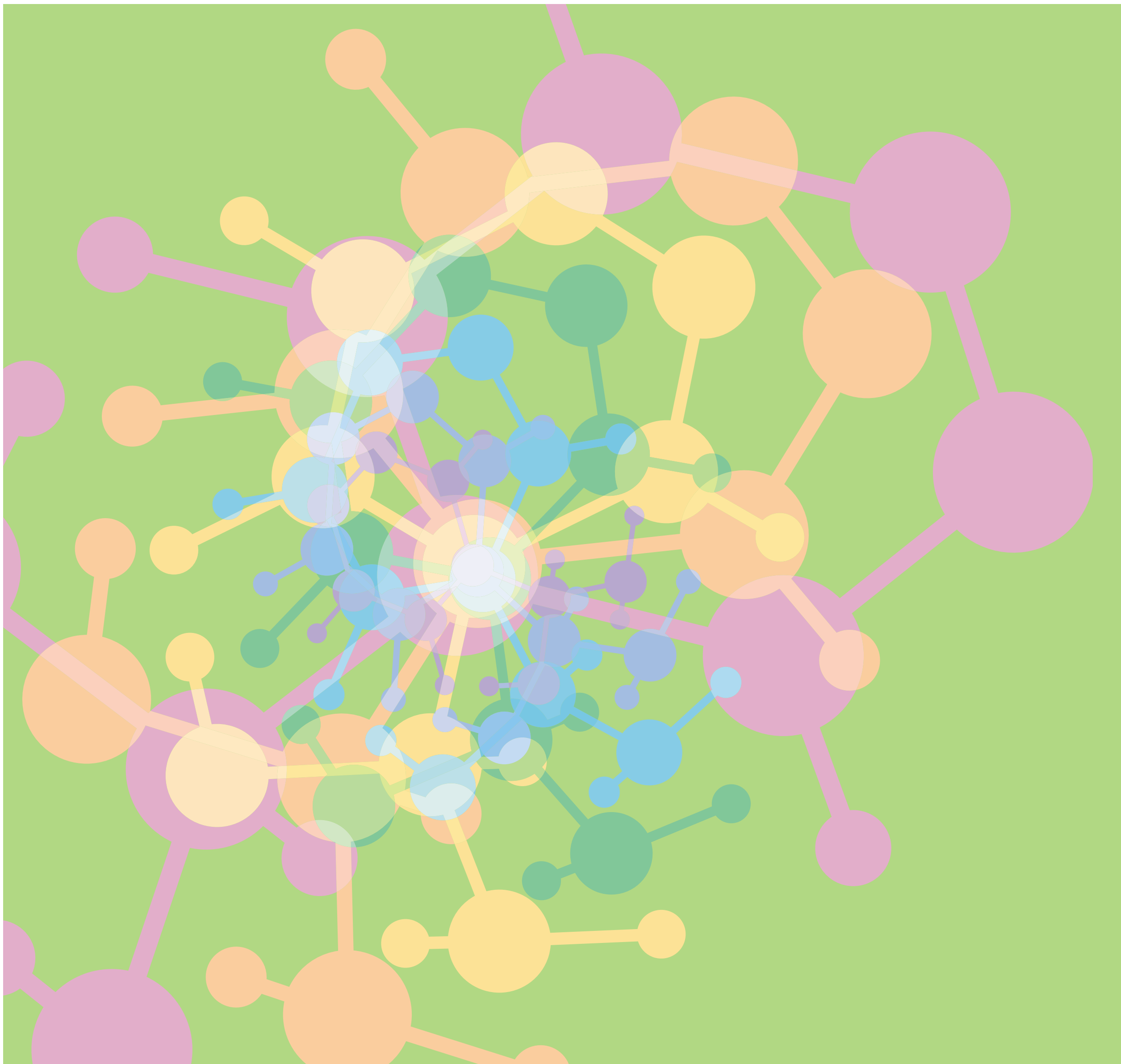
Annual Report 2008

For the year ended March 31, 2008



Nissan Chemical Industries, Ltd.

CONTENTS

Projections

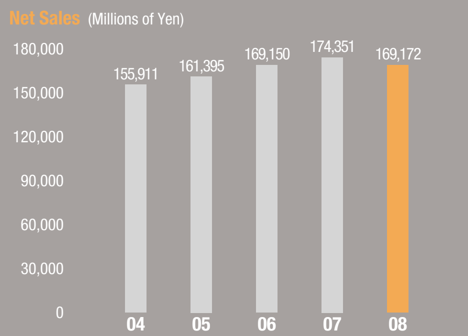
Statements contained in this report with respect to Company plans, strategies and beliefs that are not historical facts are projections about the future performance of the Company which are based on management's assumptions and beliefs in light of the information currently available. These projections involve known and unknown risks, uncertainties and other factors that may cause the Company actual results, performance or achievements to differ materially from the expectations expressed herein.

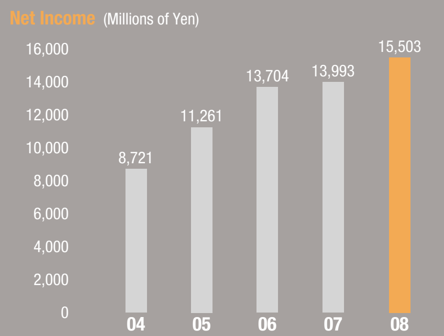
FINANCIAL HIGHLIGHTS

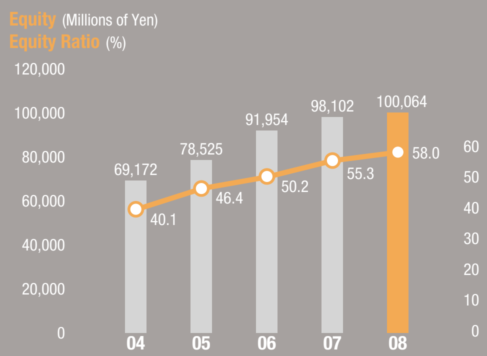
Nissan Chemical Industries, Ltd. and its Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

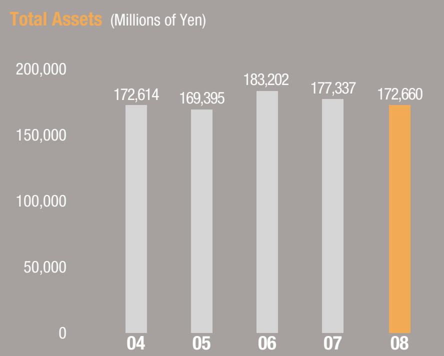
	Millions of Yen		Thousands of U.S. Dollars
Consolidated	2008	2007	2008
Net sales	¥169,172	¥174,351	$1,688,345
Net income	15,503	13,993	154,721
Equity	100,064	98,102	998,643
Amounts per share (in yen and U.S. dollars):			
Net income	¥ 85.15	¥ 75.43	$ 0.85
Equity	556.63	535.29	5.56
Non-Consolidated			
Net sales	¥123,937	¥114,352	$1,236,895
Net income	13,927	11,928	138,993
Equity	90,873	89,512	906,919
Amounts per share (in yen and U.S. dollars):			
Net income	¥ 76.49	¥ 64.30	$ 0.76
Equity	505.51	488.42	5.05

Note: The U.S.dollar amounts in this report are given for convenience only and represent translations of Japanese yen at the rate of ¥100.20 to U.S. $1, the rate prevailing at the end of the term.









A MESSAGE FROM THE PRESIDENT

I would like to begin by expressing my sincere appreciation to our shareholders for your continuing support of our activities.

During the fiscal year ended March 31, 2008, the Japanese economy entered a period of uncertainty, marked by factors such as steep rises in the prices of raw materials and fuels, including crude oil; disruption of financial markets triggered by the subprime loan problem in the United States; uncertain fluctuations in currency movements and simultaneous lows on stock markets worldwide, all of which cast a pall over corporate profits.

Under these circumstances, in April 2008 the Nissan Chemical Group launched Stage II (FY2008–2010), the three-year second half of its medium-term business plan Vista 2010, under the slogan "Stepping-stones for Real Growth."

Vista 2010 aims to build a balanced business portfolio. We will expand the company's core businesses and technologies, which are organic materials, inorganic materials and electronic materials, maintain steady growth in the agricultural chemicals and pharmaceuticals businesses, and achieve stable profitability in chemical products and affiliated companies.

Over the past three years of the plan's Stage I (FY2005–2007), we undertook a wide range of initiatives, including the reinforcement of manufacturing capabilities of major products and the expansion of research facilities. Significant benefits were secured.

In Stage II, we will further step up the pace of our initiatives, paving the way for the creation of new products and businesses and the reinforcement of the business foundations of existing products. At the same time, we will vigorously carry out investment into facilities and R&D, and focus on human resource development in an effort to continue our winning streak amidst escalating market competition. By steadily implementing our medium-term business plan, we intend to establish a position of overwhelming dominance in research, development and technology, with the goal of achieving sustained growth as a Value-Creating Enterprise with world-class brands.

We hope to deepen your understanding of our group and thereby encourage your continuing support.

Kojiro Kinoshita, *President*

MEDIUM-TERM BUSINESS PLAN: VISTA 2010 STAGE II

STEPPING STONES FOR REAL GROWTH

In March 2005, the Nissan Chemical Group formulated its medium-term business plan, Vista 2010, which runs to the year FY2011. The plan reinforced the initiatives we have taken to enhance our capabilities as a "Value Creating Enterprise."

The aim of this plan is to build Nissan Chemical into a true "Value Creating Enterprise."

Positioning the first three-year term of the Plan (FY2006–2008) as Stage I, we implemented various measures to maintain stable growth in profits and were able to achieve solid results. Stage II, which covers the three-year term FY2009–2011, started in April 2008.

For FY2011, Vista 2010 envisions sustained growth in the core fields of business and technology, more specifically organic materials, inorganic materials, and electronic materials. It also foresees medium- and long-term growth in agricultural chemicals and pharmaceuticals, as well as a steady earnings foundation to be provided by basic chemical products and affiliated companies. Through this, we will formulate a well-balanced business portfolio.

To ensure sustainable growth into the future, Stage II sets the following three priorities and guides the company toward an optimal position:

1. Vigorous promotion of new businesses and products to serve as new sources of growth
2. Establishment of unchanging business foundations for existing products
3. Formation of vitalized professional groups by reinforcing human resource training

To achieve these goals, the following targets have been set for FY2011: net sales of ¥200.0 billion, operating income of ¥33.0 billion, net income of ¥21.0 billion and ROE of 17% or more.

