

Nissan Chemical Industries, Ltd.

Annual Report **2003**

For the year ended March 31, 2003

**CHEMICALS**



**AGRICULTURAL CHEMICALS**



**PHARMACEUTICALS**



**OTHER BUSINESSES**



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### Projections

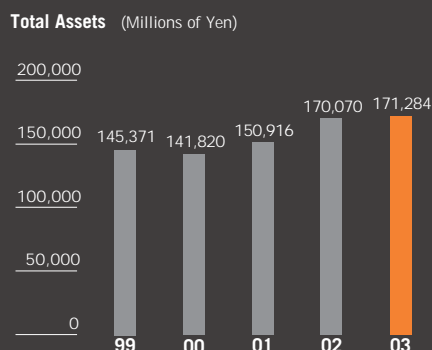
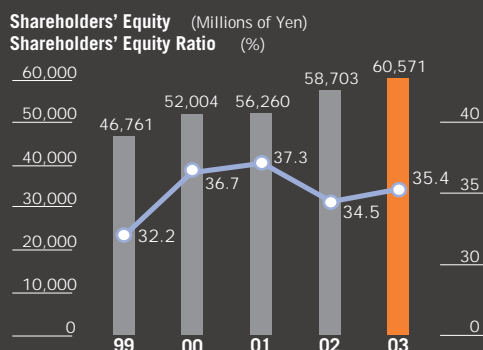
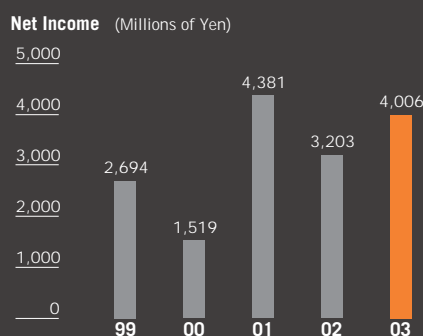
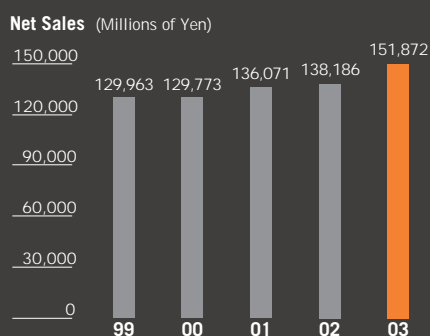
Statements contained in this report with respect to Company plans, strategies and beliefs that are not historical facts are projections about the future performance of the Company which are based on management's assumptions and beliefs in light of the information currently available. These projections involve known and unknown risks, uncertainties and other factors that may cause the Company 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, 2003 and 2002

Consolidated	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Net sales	¥ 151,872	¥ 138,186	\$ 1,263,494
Net income	4,006	3,203	33,328
Shareholders' equity	60,571	58,703	503,918
Amounts per share (in yen and U.S. dollars):			
Net income	¥ 21.16	¥ 17.10	\$ 0.18
Shareholders' equity	323.05	312.92	2.69
<b>Non-Consolidated</b>			
Net sales	¥ 92,342	¥ 91,489	\$ 768,236
Net income	4,272	3,694	35,541
Shareholders' equity	58,649	56,423	487,928
Amounts per share (in yen and U.S. dollars):			
Net income	¥ 22.61	¥ 19.72	\$ 0.19
Shareholders' equity	312.83	300.77	2.60

Note: The U.S.dollar amounts in this report are given for convenience only and represent translations of Japanese yen at the rate of ¥120.20 to U.S.\$1, the rate prevailing at the end of the term.



# A MESSAGE TO OUR SHAREHOLDERS



On behalf of the management and employees of Nissan Chemical Industries, I would like to thank you, our shareholders, for your unwavering support for our business activities.

During the fiscal year ended March 31, 2003 (fiscal 2003), uncertainty about the future intensified. The economic climate in Japan and overseas grew harsh on account of concerns about war in the Middle East during the second half of fiscal 2003 in addition to the problems of the worldwide deflationary trend and slumping equity markets.

In these circumstances, the Company worked to enhance earning capacity in each business segment. To achieve the accelerated product development and new market development necessary for future growth, we continued to engage in concentrated investment in both research and development and production, with a focus on electronic materials-related products. In the agrochemicals business, we acquired Monsanto Japan Ltd.'s herbicide business to bolster sales in the domestic market. At the same time, we mounted a company-wide effort to reduce costs through productivity enhancements, greater efficiency in logistics, and cost cutting.

Aiming to be a leaner and more muscular "Value Creating Enterprise" by continuing to leverage the research and development of market-leading products in our chosen fields, the Company will mount an all-out effort to meet the expectations of our shareholders. I ask your continued understanding and support for our endeavors.



Nobuichiro Fujimoto, *President*

# INTERVIEW WITH THE PRESIDENT



## Electronics materials-related products perform solidly

**Q How would you describe business performance in fiscal 2003?**

Although net sales of existing products decreased, especially products in the basic chemicals and agrochemicals sectors, growth in sales of electronic materials-related products, the acquisition of the herbicide business, and an increase in the number of consolidated companies brought a year on year increase of ¥13,686 million in net sales to ¥151,872 million. As for profit and loss, ordinary income increased by ¥760 million to ¥8,575 million over the previous year, and net income increased by ¥803 million to ¥4,006 million.

**Q What is the outlook for the coming fiscal year?**

In the Chemicals segment, we expect mainstay products SUNEVER and ARC to continue to perform well based on expansion of the liquid crystal market and further miniaturization of semiconductors. In the Agricultural Chemicals segment, although ROUNDUP, a product launched in July 2002, will contribute to net sales in the whole year, we expect other products to face intensified competition in Japan and overseas and look for sales to be flat for the segment as a whole. We expect an increase in revenues in the Pharmaceuticals segment because approval in Japan for antihyperlipidemic agent NK-104 is expected this summer, and this product will join the ranks of successful existing products such as LANDEL. Based on this, for the coming fiscal year we anticipate net sales of ¥157,000 million, ordinary income of ¥10,700 million, and net income of ¥6,600 million, all above the level of fiscal 2003.



## High expectations for the pharmaceuticals segment

**Q** What is the Company's medium-term to long-term business strategy?

The Company's business strategy is to further solidify a competitive advantage in the market by concentrating investment of management resources in the core businesses. As for the electronic materials-related products that drive profits, intensified competition to develop next-generation products and open new markets necessitates construction of a development, production, and sales structure more closely tied to the market. Therefore, this spring we completed a production base for SUNEVER in Korea, one of our key markets, following completion last year of a production base for ARC. This autumn, we plan to open a sales base in Shanghai to serve as a foothold for expansion in the Chinese market. We will continue to aggressively implement measures to expand our market presence in East Asia, the largest market for IT.

**Q** What is the outlook for areas other than electronics materials-related products?

Seeking to develop another highly profitable business to complement the electronic materials-related products business, we have set forth a policy of leveraging our proprietary high-precision organic synthesis technology and drug discovery research and development expertise to launch and expand the Finetech business, a business involving support for the research and development of pharmaceuticals manufacturers. To that end, in fiscal 2004 we will extensively expand and enhance our clinical trial materials manufacturing plant and put in place a research and development system adapted to the requirements of the business. In the current harsh market environment for agrochemicals, continuous introduction of new products is essential. For this reason, we will continue to pour effort into research and development and strive for the swift action necessary to bring new agents to market rapidly.



## Full-Scale launch of the Finetech business and raising brand awareness

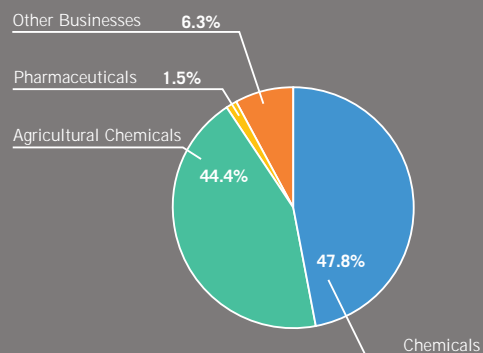
At the same time, we will also implement measures to increase net sales, including applying existing agents for use on different crops and developing our own distribution channels overseas. In pharmaceuticals, in addition to taking all possible measures to expedite the launch of the antihyperlipidemic agent NK-104 in Japan, we will move forward with full-scale clinical development in the United States and Japan of NT-702, a treatment for peripheral arterial occlusive disease.

