

For the Second Quarter of the Fiscal Year Ending March 31, 2017

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

**Summary of Consolidated Financial Results**  
**For the Second Quarter of the Fiscal Year Ending March 31, 2017**  
**(Six Months Ended September 30, 2016)**

November 8, 2016

Company name: NIPPON SHOKUBAI CO., LTD.	Listing: TSE (First Section)
Code number: 4114	URL: <a href="http://www.shokubai.co.jp/">http://www.shokubai.co.jp/</a>
Representative: Masanori Ikeda, President and Representative Member of the Board	
Contact for inquiries: Teruhisa Wada, General Manager of General Affairs Dept.	Phone: +81-6-6223-9111
Scheduled quarterly report filing date: November 10, 2016	
Scheduled date of dividend payment: December 5, 2016	
Supplementary quarterly materials prepared: Yes	
Quarterly results information meeting held: Yes (for securities analysts and institutional investors)	

(Figures are rounded off to the nearest million yen)

**1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2017 (hereinafter FY 2016) (from April 1, 2016 to September 30, 2016)**

## (1) Consolidated operating results (cumulative)

(Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended Sep. 30, 2016	138,301	-17.2	9,585	-41.5	10,981	-39.7	8,504	-41.3
Six months ended Sep. 30, 2015	167,052	-6.8	16,374	59.4	18,218	50.4	14,479	93.6

Note: Comprehensive income (millions of yen):  
Six months ended Sep. 30, 2016: -4,599 - %  
Six months ended Sep. 30, 2015: 12,148 106.0%

	Basic earnings per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2016	209.54	-
Six months ended Sep. 30, 2015	356.74	-

\*The Company conducted a reverse stock split at a ratio of one share for every five shares on October 1, 2015. The figures for the basic earnings per share are amounts on the assumption that the Company conducted the reverse stock split at the beginning of the previous fiscal year.

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Sep. 30, 2016	398,472	274,420	68.0	6,678.29
As of Mar. 31, 2016	407,997	282,485	68.3	6,870.84

Reference: Shareholders' equity (millions of yen):  
As of Sep. 30, 2016: 271,018  
As of Mar. 31, 2016: 278,835

**2. Dividends**

	Dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2015	-	13.00	-	85.00	-
FY 2016	-	75.00			
FY 2016 (forecast)			-	75.00	150.00

Note: Revisions to dividends forecast during the period: No

Note: "FY 2015" stands for the Fiscal Year Ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

\*As the Company conducted a reverse stock split at a ratio of one share for every five shares on October 1, 2015, the annual dividends for FY 2015 are shown as "-."

**3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2017  
(from April 1, 2016 to March 31, 2017)**

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	280,000	-13.3	22,000	-29.6	25,000	-27.2	19,000	-26.9	468.19

Note: Revisions to consolidated earnings forecast during the period: Yes

**※Notes**

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

Sep. 30, 2016:	40,800,000 shares	Mar. 31, 2016:	40,800,000 shares
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  - 2) Number of treasury stock at the end of the period
 

Sep. 30, 2016:	218,110 shares	Mar. 31, 2016:	217,611 shares
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  - 3) Average number of shares outstanding during the period
 

Six months ended Sep. 30, 2016:	40,582,117 shares	Six months ended Sep. 30, 2015:	40,587,731 shares
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\*The Company conducted a reverse stock split at a ratio of one share for every five shares on October 1, 2015. The figures for the average number of shares are amounts on the assumption that the Company conducted the reverse stock split at the beginning of the previous fiscal year.

※Indication regarding execution of audit procedures

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

※Appropriate use of business forecasts; other special items

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

## 1. Qualitative Information, Financial Statements, etc.

### (1) Consolidated Operating Results

The world economy in the first half of 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 continuing trends such as the yen appreciation and the drop in stock prices, the country saw a moderate recovery trend due primarily to steady employment conditions.

In the chemicals industry, exports slowed and the future outlook including the trend of costs of raw materials remained uncertain.

