



2011

Annual Report

For the year ended March 31, 2011

NISSAN CHEMICAL INDUSTRIES, LTD.

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Projections

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

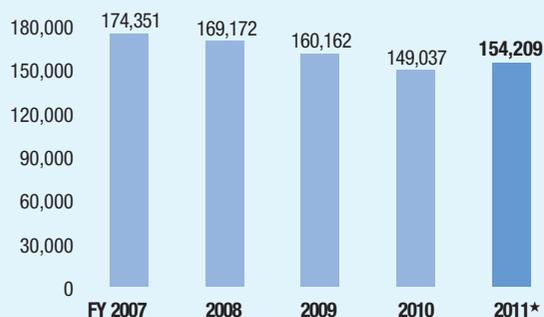
FINANCIAL HIGHLIGHTS

Nissan Chemical Industries, Ltd. and its Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

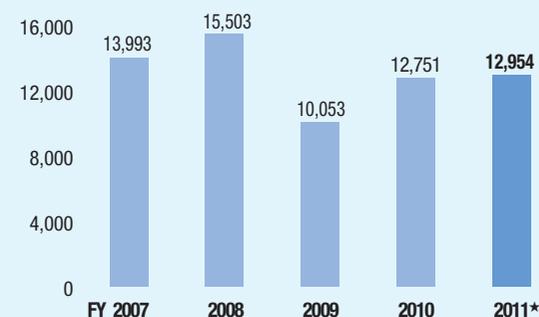
Consolidated	Millions of Yen		Thousands of U.S. Dollars
	FY 2011	FY 2010	FY 2011
Net sales	¥154,209	¥149,037	\$1,854,590
Net income	12,954	12,751	155,787
Equity	111,312	106,516	1,338,684
Amounts per share (in yen and U.S. dollars):			
Net income	¥ 75.94	¥ 74.00	\$ 0.91
Equity	654.33	618.23	7.87
Non-Consolidated			
Net sales	¥115,643	¥110,993	\$1,390,777
Net income	12,344	10,435	148,455
Equity	98,536	93,835	1,185,035
Amounts per share (in yen and U.S. dollars):			
Net income	¥ 72.37	¥ 60.56	\$ 0.87
Equity	579.23	544.63	6.97

Note: The U.S. dollar amounts in this report are given for convenience only and represent translations of Japanese yen at the rate of ¥83.15 to U.S. \$1, the rate prevailing at the end of the term.

Net Sales (Millions of Yen)



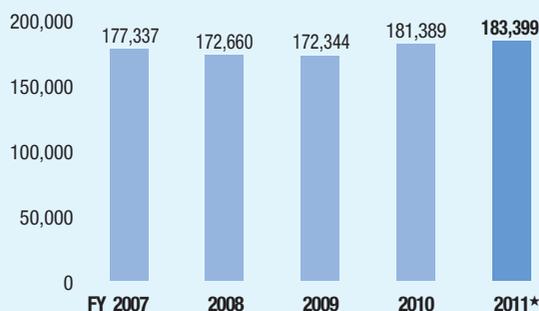
Net Income (Millions of Yen)



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



Total Assets (Millions of Yen)



* FY2011: fiscal year ended March 31, 2011

A message from the president

Dear shareholders,

I would like to express my thanks for your loyal patronage to our company. During the current term, exports were slow due to factors such as the increasing value of the yen against the dollar, financial uneasiness in Europe, and tightening of the money market in newly-rising nations. Furthermore, due to the adverse influence of factors such as a downturn in personal consumption and a sharp rise in oil prices, the domestic economy stopped showing signs of recovery from summer of last year and came to a standstill. Although the situation surrounding the company was not favorable, thanks to steadily progressing sales of the flagship products in the chemicals business, agricultural chemicals business, and pharmaceuticals business, our company's business results of the 141st term showed an increase both in sales and profits. The year end dividend was set at 12 yen per share, making the annual dividend including the interim dividend at 24 yen

(the same amount was paid as annual dividend in the previous term).

In terms of our prospects for the future, we feel that the same unpredictable state of affairs shall continue in our business environment, since in addition to the uncertainties in markets, raw materials and mineral fuels, there are concerns about the influence of the recent disastrous earthquake. However, our group shall increase the profitability of our business by steadily implementing the policies based on the medium-term management plan "Vista2015" that we put into operation in April of last year.

Also, based on our corporate philosophy of "Contribute to society while maintaining harmony with the environment through outstanding technologies, products, and services," we shall make a collective effort to achieve our goal of becoming a prominent business group which is trusted by all stakeholders (interested parties). We shall achieve this goal by improving the transparency of our management, ensuring thorough compliance (strictly obeying related laws and ordinances), increasing our environmental consciousness and implementing social action programs.

We look forward to your continued understanding and support.

Kojiro Kinoshita, *President*



Vista 2015 Stage I

Toward sustainable growth and progress under a new medium-term plan

Basic Strategies for Stage I

1. Creating New Growth Engines

We will accelerate the creation of new businesses and products as the foundation for our future growth and success.

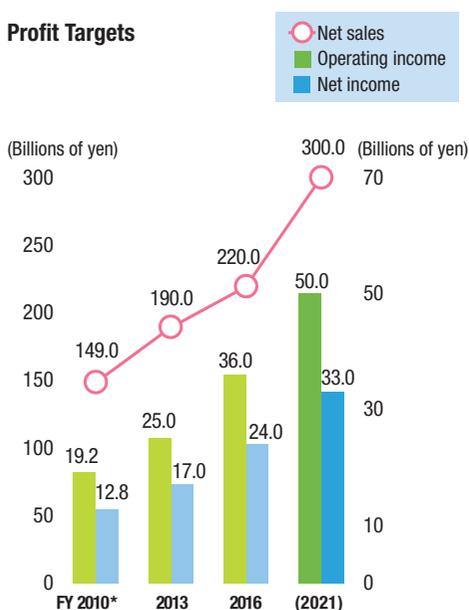
- 1) We will establish new businesses through intensive development activities focusing on themes rigorously selected from a wide range of exploratory programs.
- 2) We will spur the development of new products by enhancing our ability to plan products based on market needs in areas relating to our various business segments.
- 3) We will acquire promising businesses and technologies in Japan and overseas.

2. Reinforcing R&D Capabilities

Our core areas of expertise are fine organic synthesis, ultrafine particle control technology, functional polymer design and evaluation to elucidate biological activity. We will build R&D structures that will allow us to realize our full potential in these fields.

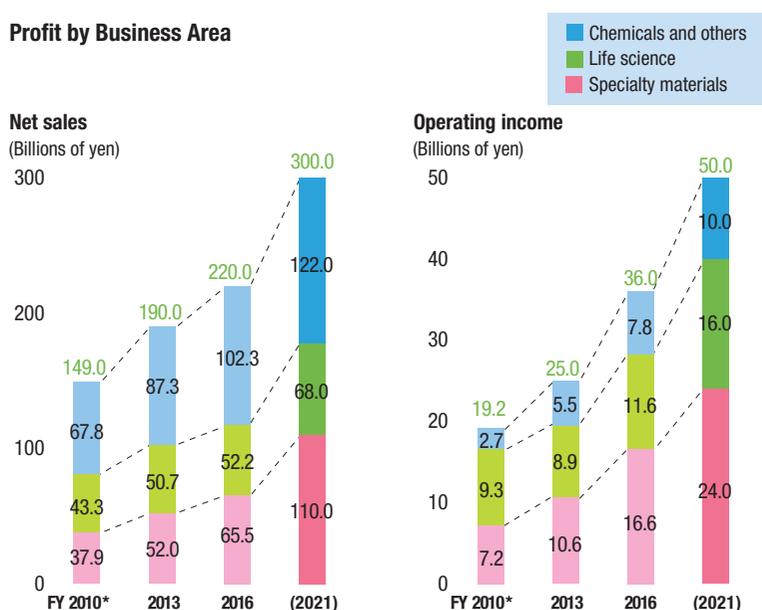
- 1) By expanding and enhancing our biochemical research facilities, including the establishment of the new Onoda Research and Development Center, we will create a low-cost research environment capable of continually creating new products and maximizing the added value of existing products.
- 2) We will further enhance our research capabilities, including the introduction of advanced technologies through industry-government-academia collaboration in Japan and overseas.
- 3) We will commit ¥20,000 million in research-related capital investment, expand our research work force from 430 to 490, and increase R&D expenditure to ¥44,000 million.

Profit Targets



*FY2010: fiscal year ended March 31, 2010
*FY2010: original target figures

Profit by Business Area



Vista 2015 Stage I

Toward sustainable growth and progress under a new medium-term plan

3. Accelerating Development of Overseas Operations

To capture the growth potential of markets outside Japan, especially in the emerging economies, we will step up the development of our overseas operations.

- 1) We will expand local work forces and accelerate the development of a global structure by strengthening human resource development systems.
- 2) We will strengthen all aspects of business infrastructure at overseas sites, including marketing, research, development and manufacturing.

4. Developing Human Resources

We will focus our total resources into the development of high-quality human resources with the specialized skills and knowledge needed to realize our vision.

- 1) We will improve our R&D capabilities and production technology as the basis for the continuing creation of new value.
- 2) We will prepare for overseas expansion by actively fostering international perceptions and attitudes in our personnel.

Policies by area

1. Performance Materials Area

In the area of electronic materials, we shall concentrate our efforts on products oriented for high growth markets such as the market of display materials for IPS and multilayered semiconductor materials. In addition, we shall reinforce our business power in the expanding Chinese market, and extend the volume of sales of already existing products. Moreover, we shall further develop products which address current market needs such as materials for touch panels, 3D packaging for semiconductors, and materials for EUV. In the area of inorganic materials, the 2nd manufacturing base for “SNOWTEX” was completed in Toyama Plant in March of this year. This made it possible to increase the production of high value-added products at the existing Sodegaura Plant, and we shall take full advantage of this opportunity to satisfy the expanding demand for polishing agents and high-performance films.

