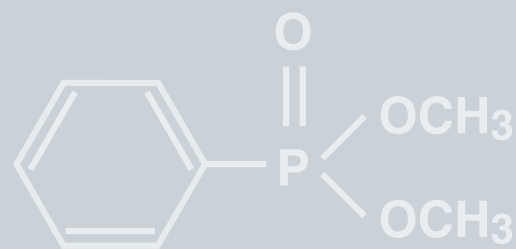


Annual Report **2005**  
For the year ended March 31, 2005



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.

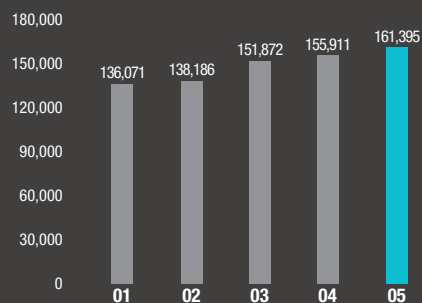
# FINANCIAL HIGHLIGHTS

Nissan Chemical Industries, Ltd. and its Consolidated Subsidiaries  
Years ended March 31, 2005 and 2004

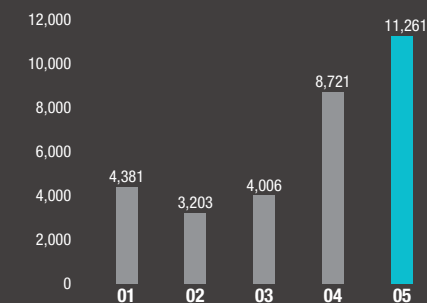
Consolidated	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Net sales	¥ 161,395	¥ 155,911	\$1,502,605
Net income	11,261	8,721	104,836
Shareholders' equity	78,525	69,172	731,080
Amounts per share (in yen and U.S. dollars):			
Net income	¥ 59.77	¥ 46.21	\$0.56
Shareholders' equity	419.29	369.04	3.90
<b>Non-Consolidated</b>			
Net sales	¥ 101,801	¥ 99,941	\$947,776
Net income	9,122	8,604	84,930
Shareholders' equity	74,262	67,150	691,391
Amounts per share (in yen and U.S. dollars):			
Net income	¥ 48.47	¥ 45.68	\$0.45
Shareholders' equity	396.60	358.34	3.69

Note: The U.S. dollar amounts in this report are given for convenience only and represent translations of Japanese yen at the rate of ¥107.41 to U.S. \$1, the rate prevailing at the end of the term.

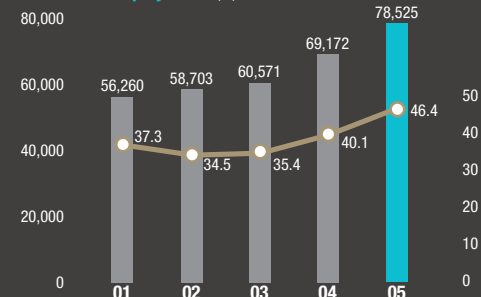
**Net Sales** (Millions of Yen)



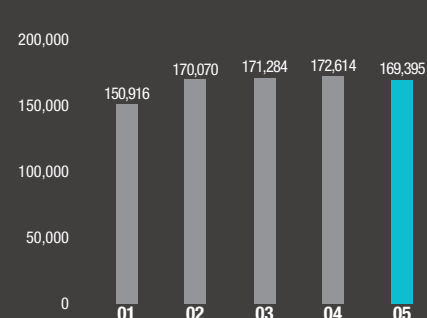
**Net Income** (Millions of Yen)



**Shareholders' Equity** (Millions of Yen)  
**Shareholders' Equity Ratio** (%)



**Total Assets** (Millions of Yen)



## A MESSAGE TO OUR SHAREHOLDERS

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

Business conditions in the fiscal year ended March 31, 2005 (fiscal 2005) were affected by rising crude oil prices, and by inventory adjustment in the digital appliance market, which continued into the second half of fiscal 2005. While this had a negative effect on business confidence, a gradual recovery in corporate earnings was reflected in consistently strong capital investment intentions. Buoyant demand in Asian markets, especially China, also helped to underpin Japan's overall economic performance.

The business performance of Nissan Chemical Industries in this environment was very encouraging. We achieved growth in both revenues and income for the third consecutive year, primarily because of the contribution from our chemicals business, especially electronic materials. In April 2005 we launched Vista 2010, a medium-term management plan that will guide a process of reforms targeted toward further substantial growth. Details of this plan are provided on Pages 3–5 of this report. We are determined to ensure the success of these measures, so that we can continue to provide outcomes that will meet the expectations of our shareholders. We look forward to your continuing support.



Nobuichiro Fujimoto, *President*



Special Feature:

## MEDIUM-TERM BUSINESS PLAN

### VISTA 2010—STAGE I (APRIL 2005—MARCH 2008)

Targets for Year Ending March 31, 2008: Net sales ¥185 billion  
Operating income ¥26 billion

In April 2005, the Nissan Chemical Group launched Vista 2010, a medium-term business plan based on its vision for the year 2010. The aim of this plan is to build Nissan Chemical into a true “Value Creating Enterprise” with world-class brands. Organic materials, inorganic materials and electronic materials are identified in that vision as the Group’s core fields of business and technology. The aim is to maintain Nissan Chemical’s growth as a materials manufacturer with an overwhelming advantage in terms of R&D and technology while steadily expanding the Group’s agricultural chemicals and pharmaceuticals businesses and building a portfolio from among our other existing business segments, including basic chemicals, which will provide a stable profitability base.

Stage I of the plan will cover the first three years of the period to 2010 (2005–2007). Nissan Chemical will work to maintain its present income growth trend, centering on electronic materials, while preparing for major growth and success during Stage II (2008–2010) and beyond by concentrating more of its management resources into core business and technology areas, by creating new, next-generation business activities and materials, and by aggressively developing new products and technologies. The targets set under this plan for the fiscal 2008 (the year ending March 31, 2008), which will be the final year of Stage I, are net sales of ¥185 billion, operating income of ¥26 billion, net income of ¥17 billion, and ROE of 20%. As a result of measures implemented during the period covered by the plan, Nissan Chemical aims to achieve net sales of at least ¥210 billion in fiscal 2011 (the year ending March 31, 2011).

#### Vista 2010 Performance Targets (Billions of yen)

	2005 (Actual)	2006 (Plan)	End of Stage I	End of Stage II
			2008 (Target)	2011 (Target)
<b>Consolidated</b>				
<b>Net sales</b>	161.4	166.0	185.0	More than 210.0
<b>(Core business area)</b>	(40.0)	(42.0)	(53.0)	(72.0)
<b>Operating income</b>	17.3	19.2	26.0	—
<b>ROE</b>	15.2%	—	20%	More than 20%
<b>ROA</b>	6.6%	—	10%	More than 10%

## Vista 2010 Concept

### Current situation 2005

Net Sales ¥161.4 billion  
Operating Income ¥17.3 billion  
ROE 15.2 %

#### Current issues

- Earnings weighted toward a few products
- Bolstering creation of stronger growth sources
- Restructuring of agricultural chemical growth strategy, etc.