**Q You have said that you want to also pay attention to developing the Nissan Chemical brand. What do you have in mind?**

Until now, because of our position as a materials manufacturer we have developed the business without being conscious of brand value. However, from now on we must seek to become a company with first-rate brand value. We believe that taking pride in developing and creating products and markets and obtaining customer recognition for these achievements is brand value. There is no reason to limit the use of the term "brand" to refer only to final commodities: the term can also be applied to the technologies we have accumulated over the years. Customer recognition of first-rate brands is a necessary condition for continuing success in the market in the future. This applies to electronic materials, the new Finetech business, and the highly competitive ROUNDUP. I think it is important to adopt a new mind-set and take maximum advantage of our brand value in continuing to develop and acquire new markets and users.

# BUSINESS OUTLINE

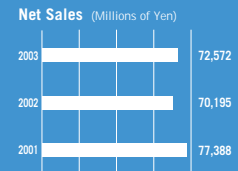
Sales Breakdown



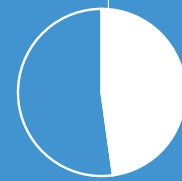
	Outline	Main Products	Net Sales (Millions of Yen)
<b>Chemicals</b>	This field is divided into three areas—basic chemicals, specialty chemicals and electronic materials-related products. In fiscal 2003, net sales of electronic materials-related products drastically increased centered on sales of major products SUNEVER and ARC. Sales of electronic materials currently account for 24% of the total, while making a major contribution to profits.	Basic chemicals — Melamine, Ammonia derivatives Specialty chemicals — TEPIC, DAR, SNOWTEX Electronic materials — SUNEVER, ARC, SNOWTEX, TEPIC, LR	0 20,000 40,000 60,000 80,000
			2003 72,572
			2002 70,195
			2001 77,388
<b>Agricultural Chemicals</b>	This field is divided into two areas—agrochemicals and fertilizers. In fiscal 2003, overall sales increased largely due to the effect of acquisition of Monsanto Japan's herbicide business and consolidation of subsidiaries. However, net sales of internally developed products that contribute to profit decreased by ¥1.1 billion to ¥16.2 billion compared with the previous fiscal year.	Herbicides — SIRIUS, TARGA, PERMIT, ROUNDUP Acaricides — SANMITE, MITO-KOHNE	0 20,000 40,000 60,000 80,000
			2003 67,499
			2002 55,117
			2001 44,918
<b>Pharmaceuticals</b>	Currently, sales of an anti-hypertensive agent and an anti-inflammatory agent, as well as royalty income, account for the greater part of revenue in this field, but from fiscal 2004 a new anti-hyperlipidemic drug will join the product lineup.	Anti-hypertensive agent — LANDEL Anti-inflammatory agent — EPATEC	0 500 1,000 1,500 2,000
			2003 2,250
			2002 1,734
			2001 1,770
<b>Other Businesses</b>	The majority of business in this field is carried out by affiliated companies. Landscaping and environmental analysis are being adversely affected by the cutbacks in public spending, and the business situation remains difficult.	Landscaping Environmental analysis Transportation Insurance agency Real estate rental	0 3,000 6,000 9,000 12,000
			2003 9,549
			2002 11,138
			2001 11,994

# REVIEW OF OPERATIONS

## Chemicals



Sales Ratio by Segment 47.8%



## Dependable performance from electronic material-related products

### OPERATING RESULTS

Against a backdrop of increasing uncertainty about Japan's economic prospects, the shift of production overseas and the inflow of imported products led to lower sales of basic chemical products compared with the previous fiscal year. Revenues from mainstay products decreased due to lower sales volumes of industrial chemicals such as ammonia and nitric acid, which offset higher sales of melamine, stemming from a rebound in overseas markets owing to improvement in the supply and demand situation.

Sales of functional products increased steadily. Electronic materials-related products developed favorably based on a gradual recovery in demand for semiconductors and mobile telephones and growth in demand for LCD monitors. In particular, the excellent reputations SUNEVER (polyimide for LCD alignment coatings) and ARC (anti-reflective coating for semiconductors) have fueled a sharp increase in sales of these mainstay products in the market. As for new products, in fiscal 2003, the Company launched REMOVER

(residue remover for semiconductors) and CMP slurry (a polishing agent for semiconductors).

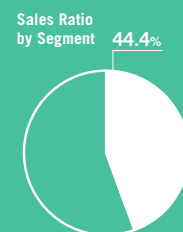
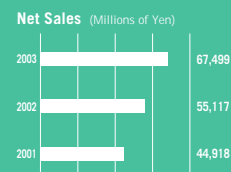
As a result of these developments, net sales in this segment increased by ¥2,377 million over the previous fiscal year to ¥72,572 million.

### TOPICS

#### FAVORABLE OVERSEAS MARKET SITUATION FOR MELAMINE

Melamine is a resin material widely used as an adhesive for chipboard as well as in laminates, resin finishing of textiles and paper, and coating materials. Nissan Chemical Industries ranks among the world's leaders in melamine manufacturing capacity, thanks to a proprietary high-pressure process. In fiscal 2003, the proportion of production exported overseas increased. This is attributable to a favorable turn in the export environment for melamine brought about by solid demand for chipboard in Southeast Asia and production difficulties overseas.

# Agricultural Chemicals



## Acquisition of Monsanto Japan's herbicide business

### OPERATING RESULTS

Competition in the Japanese market for agrochemicals intensified due to pressure to lower agricultural production costs and direct sales on the part of major foreign manufacturers. In this environment, the Company worked to increase sales of mainstay paddy rice herbicide DOUBLE STAR and TREDY and in July 2002 began selling new products, such as ROUNDUP (non-selective herbicide) following the acquisition of Monsanto Japan Ltd.'s herbicide business in Japan. As a result, sales in Japan increased.

An increase in the area of genetically modified crops under cultivation in the United States, increased sales of low-priced generic products in Asia, and other factors brought continuation of the difficult operating environment in overseas markets as well. In these circumstances, the Company launched in the U.S. market YUKON, a mixture of mainstay product PERMIT, and focused effort on increasing sales. However, this initiative was insufficient to avert an overall decrease in export revenues.

In the area of fertilizers, although revenues from existing products decreased in a harsh market environment, inclusion of an additional company in the scope of consolidation brought a year on year increase in revenue.

As a result, net sales in the agrochemicals segment increased by ¥12,382 million year on year to ¥67,499 million.

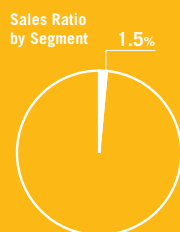
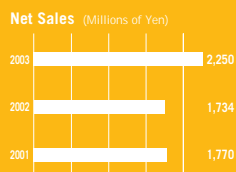
### TOPICS

#### NEW COMPANY ESTABLISHED IN EUROPE

To strengthen its agrochemicals business in Europe, in December 2002 the Company established Nissan Chemical Europe S.A.R.L. in Lyon, France, the center of Europe's agrochemicals industry. The Company transferred its base of operations from Düsseldorf, Germany to Lyon with the goal of attaining closer proximity to the market. Future plans call for strengthening the organization through such measures as the hiring of local staff and for expansion of business operations in the region.

## REVIEW OF OPERATIONS

# Pharmaceuticals



## Increasing profit from NT-702 royalty revenue

### OPERATING RESULTS

Sales performance of existing products was mixed: although revenues from external anti-inflammatory agent EPATEC decreased, sales of anti-hypertensive agent LANDEL increased owing to a sales volume increase for 40 mg tablets. Royalty income was obtained from NT-702, a treatment for peripheral arterial occlusive disease being jointly developed with Taisho Pharmaceuticals Co., Ltd. Net sales for this segment increased by ¥515 million to ¥2,250 million.

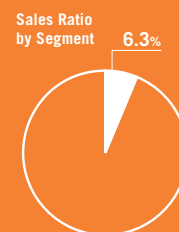
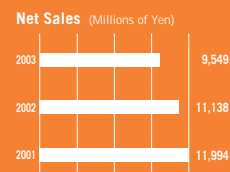
### TOPICS

#### DEVELOPMENT OF CHRONIC ARTERIAL OCCLUSIVE DISEASE TREATMENT NT-702 IN THE UNITED STATES

The Company has begun late Phase II clinical trials in the United States of NT-702, a treatment for peripheral arterial occlusive disease being jointly developed with Taisho Pharmaceuticals Co., Ltd. NT-702 is a drug that demonstrates extremely powerful vasodilation effects and platelet aggregation inhibiting effects. Early phase II clinical trials for intermittent claudication had been conducted in the U.S., and analysis results that pointed to effectiveness against this indication led to a transition to late phase II trials this spring.