2nd base of “SNOWTEX”



In the area of organic materials, we focus on timely creation of products that satisfy the demand for “hyper-branch polymers”, which are continually being developed for application as materials in optical media and surface treatment.

2. Life Sciences Area

In the area of agricultural chemicals, we are preparing for marketing of NC-620, a new herbicide which is effective against sulfonylurea-resistant weeds. In the area of pharmaceuticals, the 3rd medicine-manufacturing facility was completed in the Onoda Plant in February of this year. This facility shall greatly reduce the manufacturing costs of active ingredients of LIVALO (anti-cholesterol drug). Moreover, we shall also use this facility to manufacture test drugs, thus accelerating the development of new drugs.

3rd medicine-manufacturing facility



Sales of “LIVALO” started in the U.S. last year, and within this year we shall acquire approval for the drug in Europe and Taiwan. We are considering starting sales of the drug in Africa and Central/South America, and the shipments of the active ingredient are expected to expand further in the future.

In terms of therapeutic agents we presently see as candidates for development, we are steadily advancing development of “NIP-022” (platelet generating stimulator agent) and “NTC-801” (anti-arrhythmic agent).

3. Chemicals Area

While continuing sales promotion of products with high added-value, we will actively obtain new customers and develop further applications to enable timely development of new products as liquid types of epoxies which satisfy demand.

Financial Indicators

1. We will improve the operating income margin, mainly by expanding sales of high-added-value products and reducing costs.

Target for FY2013: 13.2%

Target for FY2016: 16.4%

2. We will make optimal use of our capital to achieve high earning capacity.

Target for FY2013: ROE of 13%

Target for FY2016: ROE of 15% or higher

3. We will invest aggressively in future growth.

Total capital investment during Stage I: ¥46,000 million

4. R&D is essential to our business operations and will be prioritized in the allocation of management resources.

Ratio of R&D expenditure to net sales during Stage I: 8.3%

5. We will actively return income to shareholders.

Dividend payout ratio: 30% or higher

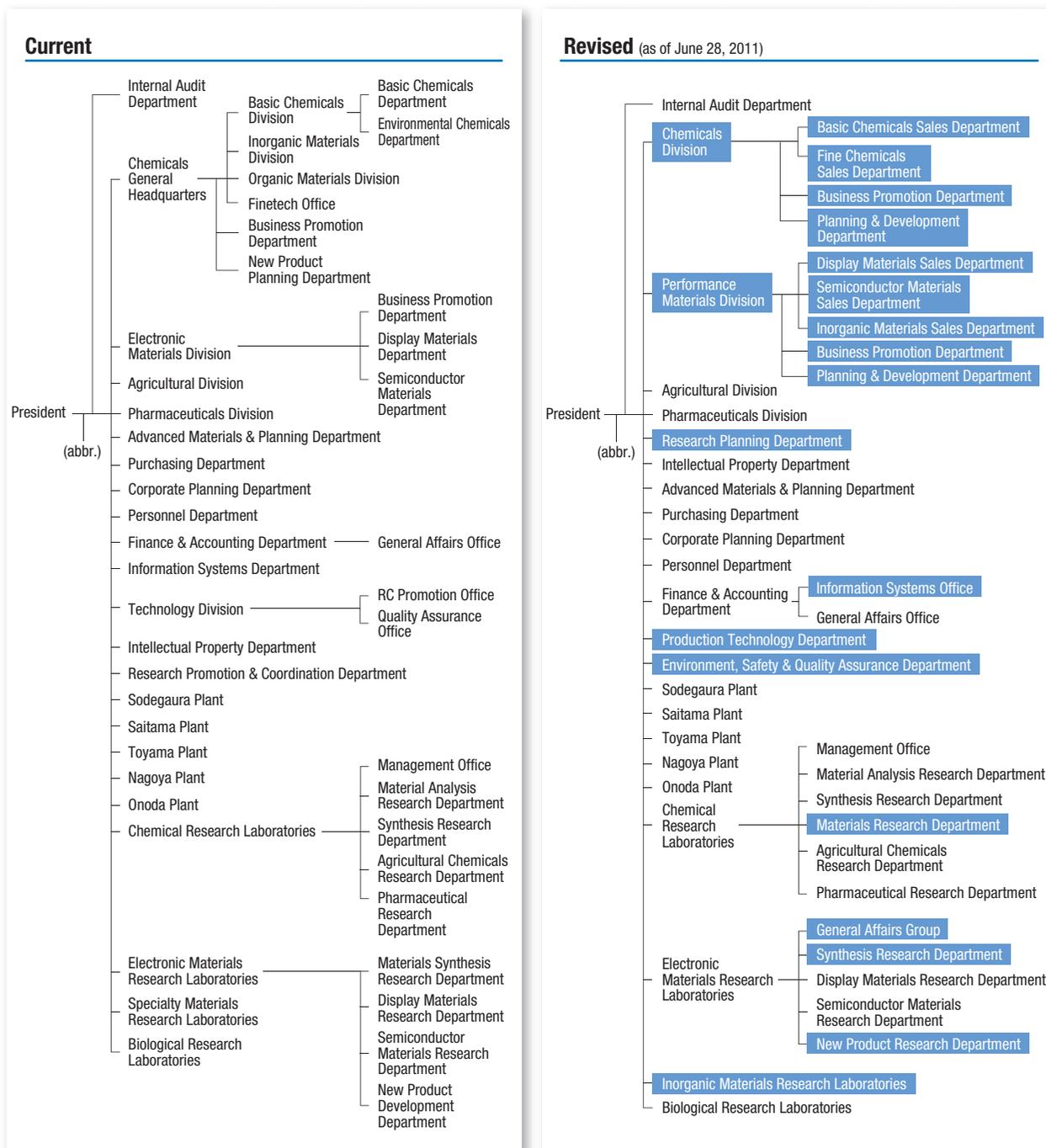
By moving forward steadily under this plan, the Nissan Chemical Group aims to achieve sustainable growth and build a secure foundation for future success.



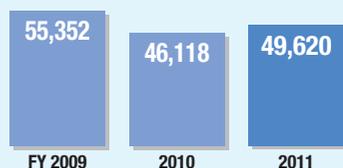
Organization chart

Strengthening the system for promoting "Stage I"
(concentration of resources on performance materials)

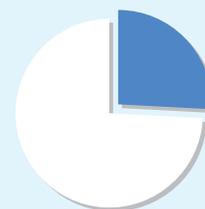
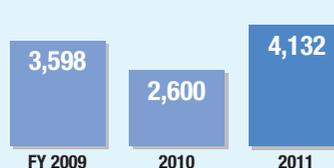
On June 8th, 2011, in order to push ahead with our Medium-Term Business Plan's first basic strategy of "Creation New Growth Engines," we implemented a fundamental reform of the organization centering on the area of functional materials, which we regard as a key to further growth.



NET SALES (Millions of Yen)



OPERATING INCOME (Millions of Yen)



Business Overview

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

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



LEDs - a field where "TEPIC" is used (illustration)

Business Performance

In basic chemicals, shipment of such flagship products as melamine and sulfuric acid advanced favorably due to overall recovery of the domestic economy.

In inorganic materials, although sales of "SNOWTEX" (used in polishing agents for electronic materials, finishing agents for various materials, etc.) expanded during the first half of the term following the increase of demand, in the second half sales for polishing agents became sluggish.

The sales volume of "TEPIC" (a special epoxy for sealing agents, etc.) increased. As a result, net sales of the division increased to 49,620 million yen (an increase of 3,502 million yen compared with the previous term), and operating income increased to 4,132 million yen (an increase of 1,532 million yen).

Main Products

[SNOWTEX]

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

[TEPIC]

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

[MELAMINE]

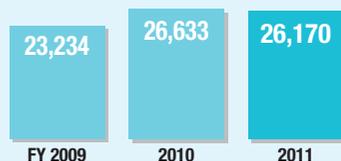
MELAMINE is widely used as an adhesive agent for plywood, laminated sheets, molded products, resin finishes for fabric and paper, and paint. It has high-level aesthetic properties and substantial quality. We are proud of our first-class production ability and our unique high-pressure method process,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

Electronic Materials

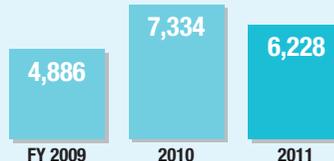
SALES RATIO BY SEGMENT

13.7%

NET SALES (Millions of Yen)



OPERATING INCOME (Millions of Yen)



Business Overview

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

Business Performance

In addition to a general drop in selling prices due to tougher competition, there was a decrease in income from "SUNEVER" (polyimide for LCD alignment coatings) due to the inventory reduction of liquid crystal panels caused by oversupply and other factors.

On the other hand, there was a yield increase from anti-reflective coating for semiconductors (BARC) that was supported by satisfactory demand for semiconductors manufactured for personal computers and smartphones.

As a result of the above, net sales of the division decreased to 26,170 million yen (a 463 million yen decrease compared with the previous term), and operating income decreased to 6,228 million yen (a 1,106 million yen decrease).