1. The Creation of New Businesses and Products

(1) Basic policy

1) Taking advantage of our dominant position in terms of R&D and technology in our three core materials, we will continuously supply customers with new value, products and services by creating proprietary new products incorporating next-generation technologies.
2) We will actively seek to launch new businesses by creating functional materials that meet the needs of new markets through the integration of our core technologies with advanced technologies.

3) We will enhance our basic technologies, namely those in fine organic synthesis, ultra-fine particle control and functional polymer design. Moreover, we will strengthen our technological capabilities by adding organic nanotechnology and high-polymer synthesis technology.
4) We will increase the number of researchers working on organic synthesis, a platform of our technology. In addition, we will step up the search for new agrochemicals and the development of organic materials with new properties, and strengthen FINETECH, a total support business for R&D of active pharmaceutical ingredients. At the same time, we will increase the number of researchers on electronic materials, which will become the main growth driver.

(2) Priority Action Plan

1) New functional organic materials
We will strengthen our approach to institution-oriented collaborative research with our partner, Kyushu University, and move from basic to applied research.
In this manner, we will vigorously promote the creation of new businesses, with the priority placed on fine organic nanoparticles, environment-friendly materials and inorganic electrical conducting materials.
2) New electronic materials
We are moving ahead with the development of image sensing materials, silicon-containing BARC (Si-ARC) and three-dimensional package materials, etc. in an effort to strengthen the underpinnings for future growth in this area.
3) Collaboration with external organizations
We are enhancing partnerships with external organizations possessing special technologies, such as venture companies, research institutes and universities, etc.
4) Expanded investment in R&D
Total investment in R&D: ¥31.6 billion for Stage I, ¥41.5 billion for Stage II

No. of research personnel: Aiming for an expansion from 360 in FY2008 to more than 450 in FY2011.

2. Establishment of business foundations for existing products

(1) Basic policy

1) Positioning organic materials, inorganic materials and electronic materials as the drivers of sustainable growth, we are formulating plans to strengthen our business foundations by allocating management resources into reinforcing production facilities, expanding overseas bases, and increasing the number of researchers and manufacturing employees.
2) In agricultural chemicals, we are working to expand sales mainly for products developed in-house, including new agents. At the same time, we are enhancing the efficiency of research and the development of new products.
3) Based on the promotion of sales of LIVALO, we are moving quickly to establish business foundations for great future leaps in pharmaceuticals by advancing step-by-step in the development of products, and by creating a continuous pipeline for new drugs.
4) After identifying and selecting areas suitable for concentrated efforts in basic chemical products, we are encouraging the development of markets in those areas that are open for inroads. At the same time, we are pursuing thorough cost reductions.
5) We are boosting the competitive strengths of our affiliates by emphasizing their distinctive characteristics, while at the same time enhancing our integrated group strength, which stems from mutual, interlocking partnerships.

(2) Vigorous investment in both core business domains and new products

Total investment over three years:
¥65.0 billion (including expenses for treasury stock repurchase)
Production facilities:
(polyimide / ARC / SNOWTEX / TEPIC / LEIMAY/ STARMITE / NT-702, etc.)
Research facilities:
(expansion of Electronic Materials Research Laboratories / setup of Taiwan Technology Support Center / a variety of evaluation equipment, etc.)

3. Management indicators

(1) Basic policy

1) We strive to create a professional work environment where each employee will share ambitions and visions and proudly carry out his/her own role. In response to the increasing number of young employees and to business globalization, we will cultivate a corporate culture where employees can make the most of their abilities.
2) We will introduce a personnel administration system emphasizing the appropriate and fair treatment of employees, so that each employee can perform his/her job optimally.

(2) Priority Action Plan

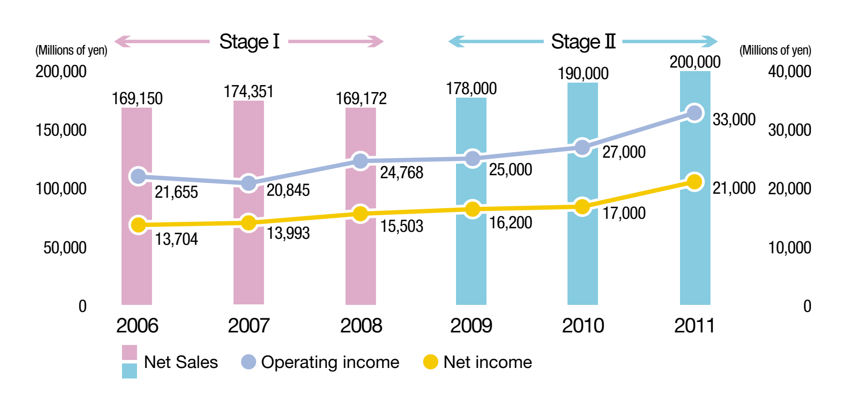
1) Strengthening human resources

We will reinforce various training courses centered on initial training and introduce a variety of measures, such as increased seconding of our researchers to universities and/or research institutes. At the same time, personnel training will be repositioned as the top mission of the workplace in an effort to maximize our power to create new value.

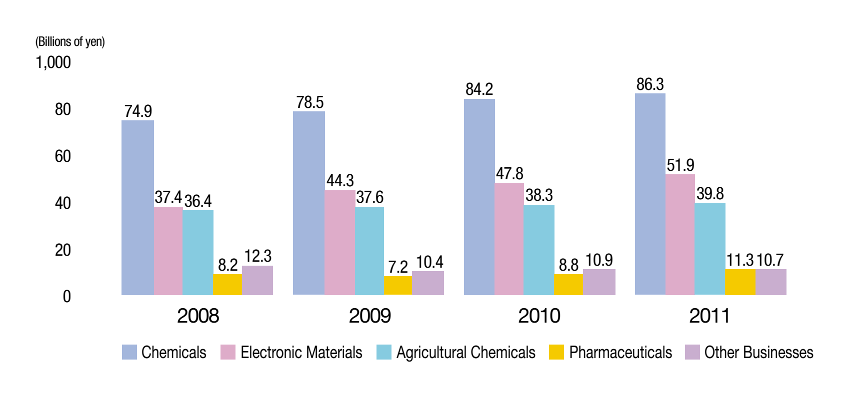
2) Introduction of a new personnel system

We will clarify roles to construct a highly trustworthy and transparent evaluation system that allows personnel to make use of their strengths in every area.

4. Annual profit targets



5. Net sales by segment



6. Fundamental measures for achieving the targets

(1) Expanding the three materials areas

Electronic materials:
(PI–VA applications / IPS applications, ARC–ArF applications)
Inorganic materials:
(SNOWTEX–electronic information area, the environment / energy area)
Organic materials:
(TEPIC–electronic materials area)

(2) Contribution of new agrochemical products

The fungicide LEIMAY, the insecticide STARMITE and the introduction of new agents

(3) Reinforcing pharmaceuticals

Initial shipment of LIVALO to Europe and North America, acquisition of a lump sum in connection with the drug NT-702 for chronic arterical obstruction, the antiatrial fibrillation drug NTC-801, and a phase-up in the development of various drugs to increase the number of blood platelets.

(4) Enhancing earnings from basic chemical products

Sales expansion of high-purity industrial chemicals (sulfuric acid, ammoniacal liquor, and liquid ammonia) for semiconductor washing as well as the high-grade aqueous urea solution AdBlue.

7. Management indicators

(1) Emphasizing ROE as an indicator of capital efficiency, we are undertaking a wide range of measures to improve ROE.

FY2011 ROE target: 17%

(2) We will repurchase shares, increase dividend payout ratios and adopt measures to return profits appropriately to shareholders.

FY2011 target dividend payout ratio: 30%

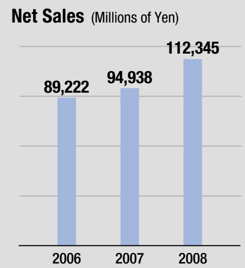
(3) To ensure a continuous flow of new businesses and products, we will maintain our ratio of R&D expenditures to net sales at 7%.

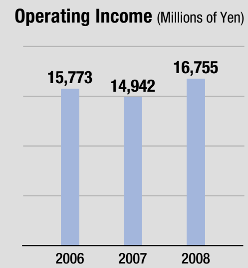
(4) We strive to enhance the ratio of operating income to sales by expanding sales of high value-added products while cutting costs through business selection and concentration.

FY2011 target for the ratio of operating income to sales: 16%

The Nissan Chemical Group will steadily carry out the above plan, focusing on the creation of new businesses and new products, the reinforcement of existing products, and the development of human resources. In this way, we aim to establish Nissan Chemical as a company that can grow consistently as a “Value Creating Enterprise.”

REVIEW OF OPERATIONS
CHEMICALS





Business Overview

The Company concentrates management resources on electronic materials and organic/inorganic materials businesses that are growing and expanding, as the core of corporate business development.

SUNEVER and ARC, key products of our electronic materials business, dominate the market in each area with a history of high quality market evaluations. We will continue to develop and provide high-value added niche products in the fields of display, semiconductor and related boundary areas.

In our organic and inorganic materials business, in addition to our other major products, SNOWTEX and TEPIC, Nissan Chemical launched a total-support business for R&D of active pharmaceutical ingredients in 2003 and sales have been steadily increasing through business expansion which met with the customer needs to outsource the manufacturing process development.

In our basic chemicals business that brings stable profit, we are manufacturing and selling Melamine, industrial chemicals (such as sulfuric acid, nitric acid and ammonia) and environmental chemicals (such as HILITE, a disinfectant for swimming pools and waste water treatment systems).

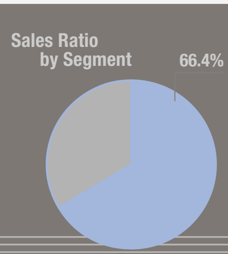
Business Performance

Total sales of basic chemical products posted results that exceeded the level of the previous fiscal year. This growth was led by sales of AdBlue, our high-grade aqueous urea solution for use in purifying exhaust gases from diesel vehicles, as well as robust shipments of high-purity chemicals for semiconductor applications. Nonetheless, the profitability situation continued to be severe, affected by steep increases in the prices of raw materials and crude oil, including naphtha.

In the area of functional products, ARC, an anti-reflective coating for semiconductors used in ArF (argon fluoride) lithography, a process involved in the progressive miniaturization seen in the semiconductor market, posted large revenue gains. Sales also increased for SUNEVER, a polyimide for liquid crystal displays, used for LCD TVs.

There were also revenue increases for major products, such as SNOWTEX (used as an abrading agent for electronic materials, a surface treatment agent for various materials) and TEPIC (a special epoxy used as sealant), as well as gains by FINETECH (a total support business for R&D of active pharmaceutical ingredients).

As a result, net sales of this division amounted to ¥112,345 million, exceeding the level of the previous fiscal year by ¥17,407 million, while operating income increased by ¥1,813 million over the previous fiscal year to ¥16,755 million.