### Stage I to 2008

Net Sales ¥185 billion  
Operating Income ¥26 billion  
ROE 20 %

- Maintenance of growth through intensification and expansion of activities in core business areas
- Focus on establishment of mechanisms for creation of new organic materials
- Reinforcement of infrastructure for agricultural chemicals in existing business areas

### Stage II to 2011

Net Sales ¥210 billion or higher

- Start-up of new organic materials as strategic products
- Launch of new products from agricultural chemicals pipeline, creation of new candidate substances, etc.

- Next growth stage as true value-creating enterprise capable of generating growth sources on a continuing basis

## Foundations for Achievement of Stage I Targets

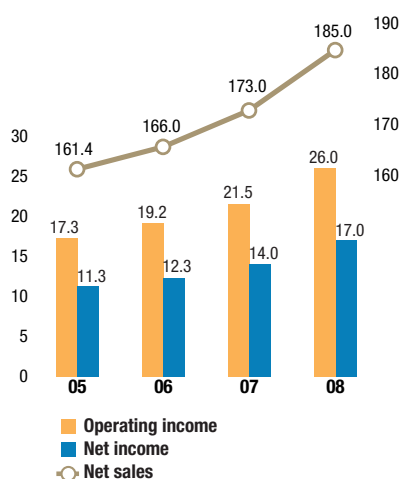
1. Expansion in core business areas
  - Electronic materials
  - Inorganic materials
  - Organic materials
2. Continued firm supply-demand trend in Japanese and overseas markets for basic chemicals
3. Contribution to profit from agricultural chemicals after completion of amortization of ROUNDUP goodwill (FY 2008)
4. Stable growth in sales of the antihyperlipidemic agent LIVALO, accompanied by cost reductions
5. Enhancing profitability of consolidated subsidiaries

## Priority Strategies for Expansion during Stage II and Beyond

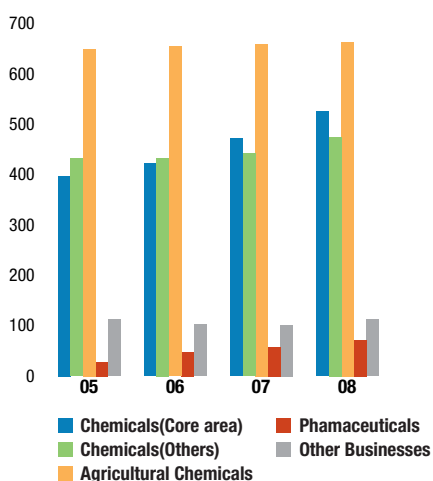
Expansion of sales of existing products in core business areas, and accelerated creation and development of new businesses and materials

- Concentration of management resources into core technology (high-performance polymers, micro particle control, organic synthesis)
  - Alliances with external research organizations and venture businesses
1. Electronic Materials
    - Strengthening technical capability for meeting needs of next-generation products
    - Intensive exploitation and sales expansion in the areas of displays and semiconductors, and accelerated development of new materials in peripheral and boundary areas
  2. Inorganic Materials
    - Accelerated development of new applications in growth areas to follow on from success of polishing materials—inorganic conductive materials, highly refractive materials, etc.

Yearly Targets for Stage I (Billions of Yen)



Trends of Net Sales by Segment (Billions of Yen)



### 3. Organic Materials

- Creation of new organic materials and centralization and enhancement of development system—prioritized allocation of research personnel and funds

#### Measures to Strengthen Business Base in Existing Segments

##### 1. Basic Chemicals

- Application development, especially in the environmental chemical field and accelerated exploitation of peripheral markets
- Strengthening competitiveness and profitability through in-depth rationalization

##### 2. Agricultural Chemicals

- Efficient development of products (fungicide, acaricide) and new formulation of ROUNDUP
- Strengthening profitability of existing products through development of overseas distribution channels

##### 3. Pharmaceuticals

- Steady movement of products under development and candidate drugs

#### **NK-104 (LIVALO)—an antihyperlipidemic agent developed**

Phase III to start in 2005/2006, with a view to a market launch 2008/2009 in Europe and United States

#### **NT-702—a drug for the treatment of chronic arterial occlusive disease**

**United States: Phase III to start in 2006, with a view to a market launch 2008/2009**

Japan: Phase III to start in 2006/2007, with a launch target around 2010/2011

#### **Drugs for treatment of atrial fibrillation and thrombocytopenia**

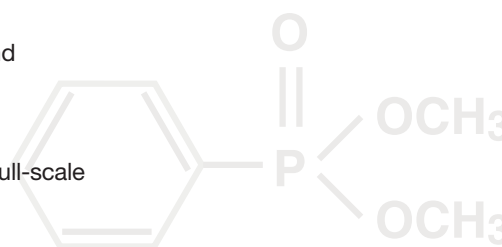
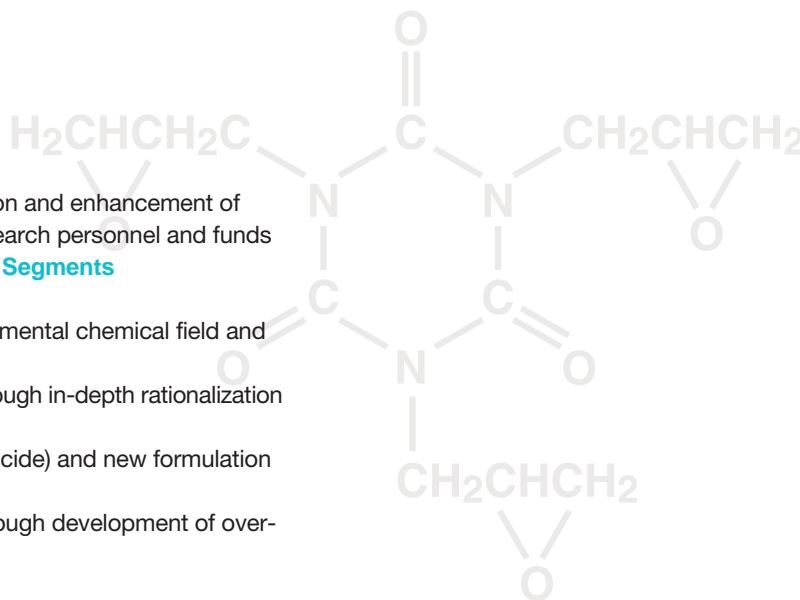
Pre-clinical trials to start in 2005/2006, followed by transition to full-scale development

- Start of collaborative R&D with multiple pharmaceutical manufacturers in order to create a continuous pipeline

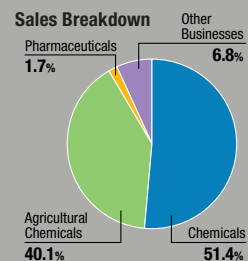
#### Capital and Financial Policies

Flexible implementation of financial measures leading to the achievement of 20% ROE and 10% ROA

