

Annual Report 2009

For the year ended March 31, 2009



Nissan Chemical Industries, Ltd.



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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's 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, 2009 and 2008

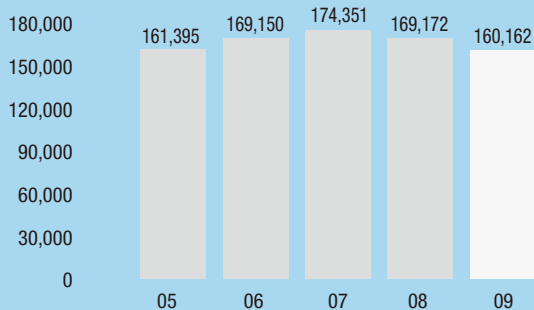
Consolidated	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Net sales	¥ 160,162	¥ 169,172	\$ 1,629,982
Net income	10,053	15,503	102,307
Equity	95,672	100,064	973,667
Amounts per share (in yen and U.S. dollars):			
Net income	¥ 57.26	¥ 85.15	\$ 0.58
Equity	555.14	556.63	5.65

Non-Consolidated

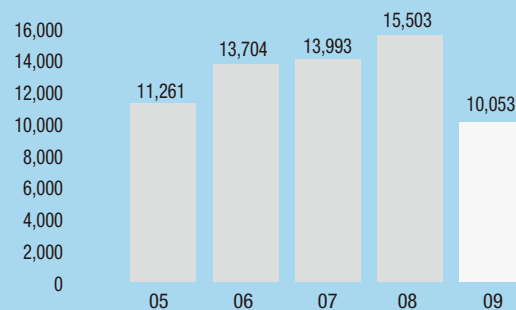
	Millions of Yen	Thousands of U.S. Dollars
Net sales	¥ 117,797	\$ 1,198,829
Net income	7,957	80,975
Equity	85,632	871,486
Amounts per share (in yen and U.S. dollars):		
Net income	¥ 45.32	\$ 0.46
Equity	496.88	5.06

Note: The U.S. dollar amounts in this report are given for convenience only and represent translations of Japanese yen at the rate of ¥98.26 to U.S. \$1, the rate prevailing at the end of the term.

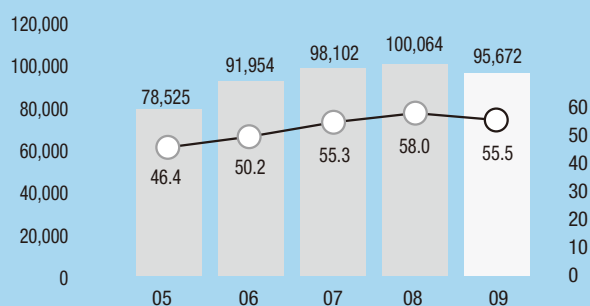
Net Sales (Millions of Yen)



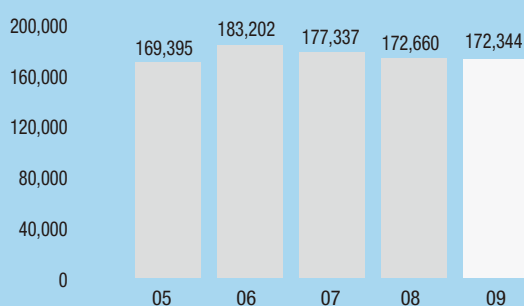
Net Income (Millions of Yen)



Equity (Millions of Yen) / Equity Ratio (%)



Total Assets (Millions of Yen)





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.

A year has passed since the Nissan Chemical Group launched Stage II of the Vista 2010 medium-term business plan under the slogan "Stepping-stones for Real Growth." Stage II is the second and final part of the plan covering the three-year period from FY2009 to FY2011. During the past year, however, the business environment surrounding the Group has changed dramatically as a financial crisis that originated in the U.S. last summer spread into the real economy.

Business performance in the fiscal year ended March 31, 2009, the first year of Stage II, fell substantially short of the projections contained in the plan owing to a decrease in sales in the Chemicals segment, especially sales of products related to electronic materials.

The adverse circumstances notwithstanding, there will be no change in the basic policies that are the foundation for Vista 2010, and we will continue to mount an all-out effort to steadily implement initiatives to address business issues. At the same time, the current situation makes it necessary to push back the timeframe for achievement of the numerical targets in Vista 2010. Based on current assumptions that full-scale economic recovery will be slow in coming, we intend to focus on priorities for the next medium-term business plan, including clarification of the future business direction through rigorous verification of the competitive strength of key products, the Group's fundamental strengths and reinforcement of new product development through enhancement of planning capabilities. As a Value-Creating Enterprise with world-class brands, we will undertake sustained growth and expansion—even in the continuing difficult circumstances—by accelerating measures for further reinforcement of the business foundation.

We request the continued understanding and support of our shareholders in the coming years.



Kojiro Kinoshita, *President*



MEDIUM-TERM BUSINESS PLAN:

VISTA 2010 STAGE II

STEPPING STONES FOR REAL GROWTH

BASIC POLICIES IN VISTA 2010

Vista 2010 envisions the realization of a balanced business portfolio by means of continued growth in the Group's core business and technology sectors (organic materials, inorganic materials, and electronic materials), steady medium-term and long-term growth in agricultural chemicals and pharmaceuticals, and a stable earnings foundation provided by basic chemical products.

In Stage II we set forth three priorities: the establishment of an unshakable business foundation and acquisition of high market share for existing product lines, the vigorous creation of new businesses and products that will become sources of new growth, and the development of a business structure to make sustained growth possible.

To achieve these aims, the Group will continue with initiatives to build a foundation for growth implemented in the three-year Stage I period (FY2006–FY2008) while simultaneously reinforcing the R&D structure by upgrading research facilities and increasing the number of researchers. Amid this workforce expansion, personnel development is an urgent priority if we are to prevail in fiercely competitive markets, and we will reinforce new employee education to enable young employees to quickly begin contributing. We will also review our personnel systems, dispatch researchers to relevant organizations, and reinforce recruitment activity. Through these initiatives, we look forward to developing a powerful professional organization.

Important policies and measures for each business segment are described on the next two pages.

MEDIUM-TERM BUSINESS PLAN:

VISTA 2010 STAGE II

STEPPING STONES FOR REAL GROWTH

Chemicals

In the electronic materials business, an intense competition for survival is focusing on the development of next-generation products and the opening up of new markets. We will expand business by further upgrading facilities and test equipment at the Electronic Materials Research Laboratories to reinforce R&D capabilities. Another way is by developing new materials targeting the display, semiconductor, and environmental sectors. With regard to the key products ARC and SUNEVER, we will continue to pursue a high market share by accelerating development of next-generation product grades while continuously expanding manufacturing capacity.

In the organic and inorganic materials business, we will establish a supply structure to cope with increased demand for new applications for mainstay products such as SNOWTEX and TEPIC. Also, the creation of emerging new businesses and materials is essential to achieve further growth as a core business in Stage II. In our joint research with Kyushu University, we will engage in applied research by narrowing down the focus of research to more concrete areas; for instance, accelerating the application of organic nanoparticles to optical materials.

In the basic chemicals business, we foresee a continuation of adverse business conditions such as product price deterioration and declines in unit shipments due to the economic recession. We intend to rigorously evaluate market trends for key products alongside our own competitive strengths and devise measures to deal with these issues. We will also undertake further sales expansion for AdBlue and other products for which market expansion can be expected, and develop a structure for earning stable profits.