Main Products

[SUNEVER]

SUNEVER is a polyimide resin for coating the liquid-crystal glass to align the liquid crystal molecules in a certain direction. This material comes in various grades to correspond to the latest flat-screen liquid-crystal televisions, liquid-crystal monitors and personal computers, and medium- and small-size products.

[ARC]

ARC is an anti-reflective coating developed for semiconductor lithography. It solves various problems with exposure by coating under photo resist products. We provide a wide range of products corresponding to a wide range of line widths from i-line to the most-advanced ArF, and contribute to technological innovation in semiconductor devices.

[SNOWTEX]

SNOWTEX is a colloidal silica for use in a wide range of applications such as paper, fabric, iron and steel, metal casting and refractory products. Recently, this product has been undergoing development for use in batteries, coatings for inkjet printer paper and polishing silicon wafers.

[TEPIC]

TEPIC is a special epoxy compound with a triazine molecular frame. It has high reactivity and excellent heat resistance characteristics, weather resistance, electrical properties and transparency. Demand for powder paint curative agents, reforming agents for paint, ink and adhesive agents, recently high-purity products, and electronic materials such as solder resist ink, optical semiconductor resin sealant is recently expanding.

[Total Support Business for R&D of Active Pharmaceutical Ingredients]

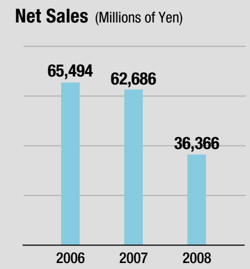
In 2003, we launched a total-support business for R&D of active pharmaceutical ingredients and now provide custom manufacturing and process research services for pharmaceutical ingredients and their intermediates from pre-clinical to commercial production stages.

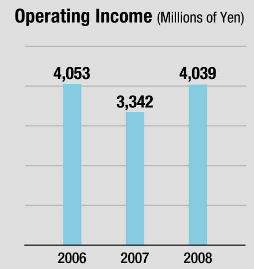
[MELAMINE]

MELAMINE is widely used as an adhesive agent for plywood, laminated sheets, molded products, resin finish for fabric and paper, and paint. It has high-level aesthetic properties and substantial quality. We are proud of our first-class production ability and our unique high-pressure method process; and are also proud to be supplying products throughout the overseas markets.

REVIEW OF
OPERATIONS

AGRICULTURAL CHEMICALS





Business Overview

The agricultural chemicals business centers on the production and distribution of herbicides, insecticides and fungicides for the Japanese and overseas markets. Nissan Chemical sells various agricultural chemicals to over 60 countries throughout the world via our Japanese and overseas business locations and/or sales networks. These include unique products such as the herbicides TARGA, SIRIUS and PERMIT and the insecticides SANMITE and MITO-KOHNE.

In 2002, we took over the domestic herbicide business of the Monsanto Company as a part of our agricultural business enhancement measures and added ROUNDUP to our product line. Furthermore, we are steadily strengthening our sales system in North America and working on establishing domestic and overseas business infrastructure through the establishment in 2004 of the Canyon Group LLC as a joint venture with Gowan Company in the United States.

In 2008, the new fungicide LEIMAY was launched, and the insecticide STARMITE was in the final preparatory stage before market launch. We will put our efforts into the creation of new agricultural chemicals that are active, safe and pose less of an environmental load for a wide range of major world crops while quickly corresponding to the market needs and the environmental changes in the agricultural industry.

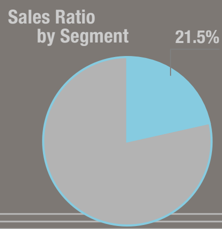
Business Performance

The domestic market for agricultural chemicals remained in a challenging situation. This was due to sharply intensified competition with European and American agricultural chemical manufacturers, triggered by industry reorganization on a large scale, as well as pressures to reduce production costs, reflecting the slump in agricultural prices, and the effects of the Positive List System to identify agricultural chemical residues in foods.

In this context, overall domestic sales in this division suffered a large decrease. This decline was caused by the switch of SunAgro Co., Ltd., which handles the fertilizer business, from a consolidated subsidiary to an equity-method affiliate, which resulted in its sales being excluded from the fiscal year under review. The decline also reflects the decrease in sales of SIRIUS, an herbicide for use in rice paddies. In contrast, net sales of the nonselective herbicide ROUNDUP topped the level of the previous fiscal year.

In the overseas market, markets followed a growth trend due to the increase in areas planted with crops for bio-ethanol, such as corn. Nonetheless, net export sales decreased, led by a fall in sales of the dry-field herbicide PERMIT, reflecting the negative effects of inventory adjustments at the distribution level.

As a result, net sales for this division decreased by ¥26,320 million to ¥36,366 million from the previous fiscal year. Operating income, however, increased by ¥697 million to ¥4,039 million over the previous fiscal year.



Regarding the fertilizer business, we integrated our consolidated subsidiaries, Nissan Agri Co., Ltd. (shareholder composition: Nissan Chemical 65%; Marubeni Corporation 35%) and Mitsui Toatsu Fertilizers, Inc. (shareholder composition: Mitsui Chemicals, Inc 100%) at the end of March, 2007, into an equity method affiliate, which commenced operations as Sun Agro Co., Ltd. in April, 2007.

Main Products

[SIRIUS]

SIRIUS is an herbicide for rice paddies that requires only an extremely small amount to be effective. In addition to being used in Japan, it is also used in rice-growing regions such as China, Korea and Southeast Asia.

[TARGA]

TARGA is the most active grass weed killer available for all major broadleaf crops, especially soybeans, sugar beets, sunflowers, oilseed rape and vegetables. It has excellent efficacy against volunteer cereals, wild oats, common couch and all major grass weeds. It is used all over the world, especially in North America and Europe.

[PERMIT]

PERMIT is an herbicide developed for gramineous crops such as corn that was introduced to the market in 1994. Currently, it is exported to North America, Central and South America, and Australia, where it has received high evaluations.

[SANMITE]

SANMITE is a high-performance insecticide for a wide variety of citrus fruits, apples, peas, peaches, grapes, vegetables, teas and ornamentals. It shows outstanding efficacy against a broad spectrum of phytophagous mites such as spider mites, broad mites and rust mites. At present, it is widely used in fruit orchards in Japan and widely around the world.

[MITO-KOHNE]

MITO-KOHNE was launched in 2000 and is a new type of insecticide that is totally different from existing ones. It is an eco-friendly agent that has almost no adverse effect on useful insects and natural enemies.

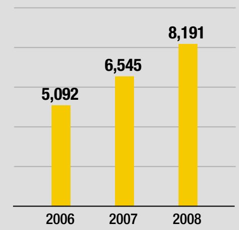
[ROUNDUP]

ROUNDUP is a nonselective herbicide to prevent and remove a wide range of weeds from among the general weeds that grow in agricultural fields, fruit orchards and non-crop land and weeds that are difficult to prevent and remove. ROUNDUP is an amino-acid herbicide with extremely low toxicity that is safe and eco-friendly.

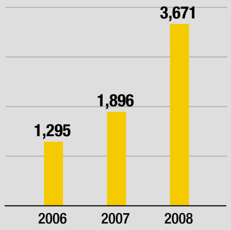
REVIEW OF
OPERATIONS

PHARMACEUTICALS

Net Sales (Millions of Yen)



Operating Income (Millions of Yen)



Business Overview

Nissan Chemical entered into the pharmaceutical business in 1982 and introduced an external preparation, ketoprofen (EPATEC) in 1985. In 1994, efonidipine hydrochloride (LANDEL), a Ca antagonist was launched as our company's first new pharmaceuticals for the indication of hypertension. It was added renoparenchymal hypertension and angina pectoris as its indications in 1998. In South Korea, efonidipine hydrochloride (FINTE) was also introduced in 2003.

Pitavastatin calcium (LIVALO), a statin agent with a strong LDL cholesterol reduction, for the indication of hyperlipidemia was marketed in Japan in 2003. LIVALO was also introduced to South Korea in 2005. Clinical trials have been conducted in Europe, the United States, and Asian countries.

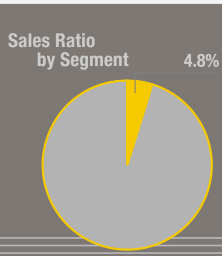
Concerning the new drug development pipeline, a therapeutic agent for peripheral arterial disease (NM/NT/INDI-702) is in the process of clinical development in Japan and in the United States. The clinical development with a therapeutic and preventive drug for atrial fibrillation and flutter (NTC-801) has been started in 2007. In preclinical stage, we are developing a new therapeutic agent for thrombocytopenia.

Nissan Chemical keeps trying research and development for innovative medicines by using the strategic chemical library, the state-of-the-art evaluation technology and precise organic synthesis technology.

Business Performance

Although sales of LANDEL, a therapeutic drug for hypertension and angina pectoris, decreased slightly in comparison with the previous fiscal year, shipments of the pharmaceutical ingredients for LIVALO, an anti-hyperlipidemic drug, increased as the drug's share of the market at medical facilities rose. In addition, revenues received a contribution from license royalties for new drugs under development.

As a result, net sales of this division rose by ¥1,646 million to ¥8,191 million over the previous fiscal year, while operating income increased by ¥1,775 million to ¥3,671 million.



Main Products

[LIVALO]

LIVALO is a statin agent with a strong LDL cholesterol reduction, which causes less drug-interactions. It is manufactured and distributed by Kowa Company, Ltd., and distributed by Kowa Pharmaceutical Co. Ltd. and Daiichi Sankyo Co., Ltd. in Japan. In South Korea, it is licensed to Choongwae Pharma Corporation. This agent is recognized as one of the new-generation of statins, “Strong statins” in clinical practice, and the development is progressing steadily in Europe, the United States and Asian countries.

[LANDEL]

LANDEL is a dual type Ca antagonist that blocks not only L-type calcium channels but also T-type ones. It is distributed by Zeria Pharmaceutical Co., Ltd. and Shionogi & Co., Ltd. in Japan. This agent shows beneficial effects on hypertension and angina pectoris. In addition, the agent is expected to show a renal protective and a renal protective and a cardioprotective effects.

[NT/NM/INDI-702]

This agent has both a phosphodiesterase inhibitory effect and a thromboxane A2 synthetase inhibitory effect, and is under development with Taisho Pharmaceutical Co., Ltd. in Japan. Clinical trials not only for intermittent claudication asoociated with peripheral arterial disease but also asthma and spinal canal stenosis are under way. We have entered a license agreement with Indigo Pharmaceuticals, Inc. (INDIGO), and have granted INDIGO exclusive development and marketing rights worldwide, except in Japan, South Korea, China and Taiwan. Late phase II clinical trials in the United States have finished with excellent results, and INDIGO plans to begin Phase III clincal trials forintermittent claudication in 2008.