Tablet PCs/smartphones

Main Products

[SUNEVER]

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

[BARC]

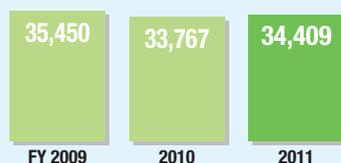
BARC is a bottom anti-reflective coating developed for semiconductor lithography. It solves various problems with exposure by coating under photo resist products. We provide a wide range of products corresponding to a wide range of line widths, from i-line to the most-advanced ArF, and contribute to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

Agricultural Chemicals

SALES RATIO BY SEGMENT

18.0%

NET SALES (Millions of Yen)



OPERATING INCOME (Millions of Yen)



Business Overview

The agricultural chemicals business is based on the manufacturing of proprietary products generated from Nissan's discovery research and expanding distribution network for Japan and over 60 countries throughout the world.

Business Performance

In addition to increased income due to sales of "THIFLUZAMIDE," which was purchased from the U.S. company Dow AgroSciences in January of last year, the newly introduced "Prevathon" (insecticide), and the newly developed "ORACLE" (soil disinfectant), there was also lump-sum income from selling licenses on animal health products.

On the other hand, shipment of "ROUNDUP" (non-selective herbicide) decreased following the adjustments of trade inventory.

As a result, net sales of the division increased to 34,409 million yen (an increase of 642 million yen compared with the previous term), and operating income increased to 4,823 million yen (an increase of 159 million yen).



Soil disinfectant "ORACLE"

Main Products

[Pyrazosulfuron-ethyl (SIRIUS)]

Uses: An herbicide for rice and turf Commercialization: Rice growing area such as Japan, China, South Korea, South-east Asia and South America

[Quizalofop-ethyl (TARGA)]

Uses: A grass killer for broadleaf crops such as soybeans, sugar beets, sunflowers, oilseed rape and vegetables Commercialization: All over the world, especially in North America, Europe and India

[Halosulfuron-methyl (PERMIT)]

Uses: A herbicide effective against sedges and broadleaf weeds for corn, sugarcane, rice and turf Commercialization: Japan, the Americas, Australia, South Africa, Italy, etc.

[Pyridaben (SANMITE)]

Uses: An insecticide and acaricide effective against whiteflies, spider mites, broad mites and rust mites for citrus, pome and stone fruits, vegetables, tea and ornamentals Commercialization: Japan, North America and EU Countries

[Amisulbrom (LEIMAY)]

Uses: A fungicide effective against downy mildew, late blight and other diseases caused by Oomycetes fungus on grapes, potato, tomato and vegetables, in addition, also effective against several soil borne diseases such as brassica club root and Pythium diseases Commercialization: Japan, South Korea and EU Countries

[Cyenopyrafen (STARMITE)]

Uses: An acaricide effective against spider mites on fruits tree crops, tea, vegetables and ornamentals Commercialization: Japan, South Korea and Colombia

[Glyphosate (ROUNDUP)]

We are distributing this non-selective weed killer herbicide under ROUNDUP brand which has been acquired from Monsanto since 2002 for Japanese domestic market.

[Thifluzamide (PULSOR)]

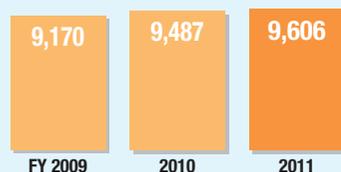
Uses: A systemic fungicide highly effective against diseases caused by Rhizoctonia fungus on turf, rice and potato Commercialization: Japan, Brazil, Colombia, South Korea and China

Pharmaceuticals

SALES RATIO BY SEGMENT

5.0%

NET SALES (Millions of Yen)



OPERATING INCOME (Millions of Yen)



Business Overview

Nissan Chemical entered into the pharmaceutical business in 1982. Nissan Chemical keeps trying research and development for innovative medicines by using the strategic chemical library, the state-of-the-art evaluation technology and precise organic synthesis technology.

Business Performance

Domestic share of LIVALO favorably expanded, and since the product was placed on the U.S. market in June of last year, volume of shipment of the active ingredients to overseas also increased.

On the other hand, income from licenses on new drugs in process of development was less than the previous year.

As a result of the above, net sales of the division increased to 9,606 million yen (an increase of 119 million yen compared with the previous term), and operating income decreased to 4,386 million yen (a 163 million yen decrease).

Main Products

[LIVALO]

LIVALO is a statin agent with a strong LDL cholesterol reduction, which causes less drug-interactions. It is manufactured and distributed by Kowa Company, Ltd., and distributed by Kowa Pharmaceutical Co. Ltd. and Daiichi Sankyo Co., Ltd. in Japan. In South Korea, it is marketed by JW Pharmaceutical. This agent is recognized as one of the "Strong statins" in clinical practice. It is also introduced to Thailand, China, the United States and some European countries. It is also planning to be launched in other countries and territories.

New Medicines under Development [NT/NM/INDI-702]

This agent has both a phosphodiesterase inhibitory effect and a thromboxane A₂ synthetase inhibitory effect, and is under development with Taisho Pharmaceutical Co., Ltd. in Japan. Clinical trials not only for intermittent claudication associated with peripheral arterial disease but also asthma is under way.

[NTC-801]

NTC-801 is a new antiarrhythmic agent that inhibits the acetylcholine-activated potassium channel current (IK_{ACh}). Because IK_{ACh} channel is apparent in the atrium but not in the ventricle, NTC-801 has the potential to be an atrial selective agent for the treatment of atrial fibrillation. In Japan, NTC-801 is currently under Phase II clinical trial with Teijin Pharma Limited. Outside of Japan, we have executed a licensing agreement with Bristol-Myers Squibb Company (BMS), and have granted BMS exclusive development and marketing rights worldwide, except in Japan. Clinical trial is conducted in the United States by BMS.

[NIP-022]

NIP-022 is an orally active agent which may increase platelet count by activating a receptor of thrombopoietin. We and Ono Pharmaceuticals Co. Ltd. (Ono) entered into a license agreement in December 2007, and are jointly developing the agent worldwide. Phase I clinical trial is conducted in the United States by Ono (Ono's development code: ONO-7746).



Drug for hypercholesterolemia "LIVALO"

REVIEW OF OPERATIONS

Trading

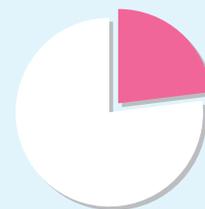
SALES RATIO BY SEGMENT

23.1%

NET SALES (Millions of Yen)



OPERATING INCOME (Millions of Yen)



Business Performance

In addition to favorable sales of chemicals due to the economic recovery in the first half of the term, there was also an increase in the transaction volume of the imports.

As a result, net sales of the division increased to 44,143 million yen (an increase of 2,896 million yen compared with the previous term), and operating income increased to 1,354 million yen (an increase of 241 million yen).



Nissei (Shanghai) International Trading Co., Ltd.

REVIEW OF OPERATIONS

Other Businesses

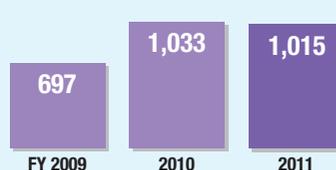
SALES RATIO BY SEGMENT

14.2%

NET SALES (Millions of Yen)



OPERATING INCOME (Millions of Yen)



Business Performance

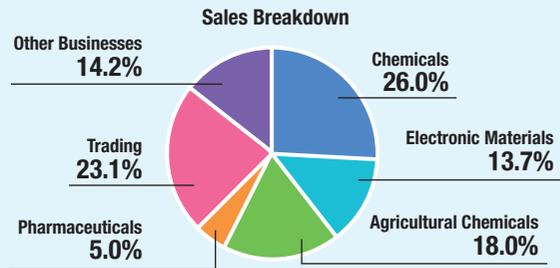
Although the transportation business increased receipts due to the general recovery of the domestic economy, orders received from government and municipal offices for landscaping and environmental analysis businesses decreased. As a result, net sales of the division decreased to 27,030 million yen (a 382 million yen decrease compared with the previous term), and operating income decreased to 1,015 million yen (a 18 million yen decrease).



Landscaping business

REVIEW OF OPERATIONS

OVERVIEW OF SEGMENTS



	Main Products	Net Sales (Millions of Yen)	Operating Income (Millions of Yen)
Chemicals	Basic chemicals — Melamine, Ammonia derivatives, AdBlue Organic materials — TEPIC, FINETECH Inorganic materials — SNOWTEX	55,352 (FY 2009), 46,118 (2010), 49,620 (2011)	3,598 (FY 2009), 2,600 (2010), 4,132 (2011)
Electronic Materials	SUNEVER BARC NHC MICROLENS	23,234 (FY 2009), 26,633 (2010), 26,170 (2011)	4,886 (FY 2009), 7,334 (2010), 6,228 (2011)
Agricultural Chemicals	Herbicides — SIRIUS, TARGA, PERMIT, ROUNDUP Insecticides — SANMITE, MITO-KOHNE, STARMITE Fungicide — LEIMAY, IKARUGA	35,450 (FY 2009), 33,767 (2010), 34,409 (2011)	4,979 (FY 2009), 4,664 (2010), 4,823 (2011)
Pharmaceuticals	Anti-cholesterol agent — LIVALO New Medicines under Development — NT/NM/INDI-702, NTC-801, NIP-022	9,170 (FY 2009), 9,487 (2010), 9,606 (2011)	4,544 (FY 2009), 4,549 (2010), 4,386 (2011)
Trading	Fine Chemicals Commodity Products Imported Chemicals	46,262 (FY 2009), 41,247 (2010), 44,143 (2011)	1,092 (FY 2009), 1,113 (2010), 1,354 (2011)
Other Businesses	Landscaping, Environmental analysis, Transportation, Engineering, Fertilizer	28,374 (FY 2009), 27,412 (2010), 27,030 (2011)	697 (FY 2009), 1,033 (2010), 1,015 (2011)

RESEARCH & DEVELOPMENT

RESEARCH AND DEVELOPMENT AREA

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

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

RESEARCH AND DEVELOPMENT BASES

With the goal of becoming a distinctive Value Creation Enterprise, we are committed to unique R&D activities at our four domestic focal laboratories, while simultaneously developing collaborative research and/or technical collaboration with domestic and overseas universities, public research institutions as well as corporations. Product development and experimental researches are also carried out at overseas facilities. At an experimental farm in Indiana, US, and at a research center in France, which is a joint venture with Philagro France, R&D activities on agricultural chemicals are conducted. R&D bases in Korea and Taiwan carry out works on performance materials.