#### 1) Overview

(Unit: Millions of yen)

	Six months ended Sep. 30, 2015	Six months ended Sep. 30, 2016	Change		FY2015
			(Amount)	(% growth)	
Net sales	167,052	138,301	-28,751	-17.2%	323,124
Operating income	16,374	9,585	-6,788	-41.5%	31,234
Ordinary income	18,218	10,981	-7,238	-39.7%	34,342
Profit attributable to owners of parent	14,479	8,504	-5,976	-41.3%	26,003
Basic earnings per share	356.74 yen	209.54 yen	-147.20 yen	-41.3%	640.69 yen
ROA (Return on Assets)	8.8%	5.4%	-	-3.4 points	8.3%
ROE (Return on Equity)	10.7%	6.2%	-	-4.5 points	9.6%
Foreign exchange rates (\$ and EUR)	\$=121.87 yen EUR=135.11 yen	\$=105.22 yen EUR=118.07 yen	-16.65 yen -17.04 yen		\$=120.14 yen EUR=132.59 yen
Naphtha price	48,000 yen/kl	31,500 yen/kl	-16,500 yen/kl		42,800 yen/kl

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

Note) The Company conducted a reverse stock split at a ratio of one share for every five shares on October 1, 2015. The figures for the basic earnings per share are amounts on the assumption that the Company conducted the reverse stock split at the beginning of the previous fiscal year.

Under these conditions, the Group's consolidated net sales in the first half of the current fiscal year declined 17.2% year on year to 138,301 million yen, down 28,751 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 income, which was down 41.5% year on year to 9,585 million yen, down 6,788 million yen.

Non-operating income decreased 449 million yen due to increased foreign exchange losses and decreased share of profit of entities accounted for using equity method, although technology transfer study related expenses decreased. As a result, ordinary income was down 39.7% to 10,981 million yen, 7,238 million yen lower than the first half of the previous fiscal year.

Extraordinary income fell 646 million yen year on year because of the absence of gain on sales of shares of subsidiaries and associates. As a result, profit attributable to owners of parent fell 41.3% to 8,504 million yen, down 5,976 million yen.

#### 2) Segment Summary

##### Basic Chemicals

Sales of acrylic acids and acrylates decreased. This was due to a decline in sales prices in Japan in line with a drop in raw materials costs, 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.

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

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

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

Sales of secondary alcohol ethoxylates declined. This was due to falling sales prices accompanying lower raw materials costs.

As a result of the above, net sales in the basic chemicals segment declined 20.1% year on year to 50,228 million yen.

Operating income fell 19.1% year on year, to 3,943 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 decreased 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 declined due to effects such as a decline in overseas market conditions and a stronger yen, even though sales volume increased.

Sales of maleic anhydride and 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 lower sales volume.

Sales of polymer for concrete mixture and raw materials for detergents and other water-soluble polymers 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 17.0% year on year to 75,642 million yen.

Operating income decreased year on year by 52.1% to 5,345 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 precious metals sales prices.

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

Sales of dioxins decomposition catalysts increased as a result of the sales mix.

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

As a result of the above, net sales in the environment and catalysts segment fell by 5.2% year on year to 12,431 million yen.

Operating income in the segment rose by 168.7% year on year to 346 million yen, on account of an increase in sales volume of fuel cell materials and wet oxidation catalysts.

## **(2) Qualitative Information on Financial Position**

### **1) Assets, liabilities and net assets**

Total assets at the end of the first half of the current fiscal year were down 9,525 million yen from the end of the previous fiscal year to 398,472 million yen. Current assets stood at 8,708 million yen lower compared to the end of the previous fiscal year. Contributing factors included decline in notes and accounts receivable - trade and merchandise and

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finished goods not entirely offset by increased cash and deposits, etc. Non-current assets were 817 million yen lower than at the end of the previous fiscal year. This was due to foreign exchange effects at overseas subsidiaries stemming from a strong yen compared to the previous fiscal year, despite an increase in property, plant and equipment as a result of capital investment.

Liabilities declined compared to the end of the previous fiscal year by 1,460 million yen to 124,052 million yen. This was due to repayment of long-term loans payable and a decline in notes and accounts payable - trade, despite the issuance of bonds.

Net assets decreased by 8,065 million yen compared to the end of the previous fiscal year to 274,420 million yen. This was due to progress in the appreciation of the yen causing foreign currency translation adjustment to decrease, although retained earnings increased.

Shareholders' equity ratio fell 0.3 percentage points, from 68.3% at the end of the previous fiscal year to 68.0%. Net assets per share decreased 192.55 yen compared to the end of the previous fiscal year, to 6,678.29 yen.

