

# ANNUAL REPORT 2013

For the fiscal year ended March 31, 2013



**NIPPON SODA CO.,LTD.**

# Realizing the dreams of the next generation

Working on diverse themes to create new value through the power of chemistry.

Since our founding in 1920, NIPPON SODA has accumulated unique technologies and know-how, and provided highly functional and high-value-added chemical products in such diverse fields as agriculture, pharmaceuticals and specialty chemicals.

Furthermore, as a company that handles chemical substances, we have always been mindful of the doctrine of responsible care and have driven business activities with attention to environment, safety and health.

Additionally, amid desires for environmental protection and a safe, comfortable lifestyle, we have responded to the varied needs of society as a trusted company.

Going forward, NIPPON SODA will contribute to the building of a rich society that realizes the dreams of the next generation through innovative technologies and products.



Chemicals  
Division

Agro  
Products  
Division

Trading  
Division

Transportation/  
Warehousing  
Division

Construction  
Division

Other  
Division

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## Disclaimer Regarding Forward-Looking Statements

Statements made in this annual report with respect to Nippon Soda Co., Ltd.'s current plans, strategies and beliefs are not historical facts. Rather, they are forward-looking statements based on the Company's estimates and beliefs, which management formed through analysis of currently available information. Many factors could cause actual results to differ from these forward-looking statements. These factors include the potential risks and uncertainties of all business environments, as well as the changing consumer preferences and demands, the acceptance of our products and our ability to continue providing necessary services in the face of stiff competition in the Japanese chemical field, the Company's main line of business.

# Consolidated Financial Highlights

Nippon Soda Co., Ltd. and its consolidated subsidiaries  
Years ended March 31

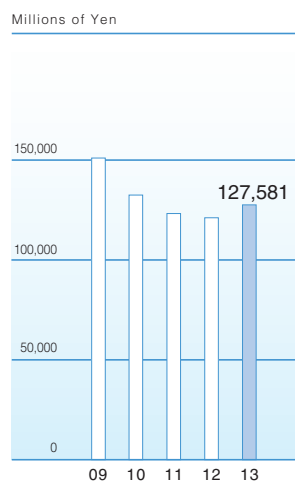
	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Net sales	¥ 121,118	¥ 127,581	\$ 1,357,253
Operating income	4,706	4,094	43,556
Net income	7,044	5,303	56,425
Net assets	91,671	100,246	1,066,447
Total assets	179,230	193,344	2,056,853

## Per Share Data

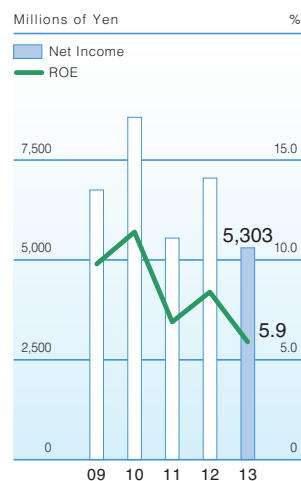
	Yen		U.S. Dollars
Net income	¥ 46.31	¥ 34.87	\$ 0.37
Shareholders' equity	566.26	621.16	6.60

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥94=U.S. \$1.00.

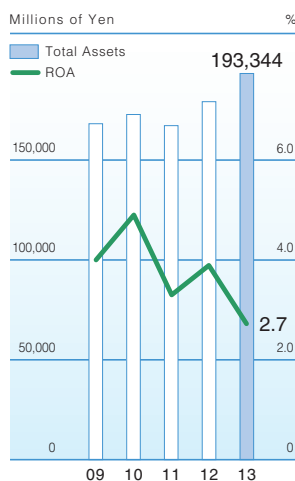
## Net Sales



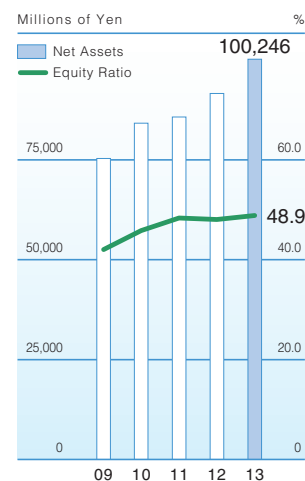
## Net Income & ROE



## Total Assets & ROA



## Net Assets & Equity Ratio





## Interview with the President

In presenting the Annual Report 2013, first allow me to give you an overview of our business performance and activities.

### Analysis and evaluation of the business environment and results for the fiscal year under review (fiscal 2013, ended March 31, 2013)

During fiscal 2013, the Japanese economy showed signs of picking up from the impact of the Great East Japan Earthquake. The economic situation remained harsh, however, due to the effects of the slowdown in the global economy against the backdrop of the prolonged European sovereign debt crisis.

In the chemicals industry as well, the operating environment remained uncertain because of the slowdown in overseas economies and the rising prices of raw materials and fuels.

