

# Annual Report

# 2004

For the year ended March 31, 2004

# Nissan Chemical Industries, Ltd.



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### Projections

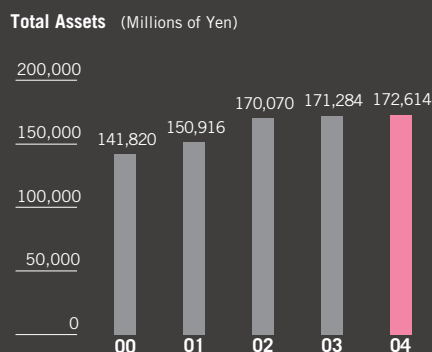
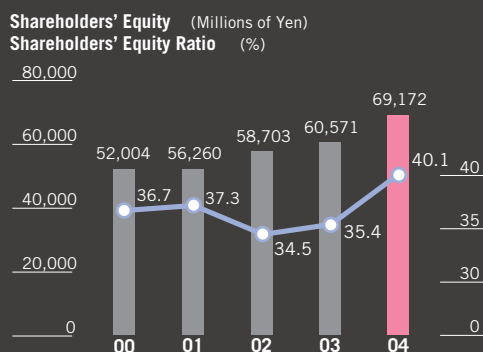
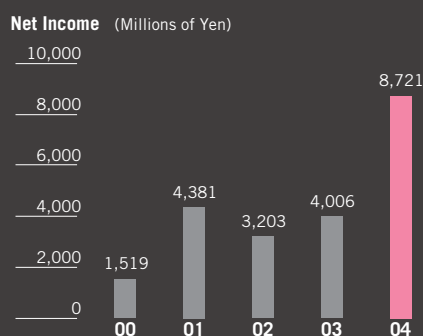
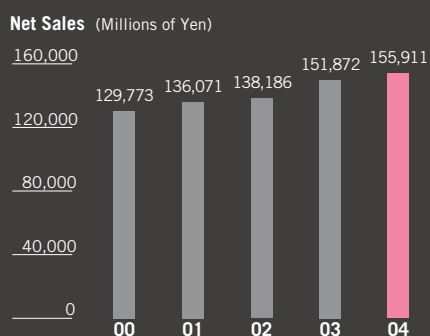
Statements contained in this report with respect to Company plans, strategies and beliefs that are not historical facts are projections about the future performance of the Company which are based on management's assumptions and beliefs in light of the information currently available. These projections involve known and unknown risks, uncertainties and other factors that may cause the Company 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, 2004 and 2003

Consolidated	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Net sales	¥ 155,911	¥ 151,872	\$ 1,476,010
Net income	8,721	4,006	82,559
Shareholders' equity	69,172	60,571	654,850
Amounts per share (in yen and U.S. dollars):			
Net income	¥ 46.21	¥ 21.16	\$ 0.44
Shareholders' equity	369.04	323.05	3.49
<b>Non-Consolidated</b>			
Net sales	¥ 99,941	¥ 92,342	\$ 946,139
Net income	8,604	4,272	81,457
Shareholders' equity	67,150	58,649	635,710
Amounts per share (in yen and U.S. dollars):			
Net income	¥ 45.68	¥ 22.61	\$ 0.43
Shareholders' equity	358.34	312.83	3.39

Note: The U.S.dollar amounts in this report are given for convenience only and represent translations of Japanese yen at the rate of ¥105.63 to U.S.\$1, the rate prevailing at the end of the term.



# A MESSAGE TO OUR SHAREHOLDERS



Nobuichiro Fujimoto, *President*

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, 2004 (fiscal 2004), concern about the prospects for income and employment brought a series of advances and retreats in individual consumption. Notwithstanding this economic uncertainty, signs of improved business confidence appeared. Expansion of the digital appliance market and growth in exports, especially to China, continuing into the second half of the fiscal year led to a gradual improvement in corporate earnings. In addition, capital investment turned upward and stock prices were firm.

In these circumstances, in the chemicals business the Company benefited from expansion of the LCD market and achieved a sharp increase in sales of electronic materials-related products. In the pharmaceuticals business, the market introduction of antihyperlipidemic agent LIVALO following approval to manufacture in July brought a major increase in sales. In the agricultural chemicals business, although difficult market conditions overseas adversely affected sales of existing products, growth in sales of nonselective herbicide ROUNDUP brought an increase in sales on the domestic market.

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.

A handwritten signature in blue ink, reading "N. Fujimoto".

Nobuichiro Fujimoto, *President*

# INTERVIEW WITH THE PRESIDENT

## Electronics materials-related products maintain solid performance

Due to the impact created by the transfer of some of our consolidated subsidiaries to equity-method affiliated companies, net sales increased by a mere ¥4,039 million, to ¥155,911 million, compared with the previous fiscal year. In terms of profit and loss, electronic materials-related products remained vigorous, while “LIVALO” was launched on the pharmaceutical market. As a result, ordinary income increased by ¥6,061million, to ¥14,637million, over the previous fiscal year. Net income increased by ¥4,714 million to ¥8,721 million, over the previous fiscal year.

In commenting on the future economic environment, although uncertainties remain in relation to trends in interest and exchange rates, corporate earnings are exhibiting a continued tendency to recover, while aspirations toward capital investments are high. Accordingly, I feel that the economy will remain steady in the upcoming fiscal year. In light of this, in the Chemicals segment we will endeavor to strengthen our competitiveness, centering on electronic materials-related products with the goal of expanding profitability. In the Agricultural Chemicals and Pharmaceuticals segments, however, decreases in earnings are anticipated accompanying the influence of inventory adjustments in the logistics stage. In terms of business performance for the next fiscal year, net sales can be expected to reach ¥157 billion; ordinary income will be around ¥15 billion and net income is estimated to reach ¥10 billion.



**Q** How would you describe business performance in fiscal 2004?

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



## Renewed opportunities in the Chemicals segment

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

Based on our expertise and evaluation capabilities in the areas of micro particle control technology, high-performance polymers technology and organic synthesis technology, we will continue to develop innovative products with the aim of becoming a "Value Creating Enterprise" that maintains a strong brand image which is accepted throughout the world. 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.

Above all, as for the electronic materials-related products that drive profitability, intensified competition to develop next-generation products and open new markets necessitate construction of a development, production and sales structure more closely tied to the market. Accordingly, we will consolidate our manufacturing bases mainly in Korea, Taiwan and China and we also focus on establishing marketing bases. At the same time, in order to meet with future increases in demand, we plan to expand the production capacity of our current domestic manufacturing facilities and to actively promote our presence in East Asia, which continues to be the most important market for us.