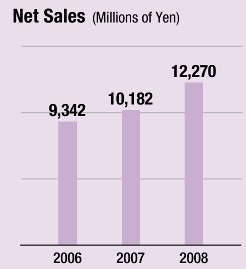
[NTC-801]

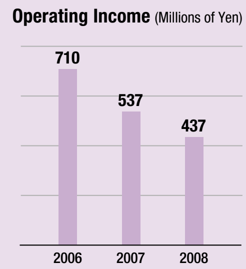
This is a new type of antiarrhythmic agent that acts selectively on atrium with a high degree of safety. It is expected to be an innovative medicine. It is currently under development with Teijin Pharma Limited, and we will promote the global development of this agent with a view to moving into markets in Europe and the United States.

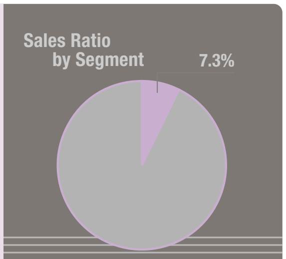
[New Therapeutic Agent for Thrombocytopenia]

This is an orally active agent which may increase platelet count by activating a receptor of thrombopoietin. We and Ono Pharmaceuticals Co. Ltd. entered into a license agreement in December 2007, and are jointly developing the agent worldwide.

REVIEW OF OPERATIONS
OTHER BUSINESSES





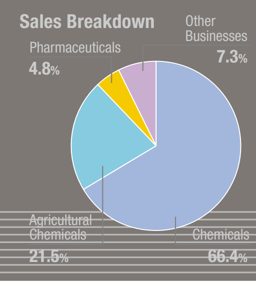


Business Performance

Business conditions remained challenging in the areas of landscaping and tree planting, as well as in environmental research and analysis. This reflects intensifying competition for orders and a slump in the unit value of orders, resulting from the reduction of investment in public works projects. Thanks to rising revenues from distribution-related businesses, net sales for this division increased by ¥2,088 million to ¥12,270 million over the previous fiscal year. Nonetheless, costs remained high. Operating income decreased by ¥100 million from the previous fiscal year to ¥437 million.

REVIEW OF OPERATIONS

OVERVIEW OF SEGMENTS



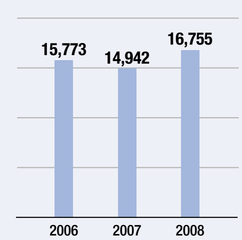
Main Products

Chemicals

Basic chemicals
—Melamine, Ammonia derivatives, AdBlue
Organic/Inorganic materials
—TEPIC, SNOWTEX, FINETECH
Electronic materials
—SUNEVER, ARC, SNOWTEX, TEPIC

Net Sales (Millions of Yen)

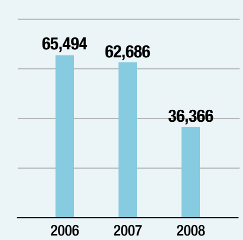
Operating Income (Millions of Yen)



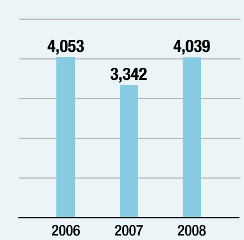
Agricultural Chemicals

Herbicides
—SIRIUS, TARGA, PERMIT, ROUNDUP
Insecticides
—SANMITE, MITO-KOHNE
Fungicide
—LEIMAY

Net Sales (Millions of Yen)



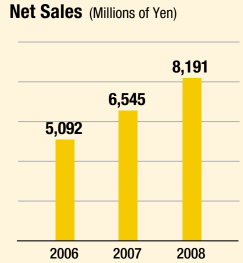
Operating Income (Millions of Yen)



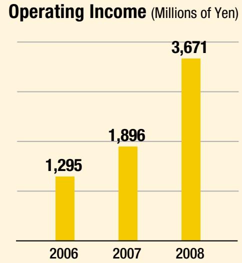
Pharmaceuticals

Anti-hyperlipidemic agent
—LIVALO
Anti-hypertensive agent
—LANDEL

Net Sales (Millions of Yen)



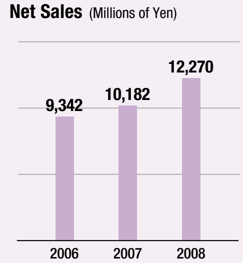
Operating Income (Millions of Yen)



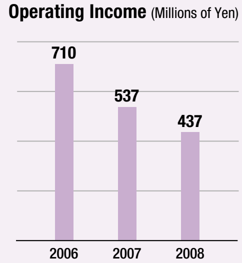
Other Businesses

Landscaping
Environmental analysis
Transportation
Insurance agency
Real estate rental

Net Sales (Millions of Yen)



Operating Income (Millions of Yen)



RESEARCH & DEVELOPMENT

RESEARCH AND DEVELOPMENT AREA

Research and Development (R&D) has been positioned as Nissan Chemical's key driver of business growth. The Company has successfully developed unique and excellent technology and delivered a variety of high value-added products into the market.

As a value creation company, we will promote the creation of specialty products that are full of originality to satisfy our customer needs, and continue pursuing our Dream of Chemicals.

Chemicals

Nissan Chemical has produced a variety of unique products in a wide range of areas, including SUNEVER, a polyimide for display materials; ARC, an anti-reflective coating for semiconductor materials, high-purity chemicals for electronic materials; SNOWTEX, a surface treatment agent for various materials; TEPIC, a specialty epoxy and Prostaglandin derivatives, pharmaceutical intermediates.

We have been promoting R&D utilizing the unique technology we have accumulated, including fine organic synthesis, ultrafine particle control and functional polymers. We combine these with evaluation technology for a variety of applications. We will continue to work on research for the development of higher-function products with an emphasis on the electronic materials, energy and environmental areas that are growing well.

In addition, we have initiated collaborative research in the area of Fine Nano Particles with Kyushu University, the largest scale application of organizational collaboration with an individual corporation.

Agricultural Chemicals

As a result of our R&D, we have created the herbicides, TARGA, SIRIUS and PERMIT, and the acaricide SANMITE, which are all significant contributions to the world agricultural industry. In 2008, the new fungicide LEIMAY was launched, and the insecticide STARMITE was in the final preparatory stage before market launch. Additionally, we are advancing research on the effects, safety and manufacture of active ingredients for promising new chemicals.

We will put our efforts into the creation of new agricultural chemicals that are active, safe and pose less of an environmental load for a wide range of major world crops while quickly responding to the market needs and the environmental changes in the agricultural industry.

Pharmaceuticals

With a focus on new drug development to meet the needs of an aging society, the Company introduced its first new medicine, efonidipine hydrochloride (LANDEL), a CA antagonist targeting hypertension in 1994, and pitavastatin (LIVALO), a statin agent with a strong LDL cholesterol reduction effect targeting hyperlipidemia, was introduced to the Japanese market in 2003. LIVALO is now undergoing clinical trials in the Europe and the United States.

Concerning the new drug development pipeline, a therapeutic agent for peripheral arterial disease (NM/NT/INDI-702) is in the process of clinical development in Japan and in the United States. The clinical development of a therapeutic and preventive drug for atrial fibrillation and flutter (NTC-801) has been started in 2007. In the preclinical stage, we are developing a new therapeutic agent for thrombocytopenia.

We will continue taking up the challenges of R&D for revolutionary new medicines utilizing an established strategic chemical library, the most advanced evaluation function and fine organic synthesis technology.

RESEARCH AND DEVELOPMENT BASES

With the goal of becoming a distinctive Value Creation Enterprise, our corporation continues unique R&D activities at our four domestic focal bases, while simultaneously

developing collaborative research and/or technical collaboration with domestic and overseas universities, public research institutions as well as corporations.

In addition, product planning and experimental research has been carried out globally at an agricultural chemicals testing farm in Indiana, the United States, and through other joint ventures.

Chemical Research Laboratories

Chemical Research Laboratories have become general research and development bases committed to the search for new products, the development of new agricultural chemicals and pharmaceuticals, pharmaceutical intermediates and active ingredients, special organic materials, synthetic studies and process development for high-polymer material intermediates and material analysis research based on organic synthesis expertise accumulated over years.

We are promoting new product and technology development based on close cooperation with other laboratories and the technology divisions of affiliated plants.

Electronic Materials Research Laboratories

Electronic Materials Research Laboratories are carrying out research on the next generation of recording and optical networking materials along with R&D on display and semiconductor materials.

We are presently researching alignment coating for LCD panels using our unique polyimide, anti-reflective coatings used in the photolithography process, and inorganic coatings formed through the sol-gel process.

In 2002, an electronic material research building, complete with a class 1 clean room and advanced evaluation equipment, was completed at the Toyama Factory for the purpose of accelerating product development for next-generation semiconductor materials. In the spring of 2007, we completed a new research facility for electronic materials in Funabashi City, Chiba Prefecture. The advanced equipment in this facility is used mainly in the development of display-related products.

Special Materials Research Laboratories

We are promoting R&D on inorganic materials at the Sodegaura Plant and organic materials at the Chemical Research Laboratories.

In the inorganic materials area, we are putting our efforts into manufacturing metal-oxide sol, developmental research for its use, including silicasol utilizing super fine particle control technology, and developmental research on abrading agents and inorganic electrical conducting material research based on these sol.
In addition, in the area of organic materials, we are promoting developmental research on the manufacturing and use of epoxy resin reforming agents and cross-linking agents for fine particle coatings.

Biological Research Laboratories

Biological Research Laboratories are conducting research on drug efficacy evaluation, safety evaluation and environmental analysis for agricultural chemicals and pharmaceuticals.

In the agricultural chemicals area, we are conducting research on commercialization, including existing active ingredients and active ingredients to be introduced paying attention to user requirements and the direction of the market along with the discovery of new agricultural chemicals that are eco-friendly with high efficacy and safety through the main research mentioned above. We are promoting new chemical evaluation focused on the research field overseas in Indiana in the United States and a joint venture with the Philagro France research center.

In the pharmaceutical area, we are working toward the discovery of therapeutic agents that are gentle to the human body by carrying out pharmacological tests from the genetic level to pathological models, safety and ADME testing.