Agricultural Chemicals

In the agricultural chemicals business, markets in Japan and overseas are contracting, and competition with Japanese and foreign manufacturers has intensified. At the same time, concerns about the consumer safety of agricultural chemicals and interest in traceability (production and distribution history) are increasing, and it is essential to develop and introduce products that meet the dual needs of farmers and consumers. For this reason, we will implement a full-scale global business development and sales expansion program for LEIMAY and STARMITE, products introduced in FY2009. We will also proceed with development of a paddy rice herbicide (NC-620) and other new chemicals currently under development.

Pharmaceuticals

In the pharmaceuticals business, we will focus on early market introduction in Europe and North America of LIVALO, which is currently being sold in Japan and parts of Asia. We will also aim for early market introductions of new drugs that are now in the clinical development stage, notably therapeutic agents for chronic artery obstruction (NM-702 and NT-702) and an antiarrhythmic agent (NTC-801).

MEETING EXPECTATIONS

Through these policies and measures, the Nissan Chemical Group aims to meet the expectations of our shareholders by delivering steady business results. In keeping with the corporate philosophy “Contribute to society while maintaining harmony with the environment through outstanding technologies, products, and services,” we will focus our combined strengths to become a corporate group with a powerful market presence that is trusted by all its stakeholders. We will do so by actively discharging corporate social responsibilities by improving management transparency, reinforcing compliance systems, and by emphasizing environmental and social contributions.



Chemicals

Agricultural
Chemicals

Pharmaceuticals

Other
Businesses

REVIEW OF OPERATIONS

CHEMICALS

Business Overview

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

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, which 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

Both market prices and shipment volumes for key basic chemical products, such as melamine and ammonia, shifted to a downward trend in step with a steep decline in the prices of naphtha and other raw materials, which began to slide in the fall of 2008 under the impact of the global economic recession. This contrasted with a year-on-year increase in sales of ADBLUE, a high-grade aqueous urea solution. We anticipate further growth in demand for this product, which is used to reduce emission levels in exhaust gases from diesel vehicles.

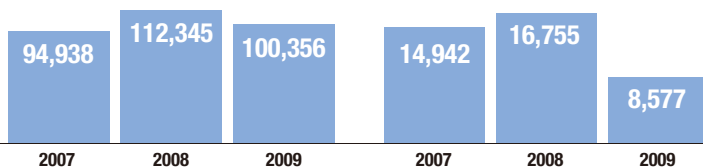
Sales of functional products were affected by major production cutbacks by semiconductor and LCD manufacturers after the fall of 2008. This resulted in lower sales of key products, including ARC, an anti-reflective coating for semiconductors, SUNEVER, a polyimide used in liquid crystal displays, SNOWTEX, which is used as an abrading agent for electronic materials and as a surface treatment agent for other materials, and TEPIC, a special epoxy resin used as a sealant.

Net sales in this segment amounted to ¥100,356 million, a year-on-year decline of ¥11,988 million. Operating income was ¥8,178 million lower at ¥8,577 million.

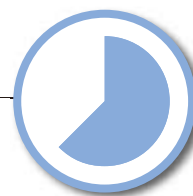


NET SALES (MILLIONS OF YEN)

OPERATING INCOME (MILLIONS OF YEN)



SALES RATIO BY SEGMENT

62.6%

Main Products

[SUNEVER]

SUNEVER is a polyimide resin for coating 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 other 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 finishes 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 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 Canyon Group LLC established in 2004 as a joint venture with Gowan Company in the United States.

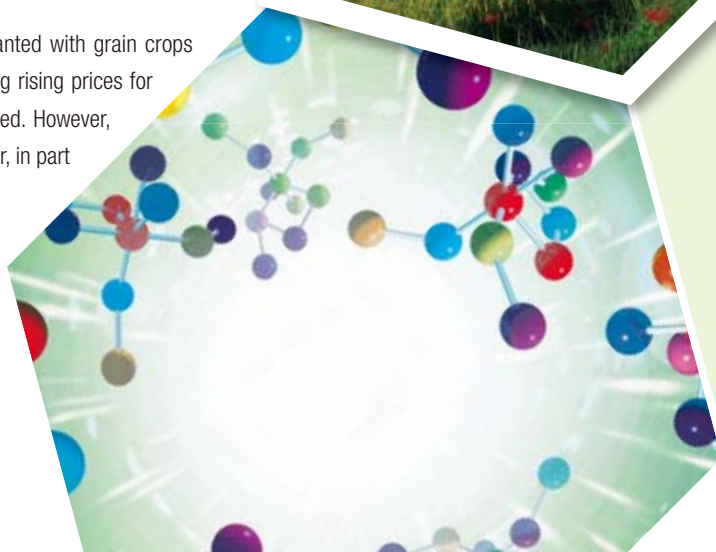
In 2008 and 2009, the new fungicide LEIMAY and insecticide STARMITE were launched. We will put our efforts into the creation of new agricultural chemicals that are active, safe and pose less of an environmental load for a wide range of major world crops while quickly corresponding to the market needs and the environmental changes in the agricultural industry.

Business Performance

In the Japanese market for agricultural chemicals, we continued to face fierce competition from major European and American manufacturers. The market environment was also affected by the ongoing debate about aspects of agricultural policy, including calls for an increase in Japan's food self-sufficiency and a review of the policy of reducing areas under cultivation. Sales of the rice-paddy herbicide SIRIUS, and the miticide SANMITE fell below the previous year's levels. However, sales were boosted by the launch of the fungicide LEIMAY and the miticide STARMITE in the current year, and by increased shipments of the non-selective herbicide ROUNDUP.

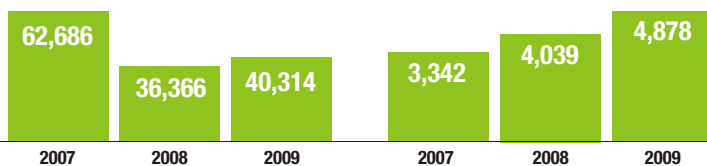
In overseas markets, the impact of a decline in the area planted with grain crops for bioethanol production was offset by other factors, including rising prices for agricultural products, and the overall size of markets expanded. However, sales of the dry-field herbicides TARGA and PERMIT were lower, in part because of abnormal weather patterns in North America.

Net sales in this segment increased by ¥3,947 million over the previous year's level to ¥40,314 million. Operating income was ¥838 million higher at ¥4,878 million.

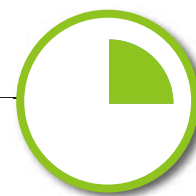


NET SALES (MILLIONS OF YEN)

OPERATING INCOME (MILLIONS OF YEN)



SALES RATIO BY SEGMENT

25.2%

Main Products

[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.

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

[STARMITE]

Launched onto the market in 2009, this insecticide is highly active and effective against spider mites at all stages. It is suitable for use with a variety of crops, including apples, citrus fruit and tea.

[LEIMAY]

This fungicide was brought to market in 2008. It is highly effective in the prevention of downy mildew, blight and other major diseases affecting vegetables and potatoes. In addition, it is extremely safe for human beings, livestock and the environment.



REVIEW OF OPERATIONS

PHARMACEUTICALS

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 pharmaceutical 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 in Asian countries.