- Promotion of asset streamlining, debt minimization
- Effective utilization of free cash flows
  - Active allocation of funds to new investment and M&A
  - Dividend to be increased by ¥3 to ¥14 in FY 2006



# BUSINESS OUTLINE



## Outline

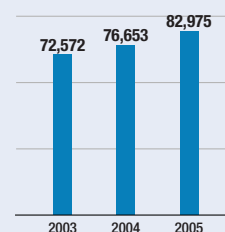
## Main Products

### Chemicals

This field is divided into three areas—basic chemicals, specialty chemicals and electronic materials-related products. In fiscal 2005, 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 31% 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)

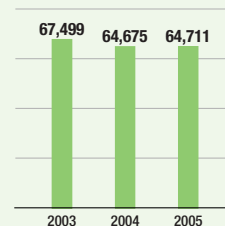


### Agricultural Chemicals

This field is divided into two areas—agrochemicals and fertilizers. In fiscal 2005, sales remained at the same level as the previous fiscal year, as an increase in agrochemical sales was offset by a decrease in fertilizers.

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

**Net Sales** (Millions of Yen)

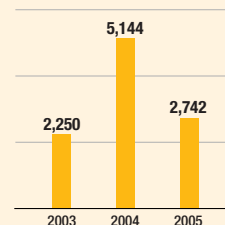


### Pharmaceuticals

In fiscal 2005, bulk shipments of LIVALO decreased because of inventory adjustment. An anti-inflammatory agent is now in the development stage of 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)

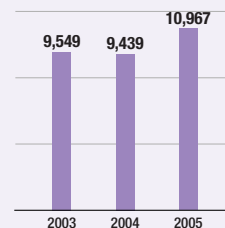


### Other Businesses

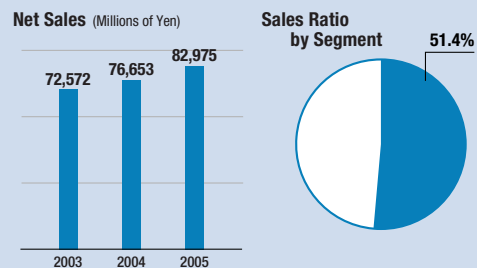
The majority of business in this field is carried out by affiliated companies. Landscaping and environmental analysis are being adversely affected by the cutbacks in public spending.

- Landscaping  
Environmental analysis  
Transportation  
Insurance agency  
Real estate rental

**Net Sales** (Millions of Yen)



# REVIEW OF OPERATIONS CHEMICALS



## Strong Demand Drives Sales of High-value Products

### Operating Results

In the area of basic chemicals, the general buoyancy of the domestic economy was reflected in increased sales of various products, including ammonia and high-purity chemicals. As a result, net sales were above the previous fiscal year's level.

Sales of functional products were affected by inventory adjustment in the home digital appliance market, but persistently strong demand was reflected in buoyant sales of electronic materials. This resulted in increased sales of SUNEVER (polyimide for LCD alignment coatings), ARC (an antireflective coating for semiconductors), SNOW-TEX (colloidal silica for polishing silicon wafers), and TEPIC (specialty epoxy compounds, used as sealants and in other applications). There was also an increase in sales relating to the Finetech business, solution business to support for R&D activities of drug market.

As a result, net sales in this segment increased by ¥6,322 million to ¥82,975 million. Operating income increased by ¥3,769 million to ¥14,582 million.



### TOPICS

#### SUNCOLLOID Manufacturing Plant Completed

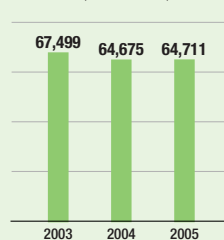
SUNCOLLOID is a highly refractive nanoparticle sol. It is mainly sold to lens manufacturers, primarily for use as a hard coating material to correct the refractive indices of plastic eyeglass lenses. In November 2004, Nissan Chemical completed a new manufacturing facility at its Sodegaura Plant. The main role of the new facility is to keep pace with the need for lighter thin-film coatings for lenses with increasingly high refraction indices.



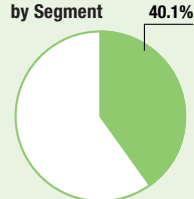
## REVIEW OF OPERATIONS

# AGRICULTURAL CHEMICALS

Net Sales (Millions of Yen)



Sales Ratio by Segment



## Overcoming Intense Competition for Across-the-board Increases in Sales

### OPERATING RESULTS

Conditions in the Japanese market for agricultural chemicals were similar to those in the previous fiscal year. Nissan Chemical recorded increased sales of its major product, ROUNDUP (nonselective herbicides). Despite intense competition, there was also growth in sales of SIRIUS and MACHET, which are herbicides for use in rice paddies. Nissan Chemical recorded across-the-board increases in domestic sales in this segment over the previous fiscal year.

Demand for agricultural chemicals in overseas markets remained firm because of factors that included higher grain prices in the United States and favorable weather conditions in Europe. However, sales of the dry-field herbicide PERMIT were lower because of inventory adjustments in North America, and overall export sales were around the same level as in the previous year. Demand for fertilizers remained generally slow, and sales declined.

As a result, net sales in this segment increased by ¥36 million over those of the previous fiscal year to ¥64,711 million. Operating income decreased by ¥548 million to ¥2,461 million.

### TOPICS

#### NISSAN CHEMICAL AGRO-KOREA ESTABLISHED

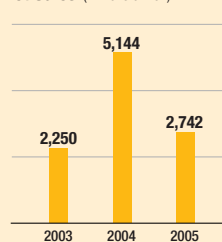
In February 2005, Nissan Chemical Agro-korea was established in Seoul, South Korea as a wholly owned local subsidiary of Nissan Chemical Industries. The role of the new company, which commenced business operations in the following month, is to strengthen the Group's agricultural chemicals business in South Korea. Its efforts to develop business activities and achieve further sales growth in South Korea will focus in particular on SIRIUS, which is a flagship product for Nissan Chemical.



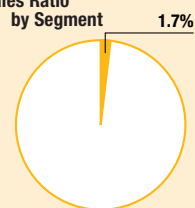
## REVIEW OF OPERATIONS

# PHARMACEUTICALS

Net Sales (Millions of Yen)



Sales Ratio by Segment



## Inventory Adjustments for LIVALO Hurt Overall Results

### OPERATING RESULTS

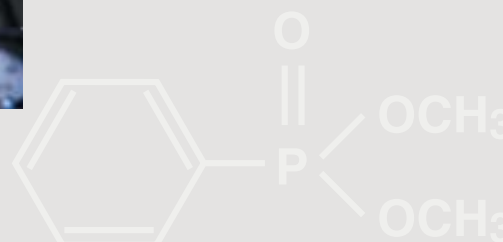
In October 2004, LIVALO, used to treat hyperlipidemia, became prescribable for long-term administration, and there was a steady rise in the profile of this product among medical professionals. However, shipments of bulk declined because of inventory adjustments on distribution channels. Sales of the anti-hypertensive agent LANDEL and EPATEC, an anti-inflammatory agent, were similar to those of the previous fiscal year. As a result, net sales in this segment declined by ¥2,402 million to ¥2,742 million. Operating income declined by ¥1,789 million to an operating loss of ¥530 million.