In these circumstances, the Nippon Soda Group worked aggressively to expand its overseas business operations while seeking to boost sales of existing products, develop new ones and revise product prices. In the Agro Products Division, overseas sales of “Mospilan” insecticide and “Topsin-M” fungicide, our mainstay products, remained brisk, resulting in a rise in shipment volume. In the Chemicals Division, however, sales of some products increased—such as the NISSO HPC



**Yutaka Kinebuchi**  
President

pharmaceutical additives—but the division as a whole continued to be affected by weak demand.

As a result, our consolidated net sales increased 5.3% year on year to ¥127,581 million due to an increase in the number of companies whose financial results were included in our consolidated results. Operating income declined 13.0% to ¥4,094 million, and ordinary income dropped 11.2% to ¥8,317 million due to a

decrease in income from investments accounted for by equity method. Net income decreased 24.7% to ¥5,303 million as a result of a rise in the special loss, among other factors.

Consequently, from the comprehensive viewpoint of maintaining stable dividends, enhancing shareholders' equity, and improving our financial position, we decided to propose a dividend of ¥6 per share.

## Status of achievement of the medium-term business plan (April 2010 to March 2013) and future challenges

The medium-term business plan represents the first stage in our effort to achieve our long-term business vision, *Chemigress to 100*, which is aimed at taking us to greater heights by 2020 and marks the centenary of our foundation. This business plan featured four priority measures: “develop a driving force for growth,” “enhance international competitiveness,” “build a business foundation” and “combine and strengthen the resources of the Group companies.” In this regard, we carried out the following activities.

### (1) Develop a driving force for growth

Regarding the development of a driving force for growth, which is the top priority under the medium-term business plan, the Agro Products Division achieved steady progress in developing new agricultural chemicals. In addition to recording progress in its development of biological agricultural chemicals and new fungicides, the division succeeded in taking new candidate compounds to a more advanced phase of development. As a result, we feel confident that our pipeline of agricultural chemicals under

development is growing. As for new products, in fiscal 2013 we launched sales of “Fantasista,” a new fungicide developed jointly with another company.

The Chemicals Division acquired Alkaline SAS of France, a metallic sodium maker. This division is diversifying into the field of green energy. We expect that we will be able to diversify into a number of business sectors by drawing on the technologies accumulated when we were a metallic sodium maker.

As for functional chemicals, we succeeded in developing block polymers for electronic materials and released them in the market.

As a measure to strengthen our existing businesses, we started building additional production capacity for the NISSO HPC pharmaceutical additives, sales of which are growing steadily, mainly in overseas markets. Because this is a product for the medical and health care sector, which is expected to see future growth, we will develop it further as a driving force for growth with the aim of launching new brands of cellulose derivatives and related businesses.

However, we failed to achieve sufficient results

in some sectors, indicating that we do not yet have a sufficient lineup in place to act as a driving force for growth and achieve our long-term goals. We will continue to promote our own development of products, while seeking opportunities for business expansion and considering potential mergers and acquisitions.

### (2) Enhance international competitiveness

As demand for agricultural chemicals grows worldwide due to the increasing population and the economic growth of developing countries, we established new manufacturing bases in South Korea and China to enhance the competitiveness of our agricultural chemical products and build a stable supply system.

In South Korea, we established Nisso Namhae Agro Co., Ltd. as a joint venture with a local company and constructed a production facility for "Topsin-M," our mainstay fungicide.

In China, we acquired an equity stake in Liling Fine Chemicals Co., Ltd., which manufactures fine chemicals and other products. This company plans to manufacture a range of agricultural chemical progenitors and intermediates.

Moreover, in line with the growing demand for agricultural chemicals, we opened a representative office in Bangkok, Thailand, as a foothold for expanding our business operations in Southeast Asia, where strong growth is expected.

### (3) Build a business foundation

In addition to inaugurating a new personnel system intended to enhance development of human resources, we promoted improvement in business efficiency by introducing a new business process system designed to adapt to globalization and accelerate business execution.

We also established a CSR department amid

growing calls for companies to fulfill their social responsibilities, and launched CSR activities in earnest in fiscal 2013.

### (4) Combine and strengthen the resources of the Group companies

We strived to boost revenue in our non-ferrous metals business and environmental development business as our top priority and achieved a certain degree of results. In the future, we will keep working to stabilize these businesses.

To strengthen the competitiveness of our domestic manufacturing base, we merged Nisso Fine Chemicals Co., Ltd. and Nisso Jushi Co., Ltd., to create a new company called Nisso Fine Co., Ltd.

Novus International, Inc. and IHARABRAS S/A. INDÚSTRIAS QUÍMICAS, overseas affiliates to which the equity method is applied, steadily expanded their business scale and contributed significantly to our business performance during the period of the medium-term business plan. As these companies play an increasingly important role in the Group, we will direct additional effort to their governance to maintain and raise their corporate value.

### (5) Future challenges

We achieved a certain degree of results with regard to the priority measures featured in the medium-term business plan, but revenue from some products sold by the Chemicals Division declined steeply due to shrinking domestic demand. In the future, we will build on the results of the medium-term business plan and use them as an important theme of our new medium-term business plan, including the rebuilding of existing businesses.

