Civil Affairs of the Osaka District Court and the Osaka Summary Court</p> <p>June 2010 Outside Corporate Auditor of Nankai Electric Railway Co., Ltd. (current)</p> <p>Feb. 2011 Outside Audit & Supervisory Board Member of The Japan Wool Textile Co., Ltd.</p> <p>June 2011 Outside Corporate Auditor at the Company</p> <p>Feb. 2015 Outside Director of The Japan Wool Textile Co., Ltd. (current)</p> <p>Dec. 2015 Outside Audit & Supervisory Board Member of HOSOKAWA MICRON CORPORATION (current)</p> <p>June 2016 Outside Member of the Board at the Company (current)</p>	-
	<p><Reasons for nominating as a candidate for outside Member of the Board> The Company requests the reelection of Mr. Kozo Arai for him to serve as outside Member of the Board based on the belief that he will contribute valuable advice to the Company's management and provide supervision from an independent position based on his highly professional expertise and a wealth of experience as attorney-at- law and achievements as outside officers of other companies, in addition to his past achievements as an outside Corporate Auditor and outside Member of the Board of the Company. At the close of this Ordinary General Meeting of Shareholders, Mr. Arai will have been an outside Member of the Board for one year.</p>		

- (Note 1) Mr. Koichi Miura, Mr. Takashi Sakai and Mr. Kozo Arai are candidates for outside Members of the Board.
- (Note 2) The Company has concluded a liability limitation contract with each of Mr. Koichi Miura, Mr. Takashi Sakai and Mr. Kozo Arai with regard to Article 423, Paragraph 1 of the Companies Act of Japan. This contract will limit the liability to the total amount of each Item in Article 425, Paragraph 1 of the same Act. In the event Mr. Miura, Mr. Sakai and Mr. Arai are reelected as outside Members of the Board, the Company plans to extend the contract with them.
- (Note 3) Mr. Koichi Miura, Mr. Takashi Sakai and Mr. Kozo Arai meet the criteria of independence set out by Tokyo Stock Exchange, Inc. and the Criteria of Independence set out by the Company (stated on page 59). The Company has reported to the Tokyo Stock Exchange that Mr. Miura, Mr. Sakai and Mr. Arai have been appointed as independent officers, and in the event Mr. Miura, Mr. Sakai and Mr. Arai are reelected, the Company plans to report to the exchange that they will continue to be independent officers.
- (Note 4) The Company has contributed funds for research activities to Kyoto University, at which Mr. Koichi Miura serves as an Emeritus Professor. Compared to the University's ordinary profit, however, the average contribution amount in the recent three fiscal years is nominal (less than 2%), and the Company has determined that it will have no impact on the independence of Mr. Miura.
- (Note 5) The Company purchases gas from Osaka Gas Co., Ltd., at which Mr. Takashi Sakai serves as an Advisor. These and other sales transactions are for the procurement of goods essential to plant operations and the average trading amount in the recent three fiscal years is nominal (less than 2%) of the consolidated net sales of Osaka Gas, and, as there are no transactions between the Company and Gas and Power Co., Ltd., at which he serves as Chairman of Board of Directors. The Company has therefore determined that there will be no impact on the independence of Mr. Sakai.

Agenda Item No. 3: Election of One (1) Corporate Auditor

As the Corporate Auditor Mr. Kunimitsu Oba will resign at this Ordinary General Meeting of Shareholders, we are submitting the following one (1) candidate for election as a substitute Corporate Auditor.

The prior consent of the Board of Corporate Auditors has been obtained for the submission of this proposal.

The candidates for Corporate Auditor are as follows:

Name (Date of birth)	Profile (Positions in the Company and/or important positions concurrently held at other companies)	Number of Shares of the Company Owned
Katsuyuki Ota (May 26, 1958)	Apr. 1982 Joined Nippon Oil K.K. June 2009 General Manager of Accounting and Finance Department, Nippon Oil Corporation June 2014 Executive Officer of JX Holdings, Inc. June 2015 Director, Executive Officer of JX Holdings, Inc. Apr. 2017 Director, Executive Officer of JXTG Holdings, Inc. (current)	-
Outside Corporate Auditor	<Reasons for nominating as a candidate for outside Corporate Auditor>	
Newly appointed	The Company requests the election of Mr. Katsuyuki Ota for him to serve as outside Corporate Auditor based on a belief that he will contribute valuable advice to the Board of Directors and audit the legality of management execution, etc., from a neutral position, based on his wealth of experience and achievements as an executive of other companies, mainly for finance and accounting division.	

(Note 1) There are no special interests between Mr. Katsuyuki Ota and the Company.