## Instituting concrete action for the changing scene

Amidst the harsh economic environment, in the Agricultural Chemicals segment it will be essential to introduce new products continuously to the market in rapid succession. Accordingly, ongoing research and development activities must be undertaken with the goal of swiftly introducing new ingredients to the market. At the same time, we will implement measures to expand net sales by applying existing products for use on different crops and developing new distribution channels overseas. In the Pharmaceuticals segment, now that "LIVALO" has been launched 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.

At this point, we intend to accelerate the ongoing 5-year medium-term management plan, which was originally scheduled for completion in fiscal 2006, so that it will be completed in fiscal 2005, one year ahead of schedule. We would like to begin a new medium-term management plan starting from April 2005. Although business performance for the respective business segments as a whole has been proceeding approximately as forecasted, if we closely examine each segment on a one by one basis, it is apparent that the business environment has changed drastically in certain segments in comparison with the plan. Accordingly, new management strategies that are attuned to the current situation are urgently necessary.

In drawing up a new plan, it is important to draft one that is practical and moves along at a swift pace. The period for the new plan will also be shortened to three years. I have instructed each segment to clarify the business model targeted for their respective business areas and to create a plan that calls for concrete action.

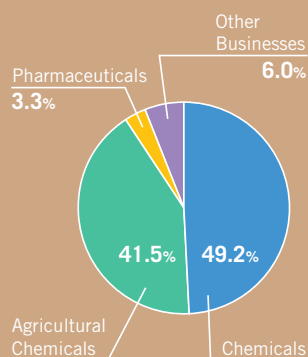


**Q** What is the outlook for areas other than electronics materials-related products?

**Q** We heard that you're re-examining your medium-term management plan. Can you give us some of the details about this?

# BUSINESS OUTLINE

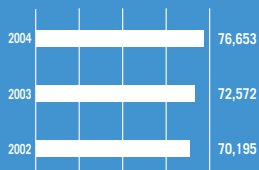
Sales Breakdown



Outline

Main Products

Net Sales (Millions of Yen)



## Chemicals

This field is divided into three areas—basic chemicals, specialty chemicals and electronic materials-related products. In fiscal 2004, 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 28% of the total, while making a major contribution to profits.

Basic chemicals  
— Melamine,  
Ammonia derivatives  
Specialty chemicals  
— TEPIC, SNOWTEX, FINETECH  
Electronic materials  
— SUNEVER, ARC, SNOWTEX,  
TEPIC, LR

Net Sales (Millions of Yen)



## Agricultural Chemicals

This field is divided into two areas—agrochemicals and fertilizers. In fiscal 2004, sales decreased due to transfer of some consolidated subsidiaries to equity-method affiliated companies.

Herbicides  
— SIRIUS, TARGA, PERMIT,  
ROUNDUP  
Acaricides  
— SANMITE, MITO-KOHNE

Net Sales (Millions of Yen)

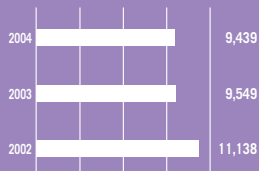


## Pharmaceuticals

In fiscal 2004, sales largely increased because of the launch of LIVALO. An anti-inflammatory agent now in the development stage moved to phase-II trials in the U.S. and Japan.

Anti-hyper lipidemic agent  
— LIVALO  
Anti-hypertensive agent  
— LANDEL  
Anti-inflammatory agent  
— EPATEC

Net Sales (Millions of Yen)



## Other Businesses

The majority of business in this field is carried out by affiliated companies. Landscaping and environmental analysis are being adversely affected by the cut-backs in public spending, and the business situation remains difficult.

Landscaping  
Environmental analysis  
Transportation  
Insurance agency  
Real estate rental

# REVIEW OF OPERATIONS

## Chemicals

### Strong sales across the board fueled by growing demand

#### OPERATING RESULTS

A gradual recovery in the Japanese economy brought higher sales of basic chemical products compared with the previous fiscal year. Revenues from mainstay products increased, fueled by continued buoyant demand overseas for melamine and higher sales of ammonia and high purity chemicals.

Sales of functional products increased. Amid large-scale expansion of the LCD-related and semiconductor-related markets that was primarily fueled by demand for digital home appliances, sales of electronic materials-related products surged owing to their excellent reputation in the market. Mainstay products performed well as increased demand for large-scale, highly functional liquid crystal panels led to higher sales volumes for SUNEVER (polyimide for LCD alignment coatings) and the trend toward miniaturization of semiconductors brought higher sales of ARC (anti-reflective coating for semiconductors). The Finetech business (a business involving support for the research

and development of pharmaceuticals manufacturers) also developed favorably following the full-scale launch last year.

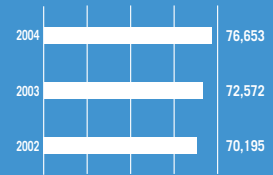
As a result of these developments, net sales in this segment increased by ¥4,080 million over the previous fiscal year to ¥76,653 million, and operating income rose by ¥2,603 million to ¥10,813 million.

#### TOPICS

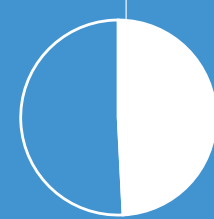
##### ESTABLISHMENT OF A NEW LCD MATERIALS MANUFACTURING PLANT

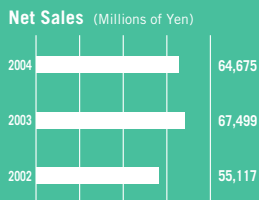
In order to meet the vigorous demand for liquid crystal panels for personal computers and TV sets, construction of a new manufacturing facility is underway at the Sodegaura plant. The new plant will be used for manufacturing materials used existing products centering on SUNEVER, and also to manufacture new materials currently being developed. Construction of the plant is scheduled for completion next spring. When it opens, it is expected to contribute to the Company's business performance by increasing our manufacturing capacity and enabling us to introduce new products to the market.

Net Sales (Millions of Yen)



Sales Ratio by Segment 49.2%





**Sales Ratio by Segment** 41.5%



# Agricultural Chemicals

## Income grows as new-product sales offset pricing pressure

### OPERATING RESULTS

Business conditions in the domestic agrochemicals market remained adverse owing to pressure to lower prices arising from participation on the part of foreign manufacturers and increased concern about the safety and traceability of agricultural products. In this environment, sales of ROUNDUP, a new product launched in July 2002, rose sharply. The Company increased revenues in Japan by focusing effort on sales of mainstay rice paddy herbicides TREDY and DOUBLE STAR as well as newly launched MACHET and by working to increase sales of rice paddy insecticide PRINCE and acaricide MITO-KOHNE.