## Outlook for the next fiscal year and priority measures

For fiscal 2014 consolidated financial results, we forecast consolidated net sales of ¥134.0 billion (up 5.0% year on year), operating income of ¥5.4 billion (up 31.9% year on year), ordinary income of ¥7.6 billion (down 8.6% year on year), and net income of ¥5.8 billion (up 9.4% year on year), assuming an exchange rate of ¥90/U.S. dollar and ¥120/euro.

While ordinary income is expected to decline due to a drop in income from investments accounted for by equity method, net income is likely to grow because of such factors as a decline in the special loss.

While there are uncertainties about our operating environment, including trends in exchange rates and the condition of commodity markets, we intend to keep working to achieve better results than those forecast by maintaining and enhancing our competitiveness.

As fiscal 2014 is the first year of our new

medium-term business plan (fiscal 2014 to fiscal 2017), to be discussed later, we will steadily implement the measures featured in the plan.

In fiscal 2014, our new manufacturing bases for agricultural chemicals in South Korea and China, which were constructed as part of the just-completed medium-term business plan, will begin operating in earnest, so we intend to do our utmost to first establish a stable supply system.

We will do our best to commercialize new products at an early date by conducting research on agricultural chemicals that we are developing according to plan. In addition, the Chemicals Division will work aggressively to expand the cellulose derivatives business, including HPC pharmaceutical additives and the functional polymer business, centered on NISSO-PB (liquid polybutadiene).

## Outline of the new medium-term business plan (April 2013 to March 2017)

### (1) Basic measures

Under the new medium-term business plan, which represents the second stage in the effort to achieve our long-term business vision, *Chemigress to 100*, we will implement a range of measures to achieve our long-term goals by taking advantage of the results of the just-completed medium-term business plan to generate revenue.

Under the new medium-term business plan, we will implement three priority measures:

- (i) Increase the driving forces for growth**
- (ii) Strengthen and restructure the business foundation**
- (iii) Enhance the Group's comprehensive capabilities**

As a specific measure to increase the driving forces for growth, we view the agricultural chemicals business, the cellulose derivatives business and the functional polymer business as priority businesses and we see the developing agents business, the metallic sodium business and the eco-care and biocide business as

growth businesses. We will give these businesses priority in allocating business resources.

As a measure to strengthen and restructure the business foundation, we will continuously work to cut costs in production divisions, consider how to ensure optimum operation of domestic and overseas production bases, and promote streamlining and efficient management of administrative divisions. In addition, we will work to develop human resources able to address globalization.

As a measure to enhance the Group's comprehensive capabilities, we will strengthen cooperation with the Group's affiliates and subsidiaries in implementing the priority

measures just described, and will conduct integrated and comprehensive business management of the Group by making effective use of its business resources.

### (2) Revenue target

The four-year period of the new medium-term business plan represents a midpoint on the way to achieving our long-term goals. As we make investments before implementing certain measures, we will face a growing cost burden, which is expected to moderate our revenue growth.

As for our revenue target, we aim for net sales of ¥160 billion and operating income of ¥10 billion in fiscal 2017.

## Message to shareholders

The Japanese economy has shown signs of a turnaround led by exporting industries. This reflects the full-fledged recovery from the damage inflicted by the Great East Japan Earthquake and the yen's weakening since the latter half of 2012, and is fueling hope for economic recovery.

In these circumstances, Nippon Soda Co., Ltd. has launched a new medium-term business plan starting from fiscal 2014 and is implementing a number of measures to attain its long-term goals by the centenary of its foundation in 2020.

In fiscal 2013, we established sufficient systems to conduct CSR activities. Regarding the protection of the environment and the safety and quality of products, we will conduct business activities that give sufficient

consideration to the product lifecycle from production to disposal. We will also strengthen our compliance by ensuring corporate behavior based on the principles of complying with laws and regulations and respecting corporate ethics.

Furthermore, in June 2013 we introduced an executive officer system to enhance the management team's decision-making and supervisory functions and strengthen business execution. In the future, we will strive to further strengthen corporate governance.

Although uncertainties remain in our operating environment, we are resolved to take a leap forward in the spirit of challenge in fiscal 2014.

In this regard, as always, we appreciate the continuing support of our shareholders.



## Opening of a representative office in Bangkok

Nippon Soda opened a representative office in Bangkok, Thailand, which started operation in November 2012.

The opening of this representative office is part of our effort to expand the agricultural chemicals business with an eye on the growth potential of markets in Southeast Asia and South Asia, which are achieving rapid development. The office will promote diffusion of technologies of our products and enhance our marketing activities.

By opening the representative office in Thailand, which is the core market of this region, we will reinforce our business partnerships with local suppliers and provide technical service from a location close to end-user markets. Through these efforts, we will further strengthen our sales system.