FIVE-YEAR SUMMARY

Consolidated	2004	2005	2006	2007	2008
	Millions of yen				
Net sales	¥ 155,911	¥ 161,395	¥ 169,150	¥ 174,351	¥ 169,172
Operating income	15,664	17,264	21,655	20,845	24,768
Net income	8,721	11,261	13,704	13,993	15,503
Total assets	172,614	169,395	183,202	177,337	172,660
Equity	69,172	78,525	91,954	98,102	100,064
Capital expenditure	6,635	6,634	9,231	12,070	10,913
Depreciation Expense	10,352	9,603	9,877	9,694	9,731
Amounts per share (in yen):					
Net income per share	¥ 46.21	¥ 59.77	¥ 72.73	¥ 75.43	¥ 85.15
Equity per share	369.04	419.29	491.50	535.29	556.63
Financial ratios (%):					
Equity ratio	40.1	46.4	50.2	55.3	58.0
Return on equity	13.4	15.2	16.1	14.7	15.6

Non-Consolidated	2004	2005	2006	2007	2008
Net sales	¥ 99,941	¥ 101,801	¥ 110,019	¥ 114,352	¥ 123,937
Operating income	15,075	14,381	18,592	18,747	21,642
Net income	8,604	9,122	12,277	11,928	13,927
Total assets	139,083	137,515	145,157	154,642	151,991
Equity	67,150	74,262	85,692	89,512	90,873
Amounts per share (in yen):					
Net income per share	¥ 45.68	¥ 48.47	¥ 65.23	¥ 64.30	¥ 76.49
Equity per share	358.34	396.60	458.12	488.42	505.51
Cash dividends per share	11.0	11.0	15.0	20.0	20.0
Financial ratios (%):					
Equity ratio	48.3	54.0	59.0	57.9	59.8
Year-end statistics:					
Number of shareholders	19,955	18,296	14,300	14,981	14,516
Number of employees	1,505	1,502	1,502	1,558	1,614

FINANCIAL REVIEW

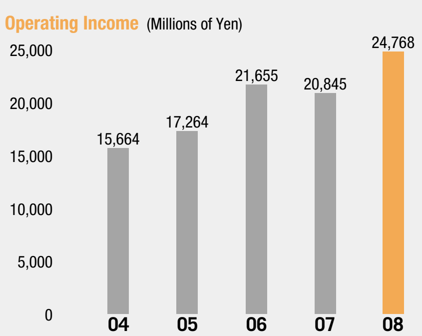
OVERVIEW

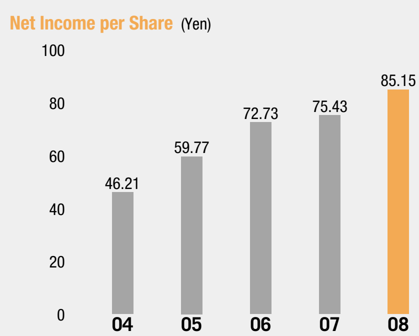
In the fiscal year ended March 31, 2008, the Japanese economy entered a period of growing uncertainty, marked by factors such as steep rises in the prices of raw materials and fuels, including crude oil; disruption of money markets triggered by the subprime loan problem in the United States; uncertain fluctuations in currency movements and simultaneous lows on stock markets worldwide. All of these factors cast a pall over corporate earnings.

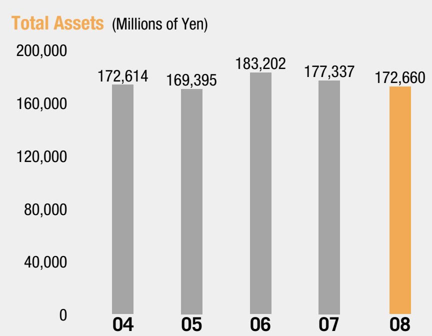
In this business environment, the overall sales of the chemicals division increased, buoyed by the growth of electronic materials-related products, led by ARC (an anti-reflective coating agent for semiconductors) and SUNEVER (a polyimide for liquid crystal displays). In the agricultural chemicals division, sales were much lower than in the previous fiscal year, although sales of major products grew more or less at the same level as in the previous fiscal year. The switch of SunAgro Co., Ltd. from a consolidated subsidiary to an equity-method affiliate resulted in its sales being excluded from the year under review. In the pharmaceuticals division, sales rose, reflecting increased shipments of the anti-hyperlipidemic drug LIVALO, and an increase in revenue from license royalties.

OPERATING RESULTS

Net sales decreased by ¥5,179 million, or 3.0%, year on year to ¥169,172 million. Ordinary income increased by ¥3,200 million, or 15.1%, to ¥24,446 million year on year, and net income climbed by ¥1,510 million, or 10.8%, to ¥15,503 million. Domestic sales amounted to ¥123,991 million and overseas sales amounted to ¥45,181 million.







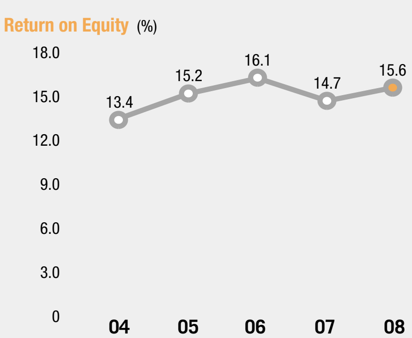
FINANCIAL REVIEW

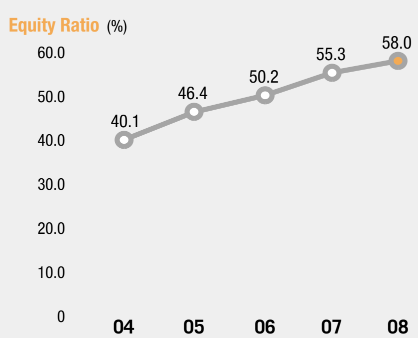
FINANCIAL POSITION

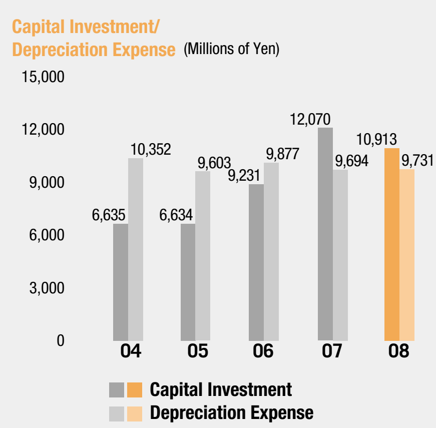
Total assets as of March 31, 2008 were ¥172,660 million, down ¥4,677 million, or 2.6% from a year earlier. Liabilities amounted ¥71,453 million, a decrease of ¥6,577 million over the previous fiscal year. Interest-bearing debt increased by ¥2,046 million year-on-year. Equity reached ¥100,064 million, a year-on-year increase of ¥1,962 million, or 2.0%, and the equity ratio increased by 2.7 percentage points to 58.0%. Equity per share increased by ¥21.34 year on year to ¥556.63, from ¥535.29 in previous fiscal year. Return on equity (ROE) for the current fiscal year was 15.6%, up 0.9 percentage points.

CASH FLOW ANALYSIS

Net cash provided by operating activities in the year under review, including net income before income tax adjustment, depreciation, etc., amounted to ¥18,973 million. Net cash used in investing activities totaled ¥14,568 million. Contributing factors include production capacity expansion projects for ARC and SNOWTEX and the introduction of equipment for R&D of semiconductor materials. Net cash used in financing activities amounted to ¥7,198 million, including the repurchase of 3,399 thousand shares of treasury stock at a price of ¥4,997 million. Including this treasury stock, a total of 3,500 thousand shares had been retired as of the end of the fiscal year.







FINANCIAL STATEMENTS CONSOLIDATED STATEMENTS OF INCOME

Nissan Chemical Industries, Ltd. and its Consolidated Subsidiaries

Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	2008
Net sales	¥169,172	¥174,351	$1,688,345
Cost of sales	109,095	117,275	1,088,777
Gross profit	60,077	57,076	599,568
Selling, general and administrative expenses	35,309	36,231	352,385
Operating income	24,768	20,845	247,183
Other income (expense):			
Interest and dividend income	731	928	7,299
Interest expenses	(586)	(508)	(5,848)
Gain on sale of marketable and investment securities	148	7	1,475
Write-down of marketable and investment securities	(768)	(3)	(7,664)
Gain on sale of property, plant and equipment	378	5	3,775
Loss on disposal of property, plant and equipment	(720)	(479)	(7,185)
Equity in earnings of non-consolidated subsidiaries and affiliates	322	284	3,216
Gain on accrued allied enterprise	–	287	–
Other, net	(95)	52	(952)
Income before income taxes	24,178	21,418	241,299
Income taxes (Note 9):			
Current	9,009	6,817	89,912
Deferred	(454)	582	(4,534)
Minority interests in consolidated subsidiaries	(120)	(26)	(1,200)
Net income	¥ 15,503	¥ 13,993	$ 154,721

CONSOLIDATED BALANCE SHEETS

Nissan Chemical Industries, Ltd. and its Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 3)
ASSETS	2008	2007	2008
Current assets:			
Cash and time deposits	¥ 7,639	¥ 11,039	$ 76,241
Notes and accounts receivable:			
Trade	58,405	58,869	582,888
Less allowance for doubtful receivables	(18)	(23)	(182)
Inventories (Note 6)	26,659	22,316	266,059
Deferred taxes—current	2,393	1,979	23,887
Other current assets	3,306	3,111	32,985
Total current assets	98,384	97,291	981,878
Investments and advances:			
Investment in securities (Note 5)	17,561	23,881	175,262
Investments in and advances to non-consolidated subsidiaries and affiliates	4,822	4,551	48,125
Long-term loans	34	38	344
Other investments	1,148	1,113	11,444
Less allowance for doubtful receivables	(342)	(319)	(3,410)
Total investments and advances	23,223	29,264	231,765
Property, plant and equipment, at cost (Note 7)			
Land	9,646	9,591	96,267
Buildings and structures	44,127	41,334	440,393
Machinery and equipment	115,376	108,483	1,151,458
Construction in progress	1,291	4,590	12,881
Less accumulated depreciation	(121,539)	(115,488)	(1,212,969)
Total property, plant and equipment	48,901	48,510	488,030
Other assets			
Deferred taxes—non-current	421	730	4,204
Intangible assets	714	730	7,122
Other	1,017	812	10,159
Total assets	¥172,660	¥177,337	$1,723,158