In overseas markets, difficult market conditions for the Company's products continued: the North American chemical herbicides market contracted owing to growth in sales of genetically modified crops, and sales of low-priced generic products in Asia increased. Although the Company mounted efforts to increase sales of rice paddy herbicide NONGIRANG and other products in South Korea, successes in this market were insufficient to avert an overall decrease in export revenues.

In the area of fertilizers, a continuing slump in overall demand brought a decline in sales.

Net sales in the agricultural chemicals segment decreased by ¥2,825 million year on year to ¥64,675 million, partly from the impact of the reclassification of some consolidated subsidiaries as equity method affiliated companies. Operating income increased by ¥566 million to ¥3,009 million.

### TOPICS

#### DEVELOPMENT OF THE AGRITRACE SYSTEM

As part of its program of initiatives to ensure food safety, the Company has developed the system to facilitate traceability of agricultural produce and has begun complimentary provision of the system to farms. This system makes it possible for farms to use the Internet to simply record and manage agrochemicals and fertilizer use history by field and by crop. The Company is considering eventually linking AGRITRACE to the large-scale traceability system currently being planned by the food distribution industry.

## REVIEW OF OPERATIONS

# Pharmaceuticals

## Successful product launch in Japan drives sales growth

### OPERATING RESULTS

In July 2003, the Company obtained approval to manufacture antihyperlipidemic agent NK-104. In September, this product was included in the National Health Insurance price listing, and Kowa Co., Ltd. and Sankyo Co., Ltd. commenced sales in Japan under the product name LIVALO. Sales of this product more than compensated for a slight decline in revenues from

anti-hypertensive agent LANDEL and anti-inflammatory agent EPATEC, resulting in a sharp increase in sales in the pharmaceuticals business. Net sales for this segment rose by ¥2,894 million year on year to ¥5,144 million. Operating income of ¥1,259 million was posted, an improvement of ¥2,392 million following an operating loss the previous year.

Net Sales (Millions of Yen)



Sales Ratio by Segment



## REVIEW OF OPERATIONS

# Other Businesses

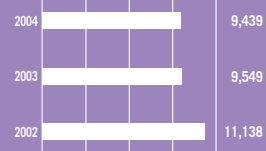
## Income grows despite declines in public works orders

### OPERATING RESULTS

Intensified competition to obtain orders for public works projects and a decline in the unit value of orders received brought continuation of the harsh trading conditions in the landscaping and tree planting and environmental

research and analysis markets. In these circumstances, net sales for these operations decreased by ¥110 million from the year before to ¥9,439 million. Operating income increased by ¥200 million to ¥587 million.

Net Sales (Millions of Yen)



Sales Ratio by Segment



# 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 semi-conductors), 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 the anti-hyperlipidemic agent LIVALO. 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



Launch a  
Long-awaited  
Cholesterol-lowering Drug,  
**LIVALO**

In July 2003, the Company obtained approval to manufacture antihyperlipidemic agent NK-104. In September, this product, under the name LIVALO, was included in the National Health Insurance price listing, and Kowa Co., Ltd. and Sankyo Co., Ltd. commenced sales in Japan under the product name LIVALO.

LIVALO is a statin-family hypolipemic drug developed by Nissan Chemical. Statin is the general term for hypolipemic drugs, which inhibit reductase of HMG-CoA, an important enzyme for cholesterol biosynthesis. It has the effect of greatly lowering low-density lipoprotein, so-called “bad” cholesterol, in the bloodstream, which is one of the risk factors in developing arteriosclerosis and coronary heart disease.

LIVALO is called “Superstatin,” because of its superb efficacy in comparison with other statins. It has the clinically and therapeutically useful merits of increasing good cholesterol (or high density lipoprotein), and it can be safely taken with other drugs without producing side effects from drug-drug interaction.

The current domestic market scale is approximately ¥300 billion. Following the launch of LIVALO, business performance of the Pharmaceuticals segment in fiscal 2004 has shown signs of significant improvement. From this point on, 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.



# 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

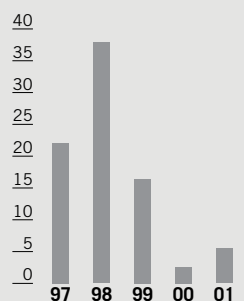
and improvement of their control. The PRTR Law specifies 354 chemical substances and obligates the confirmation of emission and transport volumes of these substances.

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.

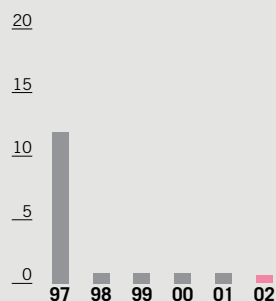
For example, Nissan Chemical handles four of the twelve substances considered to be toxic air pollution contaminants and we are promoting measures to decrease emissions through voluntary controls. However, we have already reached the objectives established within the chemical industry through reduction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

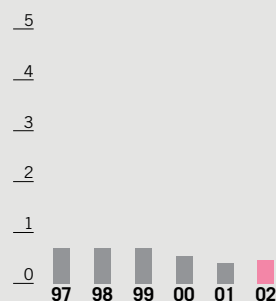
**1,2-Dichloroethane (Ton/Year)**



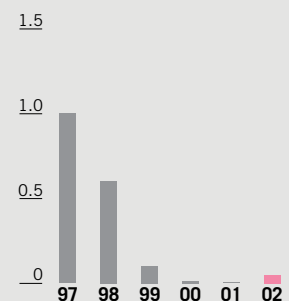
**Benzene (Ton/Year)**



**Formaldehyde (Ton/Year)**



**Dichloromethane (Ton/Year)**



# FIVE-YEAR SUMMARY

	Millions of Yen				
<b>Consolidated</b>	2000	2001	2002	2003	2004
Net sales	¥ 129,773	¥ 136,071	¥ 138,186	¥ 151,872	¥ 155,911
Operating income	8,034	10,961	9,447	9,818	15,664
Net income	1,519	4,381	3,203	4,006	8,721
Total assets	141,820	150,916	170,070	171,284	172,614
Shareholders' equity	52,004	56,260	58,703	60,571	69,172
Capital expenditure	8,991	8,589	13,029	18,845	6,635
R&D expenditure	6,719	6,220	6,722	7,495	8,680
Amounts per share (in yen):					
Net income per share	¥ 8.40	¥ 23.48	¥ 17.10	¥ 21.16	¥ 46.21
Shareholders' equity per share	278.70	301.50	312.92	323.05	369.04
Financial ratios (%):					
Shareholders' equity ratio	36.7	37.3	34.5	35.4	40.1
Return on equity	3.1	8.1	5.6	6.7	13.4
Return on assets	5.1	6.9	4.9	5.0	8.5
<b>Non-Consolidated</b>					
Net sales	¥ 96,371	¥ 102,327	¥ 91,489	¥ 92,342	¥ 99,941
Operating income	7,182	10,153	9,168	9,713	15,075
Net income	2,214	4,392	3,694	4,272	8,604
Total assets	119,146	128,047	128,679	131,951	139,083
Shareholders' equity	49,589	53,556	56,423	58,649	67,150
Amounts per share (in yen):					
Net income per share	¥ 12.24	¥ 23.53	¥ 19.72	¥ 22.61	¥ 45.68
Shareholders' equity per share	265.75	287.01	300.77	312.83	358.34
Cash dividends per share	7.0	9.0	9.0	9.0	11.0
Financial ratios (%):					
Shareholders' equity ratio	41.6	41.8	43.8	44.4	48.3
Return on equity	4.8	8.5	6.7	7.4	13.7
Return on assets	5.7	7.7	6.2	6.5	10.5
Year-end statistics:					
Number of shareholders	23,896	18,730	19,462	20,804	19,955
Number of employees	1,585	1,561	1,513	1,514	1,505