## REVIEW OF OPERATIONS

# Other Businesses



## Large impact from reduction of public-related investment

### OPERATING RESULTS

Intensified competition to secure orders and a decline in the unit value of orders received owing to cutbacks in public works spending brought continuation of the harsh trading conditions in the landscaping and tree planting and environmental research and analysis markets. In these circumstances, sales for these operations decreased by ¥1,588 million to ¥9,549 million compared with the previous year.

# RESEARCH & DEVELOPMENT

At Nissan Chemical, research and development is the driving force behind our growth.

Through research and development, we have developed unique and outstanding technology and produced various high value-added products. With the production of value added products as a corporate goal, we strive further to develop new technology while placing importance on the dream of “chemistry,” and consistently create specialty products that are unique and appreciated by customers.

## RESEARCH AND DEVELOPMENT AREA

### Chemicals

We have created a large number of unique products in diverse fields, including SUNEVER (polyimide for LCD alignment coatings), ARC (anti-reflective coating for semiconductors), SNOWTEX (colloidal silica for polishing silicon wafers), TEPIC (specialty epoxy compounds used as a sealant and in other applications), DAR (raw materials for super fiber) and prostaglandin derivatives (a pharmaceutical intermediate). We are conducting research and development utilizing unique technologies we have cultivated over the years including micro particle control, high-performance polymers, and organic synthesis along with evaluation technologies for each application. We aim to further enhance these dominant technologies, and continue to conduct research and development to provide high value-added products to growing companies in the electronic, information, plastic, pharmaceutical industry, and other unique fields.

### Agricultural Chemicals

We have continually contributed to agriculture in the world by developing our original products such as the herbicides TARGA, SIRIUS, and PERMIT, and the acaricide SANMITE. We aim to quickly correspond to the changing environment surrounding agriculture and the market needs by utilizing and deepening the strength of our research and development with the ability to develop such new agrochemicals. We continue to strive to create new, safe, and effective agrochemicals that have minimal impact on the environment for use on the world's major crops.

### Pharmaceuticals

We have concentrated on developing new pharmaceuticals that meet the needs of the aging society. We have released the anti-hypertensive agent LANDEL and are ready to release NK-104 (an antihyperlipidemic agent). Presently we are conducting clinical tests for NT-702 (an anti-platelet agent) for launching them in domestic and overseas markets.

## RESEARCH AND DEVELOPMENT BASES

We are aiming to become a "Value Creating Enterprise." In line with this objective, we conduct our own research and development at five centers in Japan and also proactively engage in joint research and technology alliances with both Japanese and overseas universities, public research institutions, and companies.

Furthermore, we possess agrochemical field test sites in Indiana (U.S.A.), and are also planning products and conducting tests and research on a global level through joint ventures and other means.

### Chemical Research Laboratories

Based on our own organic synthesis technology, the Chemical Research Laboratories search, produce and research new agrochemicals and pharmaceuticals. The laboratories also serve as a general research and development base that conducts synthetic research and process development related to medical intermediates and industrial chemicals, organic function materials, polymeric material intermediates and such, along with physical analysis and research. The laboratories are also involved in new product development and new technology development based on close cooperation with other research institutes and engineering divisions of related plants.

### Electronic Materials Research Laboratories

The Electronic Materials Research Laboratories research and develop products for display and semiconductor materials in addition to conducting research into new materials for next-generation data storage and optical communication. 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 correlation with advances in electronics technology, we are researching and developing next generation materials quickly to meet various needs of the diversifying market.

### Specialty Materials Research Laboratories

The Specialty Materials Laboratories research and develop inorganic materials within the Sodegaura Plant and organic materials within the Chemical Research Laboratories. In the inorganic materials area, the focus is on development, production and application of various metallic oxide sols, including silica sol using micro particle-controlled technology. In the organic materials area, production and application research and development is conducted concerning epoxy resin modifiers and cross-linking agents for powder coating.

### Biological Research Laboratories

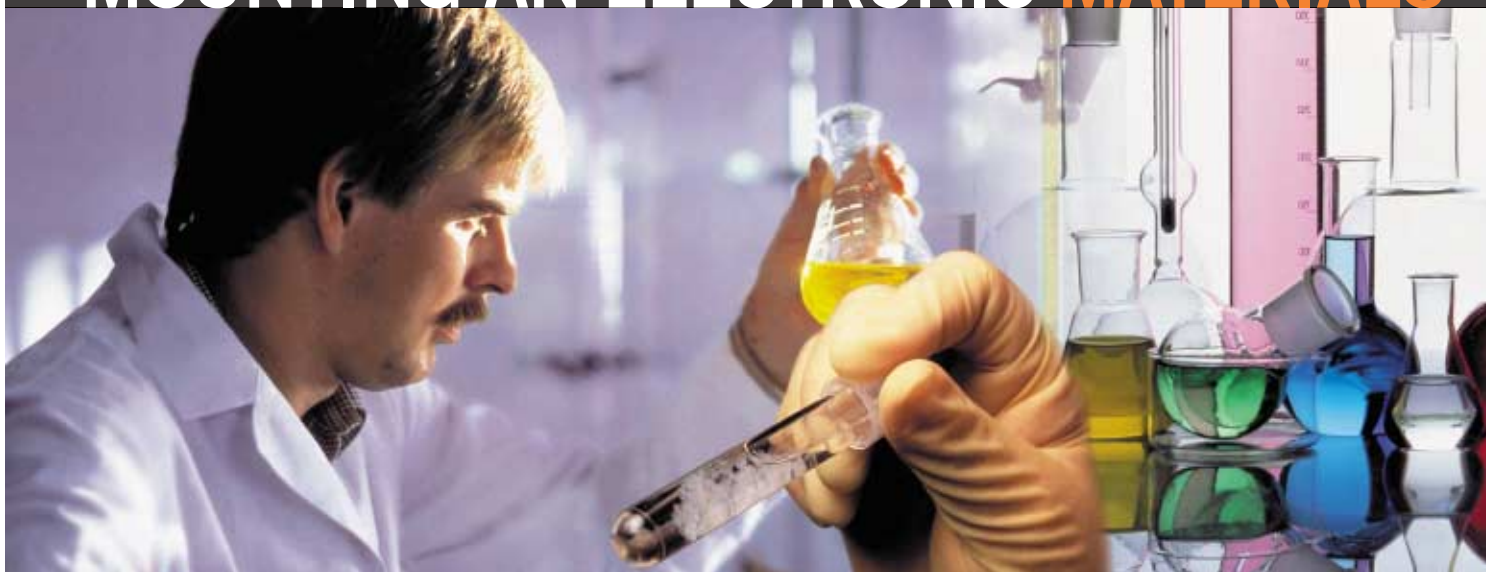
The Biological Research Laboratories perform tests evaluating the effectiveness and safety of agrochemicals and pharmaceuticals, as well as assessing and testing their impact on the environment. In the agrochemicals area, we are aiming to create and practically apply effective, safe and environmentally friendly chemicals. The following tests are being conducted: efficacy evaluation in greenhouses and fields, toxicological studies, and behavior and residual tests within given environments. In the pharmaceuticals area, pharmacologic tests from the level of genes to disease models, and toxicological, drug metabolism and pharmacokinetics studies to produce curative medicines with low physical impact are being conducted.

### Toyama Research and Development Center

The Toyama Research and Development Center closely cooperates with other research laboratories and focuses on research and development for electronic materials including materials for semiconductor and inorganic materials such as various polishing slurries, production research and process development for new organic compounds and materials using our organic pilot plant, as well as production of development samples. In addition, the Center also researches and develops construction chemicals and environmental chemicals.

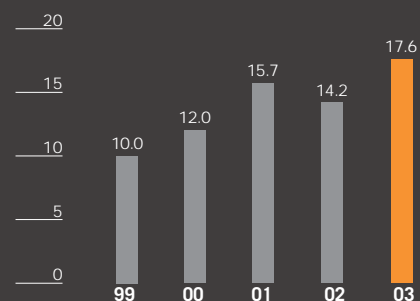
# SPECIAL FEATURE

## MOUNTING AN ELECTRONIC MATERIALS



In the IT-related sector, especially for semiconductors and liquid crystals, the trend is for increasing concentration of manufacturing bases in East Asia, centering on Japan, Korea, Taiwan, and China. It is predicted that such growth will progress rapidly into the foreseeable future. In response, Nissan Chemical is stepping up expansion of electronics materials-related products as a core business in East Asia, its largest market for these products. To accomplish this task, the Company carries out active development by building customer-oriented systems for development, production and sales.

Net Sales of Electronic Materials-Related Products  
(Billions of Yen)



# OFFENSIVE IN THE ASIA REGION



- **Nissan Chemical Korea Co., Ltd. (South Korea)**

Following completion last year of a production base for ARC, this spring we have completed a production base for SUNEVER. Established to strengthen our capability to support and supply users in Korea, a market where demand is on the rise, the facility will begin manufacturing as the Company's second SUNEVER production base, joining the Sodegaura Plant in Japan.