## Launch of sales of a new brand of the NISSO hydroxypropyl cellulose (HPC) pharmaceutical additives

In April 2012, Nippon Soda started sales of “HPC-SSL-SFP (Super Fine Powder),” a new brand of hydroxypropyl cellulose (HPC) pharmaceutical additives.

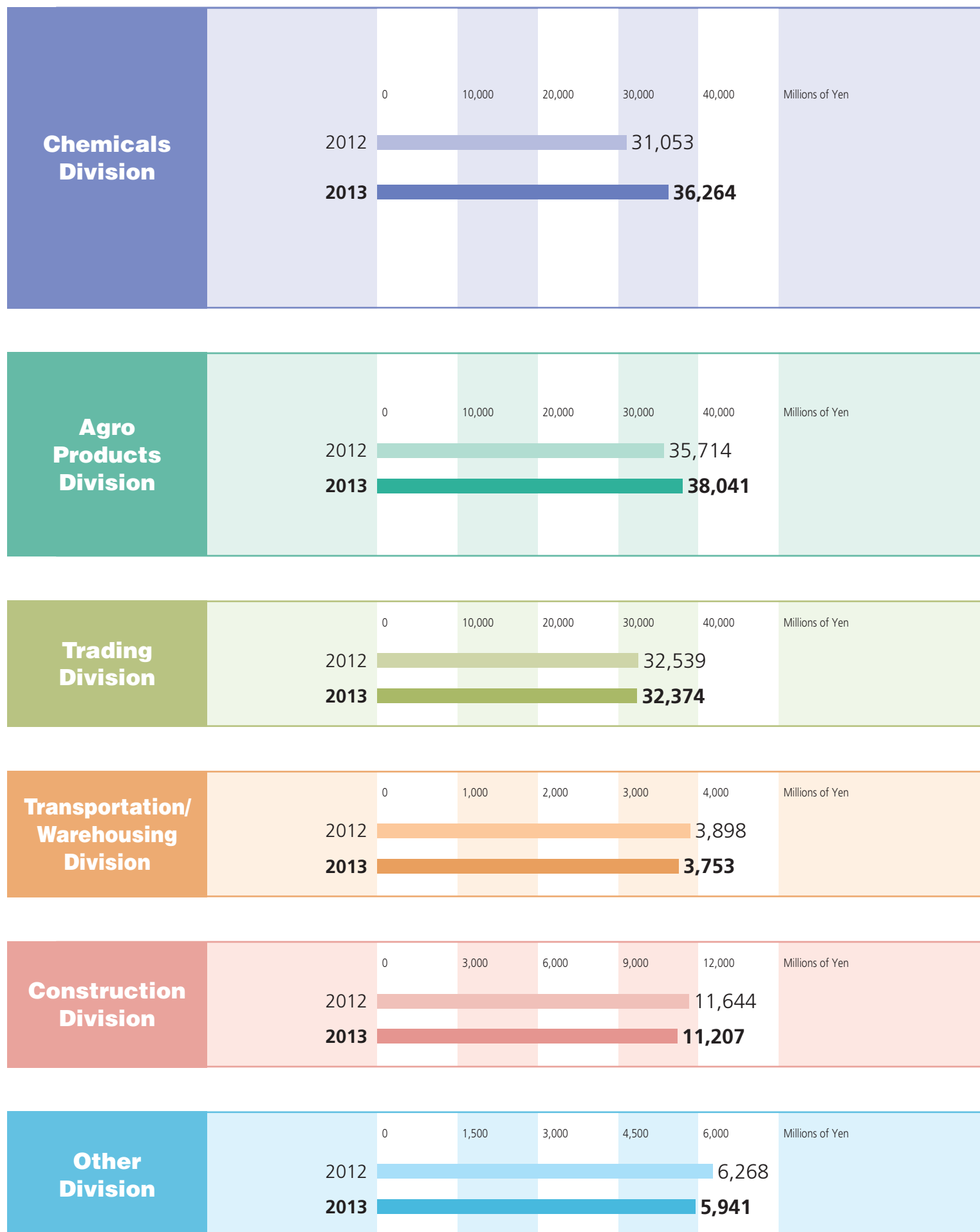
This brand, which is a superfine powder type in the HPC series, combines very high compressibility with quick disintegration and elution. These features make it possible to manufacture tablets with a high level of hardness based on the direct-compressing tablet-making method, a process which was previously difficult to carry out. In addition, as disintegration delay is prevented, the new brand is expected to be adopted as an oral disintegrant.

Nippon Soda is increasing the production capacity for HPC at the Nihongi Plant and intends to develop it further for use as a food additive as well as for pharmaceutical use.



## Review of Operations

### Net Sales



Industrial chemicals sales decreased during the fiscal year under review, as growth in exports of sodium cyanide was more than offset by declines in sales of caustic potash, potassium carbonate and phosphorous oxychloride and others.

Chemical product sales declined as a result of a drop in sales of o-tolidine diisocyanate, sulphur derivatives and developing agents for thermo-sensitive paper and others.

Functional materials sales increased due to higher sales of the "NISSO-PB" resin additives and others.