# FINANCIAL REVIEW

## OVERVIEW

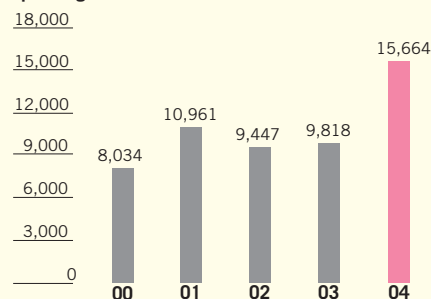
During the fiscal year ended March 31, 2004 (fiscal 2004), concern about the prospects for income and employment brought a series of advances and retreats in individual consumption. Notwithstanding this economic uncertainty, signs of improved business confidence appeared. Expansion of the digital appliance market and growth in exports, especially to China, continuing into the second half of the fiscal year led to a gradual improvement in corporate earnings. In addition, capital investment turned upward and stock prices were firm.

In these circumstances, in the chemicals business, the Company benefited from expansion of the LCD market and achieved a sharp increase in sales of electronic materials-related products. In the pharmaceuticals business, the market introduction of antihyperlipidemic agent LIVALO following approval to manufacture in July brought a major increase in sales. In the agricultural chemicals business, although difficult market conditions overseas adversely affected sales of existing products, growth in sales of non-selective herbicide ROUNDUP brought an increase in sales on the domestic market.

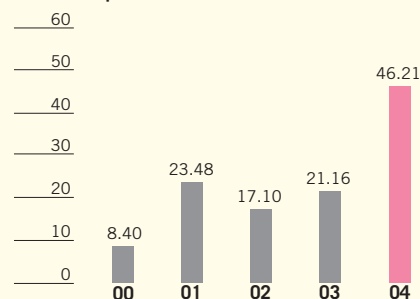
## OPERATING RESULTS

Due to the impact created by the transfer of some of our consolidated subsidiaries to equity-method affiliated companies, net sales increased by a mere ¥4,039 million, to ¥155,911 million, compared with the previous fiscal year. In terms of profit and loss, electronic materials-related products remained vigorous, while LIVALO was launched on the pharmaceutical market. As a result, operating income increased by ¥5,846 million, or 59.5%, to ¥15,664 million, over the previous fiscal year. Net income increased by ¥4,714 million to ¥8,721 million, over the previous fiscal year. Also, net income per share increased from ¥21.16 to ¥46.21, a ¥25.05 increase over the previous fiscal year. Domestic sales were ¥126,976 million and exports were ¥28,935 million, respectively.

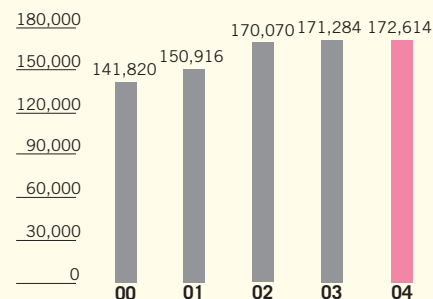
Operating Income (Millions of Yen)



Net Income per Share (Yen)



Total Assets (Millions of Yen)



## FINANCIAL POSITION

Total assets on March 31, 2004 increased by ¥1,330 million, or 0.8% over the previous fiscal year, to ¥172,614 million.

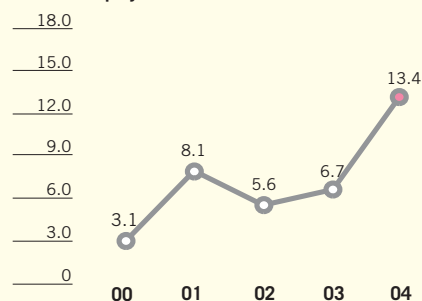
Liabilities decreased by ¥6,828 million over the previous fiscal year to ¥102,214 million. However, as a result of accelerated pay back of debt, financial obligations for loans decrease by ¥11,055 million compared with the previous fiscal year.

Shareholders' equity increased by ¥8,601 million, or 14.2%, to ¥69,172 million compared with the previous fiscal year, and the equity ratio increased by 4.7 percentage points to 40.1%. Shareholder equity per share increased by ¥45.99 to ¥369.04 compared with the previous fiscal years' ¥323.05. Return on equity (ROE) for this fiscal year increased by 6.7 percentage points to 13.4%.

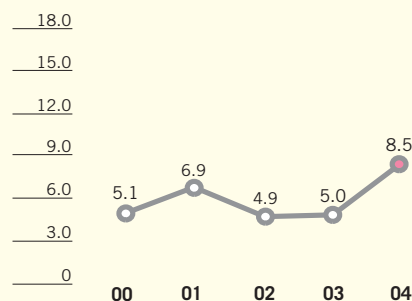
## CASH FLOW ANALYSIS

In fiscal 2004, due to net income, depreciation and increased working capital efficiency, net cash from operating activities was maintained at ¥19,483 million. Net cash used in investment activities was ¥5,483 million, due to capital expenditures for development of electronic materials-related products and development of the Finetech business. Net cash provided by financing activities decreased to ¥11,817 million as a result of accelerating pay back of the interest-bearing debt due to decreased spending for capital expenditures. Accordingly, the outstanding interest-bearing debt at the end of the year decreased by approximately ¥11,100 million to ¥57,437 million.