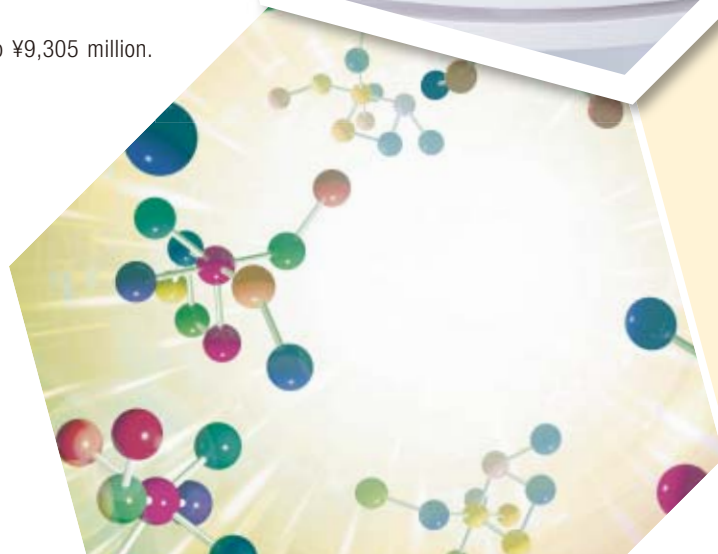
Concerning the new drug development pipeline, a therapeutic agent for peripheral arterial disease (NM/NT/INDI-702) is in the process of clinical development in Japan and in the United States. Clinical development of a therapeutic and preventive drug for atrial fibrillation and flutter (NTC-801) started 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 our strategic chemical library, the state-of-the-art evaluation technology and precise organic synthesis technology.

Business Performance

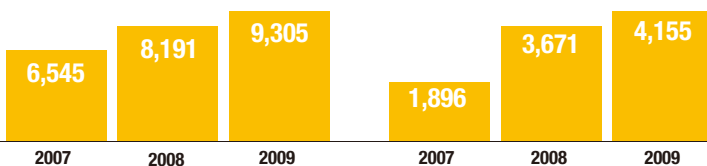
Sales of LANDEL, which is used to treat hypertension and angina, were similar to the previous year's result. However, shipments of bulk for the hyperlipidemia drug LIVALO increased in step with the expansion of the product's market share in medical institutions. There was also a one-off contract payment resulting from the signing of a licensing agreement with the U.S. company Bristol-Myers Squibb concerning the arrhythmia drug NTC-801, which is being developed in Japan in collaboration with Teijin Pharma Limited.

Net sales in this segment increased by ¥1,113 million to ¥9,305 million. Operating income was ¥484 million higher at ¥4,155 million.



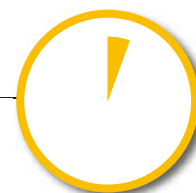
NET SALES (MILLIONS OF YEN)

OPERATING INCOME (MILLIONS OF YEN)



SALES RATIO BY SEGMENT

5.8%



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 for hypertension and angina pectoris. In addition, the agent is expected to show renal protective and 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 associated 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. INDIGO is preparing to begin Phase III clinical trials for intermittent claudication.

[NTC-801]

NTC-801 is a new antiarrhythmic agent that inhibits the acetylcholine-activated potassium channel current (IKAch). Because IKACH channel activity is apparent in the atria but not in the ventricle, NTC-801 has the potential to be an atrial selective agent for the treatment of atrial fibrillation. In Japan, NTC-801 is currently under clinical development with Teijin Pharma Limited. Outside of Japan, we have executed a licensing agreement with Bristol-Myers Squibb Company, and have granted Bristol-Myers Squibb exclusive development and marketing rights worldwide, except in Japan.

[New Therapeutic Agent for Thrombocytopenia]

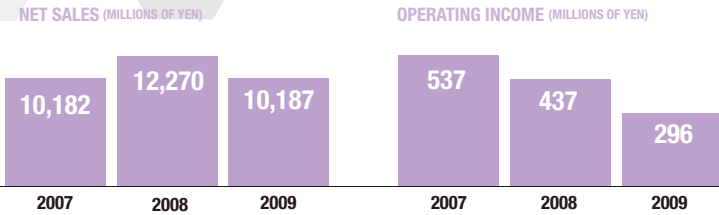
This is an orally active agent which may increase platelet count by activating a receptor of thrombopoietin. We and Ono Pharmaceuticals Co., Ltd. entered into a license agreement in December 2007, and are jointly developing the agent worldwide.





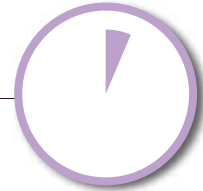
REVIEW OF OPERATIONS

OTHER BUSINESSES



SALES RATIO BY SEGMENT

6.4%



Business Performance

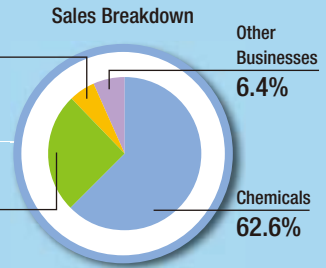
Business conditions were challenging. Orders were lower in several categories, including landscaping, tree-planting and logistics, and unit prices also declined.

Net sales in this segment amounted to ¥10,187 million, a year-on-year decline of ¥2,082 million. Operating income declined by ¥139 million to ¥296 million.



REVIEW OF OPERATIONS

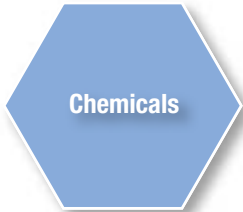
OVERVIEW OF SEGMENTS



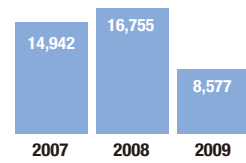
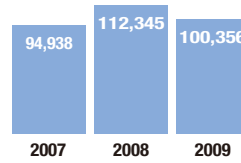
Main Products

Net Sales (Millions of Yen)

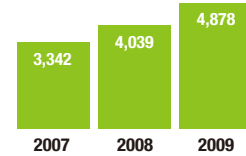
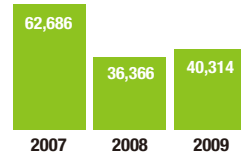
Operating Income (Millions of Yen)



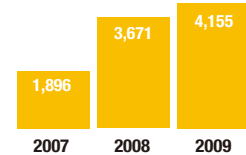
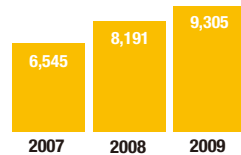
Basic chemicals
—Melamine, Ammonia derivatives, AdBlue
Organic/Inorganic materials
—TEPIC, SNOWTEX, FINETECH
Electronic materials
—SUNEVER, ARC, SNOWTEX, TEPIC



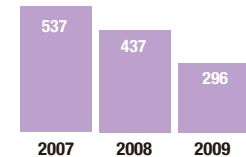
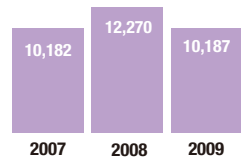
Herbicides
—SIRIUS, TARGA, PERMIT, ROUNDUP
Insecticides
—SANMITE, MITO-KOHNE, STARMITE
Fungicide
—LEIMAY



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



Landscaping
Environmental analysis
Transportation
Insurance agency
Real estate rental





RESEARCH & DEVELOPMENT

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 nanoparticles 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 2008–09, the new fungicide LEIMAY and insecticide STARMITE were launched. Additionally, we are advancing research on the effects, safety and manufacture of active ingredients for promising new chemicals.