## **2) Cash Flows**

Cash and cash equivalents at the end of the first half of the current fiscal year increased 2,145 million yen compared to the end of the previous fiscal year, to 66,200 million yen, as cash flows provided by operating activities and financing activities including the issuance of bonds outweighed cash flows used in investing activities including capital investment.

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

Net cash provided by operating activities in the first half of the current fiscal year amounted to 17,906 million yen (26,591 million yen was provided in the same period of the previous fiscal year). This was due primarily to decreased profit before income taxes, which led to decreased inflows of 8,685 million yen compared to the same period of the previous fiscal year.

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

Net cash used in investing activities totaled 12,240 million yen (5,805 million yen was used in the same period of the previous fiscal year). Outflows increased for the purchase of property, plant and equipment, which led to increased outflows of 6,435 million yen compared to the same period of the previous fiscal year.

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

Net cash provided by financing activities amounted to 1,730 million yen (12,493 million yen was used in the same period of the previous fiscal year). This was an increase of 14,223 million yen in cash inflows compared to the same period of the previous fiscal year. Contributing factors included the issuance of bonds and decreased repayment amounts for short-term loans payable.

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

The Group's full fiscal year results forecast are as follows: net sales of 280.0 billion yen (141.7 billion yen in the second half), operating income of 22.0 billion yen (12.4 billion yen in the second half), ordinary income of 25.0 billion yen (14.0 billion yen in the second half), and profit attributable to owners of parent of 19.0 billion yen (10.5 billion yen in the second half).

Compared to the initial forecasts announced on May 10, 2016, net sales decreased by 20.0 billion yen. Factored into these projections are naphtha prices and foreign exchange rates that have been revised from initial forecasts (38,000 yen/kl, 115 yen to the US dollar, 125 yen to the euro), and other factors. With regard to operating income, ordinary income and profit attributable to owners of parent, although there have been changes among segments, the total amount has remained unchanged.

Consolidated results forecasts for the second half of the current fiscal year are based on the assumption that the exchange rate will be 105 yen to the US dollar, 115 yen to the euro, and naphtha prices of 35,000 yen/kl.

Forecasts by business segment for the fiscal year ending March 31, 2017 are as follows:

(Unit: Billions of yen)

	Basic Chemicals		Functional Chemicals		Environment & Catalysts	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
The first half results	50.2	3.9	75.6	5.3	12.4	0.3
The second half forecasts	49.8	3.1	77.4	9.0	14.6	0.4
Forecasts announced on November 8, 2016	100.0	7.0	153.0	14.3	27.0	0.7
Forecasts announced on May 10, 2016	106.0	6.0	168.0	15.3	26.0	0.7

(Reference: Trends in first half financial forecasts)

(Unit: Billions of yen)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Initial forecasts (announced on May 10, 2016)	147.0	8.0	9.5	7.5
Mid-term revisions (announced on August 3, 2016)	137.0	8.0	9.5	7.5
Results (announced on November 8, 2016)	138.3	9.6	11.0	8.5

## 2. Matters Related to Summary Information (Notes)

### (1) Changes in Significant Subsidiaries during the Period

Not applicable.

### (2) Application of Special Accounting Methods in the Preparation of the Quarterly Consolidated Financial Statements

Not applicable.

### (3) Changes in Accounting Policies and Accounting-based Estimates, and Revised Restatements

Not applicable.

### (4) Additional Information

#### (Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

Effective from the fiscal year starting April 1, 2016, the Company has applied the “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Statement No. 26 issued on March 28, 2016).

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

(Unit: Millions of yen)