CHEMICAL RESEARCH LABORATORIES

Chemical Research Laboratories have become integrated research and development center committed to the discovery and development of new compounds for agricultural chemicals, pharmaceuticals and organic functional materials. Synthetic studies and process development for them are based on organic synthesis expertise accumulated over years.

The facility also takes on analysis on various substances and materials, computational chemistry and development of new organic synthetic technology.

In close cooperation with other laboratories and the technology divisions of manufacturing plants, we will promote product development and technological improvement.



ELECTRONIC MATERIALS RESEARCH LABORATORIES

Electronic Materials Research Laboratories are carrying out research on the next-generation recording and optical networking materials along with R&D on display and Semiconductor Materials. We are presently researching alignment coating for LCD panels using our unique polyimide, anti-reflective coatings used in the photolithography process, and inorganic coatings formed through the sol-gel process.

Our laboratories are located on two spots; Funabashi laboratory is for studies on display materials and creation of innovative electronic materials, while Toyama laboratory, which has a class 1 clean room and advanced evaluation equipment, is for pursuing research on the development of next-generation Semiconductor Materials.



INORGANIC MATERIALS RESEARCH LABORATORIES

Inorganic Materials Research Laboratories are carrying out research on the manufacturing of various metal oxide sol including silica sol by using super fine particle control technology.

Based on our technology, we are also putting our efforts into developmental research for their use such as polishing materials for silicon wafer and hard disk, hard-coat materials and/or anti-reflection materials for optical films.

We are challenging new materials development to expand the possibilities of nano-materials such as electrical conducting materials and optical functional materials.



BIOLOGICAL RESEARCH LABORATORIES

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

In the agricultural chemicals area, we are conducting research on commercialization of existing active ingredients as well as active ingredients to be introduced, paying attention to user requirements and market trend. The creation of new eco-friendly agricultural chemicals which combine high efficacy and safety, is another challenge. We are promoting new chemical evaluation focused on the research field overseas in Indiana in the United States and a joint venture with the Philagro France research center.

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



Establishment of Nissan Chemical Taiwan Co., Ltd.

In October of last year, the overseas affiliated company Nissan Chemical Taiwan Co., Ltd. was established in Taiwan to serve as a base for customer service related to display materials and semiconductor materials, as well as a base for research and development of display materials. The opening ceremony of the R&D center was held in June of this year. Together with the manufacture/research base already existing in Korea, it shall target the Asian market that will continuously grow in the area of electronic materials. We will strive to increase our ability to respond to customer needs and gather information, aiming to further expand our electronic material business in the future.



Profile of the overseas affiliated company:

Company name: Nissan Chemical Taiwan Co., Ltd. (NCT)

Establishment: October 25, 2010

Capital: 5 million Taiwan dollars (fully owned by our company)

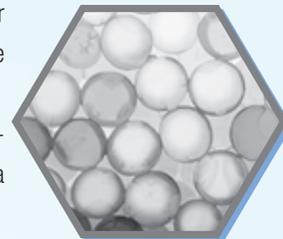
Location: 5F #67/69 Southern Taiwan Science Park, Kule 2nd Rd, Lujhu, Kaohsiung County

Advanced Materials

Beyond the core businesses and technological areas of organic materials, inorganic materials and electronics materials set out in our Vista2010 mid-term business plan, Nissan Chemical Industries is committed to generating new business through the creation of new products and materials in order to expand as a materials manufacturer and attain a pre-eminent position in the areas of research, development and technology.

In addition to building on and utilizing our unique fine organic synthesis, polymer design and ultrafine particle control core technologies, we are attempting to speed up the generation of new business and materials by forming alliances with other specialist corporations, and by forming a top-level organizational partnership with Kyushu University, the largest such partnership for a university in Japan.

Furthermore, we are endeavoring to explore the limitless possibilities of chemical science to create high value-added products that satisfy customer demands for reliability, and in the process grow even brighter as a value-creating corporation.



Advanced Materials Main Products

[HYPERTECH®]

HYPERTECH® is a nanometer-sized spherical polymer, and acts as organic nano-particles. There are a lot of terminal groups on the surface of spherical polymers, therefore depend on properties of the terminal group, HYPERTECH's properties can be controlled, such as thermal stability, solubility, and thin-film formation of it. We are supplying hyperbranched polymer (HPS-200), and cross-linked polymer (HA-DVB-500).

[OPTBEADS®]

OPTBEADS® is spherical fine particles composed of melamin-formaldehyde resin and silica and has features of narrow particle size distribution, good heat resistance, acid resistance, alkali resistance, solvent resistance and high refractive index.

FIVE-YEAR SUMMARY

Consolidated	Millions of Yen				
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Net sales	¥ 174,351	¥ 169,172	¥ 160,162	¥ 149,037	¥ 154,209
Operating income	20,845	24,768	17,437	19,151	19,818
Net income	13,993	15,503	10,053	12,751	12,954
Total assets	177,337	172,660	172,344	181,389	183,399
Equity	98,102	100,064	95,672	106,516	111,312
Capital expenditure	12,070	10,913	13,940	10,060	9,588
Depreciation expense	9,694	9,731	10,206	10,994	10,440
Amounts per share (in yen):					
Net income per share	¥ 75.43	¥ 85.15	¥ 57.26	¥ 74.00	¥ 75.94
Equity per share	535.29	556.63	555.14	618.23	654.33
Financial ratios (%):					
Equity ratio	55.3	58.0	55.5	58.7	60.7
Return on equity	14.7	15.6	10.3	12.6	11.9
Non-Consolidated					
Net sales	¥ 114,352	¥ 123,937	¥ 117,797	¥ 110,993	¥ 115,643
Operating income	18,747	21,642	13,935	15,912	16,735
Net income	11,928	13,927	7,957	10,435	12,344
Total assets	154,642	151,991	150,488	160,288	163,956
Equity	89,512	90,873	85,632	93,835	98,536
Amounts per share (in yen):					
Net income per share	¥ 64.30	¥ 76.49	¥ 45.32	¥ 60.56	¥ 72.37
Equity per share	488.42	505.51	496.88	544.63	579.23
Cash dividends per share	20.0	20.0	22.0	24.0	24.0
Financial ratios (%):					
Equity ratio	57.9	59.8	56.9	58.5	60.1
Year-end statistics:					
Number of shareholders	14,981	14,516	14,651	13,801	16,596
Number of employees	1,558	1,614	1,657	1,710	1,750

FINANCIAL REVIEW

Financial Review for the Year Ended March 31, 2011

Overview

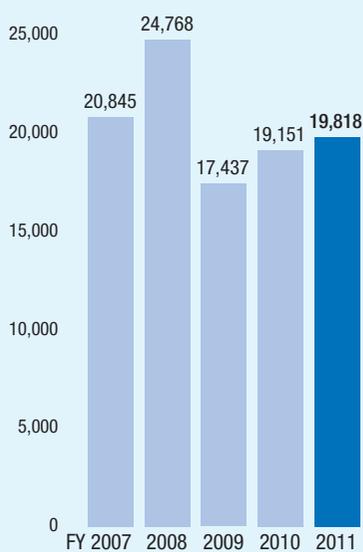
In the year ended March 31, 2011, since last summer economic situation aggravated and difficult conditions continued. A slowdown of exports triggered by a tightening of money markets in the newly-rising nations and financial uncertainty in Europe, as well as the advancing of yen appreciation dealt a major blow to the export-related companies, and Japan's economy swerved from the path to recovery into a foot dragging state. With employment conditions still difficult, consumers remained price-conscious, the long-running deflation intensified the price competition, and a sharp rise in oil prices on the background of uncertain political conditions in the Middle Eastern and African countries all resulted in a harsh business environment for our Group.

In the Great East Japan Earthquake that occurred on March 11 we did not suffer any human losses or any serious damages to production facilities, and although some products were

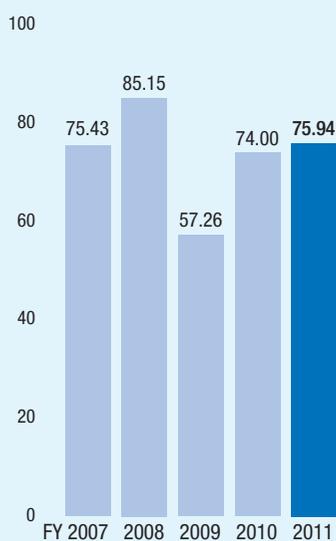
damaged by the tsunami, the impact of the damage on the current period's business results is negligible.

Although the situation was severe a growth of sales of some basic chemicals resulted in an increase in net sales of the Chemicals business. In the Electronic Materials business, there was a decrease in sales of products for liquid crystal panels, and although sales of semiconductors went up, net sales fell below the previous year's level. The Agricultural Chemicals business increased receipts by sales of THIFLUZAMIDE, a fungicide sold under IKARUGA and other brand names, and some new agents. Although income from licenses for the use of products developed by the company decreased, higher bulk shipment for LIVALLO, a drug used to treat high cholesterol, helped to lift net sales slightly as compared with the previous year in the Pharmaceuticals business.