LIABILITIES AND NET ASSETS	Millions of yen 2008	2007	Thousands of U.S. dollars (Note 3) 2008
Current liabilities:			
Short-term bank loans (Note 8)	¥ 9,096	¥ 7,011	$ 90,781
Current portion of long-term debt (Note 11)	7,906	10,314	78,899
Notes and accounts payable:			
Trade	19,118	22,256	190,795
Construction	2,452	5,372	24,473
Accrued income taxes	5,812	3,434	58,001
Accrued expenses and other current liabilities (Note 10)	6,776	8,881	67,633
Total current liabilities	51,160	57,268	510,582
Long-term liabilities:			
Long-term debt (Note 11)	17,408	15,039	173,737
Deferred taxes—non-current	–	2,771	–
Accrued retirement benefits	485	471	4,840
Other long-term liabilities	2,400	2,481	23,950
Total long-term liabilities	20,293	20,762	202,527
Contingent liabilities (Note 13)			
Net assets			
Shareholders' equity	18,942	18,942	189,043
Common stock, ¥50 par value:			
Authorized—360,000,000 shares;			
Issued and outstanding—181,000,000 shares			
Additional paid-in capital	13,612	13,612	135,845
Retained earnings	67,516	61,189	673,814
Treasury stock, at cost	(1,744)	(1,741)	(17,409)
Valuation and translation adjustments			
Valuation gain of investment securities after tax-effect	1,821	5,386	18,174
Adjustments on foreign currency statement translation	(83)	714	(824)
Minority interests	1,143	1,205	11,406
Total net assets	101,207	99,307	1,010,049
Total liabilities and net assets	¥172,660	¥177,337	$1,723,158

CONSOLIDATED STATEMENTS OF NET ASSETS

Nissan Chemical Industries, Ltd. and its Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

		Millions of yen						
	Number of shares of common stock (thousands)	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Valuation gain of investment securities after tax-effect	Adjustments on foreign currency statement translation	Minority interests
Balance at March 31, 2006	187,635	¥18,942	¥13,618	¥53,883	(¥693)	¥5,673	¥531	¥1,681
Net income				13,993				
Increase due to changes in scope of equity method				218				
Cash dividends paid				(2,990)				
Bonuses to directors and statutory auditors				(104)				
Treasury stocks acquired					(4,876)			
Disposal of treasury stocks	(3,000)		(6)	(3,811)	3,828			
Other						(287)	183	(476)
Balance at March 31, 2007	184,635	18,942	13,612	61,189	(1,741)	5,386	714	1,205
Net income				15,503				
Cash dividends paid				(4,031)				
Treasury stocks acquired					(5,174)			
Disposal of treasury stocks	(3,635)			(5,145)	5,171			
Other						(3,565)	(797)	(62)
Balance at March 31, 2008	181,000	¥18,942	¥13,612	¥67,516	(¥1,744)	¥1,821	(¥83)	¥1,143

		Thousands of U.S. Dollars (Note 3)						
	Number of shares of common stock (thousands)	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Valuation gain of investment securities after tax-effect	Adjustments on foreign currency statement translation	Minority interests
Balance at March 31, 2007	184,635	$189,043	$135,845	$610,668	($17,377)	$53,753	$7,128	$12,027
Net income				154,721				
Cash dividends paid				(40,233)				
Treasury stocks acquired					(51,640)			
Disposal of treasury stocks	(3,635)			(51,342)	51,608			
Other						(35,579)	(7,952)	(621)
Balance at March 31, 2008	181,000	$189,043	$135,845	$673,814	($17,409)	$18,174	($824)	$11,406

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Nissan Chemical Industries, Ltd. and its Consolidated Subsidiaries

Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2007	2008
Cash flows from operating activities:			
Net income	¥15,503	¥13,993	$154,721
Depreciation	9,731	9,694	97,113
Decrease in accrued retirement benefits	14	(573)	145
Loss on disposal of property, plant and equipment	720	479	7,185
Provision for allowance for doubtful receivables	19	7	187
Reversal of accrued bonuses	24	82	241
Deferred income taxes	(454)	582	(4,534)
Increase in notes and accounts receivable	272	(4,302)	2,710
Increase (decrease) in inventories	(4,503)	(1,586)	(44,944)
Increase in other current assets	(707)	(142)	(7,051)
Increase (decrease) in notes and accounts payable	(3,006)	2,916	(29,998)
Increase (decrease) in accrued expenses and other	(231)	805	(2,310)
Increase in other current liabilities	(952)	171	(9,500)
Other, net	2,543	(2,366)	25,389
Net cash provided by operating activities	18,973	19,760	189,354
Cash flows from investing activities:			
Payments for purchase of property, plant and equipment	(13,555)	(7,529)	(135,280)
Proceeds from sale of property, plant and equipment	463	33	4,619
Payments for purchase of intangible assets	(276)	(187)	(2,753)
Proceeds from sale of investments in securities	170	26	1,696
Payments for purchase of investments in securities	(485)	(2,728)	(4,844)
Other, net	(885)	(549)	(8,829)
Net cash used in investing activities	(14,568)	(10,934)	(145,391)
Cash flows from financing activities:			
Increase (decrease) in short-term bank loans	2,117	(11)	21,125
Decrease in long-term debt	(33)	(69)	(331)
Cash dividends paid	(4,031)	(2,990)	(40,233)
Other, net	(5,251)	(3,243)	(52,399)
Net cash provided by financing activities	(7,198)	(6,313)	(71,838)
Effect of exchange rate changes on cash	(607)	107	(6,054)
Net increase (decrease) in cash and cash equivalents	(3,400)	2,620	(33,929)
Cash and cash equivalents at beginning of year	11,039	8,521	110,170
Decrease in cash and cash equivalents resulting from changes in the number of consolidated subsidiaries	–	(102)	–
Cash and cash equivalents at end of year	¥ 7,639	¥11,039	$ 76,241
Supplemental data:			
Cash paid during the year for —			
Income taxes	¥ 6,509	¥ 7,577	$ 64,957
Interest	565	516	5,639

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Nissan Chemical Industries, Ltd. (the Company) and its consolidated subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles and practices generally accepted in Japan.

Overseas consolidated subsidiaries have prepared their financial statements in accordance with accounting practices prevailing in their respective countries.

The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Prime Minister as required by the Financial Instruments and Exchange Act of Japan and include certain additional financial information for the convenience of the reader.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements include the account of the Company and its significant 12 subsidiaries.

Investments in three affiliates (companies owned 20% to 50%) are accounted for by the equity method of accounting. The excess of cost over equity in net assets is amortized within twenty years.

All significant inter-company accounts and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Companies are eliminated.

b. Securities

Quoted securities: The market value method is applied, based on the market value as of the fiscal year-end. The entire positive or negative valuation difference with the purchase price is booked directly as shareholders' equity, and the cost of securities sold is calculated using the moving average method.

Unquoted securities: Valued at cost using the moving average method.

Derivative financial instrument: Valued based on the market value as of the fiscal year-end.

c. Hedge accounting

The Company enters into interest rate swap contracts to hedge the risk of changes in interest rates over borrowings.

1) Hedge accounting method

Hedge accounts are stated in accordance with the deferred hedge accounting method.

Special treatment methods are applied for interest rate swap transactions, as the transactions meet the criteria for special treatments.

2) Measures and object

Measures: Interest rate swap

Object: Borrowings

3) Hedging policy

The Company and its consolidated subsidiaries hedge interest fluctuation risks in line with internal regulations.

d. Allowance for Doubtful Accounts

To provide for losses on doubtful accounts, the Company recognizes amounts that it deems uncollectible on the basis of one of two standards: rates of actual default experienced, for accounts receivable generally; and consideration of the collectability of individual receivables, for specific receivables considered to be at risk of default.

e. Inventories

Inventories except supplies are stated at cost determined by the average method.

Supplies are stated at cost determined by the moving average method.

f. Property, Plant and Equipment

Property, plant and equipment is carried at cost. Depreciation of the Company and its consolidated domestic subsidiaries is calculated substantially by the declining balance method over the estimated lives of the respective assets. Depreciation of buildings acquired on or after April 1, 1998 (except facilities attached to buildings) was calculated using the straight-line method. The basic acquisition value for property, plant and equipment was lowered from ¥200,000 to ¥100,000 and depreciation was carried out using a method in which equal amounts were written off over three years.

The straight-line method is principally applied to the property, plant and equipment of consolidated foreign subsidiaries.

g. Provision for retirement benefits

To provide for future retirement benefits of its employees, the group recognized allowances that are deemed to have accrued as of the consolidated period to March 2008, based on estimates of retirement benefit liabilities and pension assets as of the end of the same period.

h. Translation of foreign currency

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rate of the balance sheet date, and revenues and expenses are translated at the average rate in effect during the year. The translation difference is shown as the adjustments on foreign currency statement translations in the shareholders' equity.

Financial statements of foreign subsidiaries are translated into Japanese yen at the exchange rates effective at the relevant year-end, since their aggregate net income is not significant in relation to the consolidated total.

i. Pension plan

The Company and its domestic subsidiaries have qualified pension plans covering all of the employees, which was mainly renewed as of October 1, 2007.

The assets of the pension plan were ¥15,866 million ($158,346 thousand) and ¥17,393 million ($173,587 thousand) at March 31, 2008 and 2007.

Total pension expense, including amortization of prior service cost,amounted to approximately ¥847 million ($8,456 thousand) and ¥810 million ($8,081 thousand) in March 31, 2008 and 2007.

j. Income taxes

Income taxes are provided on the basis of the amounts payable as indicated in the Company's and its subsidiaries' tax returns. From April 1, 1999, tax effect on timing differences between financial and tax reporting purposes is recorded.

k. Appropriation of retained earnings

Under the Companies Act of Japan, the appropriation of retained earnings with respect to a given financial year is made by resolution of the shareholders at a general meeting held subsequent at the close of such a financial year.

The accounts for that year do not, therefore, reflect such appropriation.

l. Accounting for leases

Finance leases other than those which are deemed to transfer the ownership of the leased assets to lessees are accounted for by the method similar to that applicable to ordinary operating leases.

m. Cash and cash equivalent

The Company and its consolidated subsidiaries consider all highly liquid investments generally with a maturity of three months or less when purchased to be cash equivalents.

3. U.S. DOLLAR AMOUNTS

The Company and its domestic consolidated subsidiaries maintain their accounting records in Japanese yen. The U.S. dollar amounts are included solely for convenience and have been translated, as a matter of arithmetical computation only, at the rate of ¥100.20 to U.S.$1, the approximate exchange rate prevailing in the Tokyo Foreign Exchange Market at the end of March 2008.

This translation should not be construed as a representation that the yen amounts actually represent or have been or could be converted into U.S. dollars at this or at any other rate.

4. CHANGE IN ACCOUNTING POLICY

[Changes in the Depreciation expense of property, plant and equipment]

In accordance with the revised Japanese Corporation Tax Law in fiscal 2007, the Company and its domestic consolidated subsidiaries changed the depreciation expense of property, plant and equipment acquired on or after April 1, 2007. As a result of this change, compared with what the level would be under the previous method of accounting, operating income and income before income taxes are ¥800 million ($7,981 thousand) lower each.