RESEARCH AND DEVELOPMENT AREA

14

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 customers' needs, and continue pursuing our Dream of 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 an anti-arrhythmic agent (NTC-801) was 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 functions 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 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

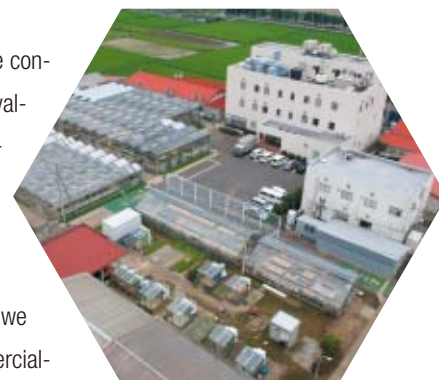
research on abrading agents and inorganic electrical conducting material research based on these sol. In addition, in the area of organic materials, we are promoting developmental research on the manufacturing and use of epoxy resin reforming agents and cross-linking agents for fine particle coatings.

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

Millions of Yen

CONSOLIDATED	2005	2006	2007	2008	2009
Net sales	¥ 161,395	¥ 169,150	¥ 174,351	¥ 169,172	¥ 160,162
Operating income	17,264	21,655	20,845	24,768	17,437
Net income	11,261	13,704	13,993	15,503	10,053
Total assets	169,395	183,202	177,337	172,660	172,344
Equity	78,525	91,954	98,102	100,064	95,672
Capital expenditure	6,634	9,231	12,070	10,913	13,940
Depreciation expense	9,603	9,877	9,694	9,731	10,206
Amounts per share (in yen):					
Net income per share	¥ 59.77	¥ 72.73	¥ 75.43	¥ 85.15	¥ 57.26
Equity per share	419.29	491.50	535.29	556.63	555.14
Financial ratios (%):					
Equity ratio	46.4	50.2	55.3	58.0	55.5
Return on equity	15.2	16.1	14.7	15.6	10.3
NON-CONSOLIDATED					
Net sales	¥ 101,801	¥ 110,019	¥ 114,352	¥ 123,937	¥ 117,797
Operating income	14,381	18,592	18,747	21,642	13,935
Net income	9,122	12,277	11,928	13,927	7,957
Total assets	137,515	145,157	154,642	151,991	150,488
Equity	74,262	85,692	89,512	90,873	85,632
Amounts per share (in yen):					
Net income per share	¥ 48.47	¥ 65.23	¥ 64.30	¥ 76.49	¥ 45.32
Equity per share	396.60	458.12	488.42	505.51	496.88
Cash dividends per share	11.0	15.0	20.0	20.0	22.0
Financial ratios (%):					
Equity ratio	54.0	59.0	57.9	59.8	56.9
Year-end statistics:					
Number of shareholders	18,296	14,300	14,981	14,516	14,651
Number of employees	1,502	1,502	1,558	1,614	1,657

FINANCIAL REVIEW



OVERVIEW

World economic conditions deteriorated in the year ended March 2009 under the impact of the financial crisis that rippled outward from the United States. By the summer of 2008, this crisis was beginning to affect the real economy, and many companies were forced to cut production in the face of shrinking demand and a slump in consumer spending. Symptoms of worsening economic turmoil included employment cutbacks and the postponement or freezing of capital investment. The path to economic recovery remained elusive throughout the period under review.

Net sales were lower across the entire chemicals segment. The declines were especially conspicuous in the area of electronic materials, including ARC, an anti-reflective coating for semiconductors, and SUNEVER, a polyimide used in liquid crystal

displays. Sales were higher year-on-year in the agricultural chemicals segment. Contributing factors included the launch of the fungicide LEIMAY and the miticide STARMITE, as well as increased sales of the non-selective herbicide ROUNDUP. Sales also increased in the pharmaceuticals segment, thanks to increased shipments of bulk for the hyperlipidemia drug LIVALO, and higher licensing royalties.

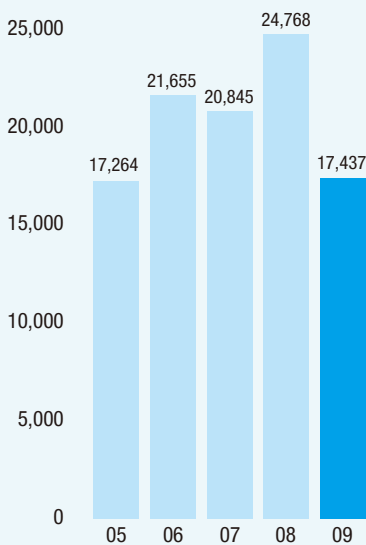
OPERATING RESULTS

Net sales for the year ended March 2009 amounted to ¥160,162 million, a year-on-year decline of ¥9,010 million, or 5.3%. Ordinary income declined by ¥7,556 million, or 30.9%, to ¥16,890 million, and net income by ¥5,450 million, or 35.2%, to ¥10,053 million.

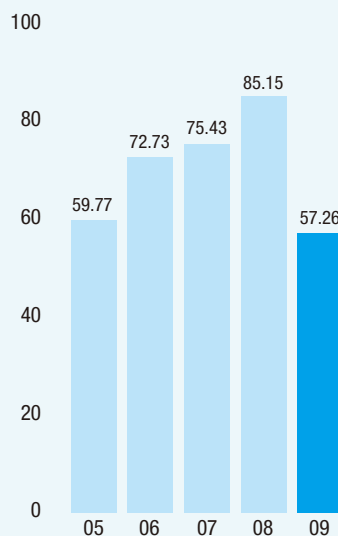
FINANCIAL POSITION

Despite an increase in tangible fixed assets resulting from capital

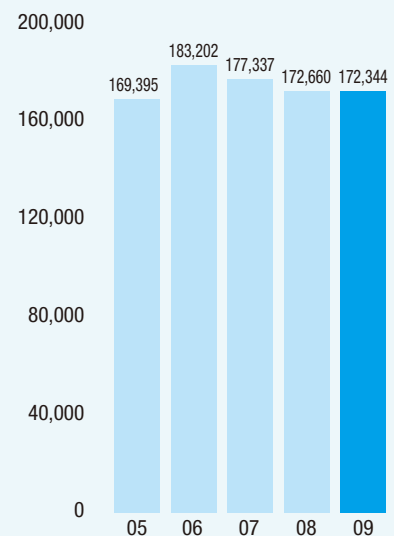
Operating Income (Millions of Yen)



Net Income per Share (Yen)



Total Assets (Millions of Yen)



investment, total assets were ¥315 million below the level at the end of the previous fiscal year at ¥172,344 million. The lower figure reflects reductions in trade receivables and investment securities.

Total liabilities were ¥4,113 million higher year-on-year at ¥75,567 million. Reasons included an increase in interest-bearing debt.

Net assets declined by ¥4,429 million to ¥96,777 million because of reductions in share repurchasing and valuation and exchange gains. As a result, the shareholders' equity ratio fell by 2.5 percentage points to 55.5%.

CASH FLOW ANALYSIS

Net cash provided by operating activities amounted to ¥14,635 million.