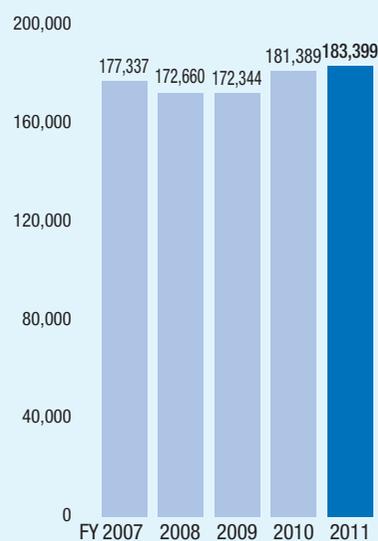
Operating Income (Millions of Yen)



Net Income per Share (Yen)



Total Assets (Millions of Yen)



Operating Results

Net sales in the year ended March 31, 2011 amounted to ¥154,209 million, a year-on-year increase of ¥5,172 million, or 3.5%. In respect of profit and loss, operating income rose by ¥667 million, or 3.5%, to ¥19,818 million, and net income by ¥202 million, or 1.6%, to ¥12,954 million.

Financial Position

As of March 31, 2011, total assets amounted to ¥183,399 million, an increase of ¥2,010 million from the position at the end of the previous year. This change reflects higher figures for cash and deposits as well as trade receivables that overshadowed the decrease in inventories, tangible fixed assets, intangible fixed assets, and investment securities.

Total liabilities were ¥71,038 million below the level a year earlier at ¥2,697 million, in part because of reductions in the balance of interest-bearing liabilities.

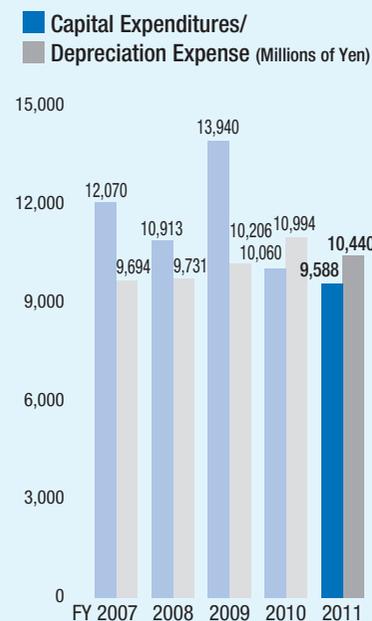
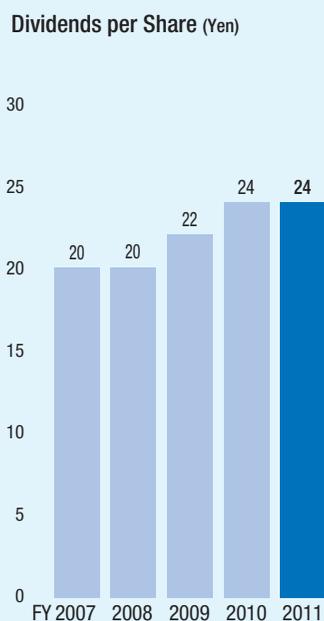
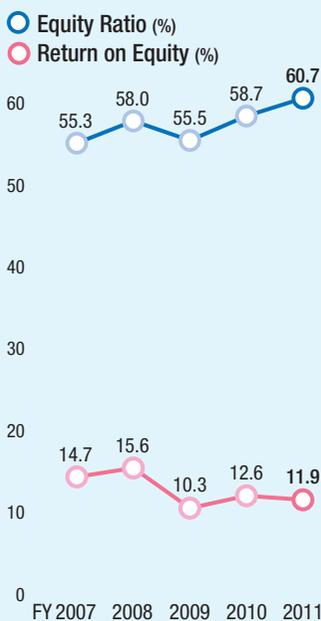
Net assets increased by ¥4,707 million year on year to

¥112,361 million. As a result, the shareholders' equity ratio increased by 2.0 percentage points to 60.7%.

Cash Flow Analysis

Net cash provided by operating activities in the current fiscal year amounted to ¥24,915 million. This figure was calculated by deducting tax payments from the sum of increases and decreases in net income before income taxes and minority interests, depreciation and operating capital. Net cash used for investment activities totaled ¥8,497 million. This figure consists mainly of investments in plant and machinery in the Chemicals business. Net cash used for financing activities was ¥9,566 million. This total is made up of dividend payments, purchases of treasury stock, and the retirement of debt.

As a result of the above and after a deduction of 487 million yen from exchange rate adjustments, cash and cash equivalents increased by ¥6,365 million from the position at the end of the previous year rising to ¥21,127 million as of March 31, 2011.



CONSOLIDATED BALANCE SHEETS

Nissan Chemical Industries, Ltd. and its Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	FY 2011	FY 2010	FY 2011
Current assets:			
Cash and time deposits	¥ 21,127	¥ 14,762	\$ 254,078
Notes and accounts receivable:			
Trade	55,220	53,901	664,102
Less allowance for doubtful receivables	(11)	(12)	(131)
Inventories (Note 6)	28,435	30,746	341,969
Deferred taxes-current	2,595	2,830	31,203
Other current assets	3,147	3,804	37,855
Total current assets	110,513	106,031	1,329,076
Investments and advances:			
Investment in securities (Note 5)	14,830	15,966	178,355
Investments in and advances to non-consolidated subsidiaries and affiliates	5,491	5,563	66,036
Long-term loans	53	56	641
Other investments	1,101	1,107	13,227
Less allowance for doubtful receivables	(215)	(258)	(2,580)
Total investments and advances	21,260	22,434	255,679
Property, plant and equipment, at cost:			
Land	9,558	9,575	114,948
Buildings and structures	47,943	47,000	576,580
Machinery and equipment	124,531	123,446	1,497,662
Leased assets	30	30	361
Construction in progress	4,402	671	52,942
Less accumulated depreciation	(140,060)	(133,869)	(1,684,421)
Total property, plant and equipment	46,404	46,853	558,072
Other assets			
Deferred taxes-non-current	746	230	8,969
Intangible assets	3,383	4,139	40,691
Other	1,093	1,702	13,155
Total assets	¥ 183,399	¥ 181,389	\$2,205,642

LIABILITIES AND NET ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	FY 2011	FY 2010	FY 2011
Current liabilities:			
Short-term bank loans (Note 9)	¥ 17,343	¥ 15,476	\$ 208,578
Current portion of long-term debt (Note 9)	8,039	8,110	96,683
Notes and accounts payable:			
Trade	15,444	14,849	185,732
Construction	2,328	1,396	27,997
Accrued income taxes	3,243	4,190	38,999
Accrued expenses and other current liabilities (Note 11)	7,487	8,595	90,051
Total current liabilities	53,884	52,616	648,040
Long-term liabilities:			
Long-term debt (Note 9)	14,501	18,540	174,393
Accrued retirement benefits (Note 7)	522	545	6,273
Other long-term liabilities	2,131	2,034	25,628
Total long-term liabilities	17,154	21,119	206,294
Contingent liabilities (Note 11)			
Net assets			
Shareholders' equity			
Common stock, ¥50 par value:	18,942	18,942	227,806
Authorized-360,000,000 shares;			
Issued and outstanding-171,000,000 shares			
Additional paid-in capital	13,612	13,612	163,700
Retained earnings	79,615	74,750	957,491
Treasury stock, at cost	(1,073)	(1,933)	(12,899)
Valuation and translation adjustments			
Valuation gain of investment securities after tax-effect	1,438	1,881	17,298
Adjustments on foreign currency statement translation	(1,223)	(735)	(14,712)
Minority interests	1,050	1,137	12,624
Total net assets	112,361	107,654	1,351,308
Total liabilities and net assets	¥ 183,399	¥ 181,389	\$ 2,205,642

CONSOLIDATED STATEMENTS OF INCOME/ CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Nissan Chemical Industries, Ltd. and its Consolidated Subsidiaries Years ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	FY 2011	FY 2010	FY 2011
Net sales	¥ 154,209	¥ 149,037	\$ 1,854,590
Cost of sales	99,860	95,347	1,200,960
Gross profit	54,349	53,690	653,630
Selling, general and administrative expenses	34,531	34,539	415,291
Operating income	19,818	19,151	238,339
Other income (expense):			
Interest and dividend income	593	624	7,132
Interest expenses	(498)	(601)	(5,994)
Gain on sale of marketable and investment securities	261	-	3,133
Write-down of marketable and investment securities	(36)	(347)	(434)
Gain on sale of property, plant and equipment	29	-	353
Loss on disposal of property, plant and equipment	(455)	(279)	(5,475)
Equity in earnings of non-consolidated subsidiaries and affiliates	5	270	61
Other, net	(871)	(136)	(10,467)
Income before income taxes	18,846	18,682	226,648
Income taxes (Note 8):			
Current	5,807	6,479	69,846
Deffered	20	(652)	237
Minority interests in consolidated subsidiaries	(65)	(104)	(778)
Net income	¥ 12,954	¥ 12,751	\$ 155,787

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	FY 2011	FY 2010	FY 2011
Net income before minority interests	¥ 13,018	¥ 12,855	\$ 156,566
Other comprehensive income(loss):			
Valuation gain(loss) of investment securities after tax-effect	(444)	1,411	(5,343)
Adjustment on foreign currency statement translation	(524)	505	(6,301)
Share of other comprehensive income in affiliated companies	1	-	12
Total other comprehensive income(loss)	(967)	1,916	(11,632)
Comprehensive income	12,051	14,771	144,934
Total comprehensive income attributable to:			
Owners of the parent	12,022	14,617	144,589
Minority interests	29	154	345

CONSOLIDATED STATEMENTS OF NET ASSETS

Nissan Chemical Industries, Ltd. and its Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