[Depreciation of the residual value of property, plant and equipment acquired on or before March 31, 2007]

In accordance with the revised Japanese Corporation Tax Law in fiscal 2007, the Company and its domestic consolidated subsidiaries have adopted from current consolidated fiscal year the following method for depreciating the residual book value of property, plant and equipment acquired on before March 31, 2007 that had been fully depreciated to the limit prescribed in the previous corporate tax code.This method is to depreciate the residual book value of these assets in equal amounts over a five-year period. As a result of this adoption, operating income and income before income taxes are each ¥577 million ($5,754 thousand) lower than would have been the case under the previous method of calculation.

5. INVESTMENTS IN SECURITIES

Investments in securities at March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Listed securities	¥12,727	¥19,049	$127,020
Other marketable securities	4,834	4,832	48,242
	¥17,561	¥23,881	$175,262

6. INVENTORIES

Inventories at March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Finished products and merchandise	¥16,772	¥13,266	$167,385
Work in process	4,630	3,146	46,209
Raw materials and supplies	5,198	5,422	51,879
Others	59	482	586
	¥26,659	¥22,316	$266,059

Total cost of inventories held as of March 31, 2008 and 2007, did not exceed their net realizable values.

7. DEPRECIATION

Depreciation expense of property, plant and equipment for the years ended March 31, 2008 and 2007 amounted to ¥9,731 million ($97,113 thousand) and ¥9,694 million ($96,744 thousand), respectively.

8. SHORT-TERM BANK LOANS

Short-term bank loans are primarily unsecured and made overdraft, maturing generally within one year.

Interest rates applicable to the loans borrowed in Japan at March 31,2008 and 2007 ranged principally from 1.07% to 1.37% and from 0.69% to 1.18%, respectively, and those in the USA at 5.57% and at 6.32%, respectively.

9. INCOME TAXES

Income taxes applicable to the Company and its subsidiaries for the two years ended March 31, 2008, comprised (a) corporation tax, (b) enterprise tax, and (c) resident's taxes, which resulted in a statutory tax rate of 40.69 % for the year ended March 31, 2008.

The differences between the above statutory tax rate and the effective tax rates were due principally to the effect of timing differences in the recognition of certain income and expenses for tax and financial reporting purposes and expenses not deductible for income tax purposes.

10. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

At March 31, 2008 and 2007 accrued expenses and other current liabilities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Accrued bonuses	¥1,650	¥1,626	$16,466
Accrued expenses	4,483	4,922	44,736
Other	643	2,333	6,431
	¥6,776	¥8,881	$67,633

11. LONG-TERM DEBT

At March 31, 2008 and 2007 long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Unsecured loans from banks and others, at interest rates ranged 1.05% to 5.46%,maturing from serially through 2013	25,314	25,353	252,636
	25,314	25,353	252,636
Less current portion	(7,906)	(10,314)	(78,899)
	¥17,408	¥15,039	$173,737

Long-term debt payments fall due after March 31, 2008 as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2009	¥ 7,906	$78,899
2010 and thereafter	17,408	173,737
	¥25,314	$252,636

12. CONSOLIDATED RETAINED EARNINGS

Retained earnings on a consolidated basis consists of legal reserve and retained earnings in accordance with provisions of the Companies Act of Japan, the Company has provided a legal reserve as an appropriation of retained earnings. The Code provides that neither additional paid-in capital nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to stated capital (common stock) by resolution of the Board of Directors. Legal reserve in the accompanying consolidated financial statement includes only that of the Company. The Company's equity in the legal reserve of its consolidated subsidiaries is included in retained earnings in the accompanying consolidated financial statement.

Retained earnings of the Company and its consolidated subsidiaries include certain special reserve for the purpose of obtaining tax benefits in accordance with the Special Taxation Law of Japan.

13. CONTINGENT LIABILITIES

At March 31, 2008 and 2007, the Company and its subsidiaries had the following contingent liabilities:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
As guarantor of indebtedness of non-consolidated subsidiaries, affiliates and others	¥138	¥161	$1,382

14. AMOUNTS PER SHARE

Net income per share is based on the weighted average number of shares of common stock outstanding during the year.

Cash dividends per share attributable to the period represent dividends declared as applicable to the year.

Net assets per share is based on the number of shares outstanding at year-end.

Amounts per share of net income and cash dividends for the year ended March 31, 2008 and 2007, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Net income	¥85.15	¥75.43	$0.850
Cash dividends	¥20.00	¥20.00	$0.200

15. SEGMENT INFORMATION

The operations of the Company and its consolidated subsidiaries for the years ended March 31, 2008 and 2007 were summarized by industry segment as follows:

	Millions of yen					
Year ended March 31, 2008	Chemicals	Agricultural chemicals	Pharmaceuticals	Other businesses	Elimination and corporate assets	Consolidated
Sales						
Outside customers	¥112,345	¥36,366	¥8,191	¥12,270	¥ –	¥169,172
Inter-segment	1,867	1,067	–	12,014	(14,948)	–
Sub-total	114,212	37,433	8,191	24,284	(14,948)	169,172
Operating costs and expenses	97,457	33,394	4,520	23,847	(14,814)	144,404
Operating income	¥ 16,755	¥ 4,039	¥3,671	¥ 437	(¥ 134)	¥ 24,768
Identifiable assets	¥114,619	¥46,777	¥5,977	¥12,902	(¥7,615)	¥172,660
Depreciation and amortization	7,898	1,183	229	421	–	9,731
Capital expenditures	8,830	1,417	283	383	–	10,913

	Millions of yen					
Year ended March 31, 2007	Chemicals	Agricultural chemicals	Pharmaceuticals	Other businesses	Elimination and corporate assets	Consolidated
Sales						
Outside customers	¥ 94,938	¥62,686	¥6,545	¥10,182	¥ –	¥174,351
Inter-segment	5,427	334	1	13,642	(19,404)	–
Sub-total	100,365	63,020	6,546	23,824	(19,404)	174,351
Operating costs and expenses	85,423	59,678	4,650	23,287	(19,532)	153,506
Operating income	¥ 14,942	¥ 3,342	¥1,896	¥ 537	¥ 128	¥ 20,845
Identifiable assets	¥120,627	¥46,528	¥5,017	¥12,620	(¥7,455)	¥177,337
Depreciation and amortization	5,616	3,511	183	384	–	9,694
Capital expenditures	9,824	1,649	87	510	–	12,070

	Thousands of U.S. dollars					
Year ended March 31, 2008	Chemicals	Agricultural chemicals	Pharmaceuticals	Other businesses	Elimination and corporate assets	Consolidated
Sales						
Outside customers	$1,121,210	$362,935	$81,746	$122,454	$ –	$1,688,345
Inter-segment	18,635	10,650	–	119,899	(149,184)	–
Sub-total	1,139,845	373,585	81,746	242,353	(149,184)	1,688,345
Operating costs and expenses	972,620	333,273	45,112	237,998	(147,841)	1,441,162
Operating income	$ 167,225	$ 40,312	$36,634	$ 4,355	($ 1,343)	$ 247,183
Identifiable assets	$1,143,903	$466,841	$59,646	$128,763	($75,995)	$1,723,158
Depreciation and amortization	78,825	11,805	2,285	4,198	–	97,113
Capital expenditures	88,119	14,140	2,822	3,823	–	108,904

Overseas operations, which represent sales to customers outside of Japan of the Company and its consolidated subsidiaries for the years ended March 31, 2008 and 2007, were as follows:

	Millions of yen				
	Asia	Others	Total	Consolidated net sales	Weight of overseas net sales
Year ended March 31, 2008	¥ 35,200	¥9,981	¥45,181	¥169,172	26.7
Year ended March 31, 2007	30,635	9,775	40,410	174,351	23.2

	Thousands of U.S. dollars			
	Asia	Others	Total	Consolidated net sales
Year ended March 31, 2008	$351,294	$99,612	$450,906	$1,688,345

Division of country or region is decided by geographical proximity.

Major countries or areas in the respective divisions.

(a) Asia: Asia, Oceania

(b) Others: North America, Latin America, Europe, Africa

16. SUBSEQUENT EVENT

1) The following appropriations of retained earnings were approved at a shareholders' meeting held on June 28, 2008:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥10.00=$0.100 per share)	¥1,798	$17,941
Bonuses to directors and statutory auditors	103	1,028

2) On May 15, 2008, the Company's board of directors approved a resolution, outlining a plan to purchase the Company's shares.

Content of acquisition

1. Class of shares: Common stock
2. Aggregate number of shares purchased: 3,800,000 shares
3. Aggregate purchase amount: ¥5,000 million ($49,900 thousand)
4. Period of purchase: From May 15, 2008 to July 31, 2008

Result of execution

1. Period of purchase: From May 15, 2008 to June 10, 2008
2. Aggregate number of shares purchased: 3,606,000 shares
3. Aggregate purchase amount : ¥4,999 million ($49,895 thousand)

INDEPENDENT AUDITORS' REPORT

Yaesu Audit Company

5-17, Yaesu 1-chome, Chuo-ku, Tokyo 103-0028, Japan Phone: +(81)-3-3242-1351 Fax: +(81)-3-3242-1353

Independent Auditor's Report

To the Board of Directors
Nissan Chemical Industries, Ltd.

We have audited the accompanying consolidated balance sheets of Nissan Chemical Industries, Ltd. and its consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management.
Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nissan Chemical Industries, Ltd. and its consolidated subsidiaries as of March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

We have also reviewed the translation the 2007 financial statements into U.S. dollars on the basis described in Note 3.
In our opinion, such statements have been properly translated on such basis.

Additional Information

As described in Note 16.2), the Company 's board of directors approved a resolution, outlining a plan to purchase the Company's shares.