Eco-care products sales increased as a result of higher sales of the "NISSO Hi-Chlon" water treatment agent and "HIDION," a chelating agent for heavy metals used in incineration facilities and other products.

Pharmaceuticals and pharmaceutical intermediates sales decreased due to a decline in sales of such products as the AOSA antibiotic intermediate and the Faropenem-Sodium antibiotic progenitor and others.

Industrial fungicide sales increased because of higher sales of insect repellents and anti-mold agents.

In addition, the financial results of Alkaline SAS and its four group companies were added to our consolidated results. As a result, the Chemicals Division recorded net sales of ¥36,264 million (up 16.8% year on year).

Domestic sales increased due to the launch of new fungicides "Fantasista" and "Fanbell" and higher sales of the "Befran" fungicide.

Exports grew because of higher sales of such products as the "Nissorun" acaricide, "Topsin-M" fungicide and "Pancho" fungicide.

As a result, the Agro Products Division posted net sales of ¥38,041 million (up 6.5%).

The Trading Division recorded net sales of ¥32,374 million (down 0.5%) as sales of various organic chemicals and machinery and devices declined reflecting the deterioration in the overall economic condition.

Although the transportation business was strong, the warehousing and warehouse operation business suffered a sales decline due to a temporary decrease in freight volume. As a result, the Transportation/Warehousing Division recorded net sales of ¥3,753 million (down 3.7%).

Although civil works increased, plant construction works decreased. This resulted in net sales for the division of ¥11,207 million (down 3.8%).

The Other Division recorded net sales of ¥5,941 million (down 5.2%).

# Business Outline

## Chemicals Division

The functional chemicals business has a line of specialized products that few other manufacturers supply: liquid polybutadiene, which has a wide range of uses, semiconductor photoresist materials, o-tolidine diisocyanate, and others. In the dyes sector, we handle thermosensitive dyes and developers used as printing materials for POS receipts, barcode labels and ticket vending machines. Photocatalysts are noted for their antifouling and disinfectant capabilities, which we used to establish titanium oxide coating technology, develop stain-resistant self-cleaning glass, and other products, as we work on applications to a wide variety of products.

In the pharmaceuticals business, we utilize advanced organic synthetics technologies to develop and supply active pharmaceutical ingredients and intermediates for antibiotics and hypertension drugs. The NISSO HPC pharmaceutical additive is well regarded for its function as a binding agent in the preparation of pharmaceuticals, and is widely used for pharmaceuticals in Japan and abroad.

In eco business and consumer chemicals, we provide products to support a hygienic and secure social environment, such as chlorine for the sterilization of swimming pools which enjoys a high market share, septic tank effluent, and Take-One, a toilet-use urolith remover. And our Mitagen enzymatic and microbial solution helps to promote the treatment of wastewater.

In the Chlor-Alkali business, since the Company was founded we have continued to supply various basic chemicals, mainly caustic soda and chlorine. Our product variety has expanded with the development of industries in Japan. We now supply a very broad product line to Japan and abroad: caustic soda, chlorine, hydrochloric acid, caustic potash, potassium carbonate, sodium cyanide, phosphorus compounds, and others.

We will continue to utilize our unique technologies cultivated over many years, pouring effort into higher product quality, high added value, and stable supply, to meet society's expectations.

## Agro Products Division

Since we expanded our business into the agrochemical field in the 1950s, Nippon Soda has provided various agrochemical products, pursuing effectiveness and safety.

Our Nabu farm treatment herbicide is registered in about 70 countries around the world, Topsin-M fungicide has a long sales history since it began selling in 1971, and Mospilan insecticide is very effective in removing various pests and difficult-to-control pests.

We will continue pouring effort into developing products that combine effectiveness and safety, and expand our distribution base network to boost our sales to global markets.

## Trading Division

With our close ties to manufacturing companies, we handle a wide range of products: chemicals, agrochemicals, agricultural materials and equipment, functional products, synthetic resins, industrial machinery and devices, construction-related products, and so on. Based on our knowledge and experience in the chemical sector, we are expanding our business fields and are actively involved in development of related industries.

## Transportation/Warehousing Division

As an expert in storage and transport of dangerous materials, we provide total logistics services. We handle diverse needs: diverse small quantity shipping, bulk shipping of chemical products, safe and certain storage of chemical products such as dangerous and poisonous materials, and others.

## Construction Division

We contribute to the optimization of production environments in industry by providing consultation on facilities, equipment, machinery, piping and civil works and construction for industrial and other uses, as well as comprehensive planning, design and construction management.

We utilize our comprehensive technical abilities cultivated through experience and technology development, providing excellent products and services.

## Other Division

We conduct business utilizing organic synthetic technologies and a flexible production system, including the non-ferrous metals business and environmental development business. We provide products and services that utilize the strengths of each business, to contribute to a better society.