### TOPICS

#### MANUFACTURING APPROVAL FOR LIVALO IN SOUTH KOREA

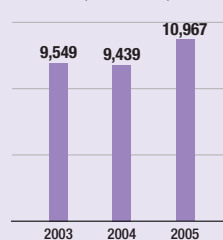
Nissan Chemical is building a world market for LIVALO, which is used to treat hyperlipidemia. It has formed a development partnership in South Korea with Choongwae Pharma Corporation, and in January 2005 manufacturing approval was obtained. Nissan Chemical will produce the bulk, while Kowa Co., Ltd. will manufacture and export the finished products.



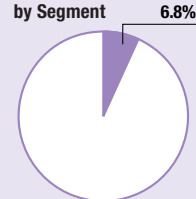
## REVIEW OF OPERATIONS

# OTHER BUSINESSES

Net Sales (Millions of Yen)



Sales Ratio by Segment



## Aggressive Marketing Boosts Sales and Operating Income

### OPERATING RESULTS

Business conditions remained challenging in the area of landscaping and tree planting, and in the environmental research and analysis market. In addition to escalating competition for orders relating to public works projects, there was also a decline in the unit value of orders. However, aggressive marketing efforts helped to boost net sales in this segment by ¥1,528 million over those of the previous fiscal year to ¥10,967 million. Operating income increased by ¥167 million to ¥754 million.



# 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.

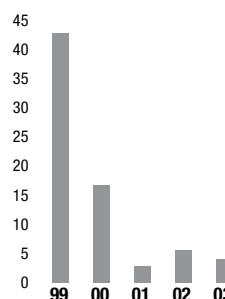
Apart from these regulations, Nissan Chemical has set up unique

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.

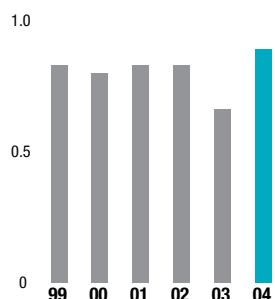
For example, Nissan Chemical handles four of the twelve substances considered to be toxic air pollution contaminants and we are promoting measures to decrease emissions through voluntary controls. However, we have already reached the objectives established within the chemical industry through reduction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

## Toxic Atmospheric pollutants

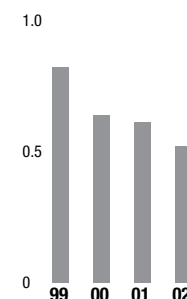
1,2-Dichloroethane (Ton/Year)



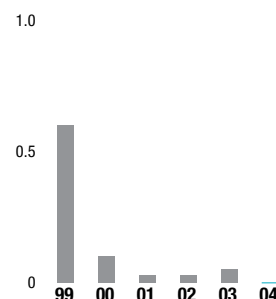
Benzene (Ton/Year)



Formaldehyde (Ton/Year)



Dichloromethane (Ton/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 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 four 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.

## FIVE-YEAR SUMMARY

Consolidated	Millions of Yen				
	2001	2002	2003	2004	2005
Net sales	¥ 136,071	¥ 138,186	¥ 151,872	¥ 155,911	¥ 161,395
Operating income	10,961	9,447	9,818	15,664	17,264
Net income	4,381	3,203	4,006	8,721	11,261
Total assets	150,916	170,070	171,284	172,614	169,395
Shareholders' equity	56,260	58,703	60,571	69,172	78,525
Capital expenditure	8,589	13,029	18,845	6,635	6,634
R&D expenditure	6,220	6,722	7,495	8,680	8,633
Amounts per share (in yen):					
Net income per share	¥ 23.48	¥ 17.10	¥ 21.16	¥ 46.21	¥ 59.77
Shareholders' equity per share	301.50	312.92	323.05	369.04	419.29
Financial ratios (%):					
Shareholders' equity ratio	37.3	34.5	35.4	40.1	46.4
Return on equity	8.1	5.6	6.7	13.4	15.2
Return on assets	6.9	4.9	5.0	8.5	10.2
<b>Non-Consolidated</b>					
Net sales	¥ 102,327	¥ 91,489	¥ 92,342	¥ 99,941	¥ 101,801
Operating income	10,153	9,168	9,713	15,075	14,381
Net income	4,392	3,694	4,272	8,604	9,122
Total assets	128,047	128,679	131,951	139,083	137,515
Shareholders' equity	53,556	56,423	58,649	67,150	74,262
Amounts per share (in yen):					
Net income per share	¥ 23.53	¥ 19.72	¥ 22.61	¥ 45.68	¥ 48.47
Shareholders' equity per share	287.01	300.77	312.83	358.34	396.60
Cash dividends per share	9.0	9.0	9.0	11.0	11.0
Financial ratios (%):					
Shareholders' equity ratio	41.8	43.8	44.4	48.3	54.0
Return on equity	8.5	6.7	7.4	13.7	12.9
Return on assets	7.7	6.2	6.5	10.5	10.3
Year-end statistics:					
Number of shareholders	18,730	19,462	20,804	19,955	18,296
Number of employees	1,561	1,513	1,514	1,505	1,502

# FINANCIAL REVIEW

## OVERVIEW

In addition to rising crude oil prices, business conditions in the fiscal year ended March 31, 2005 (fiscal 2005) were also affected by inventory adjustments in the digital home appliance market, which continued into the second half of fiscal 2005. While this situation had a negative effect on business recovery, a gradual improvement in corporate earnings was reflected in consistently strong capital investment intentions. Buoyant demand in Asian markets, especially China, also helped to underpin Japan's overall economic performance.

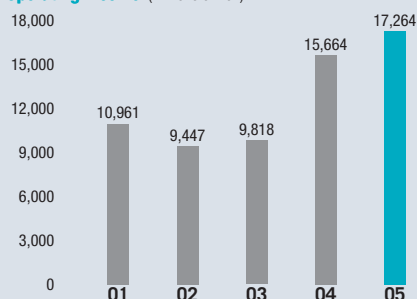
In these circumstances, net sales of the chemicals business sharply increased, centered on electronic materials-related products. There was also an increase in net sales of agricultural chemicals, including the nonselective herbicide

ROUNDUP. These trends raised the overall level of sales. In the pharmaceuticals business, shipments of bulk of LIVALO, which are used to treat hyperlipidemia, fell below the previous fiscal year's level because of inventory adjustments in the distribution channel.

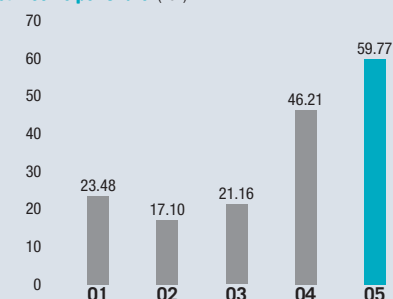
## OPERATING RESULTS

Net sales in fiscal 2005 increased by ¥5,484 million, or 3.5%, to ¥161,395 million compared with the previous fiscal year. Operating income increased by ¥1,600 million, or 10.2%, to ¥17,264 million and net income by ¥2,540 million, or 29.1%, to ¥11,261 million. Net income per share rose ¥13.56 to ¥59.77. Domestic net sales amounted to ¥128,875 million, while exports contributed ¥32,519 million.