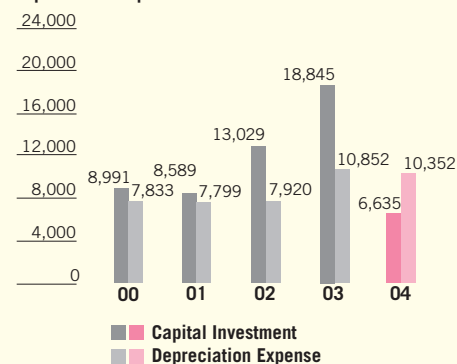
Return on Equity (%)



Return on Assets (%)



Capital Investment/  
Depreciation Expense (Millions of Yen)



# FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEETS

Nissan Chemical Industries, Ltd. and its Consolidated Subsidiaries  
March 31, 2004 and 2003

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2004	2003	2004
<b>Current assets:</b>			
Cash and time deposits	¥ 5,906	¥ 4,160	\$ 55,909
Notes and accounts receivable:			
Trade	61,163	58,729	579,027
Less allowance for doubtful receivables	(33)	(86)	(312)
Inventories (Note 5)	22,838	24,432	216,211
Deferred taxes-current	1,983	1,457	18,770
Other current assets	6,094	3,740	57,694
<b>Total current assets</b>	<b>97,951</b>	<b>92,432</b>	<b>927,299</b>
<b>Investments and advances:</b>			
Investment in securities (Note 4)	15,076	11,397	142,725
Investments in and advances to non-consolidated subsidiaries and affiliates	3,120	2,995	29,539
Long-term loans	74	154	703
Other investments	1,849	2,135	17,499
Less allowance for doubtful receivables	(680)	(820)	(6,437)
<b>Total investments and advances</b>	<b>19,439</b>	<b>15,861</b>	<b>184,029</b>
<b>Property, plant and equipment, at cost (Note 6)</b>			
Land	9,258	9,700	87,646
Buildings and structures	38,621	39,681	365,630
Machinery and equipment	102,554	103,712	970,885
Construction in progress	373	727	3,528
Less accumulated depreciation	(106,141)	(104,702)	(1,004,842)
<b>Total property, plant and equipment</b>	<b>44,665</b>	<b>49,118</b>	<b>422,847</b>
<b>Other assets</b>			
Deferred taxes—non-current	910	1,481	8,614
Intangible assets	9,197	11,802	87,071
Other	452	590	4,281
<b>Total assets</b>	<b>¥172,614</b>	<b>¥171,284</b>	<b>\$1,634,141</b>

<b>LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY</b>	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	<b>2004</b>	2003	<b>2004</b>
<b>Current liabilities:</b>			
Short-term bank loans (Note 7)	¥ 19,382	¥ 28,041	\$ 183,493
Current portion of long-term debt (Note 10)	10,898	10,698	103,173
Notes and accounts payable:			
Trade	25,624	24,298	242,581
Construction	1,855	1,390	17,564
Accrued income taxes	4,072	2,818	38,545
Accrued expenses and other current liabilities (Note 9)	7,391	6,879	69,969
<b>Total current liabilities</b>	<b>69,222</b>	<b>74,124</b>	<b>655,325</b>
<b>Long-term liabilities:</b>			
Long-term debt (Note 10)	27,156	29,752	257,090
Deferred taxes—non-current	792	81	7,496
Accrued retirement benefits	2,503	2,762	23,698
Other long-term liabilities	2,541	2,324	24,055
<b>Total long-term liabilities</b>	<b>32,992</b>	<b>34,919</b>	<b>312,339</b>
<b>Minority interests</b>	<b>1,228</b>	<b>1,670</b>	<b>11,627</b>
<b>Contingent liabilities (Note 12)</b>			
<b>Shareholders' equity (Note 11 and 13):</b>			
Common stock, ¥50 par value:			
Authorized—360,000,000 shares;			
Issued and outstanding—187,635,031 shares	18,942	18,942	179,325
Additional paid-in capital	13,613	13,612	128,871
Retained earnings	33,734	27,052	319,359
Valuation gain of investment securities after tax-effect	3,028	955	28,663
Adjustments on foreign currency statement translation	76	135	723
Treasury stock, at cost	(221)	(125)	(2,091)
<b>Total shareholders' equity</b>	<b>69,172</b>	<b>60,571</b>	<b>654,850</b>
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>¥172,614</b>	<b>¥171,284</b>	<b>\$1,634,141</b>

# CONSOLIDATED STATEMENTS OF INCOME

Nissan Chemical Industries, Ltd. and its Consolidated Subsidiaries  
Years ended March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2004	2003	2004
<b>Net sales</b>	<b>¥155,911</b>	¥151,872	<b>\$1,476,010</b>
<b>Cost of sales</b>	<b>106,384</b>	103,754	<b>1,007,137</b>
Gross profit	<b>49,527</b>	48,118	<b>468,873</b>
<b>Selling, general and administrative expenses</b>	<b>33,863</b>	38,300	<b>320,582</b>
Operating income	<b>15,664</b>	9,818	<b>148,291</b>
<b>Other income (expense):</b>			
Interest and dividend income	<b>304</b>	238	<b>2,874</b>
Interest expenses	<b>(624)</b>	(799)	<b>(5,907)</b>
Gain on sale of marketable and investment securities	<b>212</b>	17	<b>2,006</b>
Write-down of marketable and investment securities	<b>—</b>	(524)	<b>—</b>
Gain on sale of property, plant and equipment	<b>82</b>	18	<b>779</b>
Loss on disposal of property, plant and equipment	<b>(397)</b>	(738)	<b>(3,760)</b>
Equity in earnings of non-consolidated subsidiaries and affiliates	<b>(30)</b>	35	<b>(284)</b>
Special expenses for retirement benefits	<b>(943)</b>	—	<b>(8,932)</b>
Amortization of consolidation goodwill	<b>—</b>	624	<b>—</b>
Non-recurring expenses for business restructuring	<b>—</b>	(304)	<b>—</b>
Losses on restructuring affiliates	<b>—</b>	(107)	<b>—</b>
Other, net	<b>(524)</b>	(671)	<b>(4,952)</b>
Income before income taxes	<b>13,744</b>	7,607	<b>130,115</b>
<b>Income taxes (Note 8):</b>			
Current	<b>5,696</b>	3,732	<b>53,929</b>
Deffered	<b>(646)</b>	(143)	<b>(6,117)</b>
<b>Minority interests in consolidated subsidiaries</b>	<b>27</b>	(12)	<b>256</b>
<b>Net income</b>	<b>¥ 8,721</b>	¥4,006	<b>\$82,559</b>

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Nissan Chemical Industries, Ltd. and its Consolidated Subsidiaries  
Years ended March 31, 2004 and 2003