	FY2015 As of Mar. 31, 2016	2Q-FY2016 As of Sep. 30, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	69,172	71,074
Notes and accounts receivable - trade	64,936	57,627
Merchandise and finished goods	27,884	23,825
Work in process	5,574	5,002
Raw materials and supplies	15,549	16,743
Other	12,585	12,714
Allowance for doubtful accounts	-18	-11
Total current assets	195,682	186,974
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	70,152	62,466
Land	33,084	33,074
Other, net	47,495	55,237
Accumulated impairment loss	-4,144	- 3,910
Total property, plant and equipment	146,588	146,866
Intangible assets		
Other	3,999	3,526
Total intangible assets	3,999	3,526
Investments and other assets		
Investment securities	49,208	48,978
Other	12,587	12,193
Allowance for doubtful accounts	-67	-66
Total investments and other assets	61,728	61,106
Total non-current assets	212,315	211,498
<b>Total assets</b>	<b>407,997</b>	<b>398,472</b>
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	39,310	35,203
Short-term loans payable	13,186	10,296
Current portion of long-term loans payable	8,195	11,056
Income taxes payable	4,507	2,263
Provision for bonuses	3,273	3,290
Other provision	2,623	2,854
Other	9,959	12,769
Total current liabilities	81,053	77,731
Non-current liabilities		
Bonds payable	-	10,000
Long-term loans payable	29,166	20,454
Net defined benefit liability	12,568	12,636
Other	2,724	3,232
Total non-current liabilities	44,458	46,321
<b>Total liabilities</b>	<b>125,511</b>	<b>124,052</b>



	FY2015 As of Mar. 31, 2016	2Q-FY2016 As of Sep. 30, 2016
Net assets		
Shareholders' equity		
Capital stock	25,038	25,038
Capital surplus	22,395	22,396
Retained earnings	216,224	221,278
Treasury shares	-1,010	-1,013
Total shareholders' equity	262,648	267,699
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,613	8,512
Deferred gains or losses on hedges	16	2
Foreign currency translation adjustment	11,474	-2,618
Remeasurements of defined benefit plans	-2,916	- 2,578
Total accumulated other comprehensive income	16,187	3,319
Non-controlling interests	3,651	3,403
Total net assets	282,485	274,420
Total liabilities and net assets	407,997	398,472

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

	(Unit: Millions of yen)	
	2Q- FY 2015	2Q- FY 2016
	Apr. 1, 2015 to Sep. 30, 2015	Apr. 1, 2016 to Sep. 30, 2016
Net sales	167,052	138,301
Cost of sales	131,354	109,450
Gross profit	35,698	28,851
Selling, general and administrative expenses	19,324	19,266
Operating income	16,374	9,585
Non-operating income		
Interest income	79	66
Dividend income	459	642
Share of profit of entities accounted for using equity method	1,570	1,235
Real estate rent	591	523
Royalty income and technical support fee	224	241
Other	485	372
Total non-operating income	3,408	3,079
Non-operating expenses		
Interest expenses	222	204
Foreign exchange losses	373	1,082
Depreciation	67	73
Other	902	324
Total non-operating expenses	1,563	1,683
Ordinary income	18,218	10,981
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	620	-
State subsidy	249	-
Total extraordinary income	869	-
Extraordinary losses		
Loss on reduction of non-current assets	223	-
Total extraordinary losses	223	-
Profit before income taxes	18,864	10,981
Income taxes - current	3,487	2,488
Income taxes - deferred	876	-24
Total income taxes	4,363	2,464
Profit	14,501	8,517
Profit attributable to non-controlling interests	21	13
Profit attributable to owners of parent	14,479	8,504

**Consolidated Statements of Comprehensive Income**

	(Unit: Millions of yen)	
	2Q- FY 2015	2Q- FY 2016
	Apr. 1, 2015 to Sep. 30, 2015	Apr. 1, 2016 to Sep. 30, 2016
Profit	14,501	8,517
Other comprehensive income		
Valuation difference on available-for-sale securities	-2,939	900
Deferred gains or losses on hedges	-1	-14
Foreign currency translation adjustment	422	-12,355
Remeasurements of defined benefit plans, net of tax	62	307
Share of other comprehensive income of entities accounted for using equity method	103	-1,954
Total other comprehensive income	-2,353	-13,116
Comprehensive income	12,148	-4,599
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,105	-4,365
Comprehensive income attributable to non-controlling interests	42	-235

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

(Unit: Millions of yen)