(Note 2) Mr. Katsuyuki Ota is a candidate for outside Corporate Auditor.

(Note 3) In the event Mr. Katsuyuki Ota is elected as an outside Corporate Auditor, the Company plans to conclude a liability limitation contract with regard to Article 423, Paragraph 1 of the Companies Act of Japan. This contract will limit the liability to the total amount of each Item in Article 425, Paragraph 1 of the same Act.

(Note 4) If Mr. Katsuyuki Ota is elected, his term of office shall be until the conclusion of the Ordinary General Meeting of Shareholders to be held in June 2019, which is the remaining term of office of the predecessor, based on Article 21, Paragraph 2 of the Articles of Incorporation.

(Note 5) Mr. Katsuyuki Ota is scheduled to be promoted to Director, Senior Vice President of JXTG Holdings, Inc. on June 28, 2017.

(Reference)
Criteria of Independence

The Company has established criteria of independence for outside Members of the Board and outside Corporate Auditors (hereinafter referred to as "Outside Officers" along with candidates for these positions), and Outside Officers are judged to be sufficiently independent so long as they do not fall under any of the following categories.

1. An individual from the Company or a consolidated subsidiary (hereinafter "the Company Group") (Note 1)
2. A major shareholder of the Company (Note 2) or a business executive thereof
3. A business executive of any of the following corporations or other entities
 - (1) A major business partner of the Company Group (Note 3)
 - (2) A major lender of the Company Group (Note 4)
 - (3) A corporation or other entity whose stock the Company Group possesses 10% or more of based on voting rights
4. A certified public accountant belonging to the Company Group's Accounting Auditor or Auditing Firm
5. A consultant, accountant, tax counselor, attorney, judicial scrivener, patent attorney, or other professional who has received a large amount (Note 5) of monetary or other assets from the Company Group
6. An individual who has received a large amount of donations from the Company Group (Note 6)
7. A business executive of another company whose position would constitute them as having an interlocking relationship (Note 7)
8. An individual whose spouse or relative within two degrees of kinship is an individual who falls under any of criteria 1 through 7 (however, this is limited to significant persons (Note 8))
9. An individual who has fallen under any of criteria 2 through 8 in the past five years
10. Any other individual who can be reasonably judged to have concerns of constant and substantial conflict of interest with the Company

(Note 1) Defined as a current executive director, executive, executive officer, or other corresponding individual or employee (hereinafter "business executives" in these criteria) or a business executive who has belonged to the Company Group at least once in the past.

(Note 2) "Major shareholder" is defined as a shareholder with 10% or more of voting shares in their own name or a third party's name in average of the three most recent fiscal years.

(Note 3) "Major business partner" is defined as an entity which purchases the Company Group's products and which transactions with the Company Group exceeds 2% of the Company Group's consolidated net sales in average of the three most recent fiscal years, or a supplier of products to the Company Group whose transactions with the Company Group exceeds 2% of their consolidated net sales in average of the three most recent fiscal years.

(Note 4) "Principal lender" is defined as a financial or other institution that the Company Group receives loans from and whose average loan balance over the three most recent fiscal years exceeds 2% of the Company's consolidated total assets or 2% of that financial or other institution's consolidated total assets.

(Note 5) (i) In the event that the professional is providing services to the Company Group as an individual, an individual whose compensation received from the Company Group (excluding executive compensation) exceeds 10 million yen a year in average of the three most recent fiscal years.
(ii) In the event that the professional is providing services to the Company Group as a member of a legal entity, association, or other organization, an organization whose average compensation received from the Company Group in average of the three most recent fiscal years exceeds 2% of its yearly total income.

(Note 6) Defined as an entity who has received more than 10 million yen in yearly donations from the Company Group in average of the three most recent fiscal years. In the case that the recipient of these donations is a legal entity, association, or other organization, an organization whose average amount received from the Company Group in average of the three most recent fiscal years exceeds 2% of its yearly total income.

(Note 7) Defined as a relationship where a business executive of the Company Group is an outside officer of another company and where a business executive of said other company is an outside officer of the Company.

(Note 8) "Significant persons" is defined as a director, executive, executive officer, and business executive of the rank of General Manager or above.

Agenda Item No. 4: Bonuses for Officers for the 105th Term

In recognition of the efforts made by Directors, the Company proposes that a total of 130 million yen be paid as bonuses to six (6) of nine (9) Directors (excluding outside Members of the Board) as of the end of the current fiscal year in light of earnings and various other factors.

The Company requests that determination of the amount to be paid to each of the Directors be left to the discretion of the Board of Directors.