- **Taipei Representative Office (Taiwan)**

In the spring of 2001, the Company opened a representative office in Taipei, Taiwan.

- **Shanghai Representative Office (China)**

In the autumn of 2003, the Company plans to open a representative office in Shanghai.

- **Toyama Research and Development Center, Electronic Materials Research Building (Japan)**

In the spring of 2002, a new research building equipped with state-of-the-art testing and evaluation equipment was completed. Constructed at a cost of ¥2.5 billion, the facility makes full use of this equipment to engage in research to improve ARC, research and development of next-generation products, and the development of new materials such as REMOVER (residue remover for semiconductors), CMP slurry and others.



# ENVIRONMENTAL PROTECTION ACTIVITY

In 1992, Nissan Chemical established the "Environment and Safety Policy" (presently known as the "Responsible Care Policy"), and has since been promoting responsible care activities. Responsible care activities aim to secure safety and reinforce environmental protection under the responsibility of each manufacturer for all stages from chemical product research and development to production, sale, distribution and disposal following use. Currently, it is one of the most important themes of Nissan Chemical, and the policy is incorporated into the "Company Philosophy," "Activity Guidelines," and "Basic Policy."

In particular, we are currently proactively promoting acquisition of ISO14001 certification, the international standard for environmental management systems, as a means for promoting efficient and effective environmental protection activities and continual improvement of environmental performance. All of the five Nissan Chemical production plants, Sodegaura, Saitama, Toyama, Nagoya and Onoda have already acquired ISO14001 certification.

Furthermore, the Pollutant Release and Transfer Register (PRTR) Law was implemented in April 2001. This law regulates the calculation of the emissions of specific chemical substances into the environment and

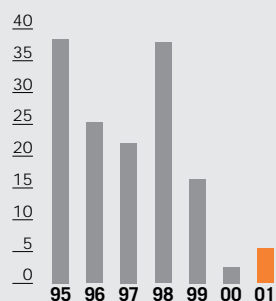
improvement of their control. The PRTR Law specifies 354 chemical substances and obligates the confirmation of emission and transport volumes of these substances.

Apart from these regulations, Nissan Chemical has set up unique self-management items and activity objectives within plant manufacturing activities in addition to striving to comply with environmental regulations and agreements. This has been done in an attempt to gain greater environmental control. We have also striven to grasp the overall environmental load of each plant and implemented environmental measures based on an order of priority.

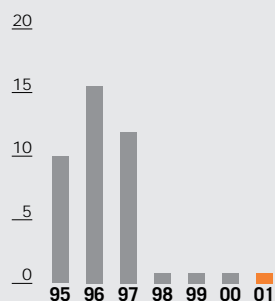
For example, Nissan Chemical handles four of the twelve substances considered to be toxic air pollution contaminants and we are promoting measures to decrease emissions through voluntary controls. However, we have already reached the objectives established within the chemical industry through reduction measures such as incineration using benzene.

As for exhaust gases, the emission levels of SOx and dust have been flat since 1995, but installation of denitration facilities for the Toyama Plant diesel generator has led to a significant decrease in NOx since 1997.

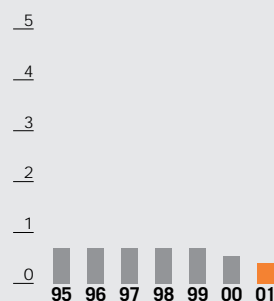
**1,2-Dichloroethane (Ton/Year)**



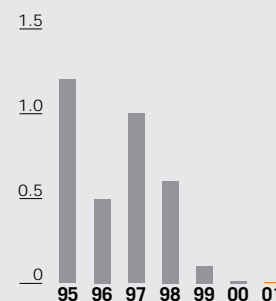
**Benzene (Ton/Year)**



**Formaldehyde (Ton/Year)**



**Dichloromethane (Ton/Year)**



# FIVE-YEAR SUMMARY

	Millions of Yen				
<b>Consolidated</b>	1999	2000	2001	2002	2003
Net sales	¥ 129,963	¥ 129,773	¥ 136,071	¥ 138,186	¥ 151,872
Operating income	7,429	8,034	10,961	9,447	9,818
Net income	2,694	1,519	4,381	3,203	4,006
Total assets	145,371	141,820	150,916	170,070	171,284
Shareholders' equity	46,761	52,004	56,260	58,703	60,571
Capital expenditure	7,779	8,991	8,589	13,029	18,845
R&D expenditure	6,716	6,719	6,220	6,722	7,495
Amounts per share (in yen):					
Net income per share	¥ 15.04	¥ 8.40	¥ 23.48	¥ 17.10	¥ 21.16
Shareholders' equity per share	261.13	278.70	301.50	312.92	323.05
Financial ratios (%):					
Shareholders' equity ratio	32.2	36.7	37.3	34.5	35.4
Return on equity	5.9	3.1	8.1	5.6	6.7
Return on assets	4.0	5.1	6.9	4.9	5.0
<b>Non-Consolidated</b>					
Net sales	¥ 97,554	¥ 96,371	¥ 102,327	¥ 91,489	¥ 92,342
Operating income	6,903	7,182	10,153	9,168	9,713
Net income	2,532	2,214	4,392	3,694	4,272
Total assets	120,949	119,146	128,047	128,679	131,951
Shareholders' equity	43,558	49,589	53,556	56,423	58,649
Amounts per share (in yen):					
Net income per share	¥ 14.14	¥ 12.24	¥ 23.53	¥ 19.72	¥ 22.61
Shareholders' equity per share	243.24	265.75	287.01	300.77	312.83
Cash dividends per share	7.0	7.0	9.0	9.0	9.0
Financial ratios (%):					
Shareholders' equity ratio	36.0	41.6	41.8	43.8	44.4
Return on equity	5.9	4.8	8.5	6.7	7.4
Return on assets	4.5	5.7	7.7	6.2	6.5
Year-end statistics:					
Number of shareholders	22,971	23,896	18,730	19,462	20,804
Number of employees	1,609	1,585	1,561	1,513	1,514

# FINANCIAL REVIEW

## OVERVIEW

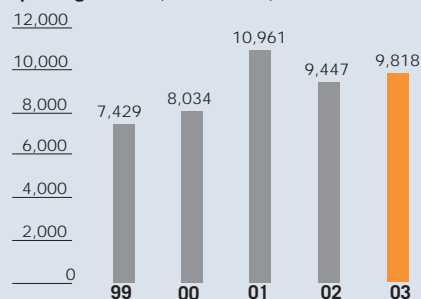
In fiscal 2003, uncertainty about the future heightened and the economic climate in Japan and overseas grew harsh on account of concerns about war in the Middle East during the second half of the year in addition to the problems of the worldwide deflationary trend and slumping equity markets.

In these circumstances, the Company worked to enhance profitability in each business segment. To achieve the accelerated product development and new market development necessary for future growth, we continued to engage in concentrated investment in both research and development and production, with a focus on electronic materials products. In the agrochemicals segment, we acquired Monsanto Japan Ltd.'s herbicide business to bolster sales in the domestic market. At the same time, we mounted a company-wide effort to reduce costs through productivity enhancements, greater efficiency in logistics, and cost cutting.

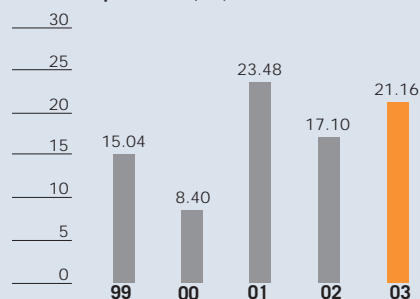
## OPERATING RESULTS

Although sales of existing products decreased, especially products in the basic chemicals and agrochemicals sectors, growth in sales of electronic materials-related products, the acquisition of the herbicide business, and an increase in the number of consolidated companies brought a year on year increase of ¥13,686 million or 9.9% in net sales to ¥151,872 million. Operating income increased by ¥371 million, or 3.9%, year on year to ¥9,818 million. In fiscal 2003, the Company booked as extraordinary losses a ¥455 million valuation loss on investment securities and ¥304 million in special charges in connection with business restructuring. Net income increased by ¥803 million or 25.1% to ¥4,006 million. Net income per share increased by 23.7% from ¥17.10 to ¥21.16. Net sales in Japan were ¥126,143 million, and exports totaled ¥25,729 million.