Yaesu Audit Company

Yaesu Audit Company

Tokyo,Japan
June 27,2008

CORPORATE PROFILE

Corporate Name	Nissan Chemical Industries, Ltd.
Head Office	7-1, Kanda Nishiki-cho 3-chome, Chiyoda-ku, Tokyo 101-0054, Japan TEL: 03-3296-8320 FAX: 03-3296-8210
Founded	1887
Common Stock	181,000,000 shares ¥18,942 million
Number of Shareholders	14,516
Number of Employees	1,614
Stock Listing	Tokyo Stock Exchange
Transfer Agent	The Chuo Mitsui Trust and Banking Co., Ltd. 33-1, Shiba 3-chome, Minato-ku, Tokyo 105-8574, Japan

BOARD OF DIRECTORS AND CORPORATE AUDITORS

Chairman	Nobuichiro Fujimoto
President	Kojiro Kinoshita
Vice President	Toshimasa Umehara
Senior Managing Directors	Ryozo Sakoda Yutaka Niitsu Suketoshi Tsukamoto
Managing Directors	Takashi Ikai Shin-ichi Yuki Jun-ichi Miyazaki
Directors	Shigeru Katayanagi Ken-ichiro Yashiro Shiro Oteki Hiroyoshi Fukuro Kiminori Hirata Misao Miyamoto Kazuhiro Yagisawa Toyoji Koinuma Mitsuaki Sakashita
Corporate Auditors	Yoriaki Sakata Shun-ichi Nobori Katsumi Akita Fumihiko Ishizuka

DIRECTORY OF
NISSAN CHEMICAL

OFFICES

Head Office
7-1, Kanda Nishiki-cho 3-chome,
Chiyoda-ku, Tokyo 101-0054
Tel: 03-3296-8111

Sapporo Sales Office
Maruito Sapporo Building
1-1, Kita Nijyo Nishi, Chuo-ku, Sapporo
Tel: 011-251-0261

Sendai Sales Office
Sumitomo Sendai Ichibancho Building
2-7-12, Ichibanch, Aoba-ku, Sendai 980-0811
Tel: 022-266-4311

Nagoya Sales Office
Nagoya KS Building
3-1-18, Taiko, Nakamura-ku, Nagoya 453-0801
Tel: 052-452-8623

Osaka Sales Office
Osaka Daiichi Seimei Building
1-8-17 Umeda, Kita-ku, Osaka 530-0001
Tel:06-6346-7200

Fukuoka Sales Office
JPR Hakata†Building
1-4-4 Hakata Ekimae, Hakata-ku, Fukuoka 812-0011
Tel: 092-432-3421

PLANTS

Sodegaura Plant
11-1, Kitasode, Sodegaura, Chiba 299-0266
Tel: 0438-63-2341

Saitama Plant
235-1, Aza Nishidai, Oaza Jimbohara,
Kamisato-cho, Saitama 369-0305
Tel: 0495-34-2810

Saitama Plant Kazo Works
1-11-3, Minami Shinozaki, Kazo-shi, Saitama 347-0017
Tel: 0480-65-0231

Toyama Plant
635 Sasakura, Fuchu-machi, Toyama 939-2792
Tel: 076-433-9602

Nagoya Plant
7, Tsukiji-cho, Minato-ku, Nagoya 455-0045
Tel: 052-661-1676

Onoda Plant
6903-1, Oaza Onoda, Sanyoonoda,
Yamaguchi 756-0093
Tel: 0836-83-2800

LABORATORIES

Chemical Research Laboratories
722, Tsuboi-cho, Funabashi, Chiba 274-8507
Tel: 0474-65-1112

Electronic Materials Research Laboratories
488-6, Suzumi-cho, Funabashi, Chiba 274-0052
Tel: 047-774-0200

Specialty Materials Research Laboratories
11-1, Kitasode, Sodegaura, Chiba 299-0266
Tel: 0438-64-2881

Biological Research Laboratories
1470, Oaza Shiraoka, Shiraoka-cho,
Minami Saitama-gun, Saitama 349-0294
Tel: 0480-92-2513

ORGANIZATION

- General Meeting of Shareholders
  - Board of Directors
    - President
      - Executive Committee
      - Chemicals General Headquarters
      - Electronic Materials Division
      - Agricultural Chemicals Division
      - Pharmaceuticals Division
      - Advanced Materials & Planning Dept
      - Purchasing Dept
      - Corporate Planning Dept
      - Personnel Dept
      - Corporate Administration Dept
      - Information Systems Dept
      - Technology Division
      - Patents & Information Dept
      - Research Promotion & Coordination Dept
      - Risk Management Division
      - Sodegaura Plant
      - Saitama Plant
        - Kazo Works
      - Toyama Plant
      - Nagoya Plant
      - Onoda Plant
      - Chemical Research Laboratories
      - Electronic Materials Research Laboratories
      - Specialty Materials Research Laboratories
      - Biological Research Laboratories
  - Board of Auditors

GROUP NETWORK

DOMESTIC GROUP (Consolidated)

Nissei Corporation
1-10-5, Nihonbashihon-cho, Chuo-ku, Tokyo 103-0023
Tel: 03-3241-2548
◆ Sales of chemical products and insurance and real estate

Nissan Butsuryu Co., Ltd.
1-10-5, Nihonbashihon-cho, Chuo-ku, Tokyo 103-0023
Tel: 03-5255-6901
◆ Transportation

Nissan Green & Landscape Co., Ltd.
3-16-9, Utikanda, Chiyoda-ku, Tokyo 101-0047
Tel: 03-3256-4031
◆ Landscaping and civil engineering

Nissan Engineering, Ltd.
1-28-6, Kameido, Koto-ku, Tokyo 136-0071
Tel: 03-3636-7578
◆ Plant engineering services

Environmental Technical Laboratory, Ltd.
2-11-7, Kohoku, Adachi-ku, Tokyo 123-0872
Tel: 03-3898-6643
◆ Envirionmental preservation consulting

Chemical Service, Co., Ltd.
12-17, Goiminamikaigan, Ichihara-shi, Chiba 290-0045
Tel: 0436-22-2110
◆ Distillation and refining of chemical products

Nissan Kenzai Co., Ltd.
635 Sasakura, Fuchu-mati, Toyama-shi,
Toyama 939-2753
Tel: 0764-65-6300
◆ Construction materials

Nihon Hiryo Co., Ltd.
1-10-5, Nihonbashihon-cho, Chuo-ku, Tokyo 103-0023
Tel: 03-3241-4231
◆ Fertilizers

OVERSEAS GROUP (Consolidated)

Nissan Chemical America Corporation
10777 Westheimer, Suite 830 Houston, TX77042, U.S.A.
Tel: 713-532-4745
◆ Chemicals and pharmaceuticals

Nissan Chemical Houston Corporation
12330 Bay Area, Boulevard, Pasadena, TX77507, U.S.A.
Tel: 281-291-0200
◆ Chemicals

Nissan Chemical Europe S.A.R.L
Parc d'affaires de Crécy 2, rue Claude Chappé
69370 St-Didier-au-Mont-d'Or France
Tel: 33-4-37-64-40-20
◆ Agrochemicals

NCK Co., Ltd.
401, Chupal-ri, Paengsung ub Pyongtaek City, Korea
Tel: 031-691-7044
◆ Chemicals

DOMESTIC GROUP (Under the equity method)

Nissei Service Corporation
1-10-5, Nihonbashihon-cho, Chuo-ku, Tokyo 103-0023
Tel: 03-5255-0701
◆ Agrochemicals for golf course and sales of maintenance equipment

Sun Agro Co., Ltd.
1-10-5, Nihonbashihon-cho, Chuo-ku, Tokyo 103-0023
Tel: 03-3510-3601
◆ Fertilizers and agrochemicals

Sud-Chemie Catalysts Japan, Inc.
2-1-1, Yoyogi, Shibuya-ku, Tokyo 151-0053
Tel: 03-5308-9300
◆ Catalysts for petrochemical and petroleum products

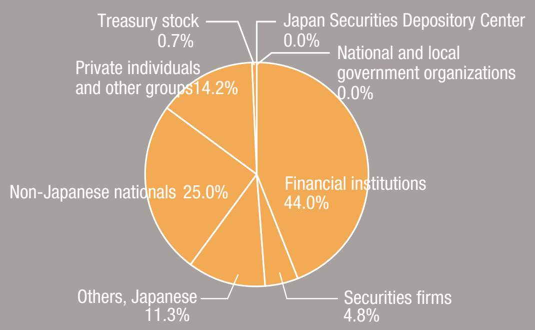
STOCK INFORMATION

As of March 31, 2008

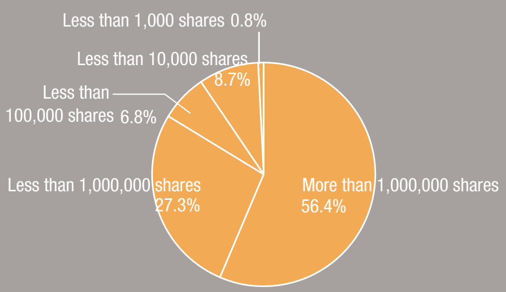
Total Number of Authorized Shares	**360,000,000**
Shares of Common Stock Issued	**181,000,000**
Shareholders	**14,516**

Major Shareholders (top five companies)	Number of Shares held (thousands)	Percentage of total shares in issue (%)
Japan Trustee Services Bank, Ltd.	17,845	9.9
Japan Master Trust Bank, Ltd. (Trust Account)	13,429	7.4
Mizuho Trust & Banking Co., Ltd. (Employee Retirement Benefit Trust of Mizuho Corporate Bank) new trust custodian: Trust & Custody Services Bank, Ltd.	7,378	4.1
SOMPO JAPAN INSURANCE INC.	4,850	2.7
The Norinchukin Bank	4,800	2.7

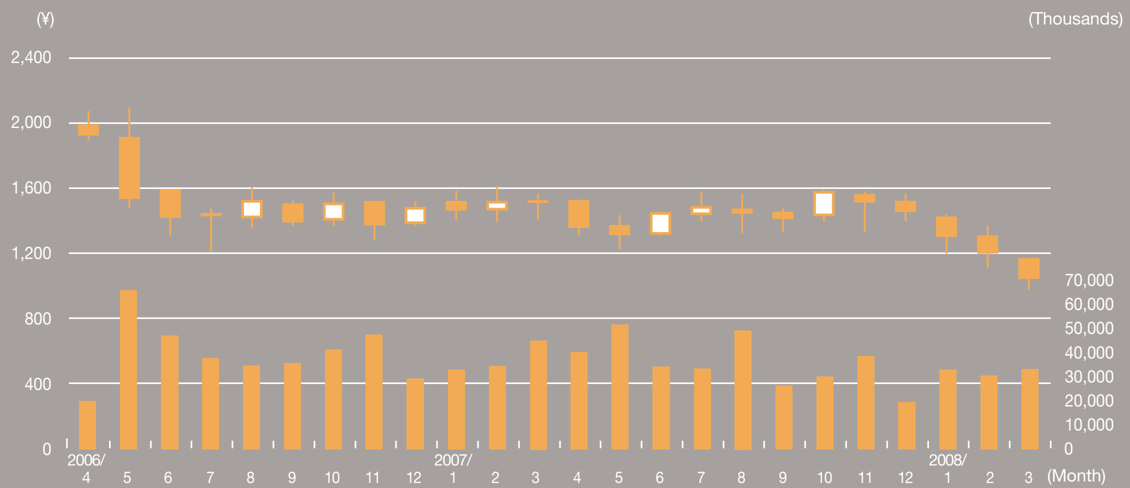
Breakdown of shareholders by type



Breakdown by number of shares held



Stock Quote and Chart (April 2006—March 2008)



NISSAN CHEMICAL INDUSTRIES, LTD.

www.nissanchem.co.jp

Printed in Japan