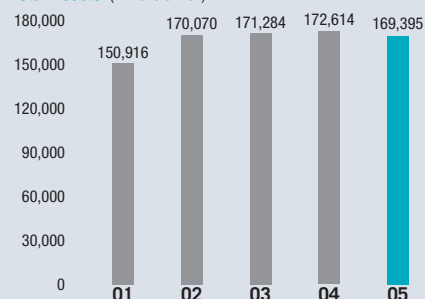
Operating Income (Millions of Yen)



Net Income per Share (Yen)



Total Assets (Millions of Yen)



# FINANCIAL REVIEW

## FINANCIAL POSITION

Total assets on March 31, 2005 decreased by ¥3,219 million, or 1.9% over the previous fiscal year, to ¥169,395 million.

Liabilities decreased by ¥12,783 million over the previous fiscal year to ¥89,431 million. As a result of accelerated pay back of debt, financial obligations for loans decrease by ¥12,820 million compared with the previous fiscal year.

Shareholders' equity increased by ¥9,353 million, or 13.5%, to ¥78,525 million compared with the previous fiscal year, and the equity ratio increased by 6.3 percentage points to 46.4%. Shareholder equity per share increased by ¥50.25 to ¥419.29 compared with the previous fiscal years' ¥369.04. Return on equity (ROE) for this fiscal year increased by 1.8 percentage points to 15.2%.

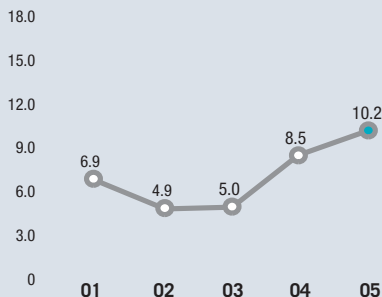
## CASH FLOW ANALYSIS

In fiscal 2005, due to net income, depreciation and increased working capital efficiency, net cash from operating activities was maintained at ¥19,030 million. Net cash used in investment activities was ¥5,610 million, due to capital expenditures for development of electronic materials-related products and inorganic materials products. Net cash provided by financing activities decreased to ¥15,001 million as a result of accelerating pay back of the interest-bearing debt. Accordingly, the outstanding interest-bearing debt at the end of the year decreased by ¥12,820 million to ¥44,616 million.

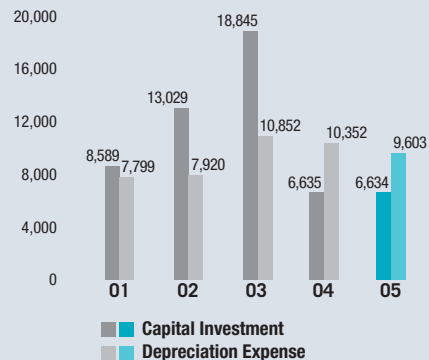
Return on Equity (%)



Return on Assets (%)



Capital Investment/  
Depreciation Expense (Millions of Yen)



# FINANCIAL STATEMENTS CONSOLIDATED STATEMENTS OF INCOME

Nissan Chemical Industries, Ltd. and its Consolidated Subsidiaries  
Years ended March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2005	2004	2005
<b>Net sales</b>	<b>¥161,395</b>	¥155,911	<b>\$1,502,605</b>
<b>Cost of sales</b>	<b>109,983</b>	106,384	<b>1,023,956</b>
Gross profit	<b>51,412</b>	49,527	<b>478,649</b>
<b>Selling, general and administrative expenses</b>	<b>34,148</b>	33,863	<b>317,922</b>
Operating income	<b>17,264</b>	15,664	<b>160,727</b>
<b>Other income (expense):</b>			
Interest and dividend income	463	304	4,311
Interest expenses	(549)	(624)	(5,107)
Gain on sale of marketable and investment securities	261	212	2,430
Write-down of marketable and investment securities	2	—	21
Gain on sale of property, plant and equipment	85	82	790
Loss on disposal of property, plant and equipment	(415)	(397)	(3,864)
Equity in earnings of non-consolidated subsidiaries and affiliates	223	(30)	2,079
Special expenses for retirement benefits	—	(943)	—
Other, net	112	(524)	1,034
Income before income taxes	<b>17,446</b>	13,744	<b>162,421</b>
<b>Income taxes (Note 8):</b>			
Current	5,968	5,696	55,567
Deffered	2	(646)	16
Minority interests in consolidated subsidiaries	(215)	27	(2,002)
<b>Net income</b>	<b>¥ 11,261</b>	¥ 8,721	<b>\$ 104,836</b>

# CONSOLIDATED BALANCE SHEETS

Nissan Chemical Industries, Ltd. and its Consolidated Subsidiaries  
March 31, 2005 and 2004

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2005	2004	2005
<b>Current assets:</b>			
Cash and time deposits	¥ 4,311	¥ 5,906	\$ 40,139
Notes and accounts receivable:			
Trade	62,304	61,163	580,057
Less allowance for doubtful receivables	(32)	(33)	(300)
Inventories (Note 5)	22,603	22,838	210,441
Deferred taxes—current	2,298	1,983	21,394
Other current assets	5,915	6,094	55,067
<b>Total current assets</b>	<b>97,399</b>	<b>97,951</b>	<b>906,798</b>
<b>Investments and advances:</b>			
Investment in securities (Note 4)	16,075	15,076	149,662
Investments in and advances to non-consolidated subsidiaries and affiliates	3,136	3,120	29,194
Long-term loans	92	74	860
Other investments	1,505	1,849	14,004
Less allowance for doubtful receivables	(583)	(680)	(5,423)
<b>Total investments and advances</b>	<b>20,225</b>	<b>19,439</b>	<b>188,297</b>
<b>Property, plant and equipment, at cost (Note 6)</b>			
Land	9,307	9,258	86,648
Buildings and structures	39,270	38,621	365,608
Machinery and equipment	105,175	102,554	979,204
Construction in progress	1,972	373	18,362
Less accumulated depreciation	(111,503)	(106,141)	(1,038,110)
<b>Total property, plant and equipment</b>	<b>44,221</b>	<b>44,665</b>	<b>411,712</b>
<b>Other assets</b>			
Deferred taxes—non-current	723	910	6,727
Intangible assets	6,426	9,197	59,827
Other	401	452	3,731
<b>Total assets</b>	<b>¥169,395</b>	<b>¥172,614</b>	<b>\$1,577,092</b>