### Specialty Chemicals

Organic Titanate (TPT, TBT, TST, etc.)  
Magnesium Ethylate  
NISSO-PB (liquid-1, 2-polybutadiene)  
O-tolidine diisocyanate  
TITA BOND (adhesive agent for film lamination)  
VP-Polymer (photo resist base resin)  
PSD (color former for carbonless and thermal paper)  
D-8, D-90 (developer for thermal paper)  
LACTET (rumen bypass methionine)  
NISSOCURE TIC-188 (epoxy catalyst)  
ITO Coated Glass (transparent conductive ITO glass)  
POLYSILANE (permechyl polysilane)  
Crown ethers  
DCEE (2,2'-Dichlorodiethyl ether)  
TGDC (Triglycol dichloride)

### Biocide

Bestcide (bactericides)  
Biocut (fungicides/algaecides)  
Millcut (fungicides for wood)  
Bestac (insecticides)

### Pharmaceuticals/Intermediates

DAMN (diaminomaleonitril)  
5-MPC (5-methyl pyrazine-2-carboxylic acid)  
Imidazoles, pyrazines  
AOSA (acetoxazetidinone)

NISSO-HPC, CELNY (hydroxypropyl cellulose)  
FAROPENEM-Sodium

### Eco Business

NISSO HI-CHLON (calcium hypochlorite, AC70%, 65% min)  
TAKE-ONE (uroliths remover)  
HIDION (the chelating agent for heavy metal)  
BISTRAITER (photo catalyst)  
Treatment System by Dechlorination for PCBs

### Chlor-Alkali (Industrial Chemicals)

Caustic soda (liquid, solid, flake)  
Caustic potash (liquid, flake)  
Potassium carbonate  
Hydrochloric acid  
Chlorine (liquid)  
Sodium hypochlorite  
Sodium metal  
Sodium alcoholates (sodium methylate, sodium ethylate)  
Sodium cyanide  
Potassium cyanide, cuprous cyanide  
Calcium chloride (96%, 80%)  
Sulphur monochloride  
Aluminum chloride anhydrous  
Phosphorus oxychloride, phosphorus trichloride  
Sodium sulfite  
Sulfur trioxide  
Sulfuric acid

### Agri-Business (Agrochemicals)

#### Fungicides

TOPSIN-M WP/ULV/DUST/PASTE/WDG (thiophanate-methyl)  
HOMAI WP/COAT (thiophanate-methyl-thiram)  
LABILITE WP (thiophanate-methyl-maneb)  
GETTER WP (thiophanate-methyl-diethofencarb)  
ATAKIN WP (thiophanate-methyl-streptomycin)  
BEFRAN LQ (iminocadine triacetate)  
BELLKUTE WP/FL (iminocadine tris (albesilate))  
TRIFMINE WP/EC (triflumizole)  
PANCHO TF WDG (cyflufenamid-triflumizole)  
RUMILITE WP (triflumizole-thiophanate-methyl)

#### Insecticides

MOSPILAN SP/GE/EC/FL (acetamiprid)  
ROMDAN SC (tebufenozide)

#### Acaricides

NISSORUN WP/EC (hexythiazox)

#### Herbicides-Plant Growth Regulator

NABU EC (sethoxydim)  
NABU-S EC (sethoxydim)  
HOENEST EC (tepaloxymid)  
NISSO FRASTAR (mepiquat-chloride-growth regulator)

Chemical products, functional products, synthetic resins,  
industrial machines and devices, construction products

Transportation, warehousing

Plant construction, civil engineering

Non-ferrous metals, industrial waste treatment

# Research and Development Activities

The Group's basic policy calls for "development of high-value-added products based on our own unique, distinctive technologies." We are working on R&D in various organic chemical products that utilize functional materials and fine organic synthesis technology, which are part of the Chemicals Division. We also undertake R&D in the Agro Products Division with the aim of developing new agricultural chemicals. We continue to actively develop products with high added value based on unique technologies, utilizing the Converting Technology Center (Chiba), which was established to develop functional materials and various fine organic synthesis technologies, and our pilot plant (Takaoka).

The overview of R&D by business segment for the fiscal year under review is as follows:  
The aggregate amount of R&D expenses amounted to ¥5,941 million (4.7% of consolidated net sales) and there were 350 R&D personnel (13.8% of all employees) for the entire Group.

## ● Chemicals Division .....

In the functional materials field, we are proceeding with R&D in fields such as new polymer materials created through fine polymerization technology, self-assembled monolayers (SAMs), organic-inorganic hybrid coatings, inclusion compound catalysts for curing epoxy resin, and visible-light type photocatalysts, and others. In addition, we work actively to enter new fields, while striving to enhance the competitiveness of the Company's distinctive products, including cellulose derivatives, developer agents, polybutadiene products, polysilane products, and eco-care products.

In the field of precise organic synthetics, we engage in the development of material intermediates by utilizing our characteristic raw materials, such as phosgene and hydrocyanic acid. We also aim to create new products by employing new manufacturing technologies.

R&D expenses in the Chemicals Division totaled ¥1,519 million.