	Number of shares of common stock (thousands)	Millions of Yen		
		Common stock	Additional paid-in capital	Retained earnings
<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>	187,635	18,942	13,612	27,052
Net income				8,721
Cash dividends paid				(1,967)
Bonuses to directors and statutory auditors				(38)
Gain on disposal of treasury stocks			1	
Decrease due to exclusion from consolidation				(34)
<b>Balance at March 31, 2004</b>	<b>187,635</b>	<b>¥18,942</b>	<b>¥13,613</b>	<b>¥33,734</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, 2003</b>	187,635	\$179,325	\$128,862	\$256,105
Net income				82,559
Cash dividends paid				(18,624)
Bonuses to directors and statutory auditors				(361)
Gain on disposal of treasury stocks			9	
Decrease due to exclusion from consolidation				(320)
<b>Balance at March 31, 2004</b>	<b>187,635</b>	<b>\$179,325</b>	<b>\$128,871</b>	<b>\$319,359</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, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2004	2003	2004
<b>Cash flows from operating activities:</b>			
Net income	¥8,721	¥4,006	\$82,559
Depreciation	10,352	10,853	97,999
Decrease in accrued retirement benefits	(128)	(325)	(1,212)
Loss on disposal of property, plant and equipment	397	547	3,760
Write-down of marketable and investment securities	—	516	—
Provision for allowance for doubtful receivables	(92)	(211)	(873)
Reversal of accrued bonuses	72	(52)	684
Deferred income taxes	(646)	(143)	(6,117)
Amortization of consolidation goodwill	—	(602)	—
Increase (decrease) in notes and accounts receivable	(1,959)	6,257	(18,547)
Increase (decrease) in inventories	(557)	488	(5,276)
Increase (decrease) in other current assets	(2,586)	3,090	(24,478)
Decrease (increase) in notes and accounts payable	1,026	(11,505)	9,714
Decrease in accrued expenses and other	999	189	9,457
Decrease in other current liabilities	2,578	6	24,407
Other, net	1,306	1,282	12,371
Net cash provided by operating activities	19,483	14,396	184,448
<b>Cash flows from investing activities:</b>			
Payments for purchase of property, plant and equipment	(5,002)	(10,762)	(47,349)
Proceeds from sale of property, plant and equipment	763	169	7,226
Payments for purchase of intangible assets	(1,140)	(12,584)	(10,795)
Proceeds from sale of investments in securities	515	24	4,877
Payments for purchase of investments in securities	(689)	(2,105)	(6,521)
Other, net	70	(633)	650
Net cash used in investing activities	(5,483)	(25,891)	(51,912)
<b>Cash flows from financing activities:</b>			
Decrease in short-term bank loans	(7,440)	(13,498)	(70,436)
Decrease (increase) in long-term debt	(2,308)	21,797	(21,848)
Cash dividends paid	(1,967)	(1,688)	(18,624)
Other, net	(102)	(111)	(960)
Net cash provided by financing activities	(11,817)	6,500	(111,868)
<b>Effect of exchange rate changes on cash</b>	<b>(131)</b>	<b>(10)</b>	<b>(1,242)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,052</b>	<b>(5,005)</b>	<b>19,426</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>4,080</b>	<b>8,721</b>	<b>38,623</b>
<b>Decrease (increase) in cash and cash equivalents resulting from changes in the number of consolidated subsidiaries</b>	<b>(226)</b>	<b>364</b>	<b>(2,140)</b>
<b>Cash and cash equivalents at end of year</b>	<b>¥5,906</b>	<b>¥4,080</b>	<b>\$55,909</b>
<b>Supplemental data:</b>			
Cash paid during the year for —			
Income taxes	¥4,450	¥3,410	\$42,125
Interest	629	735	5,952

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 12 subsidiaries.

Investments in 5 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 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, 2003.

The assets of the pension plan were ¥12,845 million (\$121,608 thousand) and ¥11,373 million (\$107,668 thousand) at March 31, 2004 and 2003.

Total pension expense, including amortization of prior service cost, amounted to approximately ¥2,253 million (\$21,325 thousand) and ¥1,658 million (\$15,694 thousand) in March 31, 2004 and 2003.

**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 ¥105.63 to U.S. \$1, the approximate exchange rate prevailing in the Tokyo Foreign Exchange Market at the end of March 2004.

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, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Listed securities	¥10,143	¥ 6,399	\$ 96,025
Other marketable securities	4,933	4,998	46,700
	¥15,076	¥11,397	\$142,725

#### 5. INVENTORIES

Inventories at March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Finished products and merchandise	¥13,865	14,852	\$131,257
Work in process	3,530	3,780	33,417
Raw materials and supplies	5,039	5,672	47,702
Others	404	128	3,835
	¥22,838	24,432	\$216,211

Total cost of inventories held as of March 31, 2004 and 2003, did not exceed their net realizable values.

#### 6. DEPRECIATION

Depreciation expense of property, plant and equipment for the years ended March 31, 2004 and 2003 amounted to ¥10,352 million (\$97,999 thousand) and ¥10,853 million (\$102,744 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, 2004 and 2003 ranged principally from 0.42% to 0.84% and from 0.43% to 1.88%, respectively, and those in the USA at 2.59% and at 2.59%, respectively.

#### 8. INCOME TAXES

Income taxes applicable to the Company and its subsidiaries for the two years ended March 31, 2004, 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, 2004.

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, 2004 and 2003 accrued expenses and other current liabilities consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Accrued bonuses	¥1,602	¥1,626	\$15,168
Accrued expenses	4,409	3,414	41,736
Other	1,380	1,839	13,065
	¥7,391	¥6,879	\$69,969

## 10. LONG-TERM DEBT

At March 31, 2004 and 2003 long-term debt consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Secured loans from banks and others, at interest rates ranged from 1.67% to 4.5%, maturing serially through 2004	—	¥314	—
Unsecured loans from banks and others, at interest rates ranged 0.80% to 5.69%, maturing serially through 2009	38,054	40,136	360,263
	38,054	40,450	360,263
Less current portion	(10,898)	(10,698)	(103,173)
	¥27,156	¥29,752	\$257,090

Long-term debt payments fall due after March 31, 2004 as follows:

	Millions of Yen	Thousands of U.S. Dollars
2005	¥10,898	\$103,173
2006 and thereafter	27,156	257,090
	¥38,054	\$360,263

## 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, 2004 and 2003, the Company and its subsidiaries had the following contingent liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
As guarantor of indebtedness of non-consolidated subsidiaries, affiliates and others	¥611	¥583	\$5,782

## 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 2004 and 2003, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Net income	¥46.21	¥21.16	\$0.437
Cash dividends	11.00	9.00	0.104

#### 14. SEGMENT INFORMATION

The operations of the Company and its consolidated subsidiaries for the years ended March 31, 2004 and 2003 were summarized by industry segment as follows:

Millions of Yen						
Year ended March 31, 2004	Chemicals	Agricultural Chemicals	Pharmaceuticals	Other Businesses	Elimination and Corporate Assets	Consolidated
Sales						
Outside customers	¥76,653	¥64,675	¥5,144	¥ 9,439	¥ —	¥155,911
Inter-segment	3,885	693	40	10,479	(15,097)	—
Sub-total	80,538	65,368	5,184	19,918	(15,097)	155,911
Operating costs and expenses	69,725	62,359	3,925	19,331	(15,093)	140,247
Operating income	¥10,813	¥3,009	¥1,259	¥587	(¥ 4)	¥15,664
Identifiable assets	¥93,338	¥70,552	¥5,111	¥11,406	(¥ 7,793)	¥172,614
Depreciation and amortization	5,842	3,806	305	399	—	10,352
Capital expenditures	5,357	796	163	319	—	6,635

Millions of Yen						
Year ended March 31, 2003	Chemicals	Agricultural Chemicals	Pharmaceuticals	Other Businesses	Elimination and Corporate Assets	Consolidated
Sales						
Outside customers	¥72,574	¥67,500	¥2,250	¥ 9,548	¥ —	¥151,872
Inter-segment	4,511	5,324	5	10,328	(20,168)	—
Sub-total	77,085	72,824	2,255	19,876	(20,168)	151,872
Operating costs and expenses	68,876	70,382	3,389	19,489	(20,082)	142,054
Operating income	¥8,209	¥2,442	(¥1,134)	¥387	(¥ 86)	¥9,818
Identifiable assets	¥85,830	¥79,414	¥4,778	¥15,652	(¥14,390)	¥171,284
Depreciation and amortization	5,846	4,202	352	453	—	10,853
Capital expenditures	5,252	12,769	264	560	—	18,845

Thousands of U.S. Dollars						
Year ended March 31, 2004	Chemicals	Agricultural Chemicals	Pharmaceuticals	Other Businesses	Elimination and Corporate Assets	Consolidated
Sales						
Outside customers	\$725,675	\$612,278	\$48,698	\$ 89,359	\$ —	\$1,476,010
Inter-segment	36,775	6,559	376	99,208	(142,918)	—
Sub-total	762,450	618,837	49,074	188,567	(142,918)	1,476,010
Operating costs and expenses	660,086	590,357	37,160	183,002	(142,886)	1,327,719
Operating income	\$102,364	\$ 28,480	\$11,914	\$ 5,565	(\$ 32)	\$ 148,291
Identifiable assets	\$883,628	\$667,917	\$48,382	\$107,982	(\$73,768)	\$1,634,141
Depreciation and amortization	55,308	36,030	2,885	3,776	—	97,999
Capital expenditures	50,717	7,535	1,540	3,018	—	62,810

Overseas operations, which represent sales to customers outside of Japan of the Company and its consolidated subsidiaries for the years ended March 31, 2004 and 2003, were as follows:

	Millions of Yen				Weight of Overseas Net Sales
	Asia	Others	Total	Consolidated net Sales	
Year ended March 31, 2004	¥20,146	¥8,789	¥28,935	¥155,911	18.6
Year ended March 31, 2003	15,438	10,291	25,729	151,872	16.9

	Thousands of U.S. Dollars			
	Asia	Others	Total	Consolidated net Sales
Year ended March 31, 2004	\$190,727	\$83,205	\$273,932	\$1,476,010

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 29, 2004:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends (¥7.00=\$0.066 per share)	¥1,311	\$12,410
Bonuses to directors and statutory auditors	47	445

# 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 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 subsidiaries as of March 31, 2004 and 2003, 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, 2004 and 2003, 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 2004 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 29, 2004



Yaesu Audit Company

# CORPORATE PROFILE

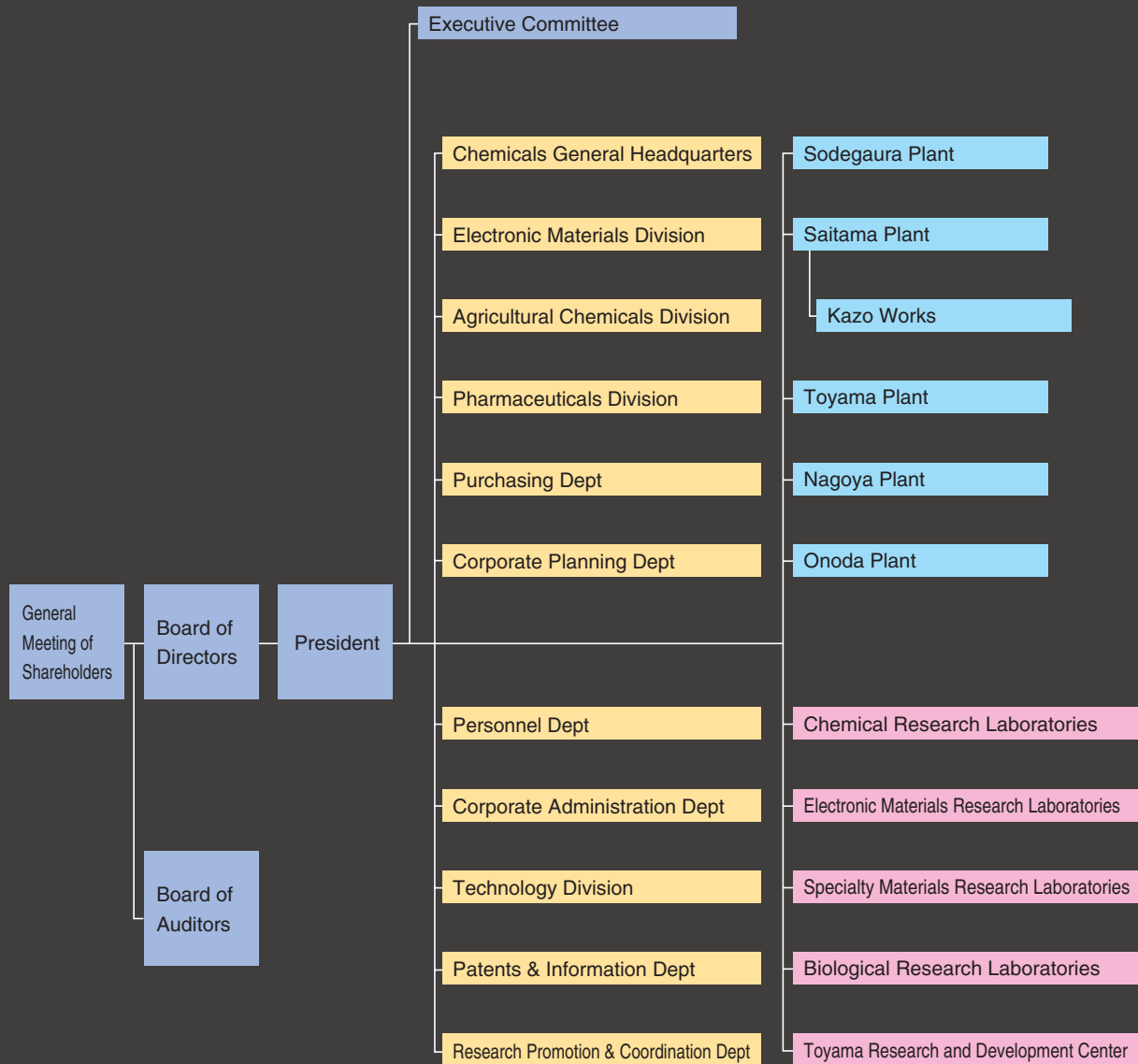
As of March 31, 2004

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	19,955
Number of Employees	1,505
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 30, 2004