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2005	2004	2005
<b>Current liabilities:</b>			
Short-term bank loans (Note 7)	¥ 15,706	¥ 19,382	\$ 146,228
Current portion of long-term debt (Note 10)	10,412	10,898	96,938
Notes and accounts payable:			
Trade	25,674	25,624	239,024
Construction	3,246	1,855	30,224
Accrued income taxes	3,989	4,072	37,136
Accrued expenses and other current liabilities (Note 9)	6,352	7,391	59,141
<b>Total current liabilities</b>	<b>65,379</b>	<b>69,222</b>	<b>608,691</b>
<b>Long-term liabilities:</b>			
Long-term debt (Note 10)	18,498	27,156	172,220
Deferred taxes—non-current	1,071	792	9,974
Accrued retirement benefits	1,877	2,503	17,472
Other long-term liabilities	2,606	2,541	24,260
<b>Total long-term liabilities</b>	<b>24,052</b>	<b>32,992</b>	<b>223,926</b>
<b>Minority interests</b>	<b>1,439</b>	<b>1,228</b>	<b>13,395</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	176,353
Additional paid-in capital	13,615	13,613	126,761
Retained earnings	42,869	33,734	399,117
Valuation gain of investment securities after tax-effect	3,256	3,028	30,316
Adjustments on foreign currency statement translation	197	76	1,825
Treasury stock, at cost	(354)	(221)	(3,292)
<b>Total shareholders' equity</b>	<b>78,525</b>	<b>69,172</b>	<b>731,080</b>
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>¥169,395</b>	<b>¥172,614</b>	<b>\$1,577,092</b>

# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Nissan Chemical Industries, Ltd. and its Consolidated Subsidiaries  
Years ended March 31, 2005 and 2004

	Number of shares of common stock (thousands)	Millions of Yen		
		Common stock	Additional paid-in capital	Retained earnings
<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>	187,635	18,942	13,613	33,734
Net income				11,261
Cash dividends paid				(2,060)
Bonuses to directors and statutory auditors				(66)
Gain on disposal of treasury stocks			2	
<b>Balance at March 31, 2005</b>	<b>187,635</b>	<b>¥18,942</b>	<b>¥13,615</b>	<b>¥42,869</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, 2004</b>	187,635	\$176,353	\$126,735	\$314,068
Net income				104,836
Cash dividends paid				(19,176)
Bonuses to directors and statutory auditors				(611)
Gain on disposal of treasury stocks			26	
<b>Balance at March 31, 2005</b>	<b>187,635</b>	<b>\$176,353</b>	<b>\$126,761</b>	<b>\$399,117</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, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2005	2004	2005
<b>Cash flows from operating activities:</b>			
Net income	¥11,261	¥8,721	\$104,836
Depreciation	9,603	10,352	89,405
Decrease in accrued retirement benefits	(626)	(128)	(5,833)
Loss on disposal of property, plant and equipment	415	397	3,864
Provision for allowance for doubtful receivables	(98)	(92)	(913)
Reversal of accrued bonuses	(2)	72	(24)
Deferred income taxes	2	(646)	16
Increase in notes and accounts receivable	(1,076)	(1,959)	(10,016)
Decrease (increase) in inventories	318	(557)	2,957
Increase in other current assets	(631)	(2,586)	(5,872)
Decrease (increase) in notes and accounts payable	(9)	1,026	(87)
Decrease (increase) in accrued expenses and other	(295)	999	(2,751)
Increase in other current liabilities	369	2,578	3,432
Other, net	(201)	1,306	(1,845)
Net cash provided by operating activities	19,030	19,483	177,169
<b>Cash flows from investing activities:</b>			
Payments for purchase of property, plant and equipment	(4,923)	(5,002)	(45,829)
Proceeds from sale of property, plant and equipment	238	763	2,215
Payments for purchase of intangible assets	(320)	(1,140)	(2,980)
Proceeds from sale of investments in securities	15	515	138
Payments for purchase of investments in securities	(628)	(689)	(5,845)
Other, net	8	70	71
Net cash used in investing activities	(5,610)	(5,483)	(52,230)
<b>Cash flows from financing activities:</b>			
Decrease in short-term bank loans	(3,676)	(7,440)	(34,224)
Decrease in long-term debt	(9,144)	(2,308)	(85,134)
Cash dividends paid	(2,060)	(1,967)	(19,176)
Other, net	(121)	(102)	(1,126)
Net cash provided by financing activities	(15,001)	(11,817)	(139,660)
Effect of exchange rate changes on cash	(14)	(131)	(123)
Net decrease (increase) in cash and cash equivalents	(1,595)	2,052	(14,844)
Cash and cash equivalents at beginning of year	5,906	4,080	54,983
Decrease in cash and cash equivalents resulting from changes in the number of consolidated subsidiaries	—	(226)	—
Cash and cash equivalents at end of year	¥ 4,311	¥5,906	\$ 40,139
<b>Supplemental data:</b>			
Cash paid during the year for —			
Income taxes	¥ 6,052	¥4,450	\$ 56,347
Interest	591	629	5,499

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 2005, 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, 2004.

The assets of the pension plan were ¥13,862 million (\$129,055 thousand) and ¥12,845 million (\$119,593 thousand) at March 31, 2005 and 2004.

Total pension expense, including amortization of prior service cost, amounted to approximately ¥1,100 million (\$10,242 thousand) and ¥2,253 million (\$20,971 thousand) in March 31, 2005 and 2004.

**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 ¥107.41 to U.S. \$1, the approximate exchange rate prevailing in the Tokyo Foreign Exchange Market at the end of March 2005.

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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 4. INVESTMENTS IN SECURITIES

Investments in securities at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Listed securities	¥11,139	¥ 10,143	\$103,708
Other marketable securities	4,936	4,933	45,954
	¥16,075	¥15,076	\$149,662

### 5. INVENTORIES

Inventories at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Finished products and merchandise	¥13,743	¥13,865	\$127,948
Work in process	3,651	3,530	33,988
Raw materials and supplies	4,939	5,039	45,981
Others	270	404	2,524
	¥22,603	¥22,838	\$210,441

Total cost of inventories held as of March 31, 2005 and 2004, did not exceed their net realizable values.

### 6. DEPRECIATION

Depreciation expense of property, plant and equipment for the years ended March 31, 2005 and 2004 amounted to ¥9,603 million (\$89,405 thousand) and ¥10,352 million (\$96,375 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, 2005 and 2004 ranged principally from 0.42% to 0.59% and from 0.42% to 0.84%, respectively, and those in the USA at 2.53% and at 2.59%, respectively.

### 8. INCOME TAXES

Income taxes applicable to the Company and its subsidiaries for the two years ended March 31, 2005, comprised (a) corporation tax, (b) enterprise tax, and (c) resident's taxes, which resulted in a statutory tax rate of 40.69 % for the year ended March 31, 2005.