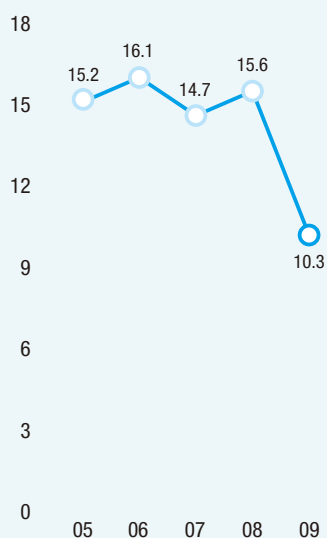
This figure was calculated by deducting tax payments from increases and decreases in net income, depreciation and operating capital.

Net cash used in investing activities amounted to ¥11,041 million. This figure consists primarily of capital investment in the chemical segment and other areas.

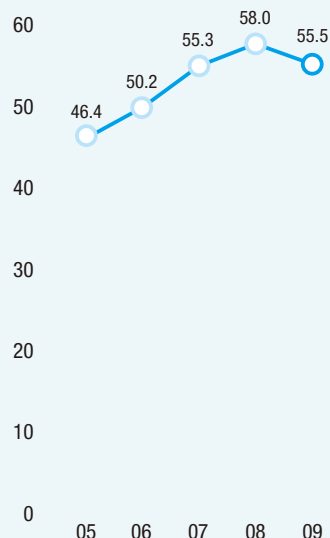
Net cash used in financing activities amounted to ¥830 million. Share repurchasing, dividend payments and other items were offset by an increase in borrowing.

After adjustment for the ¥731 million effect of exchange rate movements, cash and cash equivalents as of March 31, 2009 amounted to ¥9,672 million. This is ¥2,033 million higher than at the end of the previous fiscal year.

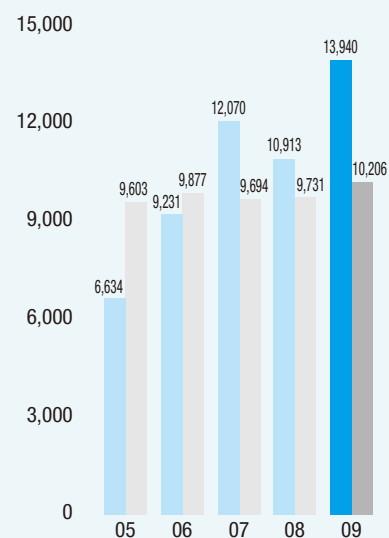
Return on Equity (%)



Equity Ratio (%)



Capital Investment/
Depreciation Expense (Millions of Yen)





FINANCIAL STATEMENTS CONSOLIDATED BALANCE SHEETS

Nissan Chemical Industries, Ltd. and its Consolidated Subsidiaries
Years ended March 31, 2009 and 2008

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2009	2008	2009
Current assets:			
Cash and time deposits	¥ 9,672	¥ 7,639	\$ 98,430
Notes and accounts receivable:			
Trade	51,262	58,405	521,701
Less allowance for doubtful receivables	(19)	(18)	(191)
Inventories (Note 6)	30,948	26,659	314,955
Deferred taxes—current	2,322	2,393	23,626
Other current assets	4,309	3,306	43,863
Total current assets	98,494	98,384	1,002,384
Investments and advances:			
Investment in securities (Note 5)	12,788	17,561	130,148
Investments in and advances to non-consolidated subsidiaries and affiliates	5,391	4,822	54,861
Long-term loans	68	34	692
Other investments	1,192	1,148	12,137
Less allowance for doubtful receivables	(257)	(342)	(2,617)
Total investments and advances	19,182	23,223	195,221
Property, plant and equipment, at cost (Note 7):			
Land	9,602	9,646	97,723
Buildings and structures	45,560	44,127	463,673
Machinery and equipment	120,459	115,376	1,225,918
Leased assets	23	—	231
Construction in progress	3,736	1,291	38,023
Less accumulated depreciation	(127,721)	(121,539)	(1,299,831)
Total property, plant and equipment	51,659	48,901	525,737
Other assets			
Deferred taxes—non-current	1,101	421	11,205
Intangible assets	812	714	8,268
Other	1,096	1,017	11,148
Total assets	¥ 172,344	¥ 172,660	\$ 1,753,963

LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2009	2008	2009
Current liabilities:			
Short-term bank loans (Note 8)	¥ 17,493	¥ 9,096	\$ 178,032
Current portion of long-term debt (Note 11)	8,327	7,906	84,749
Notes and accounts payable:			
Trade	13,426	19,118	136,636
Construction	5,698	2,452	57,991
Accrued income taxes	549	5,812	5,584
Accrued expenses and other current liabilities (Note 10)	7,612	6,776	77,460
Deffered taxes-current	3	—	32
Total current liabilities	53,108	51,160	540,484
Long-term liabilities:			
Long-term debt (Note 11)	19,649	17,408	199,972
Accrued retirement benefits	611	485	6,219
Other long-term liabilities	2,199	2,400	22,380
Total long-term liabilities	22,459	20,293	228,571
Contingent liabilities (Note 13)			
Net assets			
Shareholders' equity	18,942	18,942	192,775
Common stock, ¥50 par value:			
Authorized—360,000,000 shares;			
Issued and outstanding—174,000,000 shares			
Additional paid-in capital	13,612	13,612	138,527
Retained earnings	65,714	67,516	668,776
Treasury stock, at cost	(1,876)	(1,744)	(19,089)
Valuation and translation adjustments			
Valuation gain of investment securities after tax-effect	470	1,821	4,784
Adjustments on foreign currency statement translation	(1,190)	(83)	(12,106)
Minority interests	1,105	1,143	11,241
Total net assets	96,777	101,207	984,908
Total liabilities and net assets	¥ 172,344	¥ 172,660	\$ 1,753,963



CONSOLIDATED STATEMENTS OF INCOME

Nissan Chemical Industries, Ltd. and its Consolidated Subsidiaries
Years ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2009	2008	2009
Net sales	¥ 160,162	¥ 169,172	\$ 1,629,982
Cost of sales	107,249	109,095	1,091,479
Gross profit	52,913	60,077	538,503
Selling, general and administrative expenses	35,476	35,309	361,040
Operating income	17,437	24,768	177,463
Other income (expense):			
Interest and dividend income	630	731	6,413
Interest expenses	(655)	(586)	(6,661)
Gain on sale of marketable and investment securities	—	148	—
Write-down of marketable and investment securities	(1,410)	(768)	(14,349)
Gain on sale of property, plant and equipment	—	378	—
Loss on disposal of property, plant and equipment	(707)	(720)	(7,196)
Equity in earnings of non-consolidated subsidiaries and affiliates	356	322	3,620
Other, net	(171)	(95)	(1,745)
Income before income taxes	15,480	24,178	157,545
Income taxes (Note 9):			
Current	4,934	9,009	50,221
Deferred	308	(454)	3,137
Minority interests in consolidated subsidiaries	(185)	(120)	(1,880)
Net income	¥ 10,053	¥ 15,503	\$ 102,307



CONSOLIDATED STATEMENTS OF NET ASSETS

Nissan Chemical Industries, Ltd. and its Consolidated Subsidiaries
Years ended March 31, 2009 and 2008

	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, 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
Net income				10,053				
Cash dividends paid				(3,911)				
Treasury stocks acquired					(8,103)			
Disposal of treasury stocks	(7,000)			(7,944)	7,971			
Other						(1,351)	(1,107)	(38)
Balance at March 31, 2009	174,000	¥18,942	¥13,612	¥65,714	¥ (1,876)	¥ 470	¥ (1,190)	¥1,105