	Millions of Yen							
	Number of shares of common stock (thousands)	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Accumulated other comprehensive income		Minority interests
						Valuation gain of investment securities after tax-effect	Adjustments on foreign currency statement translation	
Balance at March 31, 2009	174,000	¥ 18,942	¥ 13,612	¥ 65,714	¥ (1,876)	¥ 470	¥ (1,190)	¥ 1,105
Net income				12,751				
Increase due to changes in scope of equity method				1				
Cash dividends paid				(3,447)				
Treasury stocks acquired					(63)			
Disposal of treasury stocks				0	6			
Decrease due to exclusion from consolidation				(269)				
Other						1,411	455	32
Balance at March 31, 2010	174,000	18,942	13,612	74,750	(1,933)	1,881	(735)	1,137
Net income				12,954				
Cash dividends paid				(4,453)				
Treasury stocks acquired					(2,777)			
Disposal of treasury stocks	(3,000)			(3,636)	3,637			
Other						(443)	(488)	(87)
Balance at March 31, 2011	171,000	¥ 18,942	¥ 13,612	¥ 79,615	¥ (1,073)	¥ 1,438	¥ (1,223)	¥ 1,050

	Thousands of U.S. Dollars (Note 3)							
	Number of shares of common stock (thousands)	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Accumulated other comprehensive income		Minority interests
						Valuation gain of investment securities after tax-effect	Adjustments on foreign currency statement translation	
Balance at March 31, 2010	174,000	\$ 227,806	\$ 163,700	\$ 898,975	\$ (23,251)	\$ 22,623	\$ (8,840)	\$ 13,677
Net income				155,787				
Cash dividends paid				(53,559)				
Treasury stocks acquired					(33,370)			
Disposal of treasury stocks				(43,712)	43,722			
Other						(5,325)	(5,872)	(1,053)
Balance at March 31, 2011	171,000	\$ 227,806	\$ 163,700	\$ 957,491	\$ (12,899)	\$ 17,298	\$ (14,712)	\$ 12,624

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, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	FY 2011	FY 2010	FY 2011
Cash flows from operating activities:			
Net income	¥ 12,954	¥ 12,751	\$ 155,787
Depreciation	10,440	10,994	125,552
Decrease in accrued retirement benefits	(23)	17	(275)
Loss on disposal of property, plant and equipment	455	279	5,475
Increase (decrease) in allowance for doubtful accounts	(32)	0	(384)
Increase (decrease) in reserve for bonuses	27	(28)	329
Deferred income taxes	20	(652)	237
Increase (decrease) in notes and accounts receivable	(1,472)	(3,402)	(17,699)
Increase (decrease) in inventories	2,183	90	26,251
Increase (decrease) in other current assets	321	1,252	3,860
Increase (decrease) in notes and accounts payable	683	1,626	8,219
Increase (decrease) in accrued expenses and other	348	(169)	4,188
Increase (decrease) in other current liabilities	(808)	180	(9,717)
Other, net	(181)	3,637	(2,188)
Net cash provided by operating activities	24,915	26,575	299,635
Cash flows from investing activities:			
Payments for purchase of property, plant and equipment	(8,530)	(10,603)	(102,586)
Proceeds from sale of property, plant and equipment	50	181	606
Payments for purchase of intangible assets	(127)	(3,760)	(1,523)
Proceeds from sale of investments in securities	647	2,041	7,787
Payments for purchase of investments in securities	(37)	(3,148)	(439)
Other, net	(500)	(127)	(6,034)
Net cash used in investing activities	(8,497)	(15,416)	(102,189)
Cash flows from financing activities:			
Increase (decrease) in short-term bank loans	1,881	(1,359)	22,622
Decrease in long-term debt	(4,095)	(1,329)	(49,252)
Cash dividends paid	(4,453)	(3,447)	(53,559)
Other, net	(2,899)	(63)	(34,854)
Net cash provided by financing activities	(9,566)	(6,198)	(115,043)
Effect of exchange rate changes on cash	(487)	161	(5,863)
Net increase (decrease) in cash and cash equivalents	6,365	5,122	76,540
Cash and cash equivalents at beginning of year	14,762	9,672	177,538
Decrease in cash and cash equivalents resulting from changes in the number of consolidated subsidiaries	-	(32)	-
Cash and cash equivalents at end of year	¥ 21,127	¥ 14,762	\$ 254,078
Supplemental data:			
Cash paid during the year for-			
Income taxes	¥ 6,531	¥ 2,698	\$ 78,541
Interest	522	608	6,283

The accompanying notes are an integral part of these statements.

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain aspects as to application and disclosure requirement of accounting principles generally accepted in the United States of America and International Financial Reporting Standards.

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statement of net assets.

In preparing these consolidated financial statements, certain reclassification and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements as of March 31, 2011, include the account of the Company and its significant 10 subsidiaries (11 in 2010). The Company does not consolidate other subsidiaries due to their immateriality in terms of consolidated total assets, net sales, net income and retained earnings.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Company has the ability to exercise significant influence are accounted for by the equity method. Investments in 2 (2 in 2010) affiliated companies are accounted for by the equity method.

The assets and liabilities of the newly consolidated subsidiaries are stated at fair value as of their respective dates of acquisition. The differences between the cost and the underlying net equity in the net assets at the dates of acquisition of the consolidated subsidiaries and companies accounted for by the equity method are amortized by the straight-line method within 20 years.

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

b. Securities

The Company's marketable securities are reported at fair value. Unrealized holding gains and losses, net of the related tax effect, on marketable securities are excluded from earnings and are reported as a separate component of other comprehensive income until realized. Realized gains and losses for securities are included in earnings and are derived using the moving average method for determining the cost of securities sold.

Non-marketable securities in companies over which the Company does not have the ability to exercise significant influence are stated at cost and reviewed periodically for impairment.

c. Derivatives and Hedge accounting

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

Derivatives are carried at fair value with any change in unrealized gain and loss charged to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss, net of the applicable income taxes, is reported as a component of accumulated other comprehensive income (loss).

If interest rates swap contracts meet certain criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract is executed.

d. Allowance for doubtful accounts

The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing trade receivables. An additional reserve for individual receivable is recorded when the Company becomes aware of a customer's inability to meet its financial obligations, such as in the case of bankruptcy filing or deterioration in a customer's operating results or financial position. If customer circumstances change, estimates of the recoverability of receivables would be further adjusted.

e. Inventories

Inventories are stated at the lower of cost or market, cost being determined primarily by the average method.

f. Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed principally by the declining-balance method over the estimated useful lives of these assets.

The estimated useful life ranges from 2 years to 50 years for buildings and structures, 2 years to 12 years for machinery and equipment.

g. Provision for retirement benefits

The Company has a defined benefit pension plan and a retirement plan covering substantially all of its employees. The Company records annual amounts relating to its pension and retirement plans based on calculations that incorporate various actuarial and other assumptions including, discount rates, mortality, assumed rates of return, compensation increase and turnover rates. The Company reviews its assumption on an annual basis and makes modifications to the assumption based on current rates and trends when it is appropriate to do so. The Company believes that the assumptions utilized in recording its obligations under its plans are reasonable based on its experience and market conditions.

Effective October 1, 2010, or January 1, 2011, the Company implemented a defined contribution plan allowing employees to transfer a portion of their funded defined benefit plan to the new contribution plan.

h. Translation of foreign currency

Assets and liabilities of the Company's subsidiaries located outside Japan are translated into Japanese yen at the rate of exchange in effect at the balance sheet date. Revenue and expense items are translated at the average exchange rates prevailing during the year. Gains and losses resulting from foreign currency transactions are included in other income (deductions), and those resulting from translation of financial statements are excluded from the statements of income and are accumulated in net assets as a component of accumulated other comprehensive income (loss).

i. Income taxes

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date.

j. Leased assets

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

k. Cash and cash equivalent

The Company and its consolidated subsidiaries considers cash equivalents include all highly liquid investments purchased with original maturities of three months or less.

3. U.S. DOLLAR AMOUNTS

The accompanying consolidated financial statements are expressed in Japanese yen as of and for the year ended March 31, 2011, the currency of the country in which the Company operates. The translation of Japanese yen amounts into United States dollar amounts is included solely for the convenience of the reader and has been made at the rate of ¥83.15 to US \$1, the approximate closing rate of exchange reported by the Tokyo Foreign Exchange Market on March 31, 2011. Such translation should not be construed as a representation that the amounts shown could be converted into United States dollars at the above rate.

4. CHANGE IN ACCOUNTING POLICY

(1) Equity method

Effective from the fiscal year ended March 31, 2011, the Companies have adopted the “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No.16 issued on March 10, 2008) and Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (ASBJ PITF No.24 issued on March 10, 2008).

This accounting change has no impact on the consolidated statement of income for the current fiscal year.

(2) Asset retirement obligations

Effective from the fiscal year ended March 31, 2011, the Companies have adopted “Accounting Standard for Asset Retirement Obligations”(ASBJ Statement No.18 issued on March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations”

(ASBJ Guidance No.21 issued on March 31, 2008).

This accounting change has no impact on the consolidated statement of income for the current fiscal year.

(3) Business combinations

Effective from the fiscal year ended March 31, 2011, the Companies have adopted “Accounting Standard for Business Combinations” (ASBJ Statement No.21 issued on December 26, 2008), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22 issued on December 26, 2008), “Partial amendments to Accounting Standard for Research and Development Costs” (ASBJ Statement No.23 issued on December 26, 2008), “Accounting Standard for Business Divestitures” (ASBJ Statement No.7 issued on December 26, 2008), “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No.16 issued on December 26, 2008), and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No.10 issued on December 26, 2008).