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, 2005 and 2004 accrued expenses and other current liabilities consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Accrued bonuses	¥1,600	¥1,602	\$14,894
Accrued expenses	4,139	4,409	38,531
Other	613	1,380	5,716
	¥6,352	¥7,391	\$59,141

## 10. LONG-TERM DEBT

At March 31, 2005 and 2004 long-term debt consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Unsecured loans from banks and others, at interest rates ranged 0.80% to 5.69%, maturing serially through 2010	28,910	38,054	269,158
	28,910	38,054	269,158
Less current portion	(10,412)	(10,898)	(96,938)
	¥18,498	¥27,156	\$172,220

Long-term debt payments fall due after March 31, 2005 as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2006	¥10,412
2007 and thereafter	18,498	172,220
	¥28,910	\$269,158

## 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, 2005 and 2004, the Company and its subsidiaries had the following contingent liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
As guarantor of indebtedness of non-consolidated subsidiaries, affiliates and others	¥352	¥611	\$3,281

## 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 2005 and 2004, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Net income	¥59.77	¥46.21	\$0.556
Cash dividends	11.00	11.00	0.102

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 14. SEGMENT INFORMATION

The operations of the Company and its consolidated subsidiaries for the years ended March 31, 2005 and 2004 were summarized by industry segment as follows:

Millions of Yen						
Year ended March 31, 2005	Chemicals	Agricultural Chemicals	Pharmaceuticals	Other Businesses	Elimination and Corporate Assets	Consolidated
Sales						
Outside customers	¥82,975	¥64,711	¥2,742	¥10,967	¥ —	¥161,395
Inter-segment	4,258	421	53	9,583	(14,315)	—
Sub-total	87,233	65,132	2,795	20,550	(14,315)	161,395
Operating costs and expenses	72,651	62,671	3,325	19,796	(14,312)	144,131
Operating income	¥14,582	¥ 2,461	(¥ 530)	¥ 754	(¥ 3)	¥ 17,264
Identifiable assets	¥93,979	¥69,396	¥4,020	¥10,045	(¥ 8,045)	¥169,395
Depreciation and amortization	5,338	3,651	232	382	—	9,603
Capital expenditures	5,342	932	121	239	—	6,634

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

Thousands of U.S. Dollars						
Year ended March 31, 2005	Chemicals	Agricultural Chemicals	Pharmaceuticals	Other Businesses	Elimination and Corporate Assets	Consolidated
Sales						
Outside customers	\$772,507	\$602,465	\$25,530	\$102,103	\$ —	\$1,502,605
Inter-segment	39,642	3,921	494	89,222	(133,279)	—
Sub-total	812,149	606,386	26,024	191,325	(133,279)	1,502,605
Operating costs and expenses	676,389	583,476	30,955	184,308	(133,250)	1,341,878
Operating income	\$135,760	\$ 22,910	(\$ 4,931)	\$ 7,017	(\$ 29)	\$ 160,727
Identifiable assets	\$874,959	\$646,086	\$37,426	\$ 93,518	(\$74,897)	\$1,577,092
Depreciation and amortization	49,702	33,992	2,156	3,555	—	89,405
Capital expenditures	49,735	8,677	1,125	2,223	—	61,760

Overseas operations, which represent sales to customers outside of Japan of the Company and its consolidated subsidiaries for the years ended March 31, 2005 and 2004, were as follows:

	Millions of Yen			Consolidated net Sales	Weight of Overseas Net Sales
	Asia	Others	Total		
Year ended March 31, 2005	¥24,039	¥8,480	¥32,519	¥161,395	20.1
Year ended March 31, 2004	20,146	8,789	28,935	155,911	18.6

	Thousands of U.S. Dollars			Consolidated net Sales
	Asia	Others	Total	
Year ended March 31, 2005	\$223,809	\$78,951	\$302,760	\$1,502,605

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, 2005:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends (¥7.00=\$0.065 per share)	¥1,310	\$12,195
Bonuses to directors and statutory auditors	49	456

# 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, 2005 and 2004, 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, 2005 and 2004, 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 2005 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, 2005

A handwritten signature in blue ink that reads "Yaesu Audit Company". The signature is written in a cursive, flowing style with a horizontal line underneath the word "Company".

Yaesu Audit Company

# CORPORATE PROFILE

AS of March 31, 2005

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	18,296
Number of Employees	1,502
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

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  
Shun-ichi Nobori  
Masami Adachi

# DIRECTORY OF NISSAN CHEMICAL

## OFFICES

### Head Office

7-1, Kanda Nishiki-cho 3-chome,  
Chiyoda-ku, Tokyo 101-0054  
Tel: 03-3296-8320

### Sapporo Sales Office

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

### Sendai Sales Office

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

### Nagoya Sales Office

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

### Osaka Sales Office

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

### Fukuoka Sales Office

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

## PLANTS

### Sodegaura Plant

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

### Saitama Plant

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

### Saitama PLant Kazo Works

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

### Toyama Plant

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

### Nagoya Plant

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

### Onoda Plant

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

## LABORATORIES

### Chemical Research Laboratories

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

### Electronic Materials Research Laboratories

722, Tsuboi-cho, Funabashi, Chiba 274-8507  
Tel: 0474-65-1115

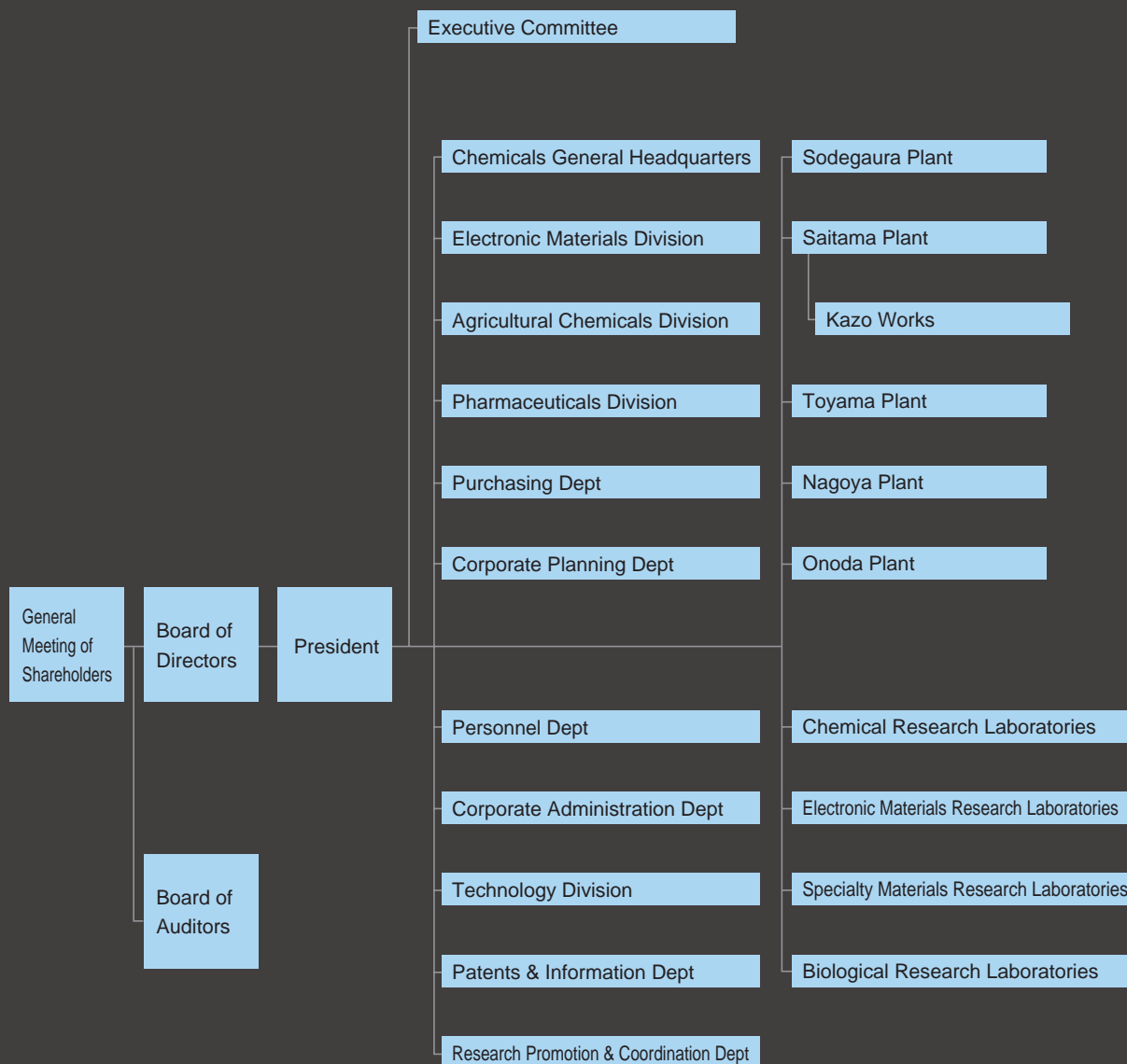
### Specialty Materials Research Laboratories