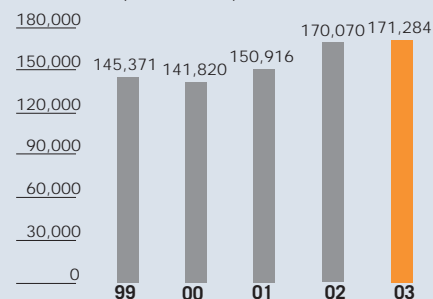
Operating Income (Millions of Yen)



Net Income per Share (Yen)



Total Assets (Millions of Yen)



## FINANCIAL POSITION

Total assets on March 31, 2002 increased by ¥1,213 million or 0.7% compared with the previous fiscal year to ¥171,284 million. Property, plant and equipment increased sharply by ¥9,630 million due to the acquisition of Monsanto Japan Ltd.'s domestic herbicide business.

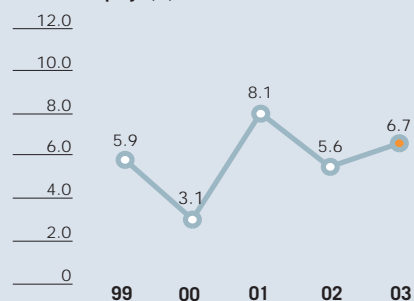
Although liabilities decreased by ¥346 million compared with the previous fiscal year to ¥109,042 million, borrowings increased by ¥9,374 million owing to financing to acquire the herbicides business and an increase in the number of companies included in the scope of consolidation.

Shareholders' equity increased by ¥1,868 million or 3.2% year on year to ¥60,571 million, and the equity ratio increased by 0.9 percentage points to 35.4%. Shareholders' equity per share increased by ¥10.13 to ¥323.05. Return on equity (ROE) for this fiscal year increased by 0.9 percentage points to 6.7%.

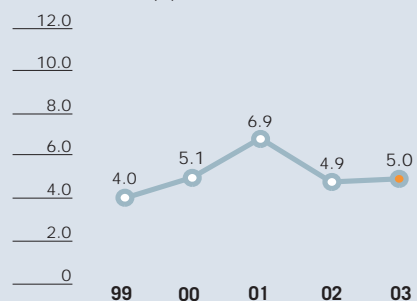
## CASH FLOW ANALYSIS

In fiscal 2003, ¥14,396 million in net cash was provided by operating activities due to net income, depreciation, and increased working capital efficiency. Net cash used in investing activities was ¥25,891 million, due to capital expenditures related to electronic materials-related products and the investment to acquire the herbicide business. Net cash provided by financing activities increased by ¥6,500 million primarily due to financing to acquire the herbicide business, and outstanding long-term debt at the end of the year increased by ¥9,400 million to ¥68,492 million. As a result of these developments, the balance of cash and cash equivalents at the fiscal year-end was ¥4,080 million.

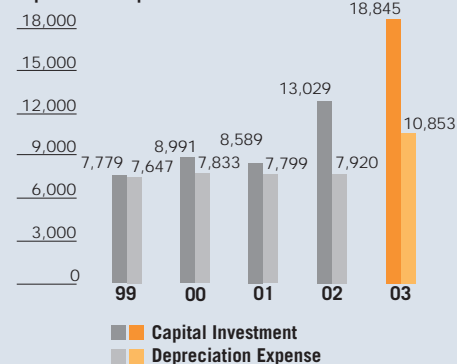
Return on Equity (%)



Return on Assets (%)



Capital Investment/  
Depreciation Expense (Millions of Yen)



# FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEETS

Nissan Chemical Industries, Ltd. and its Consolidated Subsidiaries

Years ended March 31, 2003 and 2002

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2003	2002	2003
<b>Current assets:</b>			
Cash and time deposits	¥ 4,160	¥ 8,756	\$ 34,605
Notes and accounts receivable :			
Trade	58,729	60,677	488,593
Less allowance for doubtful receivables	(86)	(117)	(714)
Inventories (Note 5)	24,432	22,898	203,264
Deferred taxes-current	1,457	1,112	12,122
Other current assets	3,740	7,850	31,110
<b>Total current assets</b>	<b>92,432</b>	<b>101,176</b>	<b>768,980</b>
<b>Investments and advances:</b>			
Investment in securities (Note 4)	11,397	10,219	94,813
Investments in and advances to non-consolidated subsidiaries and affiliates	2,995	3,790	24,914
Long-term loans	154	240	1,283
Other investments	2,135	2,243	17,764
Less allowance for doubtful receivables	(820)	(890)	(6,819)
<b>Total investments and advances</b>	<b>15,861</b>	<b>15,602</b>	<b>131,955</b>
<b>Property, plant and equipment, at cost (Note 6):</b>			
Land	9,700	9,238	80,699
Buildings and structures	39,681	39,015	330,129
Machinery and equipment	103,712	101,380	862,825
Construction in progress	727	1,528	6,051
Less accumulated depreciation	(104,702)	(102,112)	(871,064)
<b>Total property, plant and equipment</b>	<b>49,118</b>	<b>49,049</b>	<b>408,640</b>
<b>Other assets</b>			
Deferred taxes-non-current	1,481	1,411	12,321
Intangible assets	11,802	2,172	98,190
Other	590	660	4,905
<b>Total assets</b>	<b>¥171,284</b>	<b>¥170,070</b>	<b>\$1,424,991</b>

**LIABILITIES, MINORITY INTERESTS AND  
SHAREHOLDERS' EQUITY**

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2003	2002	2003
<b>Current liabilities:</b>			
Short-term bank loans (Note 7)	¥ 28,041	¥ 40,441	\$ 233,289
Current portion of long-term debt (Note 10)	10,698	7,930	89,005
Notes and accounts payable:			
Trade	24,298	35,091	202,148
Construction	1,390	1,196	11,567
Accrued income taxes	2,818	2,462	23,446
Accrued expenses and other current liabilities (Note 9)	6,879	6,200	57,209
<b>Total current liabilities</b>	<b>74,124</b>	<b>93,320</b>	<b>616,664</b>
<b>Long-term liabilities:</b>			
Long-term debt (Note 10)	29,752	10,747	247,524
Deferred taxes – non-current	81	11	675
Accrued retirement benefits	2,762	3,023	22,977
Other long-term liabilities	2,324	2,288	19,335
<b>Total long-term liabilities</b>	<b>34,919</b>	<b>16,069</b>	<b>290,511</b>
<b>Minority interests</b>	<b>1,670</b>	<b>1,978</b>	<b>13,898</b>
<b>Contingent liabilities (Note 12)</b>			
<b>Shareholders' equity (Note 11 and 13):</b>			
Common stock, ¥50 par value:	18,942	18,942	157,588
Authorized—360,000,000 shares:			
Issued and outstanding—187,635,031 shares			
Additional paid-in capital	13,612	13,612	113,242
Retained earnings	27,052	24,780	225,060
Valuation gain of investment securities after tax-effect	955	1,192	7,943
Adjustments on foreign currency statement translation	135	204	1,122
Treasury stock, at cost	(125)	(27)	(1,037)
<b>Total shareholders' equity</b>	<b>60,571</b>	<b>58,703</b>	<b>503,918</b>
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>¥171,284</b>	<b>¥170,070</b>	<b>\$1,424,991</b>

# CONSOLIDATED STATEMENTS OF INCOME

Nissan Chemical Industries, Ltd. and its Consolidated Subsidiaries  
Years ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2003	2002	2003
<b>Net sales</b>	<b>¥151,872</b>	¥138,186	<b>\$1,263,494</b>
<b>Cost of sales</b>	<b>103,754</b>	97,438	<b>863,179</b>
Gross profit	<b>48,118</b>	40,748	<b>400,315</b>
<b>Selling, general and administrative expenses</b>	<b>38,300</b>	31,301	<b>318,636</b>
Operating income	<b>9,818</b>	9,447	<b>81,679</b>
<b>Other income(expense):</b>			
Interest and dividend income	<b>238</b>	309	<b>1,976</b>
Interest expenses	<b>(799)</b>	(664)	<b>(6,645)</b>
Gain on sale of marketable and investment securities	<b>17</b>	1	<b>137</b>
Write-down of marketable and investment securities	<b>(524)</b>	(1,200)	<b>(4,360)</b>
Gain on sale of property, plant and equipment	<b>18</b>	—	<b>153</b>
Loss on disposal of property, plant and equipment	<b>(738)</b>	(832)	<b>(6,140)</b>
Equity in earnings of non-consolidated subsidiaries and affiliates	<b>35</b>	123	<b>291</b>
Amortization of consolidation goodwill	<b>624</b>	—	<b>5,193</b>
Non-recurring expenses for business restructuring	<b>(304)</b>	—	<b>(2,530)</b>
Losses on restructuring affiliates	<b>(107)</b>	—	<b>(887)</b>
Past period service cost of directors' retirement benefits	<b>—</b>	(9)	<b>—</b>
Other, net	<b>(671)</b>	(1,120)	<b>(5,576)</b>
Income before income taxes	<b>7,607</b>	6,055	<b>63,291</b>
<b>Income taxes (Note 8):</b>			
Current	<b>3,732</b>	3,328	<b>31,052</b>
Deferred	<b>(143)</b>	(550)	<b>(1,192)</b>
<b>Minority interests in consolidated subsidiaries</b>	<b>(12)</b>	(74)	<b>(103)</b>
<b>Net income</b>	<b>¥ 4,006</b>	¥ 3,203	<b>\$ 33,328</b>

# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Nissan Chemical Industries, Ltd. and its Consolidated Subsidiaries  
Years ended March 31, 2003 and 2002

	Number of shares of common stock (thousands)	Millions of Yen		
		Common stock	Additional paid-in capital	Retained earnings
<b>Balance at March 31, 2001</b>	186,602	¥18,547	¥13,217	¥23,276
Net income				3,203
Increase due to merger				1
Increase due to changes in scope of equity method				27
Cash dividends paid				(1,682)
Conversion of convertible bonds	1,033	395	395	
Bonuses to directors and statutory auditors				(45)
<b>Balance at March 31, 2002</b>	187,635	18,942	13,612	24,780
Net income				4,006
Cash dividends paid				(1,688)
Bonuses to directors and statutory auditors				(43)
Losses on disposal of treasury stocks				(3)
<b>Balance at March 31, 2003</b>	<b>187,635</b>	<b>¥18,942</b>	<b>¥13,612</b>	<b>¥27,052</b>

	Number of shares of common stock (thousands)	Thousands of U.S. Dollars (Note 3)		
		Common stock	Additional paid-in capital	Retained earnings
<b>Balance at March 31, 2002</b>	187,635	\$157,588	\$113,242	\$206,160
Net income				33,328
Cash dividends paid				(14,046)
Bonuses to directors and statutory auditors				(356)
Losses on disposal of treasury stocks				(26)
<b>Balance at March 31, 2003</b>	<b>187,635</b>	<b>\$157,588</b>	<b>\$113,242</b>	<b>\$225,060</b>

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, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2003	2002	2003
<b>Cash flows from operating activities:</b>			
Net income	¥ 4,006	¥ 3,203	\$ 33,328
Depreciation	10,853	7,920	90,290
Decrease (increase) in accrued retirement benefits	(325)	269	(2,706)
Loss on disposal of property, plant and equipment	547	832	4,553
Write-down of marketable and investment securities	516	1,147	4,294
Provision for allowance for doubtful receivables	(211)	56	(1,755)
Reversal of accrued bonuses	(52)	(35)	(430)
Deferred income taxes	(143)	(550)	(1,192)
Amortization of consolidation goodwill	(602)	570	(5,009)
Decrease in notes and accounts receivable	6,257	6,862	52,054
Decrease (increase) in inventories	488	(4,508)	4,057
Decrease (increase) in other current assets	3,090	(916)	25,710
Increase in notes and accounts payable	(11,505)	(3,838)	(95,715)
Decrease (increase) in accrued expenses and other	189	(853)	1,574
Decrease (increase) in other current liabilities	6	(157)	46
Other, net	1,282	1,646	10,670
<b>Net cash provided by operating activities</b>	<b>14,396</b>	<b>11,648</b>	<b>119,769</b>
<b>Cash flows from investing activities:</b>			
Payments for purchase of property, plant and equipment	(10,762)	(11,793)	(89,536)
Proceeds from sale of property, plant and equipment	169	33	1,405
Payments for purchase of intangible assets	(12,584)	(1,698)	(104,688)
Proceeds from sale of investments in securities	24	29	203
Payments for purchase of investments in securities	(2,105)	(1,231)	(17,509)
Other, net	(633)	(1,032)	(5,270)
<b>Net cash used in investing activities</b>	<b>(25,891)</b>	<b>(15,692)</b>	<b>(215,395)</b>
<b>Cash flows from financing activities:</b>			
Decrease (increase) in short-term bank loans	(13,498)	13,819	(112,295)
Increase (decrease) in long-term debt	21,797	(2,245)	181,339
Redemption of convertible bonds	—	(4,210)	—
Cash dividends paid	(1,688)	(1,682)	(14,046)
Other, net	(111)	(32)	(918)
<b>Net cash provided by financing activities</b>	<b>6,500</b>	<b>5,650</b>	<b>54,080</b>
<b>Effect of exchange rate changes on cash</b>	<b>(10)</b>	<b>19</b>	<b>(96)</b>
<b>Net decrease (increase) in cash and cash equivalents</b>	<b>(5,005)</b>	<b>1,625</b>	<b>(41,642)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>8,721</b>	<b>6,913</b>	<b>72,553</b>
<b>Cash and cash equivalents increased by</b>	<b>364</b>	<b>183</b>	<b>3,031</b>
<b>Cash and cash equivalents at end of year</b>	<b>¥ 4,080</b>	<b>¥ 8,721</b>	<b>\$ 33,942</b>
<b>Supplemental data:</b>			
Cash paid during the year for –			
Income taxes	¥ 3,410	¥ 3,736	\$ 28,367
Interest	735	743	6,111

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 Securities and Exchange Law 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 17 subsidiaries.

Investments in 1 affiliate (company 32%) is accounted for by the equity method of accounting.

The excess of cost over equity in net assets is amortized within one year.

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 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 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 2001, 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, 2002. The assets of the pension plan were ¥11,373 million(\$94,617 thousand) and ¥12,194 million(\$101,450 thousand) at March 31, 2003 and 2002. Total pension expense, including amortization of prior service cost, amounted to approximately ¥1,658 million (\$13,792 thousand) and ¥1,936 million (\$16,104 thousand) in March 31, 2003 and 2002.

#### **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 Commercial Code 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 ¥120.20 to U.S.\$1, the approximate exchange rate prevailing in the Tokyo Foreign Exchange Market at the end of March 2003.

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. INVESTMENTS IN SECURITIES

Investments in securities at March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S.Dollars
	2003	2002	2003
Listed securities	¥ 6,399	¥ 7,227	\$53,235
Other marketable securities	4,998	2,992	41,578
	¥11,397	¥10,219	\$94,813

#### 5. INVENTORIES

Inventories at March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S.Dollars
	2003	2002	2003
Finished products and merchandise	¥14,852	¥17,236	\$123,561
Work in process	3,780	187	31,448
Raw materials and supplies	5,672	5,342	47,187
Others	128	133	1,068
	¥24,432	¥22,898	\$203,264

Total cost of inventories held as of March 31, 2003 and 2002, did not exceed their net realizable values.

#### 6. DEPRECIATION

Depreciation expense of property, plant and equipment for the years ended March 31, 2003 and 2002 amounted to ¥10,853 million (\$90,290 thousand) and ¥7,920 million (\$65,888 thousand), respectively.

#### 7. 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, 2003 and 2002 ranged principally from 0.43% to 1.88% and from 0.32% to 1.38%, respectively, and those in the USA at 2.59% and from 2.50% to 2.70%, respectively.

#### 8. INCOME TAXES

Income taxes applicable to the Company and its subsidiaries for the two years ended March 31, 2003, comprised (a) corporation tax, (b) enterprise tax, and (c) resident's taxes, which resulted in a statutory tax rate of 42.05 % for the year ended March 31, 2003.

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.

#### 9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

At March 31, 2003 and 2002 accrued expenses and other current liabilities consisted of the following:

	Millions of Yen		Thousands of U.S.Dollars
	2003	2002	2003
Accrued bonuses	¥1,626	¥1,614	\$13,526
Accrued expenses	3,414	2,874	28,402
Other	1,839	1,712	15,281
	¥6,879	¥6,200	\$57,209

## 10. LONG-TERM DEBT

At March 31, 2003 and 2002 long-term debt consisted of the following:

	Millions of Yen		Thousands of U.S.Dollars
	2003	2002	2003
Secured loans from banks and others, at interest rates ranged from 1.35% to 4.5%, maturing serially through 2006	¥ 314	¥ 688	\$ 2,611
Unsecured loans from banks and others, at interest rates ranged 0.80% to 5.69%, maturing serially through 2008	40,136	17,989	333,918
	40,450	18,677	336,529
Less current portion	(10,698)	(7,930)	(89,005)
	¥29,752	¥10,747	\$247,524

Long-term debt payments fall due after March 31, 2003 as follows:

Year ending March 31	Millions of Yen	Thousands of U.S.Dollars
2004	¥10,698	\$ 89,005
2005 and thereafter	29,752	247,524
	¥40,450	\$336,529

The assets (property, plant and equipment, valued ¥28,039 million (\$233,271 thousand) on book) pledged at March 31, 2003 as collateral for long term bank loans amounted to ¥314 million (\$2,611 thousand).