(4) Inventory loss

From fiscal year ended March 31, 2011, the Company recorded disposal loss of inventory in non-operating expenses to cost of sales. Above change in accounting policy is due to improvement of cost management. This accounting change has decreased operating income ¥259 million and no affect income before income taxes.

5. INVESTMENTS IN SECURITIES

Investments in securities at March 31,2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Listed securities	¥ 11,108	¥ 12,234	\$ 133,585
Other marketable securities	3,722	3,732	44,770
	14,830	15,966	178,355

6. INVENTORIES

Inventories at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Finished products and merchandise	¥ 23,119	¥ 24,885	\$ 278,036
Work in process	96	317	1,158
Raw materials and supplies	5,220	5,544	62,775
	¥ 28,435	¥ 30,746	\$ 341,969

7. RETIREMENT BENEFITS FOR EMPLOYEES

The Company has a defined benefit pension plan and a retirement plan covering substantially all of its employees. Effective October 1, 2010, or January 1, 2011, the Company implemented a defined contribution plan allowing employees to transfer a portion of their funded defined benefit plan to the new contribution plan.

The liability for retirement benefits at March 31, 2010 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Projected benefit obligation	¥ (12,043)	¥ (15,451)	\$ (144,831)
Fair value of plan assets	10,730	14,203	129,046
Unfunded benefit obligation	(1,313)	(1,248)	(15,785)
Unrecognized actuarial loss	1,124	1,487	13,519
Net retirement benefit obligation	(189)	239	(2,266)
Prepaid pension cost	(333)	(784)	(4,007)
Accrued retirement benefits	¥ (522)	¥ (545)	\$ (6,273)

8. INCOME TAXES

The Company is subject to a number of taxes based on income, which in the aggregate result in a normal income tax rate of approximately 40.69% for the years ended March 31, 2011, and 2010.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2010 and 2011

areas follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Deferred tax assets:			
Depreciation and amortization	¥ 720	¥ 670	\$ 8,659
Accrued bonuses	700	690	8,420
Inventory	546	524	6,563
Impairment of securities	470	471	5,647
Prepaid expenses	449	436	5,402
Other	2,256	2,416	27,131
Gross deferred tax assets	5,141	5,207	61,822
Less: Valuation allowance	-	-	-
Total deferred tax assets	5,141	5,207	61,822
Deferred tax liabilities:			
Unrealized gain on securities	(1,174)	(1,461)	(14,121)
Capital gain deferred in connection with the acquisition of new property	(453)	(474)	(5,451)
Other	(173)	(212)	(2,078)
Total deferred tax liabilities	(1,800)	(2,147)	(21,650)
Net deferred tax assets	¥ 3,341	¥ 3,060	\$ 40,172

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. SHORT-TERM LOANS AND LONG-TERM DEBT

Short-term loans consisting of unsecured bank overdraft at March 31, 2011 were ¥17,343 million (\$208,575 thousand). The weighted average interest rate on short-term loans outstanding at March 31, 2011 was 0.82%.

At March 31, 2011 and 2010 long-term debt consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Unsecured loans from banks and others, at interest rates ranged 0.73% to 2.10%, maturing from serially through 2016	22,540	26,650	271,076
	22,540	26,650	271,076
Less current portion	(8,039)	(8,110)	(96,683)
	¥ 14,501	¥ 18,540	\$ 174,393

Long-term debt payments fall due after March 31, 2011 were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2012	¥ 8,039	\$ 96,683
2013	5,529	66,494
2014	4,022	48,370
2015	4,600	55,322
2016 and thereafter	350	4,207
	¥ 22,540	\$ 271,076

10. EQUITY

(1) Dividends

Cash dividends charged to retained earnings during the years ended March 31, 2011 and 2010 represent dividends paid out during those years. The accompanying consolidated financial statements do not include any provision for a dividend approved by the Board of Directors of ¥12 (\$0.14) per share aggregating ¥2,041 million (\$24,551 thousand) in respect of the year ended March 31, 2011.

(2) Retained earnings

Retained earnings of consolidated basis consists of legal reserve and retained earnings. In accordance with provisions of the Companies Act of Japan, the Company has provided a legal reserve as an appropriation of retained earnings. The Code provides that neither additional paid-in capital nor the legal reserve is available for

dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to stated capital (common stock) by resolution of the Board of Directors. Legal reserve in the accompanying consolidated financial statement includes only that of the Company. 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.

11. CONTINGENT LIABILITIES

At March 31, 2011 and 2010, the Company and its subsidiaries had the following contingent liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
As guarantor of indebtedness of non-consolidated subsidiaries, affiliates and others	¥ 193	¥ 68	\$ 2,328

12. 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.

Amounts per share of net income and cash dividends for the year ended March 31, 2011 and 2010, were as follows:

	Yen		U.S. Dollars
	2011	2010	2011
Net income	¥ 75.94	¥ 74.00	\$ 0.913
Cash dividends	¥ 24.00	¥ 24.00	\$ 0.289

13. SEGMENT INFORMATION

Reportable segments of the Company consist of the business units for which independent financial information is available that are regularly monitored by the Board of Directors in order to decide the distribution of business resources and evaluate the business results. The Company classifies its products and services into six reportable segments: "Chemicals," "Electronic Materials," "Agricultural Chemicals," "Pharmaceuticals," "Trading," and "Other."

The operations of the Company and its consolidated subsidiaries for the years ended March 31 2011 and 2010 were summarized by reportable segment as follows

Year ended March 31, 2011	Millions of Yen							Consolidated
	Chemicals	Electronic Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Other	Elimination & Corporate	
Sales								
Outside customers	¥ 37,225	¥ 24,754	¥ 32,225	¥ 9,543	¥ 36,986	¥ 13,476	¥ -	¥ 154,209
Intersegment sales and transfers	12,395	1,416	2,184	63	7,157	13,554	(36,769)	-
Total Sales	¥ 49,620	¥ 26,170	¥ 34,409	¥ 9,606	¥ 44,143	¥ 27,030	¥ (36,769)	¥ 154,209
Segment operating income	¥ 4,132	¥ 6,228	¥ 4,823	¥ 4,386	¥ 1,354	¥ 1,015	¥ (2,120)	¥ 19,818
Depreciation and amortization	¥ 4,457	¥ 2,969	¥ 1,919	¥ 272	¥ 121	¥ 469	¥ 233	¥ 10,440

Year ended March 31, 2010	Millions of Yen							Consolidated
	Chemicals	Electronic Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Other	Elimination & Corporate	
Sales								
Outside customers	¥ 34,197	¥ 25,266	¥ 31,575	¥ 9,424	¥ 34,923	¥ 13,652	¥ -	¥ 149,037
Intersegment sales and transfers	11,921	1,367	2,192	63	6,324	13,760	(35,627)	-
Total Sales	¥ 46,118	¥ 26,633	¥ 33,767	¥ 9,487	¥ 41,247	¥ 27,412	¥ (35,627)	¥ 149,037
Segment operating income	¥ 2,600	¥ 7,334	¥ 4,664	¥ 4,549	¥ 1,113	¥ 1,033	¥ (2,142)	¥ 19,151
Depreciation and amortization	¥ 4,627	¥ 3,639	¥ 1,569	¥ 260	¥ 99	¥ 573	¥ 227	¥ 10,994

Year ended March 31, 2011	housands of U.S. Dollars							Consolidated
	Chemicals	Electronic Materials	Agricultural Chemicals	Pharmaceuticals	Trading	Other	Elimination & Corporate	
Sales								
Outside customers	\$ 447,686	\$ 297,708	\$ 387,557	\$ 114,764	\$ 444,810	\$ 162,065	\$ -	\$ 1,854,590
Intersegment sales and transfers	149,068	17,028	26,257	765	86,076	163,015	(442,209)	-
Total Sales	\$ 596,754	\$ 314,736	\$ 413,814	\$ 115,529	\$ 530,886	\$ 325,080	\$ (442,209)	\$ 1,854,590
Segment operating income	\$ 49,693	\$ 74,902	\$ 58,004	\$ 52,743	\$ 16,286	\$ 12,206	\$ (25,495)	\$ 238,339
Depreciation and amortization	\$ 53,606	\$ 35,707	\$ 23,078	\$ 3,271	\$ 1,459	\$ 5,641	\$ 2,790	\$ 125,552

Overseas operations, which represent sales to customers outside of Japan of the Company and its consolidated subsidiaries for the years ended March 31, 2011 and 2010, were as follows:

Year ended March 31, 2011	Millions of Yen			
	Japan	Asia	Europe	Consolidated
Sales	¥ 110,895	¥ 34,180	¥ 9,134	¥ 154,209

Year ended March 31, 2010	Millions of Yen			
	Japan	Asia	Europe	Consolidated
Sales	¥ 107,662	¥ 34,225	¥ 7,150	¥ 149,037

Year ended March 31, 2010	Thousands of U.S. Dollars			
	Japan	Asia	Europe	Consolidated
Sales	\$ 1,333,670	\$ 411,068	\$ 109,852	\$ 1,854,590

14. SUBSEQUENT EVENT

The Company has evaluated subsequent events from the balance sheet date through June 22, 2011, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.

Yaesu Audit Company

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

Independent Auditor's Report

To the Board of Directors
Nissan Chemical Industries, Ltd.