11-1, Kitasode, Sodegaura, Chiba 299-0266  
Tel: 0438-64-2881

### Biological Research Laboratories

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

# ORGANIZATION



# GROUP NETWORK

## DOMESTIC GROUP (Consolidated)

### Nissei Corporation

1-10-5, Nihonbashihon-cho, Chuo-ku, Tokyo 103-0023  
Tel: 03-3241-2548

- ◆ Sales of chemical products and insurance and real estate

### Nissan Butsuryu Co., Ltd.

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

- ◆ Transportation

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

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

- ◆ Landscaping and civil engineering

### Nissan Engineering, Ltd.

1-28-6, Kameido, Koto-ku, Tokyo 136-0071  
Tel: 03-3636-7578

- ◆ Plant engineering services

### Environmental Technical Laboratory, Ltd.

2-11-7, Kohoku, Adachi-ku, Tokyo 123-0872  
Tel: 03-3898-6643

- ◆ Environmental preservation consulting

### Chemical Service, Co., Ltd.

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

- ◆ Distillation and refining of chemical products

### Nissan Kenzai Co., Ltd.

635 Sasakura, Fuchu-mati, Toyama-shi,  
Toyama 939-2753  
Tel: 0764-65-6300

- ◆ Construction materials

### Nihon Hiryo Co., Ltd.

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

- ◆ Fertilizers 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

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

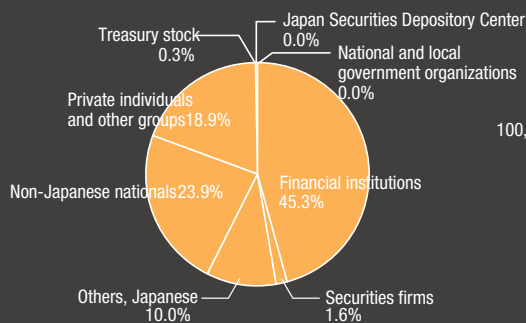
# STOCK INFORMATION

AS of March 31, 2005

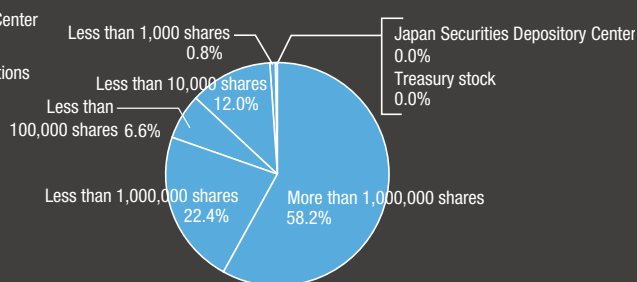
Total Number of Authorized Shares	360,000,000
Shares of Common Stock Issued	187,635,031
Shareholders	18,296

Major Shareholders (top five companies)	Number of Shares held (thousands)	Percentage of total shares in issue (%)
Japan Trustee Services Bank, Ltd.	17,028	9.1
Japan Master Trust Bank, Ltd. (Trust Account)	15,682	8.4
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.	5,491	2.9
The Norinchukin Bank	4,800	2.6

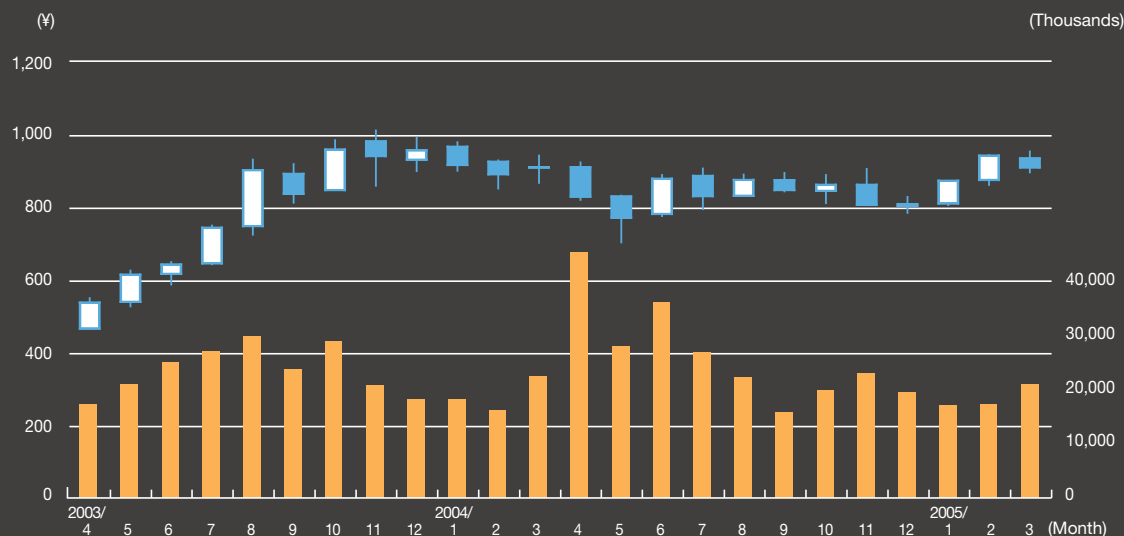
Breakdown of shareholders by type



Breakdown by number of shares held



Stock Quote and Chart (April 2003—March 2005)



 **NISSAN CHEMICAL INDUSTRIES, LTD.**

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