	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, 2008	181,000	\$192,775	\$138,527	\$687,118	\$(17,753)	\$ 18,532	\$ (840)	\$11,631
Net income				102,307				
Cash dividends paid				(39,804)				
Treasury stocks acquired					(82,460)			
Disposal of treasury stocks	(7,000)			(80,845)	81,124			
Other						(13,748)	(11,266)	(390)
Balance at March 31, 2009	174,000	\$192,775	\$138,527	\$668,776	\$(19,089)	\$ 4,784	\$(12,106)	\$11,241

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, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2009	2008	2009
Cash flows from operating activities:			
Net income	¥ 10,053	¥ 15,503	\$ 102,307
Depreciation	10,206	9,731	103,872
Decrease in accrued retirement benefits	127	14	1,297
Loss on disposal of property, plant and equipment	707	720	7,196
Provision for allowance for doubtful receivables	(81)	19	(823)
Reversal of accrued bonuses	84	24	854
Deferred income taxes	308	(454)	3,137
Increase (decrease) in notes and accounts receivable	6,596	272	67,123
Increase (decrease) in inventories	(4,635)	(4,503)	(47,173)
Increase (decrease) in other current assets	(1,093)	(707)	(11,125)
Increase (decrease) in notes and accounts payable	(5,300)	(3,006)	(53,936)
Increase (decrease) in accrued expenses and other	377	(231)	3,838
Increase (decrease) in other current liabilities	(113)	(952)	(1,146)
Other, net	(2,601)	2,543	(26,474)
Net cash provided by operating activities	14,635	18,973	148,947
Cash flows from investing activities:			
Payments for purchase of property, plant and equipment	(10,360)	(13,555)	(105,432)
Proceeds from sale of property, plant and equipment	36	463	368
Payments for purchase of intangible assets	(331)	(276)	(3,370)
Proceeds from sale of investments in securities	2,355	170	23,967
Payments for purchase of investments in securities	(1,272)	(485)	(12,942)
Other, net	(1,469)	(885)	(14,953)
Net cash used in investing activities	(11,041)	(14,568)	(112,362)
Cash flows from financing activities:			
Increase (decrease) in short-term bank loans	8,537	2,117	86,883
Increase in long-term debt	2,706	(33)	27,535
Cash dividends paid	(3,911)	(4,031)	(39,804)
Other, net	(8,162)	(5,251)	(83,060)
Net cash provided by financing activities	(830)	(7,198)	(8,446)
Effect of exchange rate changes on cash	(731)	(607)	(7,456)
Net increase (decrease) in cash and cash equivalents	2,033	(3,400)	20,683
Cash and cash equivalents at beginning of year	7,639	11,039	77,747
Cash and cash equivalents at end of year	¥ 9,672	¥ 7,639	\$ 98,430
Supplemental data:			
Cash paid during the year for —			
Income taxes	¥ 9,920	¥ 6,509	\$ 100,959
Interest	635	565	6,463

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 3 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 shareholder's 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 of 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 are stated at the lower of cost or net selling value, cost being determined primarily by the 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. The straight-line method is principally applied to the property, plant and equipment of consolidated foreign subsidiaries.

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. 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. 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.

(Supplementary information)

Effective the year March 31, 2008, the Company and its domestic consolidated subsidiaries changed their method accounting for depreciation of property, plant and equipment acquired on or after April 1, 2007. This change was made based on an amendment to the Corporation Tax Law of Japan.

The effect of this change for the year ended March, 2009 is immaterial.

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 2009, 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, 2008.

The assets of the pension plan were ¥12,814 million (\$130,411 thousand) and ¥15,866 million (\$161,472 thousand) at March 31, 2009 and 2008.

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, 2009 and 2008.

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. Leased assets

Leased assets arising from finance lease transactions which do not transfer ownership to the lessee are depreciated to a residual value of zero by the straight-line method using the contract term as the useful life.

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 ¥98.26 to U.S.\$1, the approximate exchange rate prevailing in the Tokyo Foreign Exchange Market at the end of March 2009.

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

(1) Accounting Policies Applied to Foreign Subsidiaries

Effective the year ended March 31, 2009, the Company and its foreign consolidated subsidiaries have adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No.18 issued on May 17, 2006).

There was no effect on income by this change.

(2) Lease Transactions

Up to the year ended March 31, 2008, finance lease transactions which do not transfer ownership to lessee were accounted for as operating leases.

Effective the year March 31, 2009, as the "Accounting Standard for Lease Transactions" (ASBJ Statement No.13 originally issued by the First Committee of the Business Accounting Council on June 17, 1993 and revised by the ASBJ on March 30, 2007) and the the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No.16 originally issued by the Accounting System Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994 and revised by the ASBJ on March 30, 2007) have been applied, lease transactions of the Company and its domestic consolidated subsidiaries are accounted for as finance leases if substantially all of the benefits and risk ownership have been transferred to the lessee.

Effective April 1, 2008, since the Company and its domestic consolidated subsidiaries applied the accounting standard for lease transactions outlined above, finance lease transactions outstanding at April, 2008 were recognized as the aggregate future minimum lease payments including the interest portion thereon) subsequent to March 31, 2008.

The effect of this change for the year ended March, 2009 is immaterial.

(3) Measurement of Inventories

Effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan (ASBJ) Statement No.9 issued on July 5, 2006).

As a result, Operating income, Ordinary income and Income before income taxes each decreased by ¥897 million (\$9,130 thousand).

5. INVESTMENTS IN SECURITIES

Investments in securities at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Listed securities	¥ 10,167	¥ 12,727	\$ 103,468
Other marketable securities	2,621	4,834	26,680
	¥ 12,788	¥ 17,561	\$ 130,148

6. INVENTORIES

Inventories at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Finished products and merchandise	¥ 18,474	¥ 16,772	\$ 188,011
Work in process	6,395	4,630	65,086
Raw materials and supplies	5,754	5,198	58,559
Others	325	59	3,299
	¥ 30,948	¥ 26,659	\$ 314,955

Total cost of inventories held as of March 31, 2009 and 2008, did not exceed their net realizable values.

7. DEPRECIATION

Depreciation expense of property, plant and equipment for the years ended March 31, 2009 and 2008 amounted to ¥10,206 million (\$103,872 thousand) and ¥9,731 million (\$99,030 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, 2009 and 2008 ranged principally from 0.96% to 1.17% and from 1.07% to 1.37%, respectively, and those in the USA at 1.55% and at 5.57%, respectively.

9. INCOME TAXES

Income taxes applicable to the Company and its subsidiaries for the two years ended March 31, 2009, 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, 2009.