## ● Agro Products Division .....

Given the increasing concern over the safety and reliability of foods, we are conducting R&D in horticulture and farming agrochemicals with sufficient effects in even small volumes and low residuals.

Sales of "Cyflufenamid," our fungicide that acquired EU registration in April 2010, are expected to grow significantly due to robust sales in Europe for use in wheat cultivation, as well as the expansion of its applications to include the field of fruits and vegetables. We obtained U.S. registration in 2012 and launched sales smoothly in the U.S. market.

Our new fungicide "Fantasista" is excellent for preventing and eliminating *Botrytis cinerea* and stem rot of various crops. We will make efforts to ensure strong domestic sales of this fungicide, which was brought to the market in October 2012.

In 2011, we started full-fledged sales of a new fungicide with superior effectiveness against downy mildew, late blight and Pythium blight, and from fiscal 2014 we will start an experiment on contract of an acaricide with new effects. Besides this, we have promising compounds in our pipeline, and we are earnestly advancing them toward the next phase.

In addition to chemistry agrochemicals, in February 2010 we launched "AgroCare," the Company's first biological agricultural chemicals. We plan to launch "Masterpiece," which is effective against bacterial diseases, in fiscal 2014. We will continue our efforts to enhance our line of biological agrochemicals that utilize the diverse abilities of microorganisms.

R&D expenses in the Agro Products Division amounted to ¥4,379 million.

## ● Other Divisions .....

In our non-ferrous metals business, we conduct research to improve the characteristics of new alloys. In the environmental development business, our research seeks to improve processes for resource recycling of various refractory industry waste products.

R&D expenses in Other Divisions totaled ¥42 million.

# Consolidated Five-Year Summary

Nippon Soda Co., Ltd. and its consolidated subsidiaries  
Years ended March 31

	Millions of Yen					Thousands of U.S. Dollars
	2009	2010	2011	2012	2013	2013
Net sales	¥ 151,021	¥ 132,486	¥ 123,238	¥ 121,118	¥ 127,581	\$ 1,357,253
Gross profit	32,225	29,830	28,644	29,184	30,681	326,393
Selling, general and administrative expenses	26,442	24,508	23,908	24,477	26,586	282,837
Operating income	5,782	5,322	4,736	4,706	4,094	43,556
Income before income taxes and minority interests	10,169	10,233	7,049	9,307	7,346	78,151
Net income	6,751	8,571	5,548	7,044	5,303	56,425
Net assets	75,341	84,173	85,723	91,671	100,246	1,066,447
Total assets	168,180	172,795	167,223	179,230	193,344	2,056,853

Per Share Data	Yen					U.S. Dollars
	2009	2010	2011	2012	2013	2013
Net income	¥ 44.38	¥ 56.35	¥ 36.48	¥ 46.31	¥ 34.87	\$ 0.37
Shareholders' equity	464.88	521.89	531.82	566.26	621.16	6.60

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥94=U.S. \$1.00.

# Consolidated Balance Sheets (Unaudited)

Nippon Soda Co., Ltd. and its consolidated subsidiaries

As of March 31	Millions of Yen		Thousands of U.S. Dollars
ASSETS	2012	2013	2013
<b>Current assets</b>			
Cash and deposits with banks	¥ 14,844	¥ 14,368	\$ 152,856
Notes and accounts receivable—trade	40,333	40,768	433,705
Inventories	22,737	24,399	259,570
Deferred tax assets	1,669	1,766	18,792
Other	2,402	3,264	34,733
Allowance for doubtful accounts	(67)	(69)	(740)
Total current assets	81,919	84,498	898,919
<b>Fixed assets</b>			
<b>Tangible fixed assets</b>			
Buildings and structures	16,048	16,562	176,199
Machinery, equipment and vehicles	13,334	17,308	184,128
Tools, furniture and fixtures	1,723	1,696	18,049
Land	14,834	15,300	162,776
Lease assets	542	489	5,210
Construction in progress	1,602	1,367	14,547
Total tangible fixed assets	48,084	52,725	560,912
<b>Intangible fixed assets</b>			
Trade right	2,677	1,642	17,472
Other	1,538	1,632	17,367
Total intangible fixed assets	4,216	3,274	34,839
<b>Investments and other assets</b>			
Investment securities	34,706	41,051	436,720
Prepaid pension cost	5,280	6,958	74,022
Deferred tax assets	2,929	2,709	28,824
Other	2,161	2,205	23,458
Allowance for doubtful accounts	(66)	(79)	(845)
Total investments and other assets	45,010	52,845	562,181
<b>Total fixed assets</b>	97,311	108,845	1,157,933
<b>Total assets</b>	¥ 179,230	¥ 193,344	\$ 2,056,853

The financial statements are a translation of the Japanese annual securities report's financial statements.