We have audited the accompanying consolidated balance sheets of Nissan Chemical Industries, Ltd. and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended and consolidated statement of comprehensive income for the year ended March 31, 2011, all expressed in yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nissan Chemical Industries, Ltd. and consolidated subsidiaries as of March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

We have also reviewed the translation the 2011 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 22, 2011

HISTORY

1887	Founded as Tokyo Jinzo Hiryo, later changed to Dainippon Jinzo Hiryo
1937	Changes corporate name to Nissan Chemical Industries, Ltd.
1951	Introduces SNOWTEX colloidal silica
1964	Begins manufacturing of melamine at Toyama Plant using an original high-pressure production method
1965	Introduces disinfectant germicide, HILITE
1969	Opens Sodegaura Plant
1971	Opens Central Research Institute
1978	Introduces special epoxy compound, TEPIC
1984	Introduces TARGA, a grass herbicide for export use Introduces SUNEVER, polyimide for LCD alignment coatings
1985	Enters pharmaceutical field with introduction on EPATEC Introduces high-purity chemical line for the electronics industry
1989	Establishes Nissan Chemical America Corporation
1990	Introduces SIRIUS, a rice paddy herbicide
1991	Establishes Nissan Chemical Europe GmbH Introduces SANMITE, an acaricide
1994	Introduces LANDEL, an anti-hypertension agent Introduces PERMIT, a herbicide for corn crops Granted ISO 9002 certification for all plants and products
1996	Establishes Nissan Chemical Houston Corporation
1997	Commences producing organosilicasol at Nissan Chemical Houston Corporation
1998	Introduces "BARC", anti-reflective coating for semiconductors by license from Brewer Science, Inc.
1999	Introduces DAR, an intermediate for a superfiber
2000	Introduces MITO-KOHNE, a new selective acaricide
2001	Establishes Nissan Chemical Korea Co., Ltd. Opens representative office in Taipei
2002	Acquires Monsanto Japan's herbicide business
2003	Introduces LIVALO, an anti-hyperlipidemic agent Opens representative office in Shanghai
2005	Establishes Nissan Chemical Agro Korea
2007	Opens new Electronic Materials Research Laboratories
2008	Introduces LEIMAY, a fungicide
2009	Introduces STARMITE, an acaricide
2010	Acquires Dow AgroSciences' Thifluzamide fungicide business Established Nissan Chemical Taiwan Co., Ltd.

Offices

Head Office

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

Sapporo Sales Office

Maruito Sapporo Building
1-1, Kita-Nijyo-Nishi, Chuo-ku, Sapporo 060-0002
Tel: 011-251-0261

Sendai Sales Office

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

Nagoya Sales Office

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

Osaka Sales Office

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

Fukuoka Sales Office

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

Plants

Sodegaura Plant

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

Sodegaura Plant Goi Works

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

Saitama Plant

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

Toyama Plant

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

Nagoya Plant

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

Onoda Plant

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

Laboratories

Chemical Research Laboratories

10-1, Tsuboi-Nishi 2-chome, Funabashi, Chiba 274-8507
Tel: 047-465-1112

Electronic Materials Research Laboratories

488-6, Suzumi-cho, Funabashi, Chiba 274-0052
Tel: 047-774-0200

Inorganic 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

Domestic Group (Consolidated)

Nissei Corporation

1-10-5, Nihonbashiho-cho, Chuo-ku, Tokyo 103-0023

Tel: 03-3241-2548

◆Sales of chemical products and insurance

Nissan Butsuryu Co., Ltd.

1-10-5, Nihonbashiho-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 analysis

Nihon Hiryo Co., Ltd.

1-10-5, Nihonbashiho-cho, Chuo-ku, Tokyo 103-0023

Tel: 03-3241-4231

◆Fertilizers and agrochemicals

Overseas Group (Consolidated)

Nissan Chemical America Corporation

10375 Richmond Avenue, Suite 1000, Houston, TX77042, U.S.A.

Tel: 713-532-4745

◆Chemicals and pharmaceuticals

Nissan Chemical Houston Corporation

12330 Bay Area Boulevard, Pasadena, TX77507, U.S.A.

Tel: 281-291-0200

◆Chemicals

Nissan Chemical Europe S.A.R.L.

Parc d'affaires de Crecy, 2 rue Claude Chappe,

69370 Saint Didier au Mont d' Or, FRANCE

Tel: 33-4-37-64-40-20

◆Agrochemicals

NCK Co., Ltd.

401, Chupal-ri, Paengsung ub, Pyongtaek City,

Kyonggi Province, KOREA

Tel: 031-691-7044

◆Chemicals

Domestic Group (Under the Equity Method)

Sun Agro Co., Ltd.

1-10-5, Nihonbashiho-cho, Chuo-ku, Tokyo 103-0023

Tel: 03-3510-3601

◆Fertilizers and agrochemicals

Süd-Chemie Catalysts Japan, Inc.

2-1-1, Yoyogi, Shibuya-ku, Tokyo 151-0053

Tel: 03-5308-9300

◆Catalysts for petrochemical and petroleum products

CORPORATE PROFILE

Corporate Name	Nissan Chemical Industries, Ltd.
Head Office	7-1, Kanda Nishiki-cho 3-chome, Chiyoda-ku, Tokyo 101-0054, Japan TEL: 03-3296-8111
Founded	1887
Common Stock	171,000,000 shares ¥18,942 million
Number of Shareholders	16,596
Number of Employees	1,750
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	Kojiro Kinoshita
Vice President	Yutaka Niitsu
Senior Managing Directors	Suketoshi Tsukamoto Jun-ichi Miyazaki
Managing Directors	Shin-ichi Yuki Kiminori Hirata Hiroyoshi Fukuro Tsuneo Higuchi
Director and Counselor	Nobuichiro Fujimoto
Directors	Kazuhiro Yagisawa Toyoji Koinuma Mitsuaki Sakashita Takami Ohno Ken Iwase Ken-ichiro Sakurada Katsuaki Miyaji Satoru Hamamoto Nobutomo Tsuruzoe
Corporate Auditors	Katsumi Akita Shiro Kamaki Sumio Kondo Chisato Kajiyama

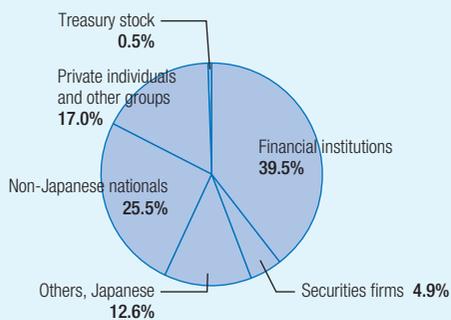
STOCK INFORMATION

Total Number of Authorized Shares	360,000,000
Shares of Common Stock Issued	171,000,000
Shareholders	16,596

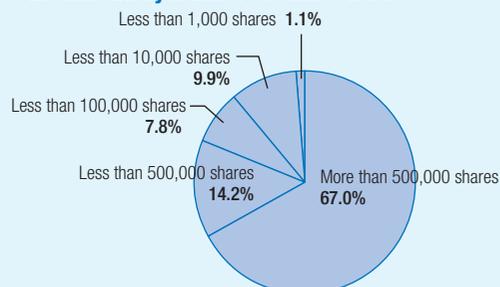
Major Shareholders (Top Five Companies)

	Number of shares held (thousands)	Percentage of total shares in issue (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	11,749	6.9
Japan Master Trust Bank, Ltd. (Trust Account)	9,594	5.6
Mizuho Trust & Banking Co., Ltd. (Employee Retirement Benefit Trust of Mizuho Corporate Bank) New trust custodian: Trust & Custody Services Bank, Ltd.	7,378	4.3
SOMPO JAPAN INSURANCE INC.	4,850	2.9
The Norinchukin Bank	4,800	2.8

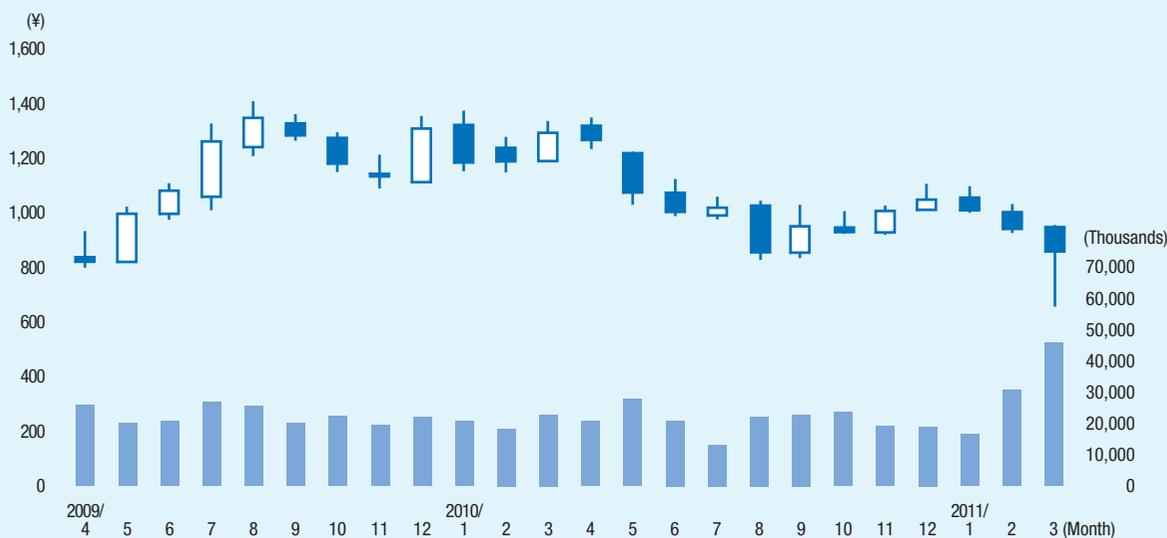
Breakdown of Shareholders by Type



Breakdown by Number of Shares Held



Stock Quote and Chart (April 2009–March 2011)





NISSAN CHEMICAL INDUSTRIES, LTD.

www.nissanchem.co.jp