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, 2009 and 2008 accrued expenses and other current liabilities consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Accrued bonuses	¥ 1,734	¥ 1,650	\$ 17,645
Accrued expenses	4,888	4,483	49,742
Other	990	643	10,074
	¥ 7,612	¥ 6,776	\$ 77,460

11. LONG-TERM DEBT

At March 31, 2009 and 2008 long-term debt consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Unsecured loans from banks and others, at interest rates ranged 1.05% to 5.46%, maturing from serially through 2013	27,976	25,314	284,721
	27,976	25,314	284,721
Less current portion	(8,327)	(7,906)	(84,749)
	¥ 19,649	¥ 17,408	\$ 199,972

Long-term debt payments fall due after March 31, 2009 as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 8,327	\$ 84,749
2011 and thereafter	19,649	199,972
	¥ 27,976	\$ 284,721

12. RETAINED EARNINGS OF CONSOLIDATED

Retained earnings of 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, 2009 and 2008, the Company and its subsidiaries had the following contingent liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
As guarantor of indebtedness of non-consolidated subsidiaries, affiliates and others	¥ 108	¥ 138	\$ 1,096

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, 2009 and 2008, were as follows:

	Yen		U.S. Dollars
	2009	2008	2009
Net income	¥ 57.26	¥ 85.15	\$ 0.583
Cash dividends	¥ 22.00	¥ 20.00	\$ 0.224

15. SEGMENT INFORMATION

The operations of the Company and its consolidated subsidiaries for the years ended March 31, 2009 and 2008 were summarized by industry segment as follows:

Millions of Yen						
Year ended March 31, 2009	Chemicals	Agricultural chemicals	Pharmaceuticals	Other businesses	Elimination and corporate assets	Consolidated
Sales						
Outside customers	¥ 100,356	¥ 40,314	¥ 9,305	¥ 10,187	¥ —	¥ 160,162
Inter-segment	1,752	153	—	13,359	(15,264)	—
Sub-total	102,108	40,467	9,305	23,546	(15,264)	160,162
Operating costs and expenses	93,531	35,589	5,150	23,250	(14,795)	142,725
Operating income	¥ 8,577	¥ 4,878	¥ 4,155	¥ 296	¥ (469)	¥ 17,437
Identifiable assets	¥ 110,581	¥ 51,428	¥ 6,524	¥ 12,584	¥ (8,773)	¥ 172,344
Depreciation and amortization	8,026	1,476	269	435	—	10,206
Capital expenditures	10,966	2,314	223	437	—	13,940

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

Thousands of U.S. Dollars						
Year ended March 31, 2009	Chemicals	Agricultural chemicals	Pharmaceuticals	Other businesses	Elimination and corporate assets	Consolidated
Sales						
Outside customers	\$ 1,021,336	\$ 410,278	\$ 94,693	\$ 103,675	\$ —	\$ 1,629,982
Inter-segment	17,829	1,556	—	135,956	(155,341)	—
Sub-total	1,039,165	411,834	94,693	239,631	(155,341)	1,629,982
Operating costs and expenses	951,873	362,192	52,407	236,612	(150,565)	1,452,519
Operating income	\$ 87,292	\$ 49,642	\$ 42,286	\$ 3,019	\$ (4,776)	\$ 177,463
Identifiable assets	\$ 1,125,387	\$ 523,392	\$ 66,398	\$ 128,072	\$ (89,286)	\$ 1,753,963
Depreciation and amortization	81,682	15,026	2,737	4,427	—	103,872
Capital expenditures	111,603	23,548	2,273	4,448	—	141,872

Overseas operations, which represent sales to customers outside of Japan of the Company and its consolidated subsidiaries for the years ended March 31, 2009 and 2008, were as follows:

Millions of Yen					
	Asia	Others	Total	Consolidated net sales	Weight of overseas net sales
Year ended March 31, 2009	¥ 30,631	¥ 10,179	¥ 40,810	¥ 160,162	25.5
Year ended March 31, 2008	35,200	9,981	45,181	169,172	26.7

Thousands of U.S. Dollars					
	Asia	Others	Total	Consolidated net sales	
Year ended March 31, 2009	\$ 311,732	\$ 103,592	\$ 415,324	\$ 1,629,982	

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 25, 2009:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends (¥10.00=\$0.102 per share)	¥ 1,723	\$ 17,539
Bonuses to directors and statutory auditors	94	960



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 consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in 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, 2009 and 2008, 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 2009 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.



Yaesu Audit Company

Tokyo, Japan
June 25, 2009



CORPORATE PROFILE

Corporate Name	Nissan Chemical Industries, Ltd.
Head Office	7-1, Kanda Nishiki-cho 3-chome, Chiyoda-ku, Tokyo 101-0054, Japan TEL: 03-3296-8111
Founded	1887
Common Stock	174,000,000 shares ¥18,942 million
Number of Shareholders	14,651
Number of Employees	1,657
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	Ryozo Sakoda
Senior Managing Directors	Yutaka Niitsu Suketoshi Tsukamoto
Managing Directors	Shin-ichi Yuki Jun-ichi Miyazaki Kiminori Hirata
Directors	Hiroyoshi Fukuro Misao Miyamoto Kazuhiro Yagisawa Toyoji Koinuma Mitsuaki Sakashita Takami Ohno Tsuneo Higuchi Ken Iwase Ken-ichiro Sakurada
Corporate Auditors	Katsumi Akita Shiro Kamaki Sumio Kondo 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

Greenwood Sendai Ichibancho Building
2-7-12, Ichibancho, 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

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

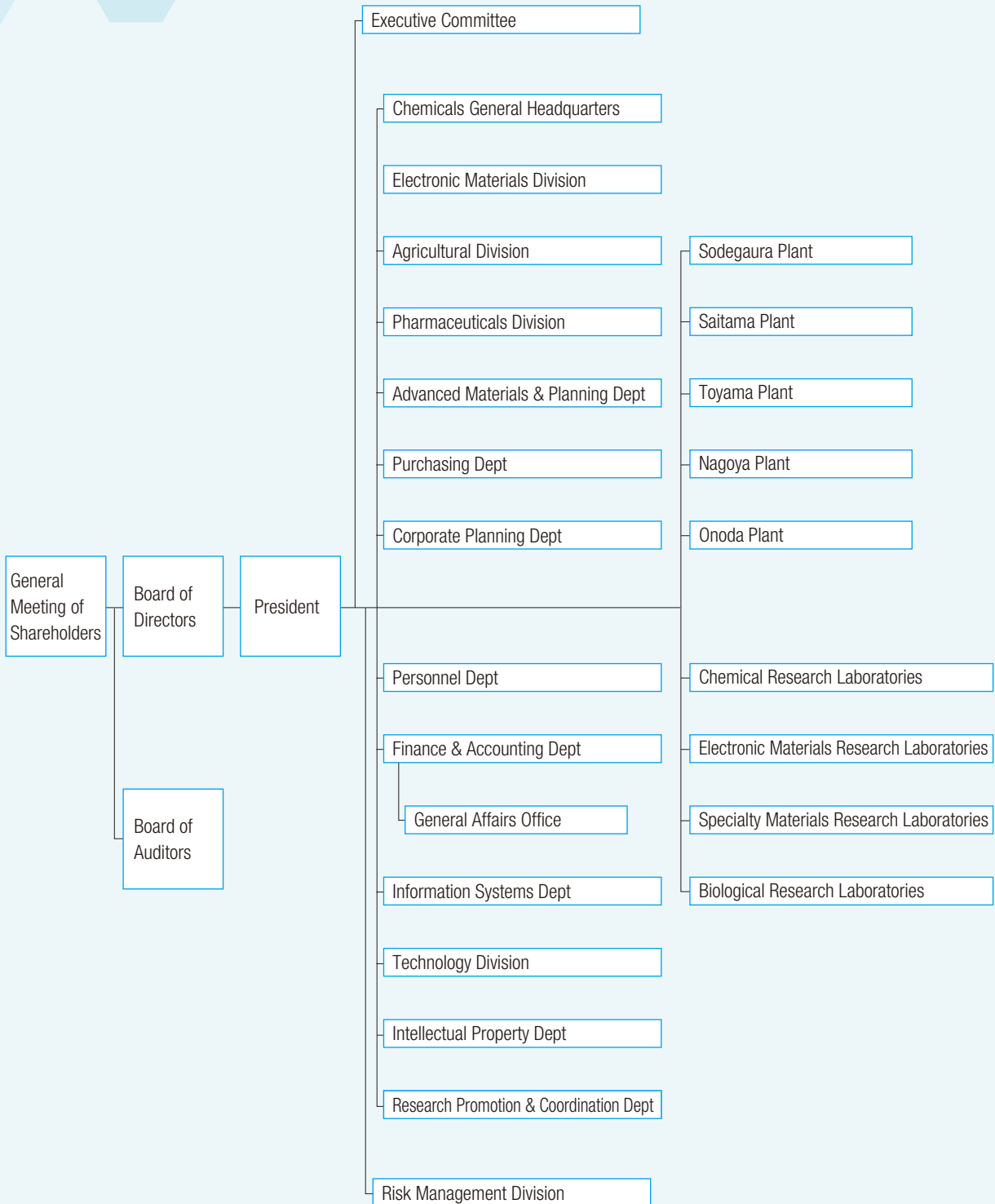
Specialty Materials Research Laboratories