President	Nobuichiro Fujimoto
Vice President	Akira Nagashima
Senior Managing Director	Toshimasa Umehara
Managing Directors	Ryozo Sakoda Koichiro Yanagida Takashi Ikai Suketoshi Tsukamoto Yutaka Niitsu
Directors	Yoshihiro Fujikawa Shigeru Katayanagi Ken-ichiro Yashiro Sakuya Tanaka Shin-ichi Yuki Kojiro Kinoshita Kiichi Hasegawa Hidemi Mizutani Shiro Oteki Hiroyoshi Fukuro
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 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, Nei-gun, 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 and agrochemicals

### Nissan Agri Corporation

1-10-5, Nihonbashihon-cho, Chuo-ku, Tokyo 103-0023  
Tel:03-3510-3601

- ◆ Fertilizers and agrochemicals

## OVERSEAS GROUP (Consolidated)

### Nissan Chemical America Corporation

Houston Office (Chemicals Business)  
10777 Westheimer, Suite 150 Houston, TX77042, U.S.A.  
Tel:713-532-4745

Chicago Office (Agrochemicals Business)  
1100 Arlington Heights Road, Itasca, IL60143, U.S.A.  
Tel: 630-775-9654

Los Angeles Office (Pharmaceuticals Business)  
790 E, Colorado Blvd., Suite 903A, Pasadena,  
CA91101, U.S.A. Tel: 626-405-0867

### Nissan Chemical Houston Corporation

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

### Nissan Chemical Korea Co., Ltd.

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

## 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

### 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

### 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

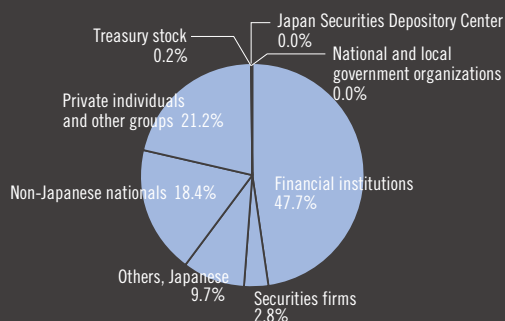
As of March 31, 2004

Total Number of Authorized Shares	360,000,000
Shares of Common Stock Issued	187,635,031
Shareholders	19,955

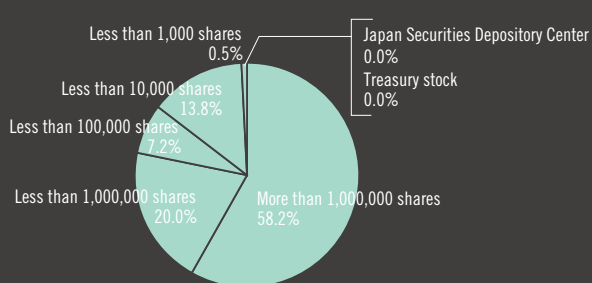
## Major Shareholders (top five companies)

	Number of Shares held (thousands)	Percentage of total shares in issue (%)
Japan Trustee Services Bank, Ltd.	18,904	10.3
Japan Master Trust Bank, Ltd. (Trust Account)	17,781	9.7
Mizuho Trust & Banking Co., Ltd. (Employee Retirement Benefit Trust of Mizuho Corporate Bank) new trust custodian: Trust & Custody Services Bank, Ltd.	7,378	4.0
SOMPO JAPAN INSURANCE INC.	5,491	3.0
The Norinchukin Bank	4,800	2.6

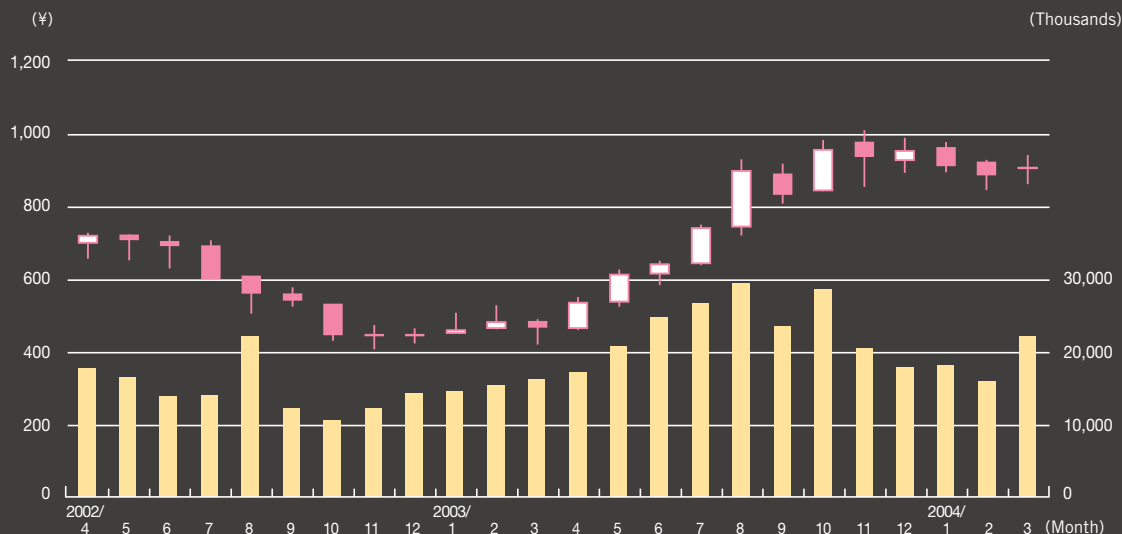
Breakdown of shareholders by type



Breakdown by number of shares held



## Stock Quote and Chart (April, 2002—March, 2004)





**NISSAN CHEMICAL INDUSTRIES, LTD.**

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