	2Q- FY 2015	2Q- FY 2016
	Apr. 1, 2015 to Sep. 30, 2015	Apr. 1, 2016 to Sep. 30, 2016
<b>Cash flows from operating activities</b>		
Profit before income taxes	18,864	10,981
Depreciation	8,941	8,475
Loss on reduction of non-current assets	223	-
Subsidy income	-249	-
Interest and dividend income	-538	-708
Interest expenses	222	204
Share of (profit) loss of entities accounted for using equity method	-1,570	-1,235
Loss (gain) on sales of shares of subsidiaries and associates	-620	-
Decrease (increase) in notes and accounts receivable - trade	5,455	5,296
Decrease (increase) in inventories	1,273	1,593
Increase (decrease) in notes and accounts payable - trade	-3,362	-2,336
Increase (decrease) in accrued consumption taxes	634	-367
Other, net	674	-1,130
<b>Subtotal</b>	<b>29,948</b>	<b>20,772</b>
Interest and dividend income received	1,656	2,021
Interest expenses paid	-215	-146
Proceeds from subsidy income	249	-
Income taxes paid	-5,047	-4,742
<b>Net cash provided by (used in) operating activities</b>	<b>26,591</b>	<b>17,906</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	-5,358	-11,237
Proceeds from sales of property, plant and equipment	3	7
Purchase of investment securities	-17	-5
Proceeds from sales of investment securities	-	18
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	211	-
Purchase of shares of subsidiaries and associates	-22	-400
Other, net	-623	-623
<b>Net cash provided by (used in) investing activities</b>	<b>-5,805</b>	<b>-12,240</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	-6,020	-1,806
Proceeds from long-term loans payable	500	1,280
Repayments of long-term loans payable	-4,270	-4,266
Proceeds from issuance of bonds	-	10,000
Purchase of treasury shares	-19	-3
Cash dividends paid	-2,638	-3,450

	2Q- FY 2015	2Q- FY 2016
	Apr. 1, 2015 to Sep. 30, 2015	Apr. 1, 2016 to Sep. 30, 2016
Dividends paid to non-controlling interests	-32	-13
Other, net	-14	-12
Net cash provided by (used in) financing activities	-12,493	1,730
Effect of exchange rate change on cash and cash equivalents	-163	-5,250
Net increase (decrease) in cash and cash equivalents	8,129	2,145
Cash and cash equivalents at beginning of period	44,336	64,055
Cash and cash equivalents at end of period	52,465	66,200

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

Not applicable.

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

Not applicable.

**【Segment Information】****I Six months ended September 30, 2015 (April 1, 2015 to September 30, 2015)****1. Information concerning net sales and profit or loss by reporting segment**

(Unit: Millions of yen)

	Basic chemicals	Functional chemicals	Environment & catalysts	Total	Adjustment (Note 1)	Consolidation (Note 2)
Net sales						
(1) Sales to third parties	62,843	91,097	13,112	167,052	-	167,052
(2) Intergroup sales and transfers	18,161	2,603	441	21,204	-21,204	-
Total	81,003	93,700	13,553	188,256	-21,204	167,052
Segment income	4,873	11,168	129	16,170	204	16,374

Notes: 1. The "Segment income" adjustment refers to inter-segment transaction eliminations amounting to 204 million yen.

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

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

Not applicable.

**II Six months ended September 30, 2016 (April 1, 2016 to September 30, 2016)****1. Information concerning net sales and profit or loss by reporting segment**

(Unit: Millions of yen)

	Basic chemicals	Functional chemicals	Environment & catalysts	Total	Adjustment (Note 1)	Consolidation (Note 2)
Net sales						
(1) Sales to third parties	50,228	75,642	12,431	138,301	-	138,301
(2) Intergroup sales and transfers	13,052	2,110	415	15,577	-15,577	-
Total	63,280	77,752	12,846	153,878	-15,577	138,301
Segment income	3,943	5,345	346	9,634	-49	9,585

Notes: 1. The "Segment income" adjustment refers to inter-segment transaction eliminations amounting to -49 million yen.

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

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

Not applicable.

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

Six months ended September 30, 2015 (April 1, 2015 to September 30, 2015)

(Unit: Millions of yen)

	Asia	Europe	North America	Others	Total
I. Overseas sales	34,414	23,831	15,992	9,605	83,842
II. Consolidated sales					167,052
III. Overseas sales to consolidated sales	20.6%	14.3%	9.6%	5.7%	50.2%

Six months ended September 30, 2016 (April 1, 2016 to September 30, 2016)

(Unit: Millions of yen)

	Asia	Europe	North America	Others	Total
I. Overseas sales	27,914	17,057	14,349	6,118	65,437
II. Consolidated sales					138,301
III. Overseas sales to consolidated sales	20.2%	12.3%	10.4%	4.4%	47.3%

Notes:

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

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