## 11. RETAINED EARNINGS OF CONSOLIDATED

Retained earnings of consolidated basis consists of legal reserve and retained earnings.

In accordance with provisions of the Commercial Code 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.

## 12. CONTINGENT LIABILITIES

At March 31, 2003 and 2002, the Company and its subsidiaries had the following contingent liabilities:

	Millions of Yen		Thousands of U.S.Dollars
	2003	2002	2003
As guarantor of indebtedness of non-consolidated subsidiaries, affiliates and others	¥583	¥720	\$4,847

## 13. 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, 2003 and 2002 were as follows:

	Yen		U.S.Dollars
	2003	2002	2003
Net income	¥21.16	¥17.10	\$0.176
Cash dividends	9.00	9.00	0.075

#### 14. SEGMENT INFORMATION

The operations of the Company and its consolidated subsidiaries for the years ended March 31, 2003 and 2002 were summarized by industry segment as follows:

Year ended March31, 2003	Millions of Yen			
	Chemicals	Others	Elimination and Corporate Assets	Consolidated
Sales				
Outside customers	¥142,324	¥ 9,548	¥ —	¥151,872
Inter-segment	9,840	10,328	(20,168)	—
Sub-total	152,164	19,876	(20,168)	151,872
Operating costs and expenses	142,647	19,489	(20,082)	142,054
Operating income	¥ 9,517	¥ 387	(¥ 86)	¥ 9,818
Identifiable assets	¥170,022	¥15,652	(¥14,390)	¥171,284
Depreciation and amortization	10,400	453	—	10,853
Capital expenditures	18,285	560	—	18,845

Year ended March31, 2002	Millions of Yen			
	Chemicals	Others	Elimination and Corporate Assets	Consolidated
Sales				
Outside customers	¥127,048	¥11,138	¥ —	¥138,186
Inter-segment	7,047	9,369	(16,416)	—
Sub-total	134,095	20,507	(16,416)	138,186
Operating costs and expenses	124,533	20,242	(16,036)	128,739
Operating income	¥ 9,562	¥ 265	(¥ 380)	¥ 9,447
Identifiable assets	¥168,144	¥12,673	(¥10,747)	¥170,070
Depreciation and amortization	7,452	468	—	7,920
Capital expenditures	12,695	334	—	13,029

Year ended March31, 2003	Thousands of U.S.Dollars			
	Chemicals	Others	Elimination and Corporate Assets	Consolidated
Sales				
Outside customers	\$1,184,052	\$ 79,442	\$ —	\$1,263,494
Inter-segment	81,867	85,919	(167,786)	—
Sub-total	1,265,919	165,361	(167,786)	1,263,494
Operating costs and expenses	1,186,743	162,140	(167,068)	1,181,815
Operating income	\$ 79,176	\$ 3,221	(\$ 718)	\$ 81,679
Identifiable assets	\$1,414,490	\$130,216	(\$119,715)	\$1,424,991
Depreciation and amortization	86,517	3,773	—	90,290
Capital expenditures	152,121	4,662	—	156,783

Overseas operations, which represent sales to customers outside of Japan of the Company and its consolidated subsidiaries for the years ended March 31, 2003 and 2002, were as follows:

Millions of Yen					
	Asia	Others	Total	Consolidated net Sales	Weight of Overseas Net Sales
Year ended March 31, 2003	¥15,438	¥10,291	¥25,729	¥151,872	16.9%
Year ended March 31, 2002	14,532	10,136	24,668	138,186	17.9

Thousands of U.S.Dollars					
	Asia	Others	Total	Consolidated net Sales	
Year ended March 31, 2003	\$128,439	\$85,614	\$214,053	\$1,263,494	

Division of country or region is decided by geographical proximity.

Major countries or areas in the respective divisions:

(a) Asia: South East Asia, Middle East, Oceania

(b) Others: North America, Western Europe, Northern Europe, Eastern Europe, Latin America, Africa

#### 15. SUBSEQUENT EVENT

The following appropriations of retained earnings were approved at a shareholders' meeting held on June 27, 2003:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends (¥6.50=\$0.054 per share)	¥1,218	\$10,133
Bonuses to directors and statutory auditors	32	266

# INDEPENDENT AUDITORS' REPORT

## Yaesu Audit Company

12-4, Kyobashi 2-Chome, Chuo-ku, Tokyo 104-0031, Japan Tel. 03-3563-1451 Fax. 03-3564-3292

Independent Auditors' Report

To the Board of Directors  
Nissan Chemical Industries, Ltd.

We have audited the accompanying consolidated balance sheets of Nissan Chemical Industries, Ltd. and subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity 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 generally accepted auditing standards in Japan and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of Nissan Chemical Industries, Ltd. and subsidiaries as of March 31, 2003 and 2002, and the results of their operations and their cash flows for the years then ended, in conformity with generally accepted accounting principles in Japan applied on a consistent basis.

We have also reviewed the translation the 2003 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.

Tokyo Japan  
June 27, 2003



Yaesu Audit Company

# CORPORATE PROFILE

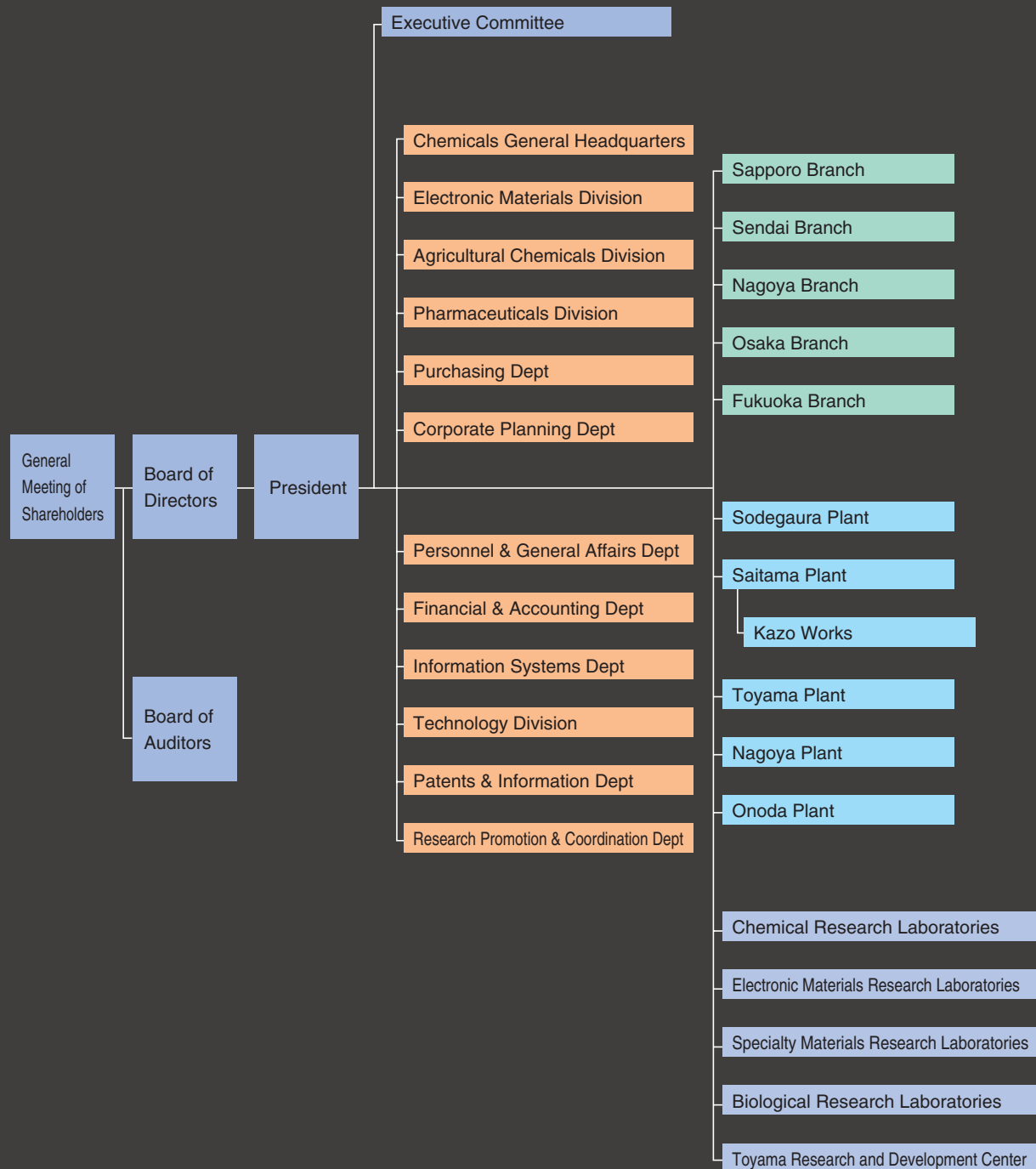
As of March 31, 2003

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	187,635,031 shares ¥18,942 million
Number of Shareholders	20,804
Number of Employees	1,514
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 As of June 27, 2003