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





HISTORY

1887	Founded as Tokyo Jinzo Hiryo, later changed to Dainippon Jinzo Hiryo
1937	Changes corporate name to Nissan Chemical Industries, Ltd.
1951	Introduces SNOWTEX colloidal silica
1964	Begins manufacturing of melamine at Toyama Plant using an original high-pressure production method
1965	Introduces disinfectant germicide, HILITE
1969	Opens Sodegaura Plant
1971	Opens Central Research Institute
1978	Introduces special epoxy compound, TEPIC
1984	Introduces TARGA, a grass herbicide for export use Introduces SUNEVER, polyimide for LCD alignment coatings
1985	Enters pharmaceutical field with introduction on EPATEC Introduces high-purity chemical line for the electronics industry
1989	Establishes Nissan Chemical America Corporation
1990	Introduces SIRIUS, a rice paddy herbicide
1991	Establishes Nissan Chemical Europe GmbH Introduces SANMITE, an acaricide
1994	Introduces LANDEL, an anti-hypertension agent Introduces PERMIT, a herbicide for corn crops Granted ISO 9002 certification for all plants and products
1996	Establishes Nissan Chemical Houston Corporation
1997	Commences producing organosilicasol at Nissan Chemical Houston Corporation
1998	Introduces ARC, anti-reflective coating for semiconductors
1999	Introduces DAR, an intermediate for a superfiber
2000	Introduces MITO-KOHNE, a new selective acaricide
2001	Establishes Nissan Agri Corporation Establishes Nissan Chemical Korea Co Opens representative office in Taipei
2002	Acquires Monsanto Japan's herbicide business
2003	Introduces LIVALO, an anti-hyperlipidemic agent Opens representative office in Shanghai
2005	Establishes Nissan Chemical Agro Korea
2007	Opens new Electronic Materials Research Laboratories
2008	Introduces LEIMAY, a fungicide
2009	Introduces STARMITE, an acaricide



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
◆Environmental 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

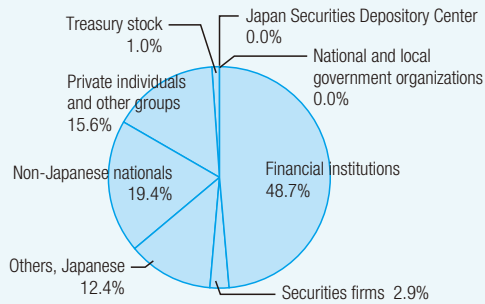
As of March 31, 2009

Total Number of Authorized Shares	360,000,000
Shares of Common Stock Issued	174,000,000
Shareholders	14,651

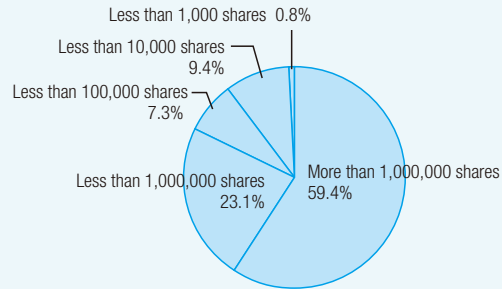
MAJOR SHAREHOLDERS (TOP FIVE COMPANIES)

	Number of Shares held (thousands)	Percentage of total shares in issue (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	17,638	10.1
Japan Master Trust Bank, Ltd. (Trust Account)	16,006	9.2
Japan Trustee Services Bank, Ltd. (Trust Account 4)	7,559	4.3
Mizuho Trust & Banking Co., Ltd. (Employee Retirement Benefit Trust of Mizuho Corporate Bank) new trust custodian: Trust & Custody Services Bank, Ltd.	7,378	4.2
SOMPO JAPAN INSURANCE INC.	4,850	2.8

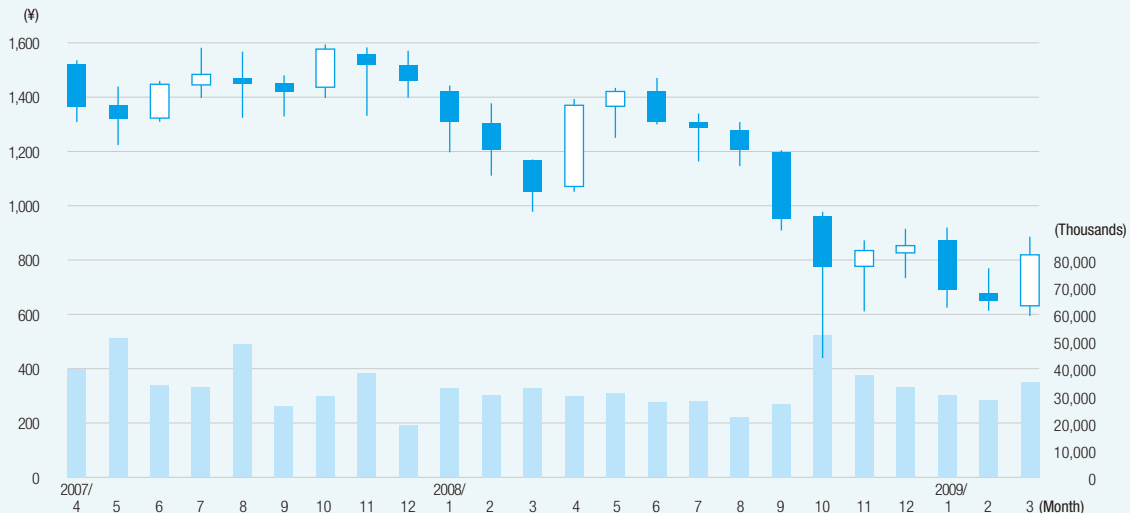
BREAKDOWN OF SHAREHOLDERS BY TYPE



BREAKDOWN BY NUMBER OF SHARES HELD



STOCK QUOTE AND CHART (APRIL 2007—MARCH 2009)



 **NISSAN CHEMICAL INDUSTRIES, LTD.**

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