President	Nobuichiro Fujimoto
Senior Managing Director	Akira Nagashima
Managing Directors	Ryozo Sakoda Koichiro Yanagida Toshimasa Umehara Takashi Ikai Suketoshi Tsukamoto Yutaka Niitsu
Directors	Masahito Yoshimura Yoshihiro Fujikawa Shigeru Katayanagi Ken-ichiro Yashiro Sakuya Tanaka Shin-ichi Yuki Kojiro Kinoshita Kiichi Hasegawa
Corporate Auditors	Hideo Ogihara Yoriaki Sakata Kouji Matsu-ura Masami Adachi

# ORGANIZATION



# 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

### Nissan Green & Landscape Co., Ltd.

3-16-9, Uchikanda, Chiyoda-ku, Tokyo 101-0047  
Tel:03-3256-4031

- ◆ Landscaping and civil engineering

### Nissan Butsuryu Co., Ltd.

1-10-5, Nihonbashihon-cho, Chuo-ku, Tokyo 103-0023  
Tel:03-5255-6901

- ◆ Transportation

### 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 analysis

### Nissan Kenzai Co., Ltd.

635 Sasakura, Fuchu-machi, Nei-gun, Toyama 939-2753  
Tel:0764-65-6300

- ◆ Construction materials

### Chemical Service Co., Ltd.

12-17, Goiminamikaigan, Ichihara-shi, Chiba 290-0045  
Tel:0436-22-2110

- ◆ Distillation and refining of chemical products

### Nissan Agri Corporation

1-23, Kandasuda-cho, Chiyoda-ku, Tokyo 101-0041  
Tel:03-3255-3231

- ◆ Fertilizers and agrochemicals

### Nihon Hiryo Co., Ltd.

1-10-5, Nihonbashihon-cho, Chuo-ku, Tokyo 103-0023  
Tel:03-3241-4231

- ◆ Fertilizers and agrochemicals

### Nissei Service Corporation

2-29-12, Taito, Taito-ku, Tokyo 110-0016  
Tel:03-3836-9771

- ◆ Agrochemicals for golf course

### Hokkaido Nissan Co., Ltd.

9-23 Kitahama, Hakodate-shi, Hokkaido 040-0078  
Tel:0138-41-1251

- ◆ Fertilizers and agrochemicals

### Hokkaido Nikko Corporation

1-2-8, Nishi 23-jho, Kita, Obihiro-shi, Hokkaido 080-2463  
Tel:0155-37-3700

- ◆ Fertilizers and agrochemicals

### Kyushuu Nikko Corporation

3223-1, Oazahisatomi, Kubota-cho, Saga-gun, Saga 849-0202  
Tel:0952-51-3121

- ◆ Fertilizers and agrochemicals

## OVERSEAS GROUP (Consolidated)

### Nissan Chemical America Corporation

Houston Office (Chemical Business)

10777 Westheimer, Suite 150 Houston, TX77042, U.S.A.  
Tel:713-532-4745

Chicago Office (Agrochemical Business)

1100 Arlington Heights Road, Itasca, IL60143, U.S.A.  
Tel: 630-775-9654

### Nissan Chemical Houston Corporation

12330 Bay Area, Boulevard, Pasadena, TX77507, U.S.A.  
Tel: 281-291-0200

### Nissan Chemical Europe S.A.R.L.

1, Boulevard Marius Vivier Merle 69003, Lyon, France  
Tel:379-15-800

### Nissan Chemical Korea Co., Ltd.

401, Chupal-ri, Paengsung ub Pyongtaek City, Korea  
Tel: 031-691-7044

## DOMESTIC GROUP (Under the equity method)

### Sud-Chemie Catalysts Inc.

2-1-1, Yoyogi, Shibuya-ku, Tokyo 151-0053  
Tel:03-5308-9300

- ◆ Catalysts for petrochemical and petroleum products

# STOCK INFORMATION

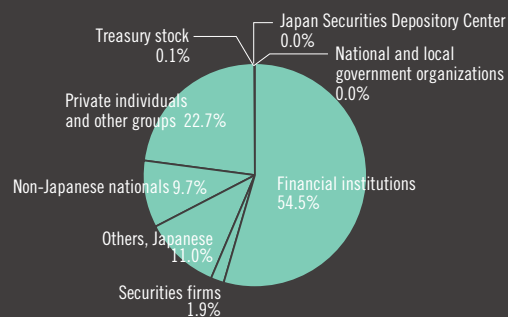
As of March 31, 2003

Total Number of Authorized Shares	360,000,000
Shares of Common Stock Issued	187,635,031
Shareholders	20,804

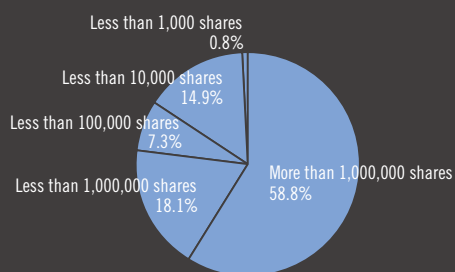
### Major Shareholders (top five companies)

	Number of Shares held (thousands)	Percentage of total shares in issue (%)
Japan Master Trust Bank, Ltd. (Trust Account)	13,302	7.1
Japan Trustee Services Bank, Ltd.	7,535	4.0
Mizuho Trust & Banking Co., Ltd. (Employee Retirement Benefit Trust of Mizuho Corporate Bank) new trust custodian: Trust & Custody Services Bank, Ltd.	7,378	3.9
SOMPO JAPAN INSURANCE INC.	7,291	3.9
UFJ Trust Bank Ltd. (Trust Account A)	6,871	3.7

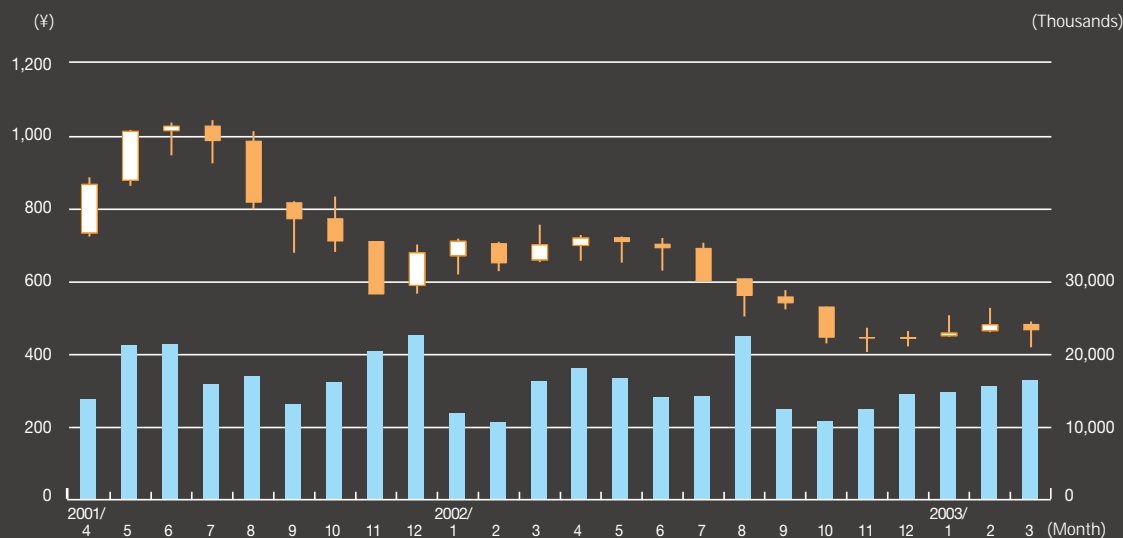
### Breakdown of shareholders by type



### Breakdown by number of shares held



### Stock Quote and Chart (April, 2001—March, 2003)





**NISSAN CHEMICAL INDUSTRIES, LTD.**

[www.nissanchem.co.jp](http://www.nissanchem.co.jp)