As of March 31

Millions of Yen

Thousands of  
U.S. Dollars

LIABILITIES	2012	2013	2013
<b>Current liabilities</b>			
Notes and accounts payable—trade	¥ 19,753	¥ 22,961	\$ 244,274
Short-term borrowings	35,024	32,110	341,602
Lease obligations	605	486	5,176
Corporation and inhabitants taxes payable	354	521	5,543
Accrued bonuses	2,777	2,880	30,638
Other	7,189	6,806	72,414
Total current liabilities	65,704	65,767	699,650
<b>Long-term liabilities</b>			
Long-term borrowings	12,827	17,721	188,530
Lease obligations	1,071	665	7,083
Deferred tax liabilities	1,627	2,808	29,875
Reserve for retirement benefits	2,776	2,734	29,091
Other	3,551	3,400	36,174
Total long-term liabilities	21,854	27,330	290,755
<b>Total liabilities</b>	87,558	93,098	990,405
<b>NET ASSETS</b>			
<b>Shareholders' equity</b>			
Capital stock	29,166	29,166	310,283
Capital surplus	26,094	26,094	277,603
Retained earnings	34,862	39,253	417,593
Treasury stock	(593)	(595)	(6,334)
Total shareholders' equity	89,530	93,919	999,147
<b>Accumulated other comprehensive income</b>			
Valuation differences on available-for-sale securities	851	1,737	18,484
Deferred gains or losses on hedges	(46)	(32)	(346)
Translation adjustments	(4,000)	(926)	(9,851)
Pension liability adjustment	(201)	(216)	(2,301)
Total accumulated other comprehensive income	(3,396)	562	5,983
<b>Minority interests</b>	5,538	5,763	61,316
<b>Total net assets</b>	91,671	100,246	1,066,447
<b>Total liabilities and net assets</b>	¥ 179,230	¥ 193,344	\$ 2,056,853

The financial statements are a translation of the Japanese annual securities report's financial statements.

# Consolidated Statements of Income (Unaudited)

Nippon Soda Co., Ltd. and its consolidated subsidiaries

For the years ended March 31

Millions of Yen

Thousands of  
U.S. Dollars

	2012	2013	2013
<b>Net sales</b>	¥ 121,118	¥ 127,581	\$ 1,357,253
<b>Cost of sales</b>	91,933	96,900	1,030,859
Gross profit	29,184	30,681	326,393
<b>Selling, general and administrative expenses</b>	24,477	26,586	282,837
Operating income	4,706	4,094	43,556
<b>Nonoperating income</b>	6,626	5,957	63,380
Interest income	27	42	453
Dividends received	347	332	3,534
Rent income	519	337	3,593
Income from investments accounted for by equity method	5,209	4,246	45,177
Other	521	998	10,620
<b>Nonoperating expenses</b>	1,967	1,734	18,450
Interest expenses	604	611	6,502
Cost—lease	305	199	2,124
Salaries for seconded staff	293	178	1,901
Other	763	744	7,922
Ordinary income	9,365	8,317	88,485
<b>Special income</b>	99	75	802
Gain on sales of investment securities	55	58	618
Gain on sales of noncurrent assets	41	17	183
Other	2	—	0
<b>Special loss</b>	157	1,046	11,136
Impairment loss	—	758	8,066
Loss on disposal of fixed assets	125	162	1,726
Other	31	126	1,343
Income before income taxes and minority interests	9,307	7,346	78,151
Corporation, inhabitants and enterprise taxes	990	1,052	11,199
Deferred income taxes and other	1,053	851	9,061
Net income before minority interests	7,263	5,441	57,889
Minority interests in net income	219	137	1,464
<b>Net income</b>	¥ 7,044	¥ 5,303	\$ 56,425

The financial statements are a translation of the Japanese annual securities report's financial statements.

# Consolidated Statements of Changes in Net Assets (Unaudited)

Nippon Soda Co., Ltd. and its consolidated subsidiaries

For the years ended March 31

Millions of Yen

Thousands of  
U.S. Dollars

	2012	2013	2013
<b>Shareholders' equity</b>			
<b>Capital stock</b>			
Beginning balance	¥ 29,166	¥ 29,166	\$ 310,283
Changes of the current year			
Total changes of items during the current year	—	—	—
Ending balance	29,166	29,166	310,283
<b>Capital surplus</b>			
Beginning balance	26,094	26,094	277,603
Changes of items during the current year			
Disposal of treasury stock	0	0	0
Total changes of items during the current year	0	0	0
Ending balance	26,094	26,094	277,603
<b>Retained earnings</b>			
Beginning balance	28,730	34,862	370,877
Changes of items during the current year			
Dividends from surplus	(912)	(912)	(9,709)
Net income	7,044	5,303	56,425
Total changes of items during the current year	6,132	4,391	46,716
Ending balance	34,862	39,253	417,593
<b>Treasury stock</b>			
Beginning balance	(592)	(593)	(6,316)
Changes of items during the current year			
Acquisition of treasury stock	(1)	(1)	(18)
Disposal of treasury stock	0	0	0
Total changes of items during the current year	(1)	(1)	(17)
Ending balance	(593)	(595)	(6,334)
<b>Total shareholders' equity</b>			
Beginning balance	83,399	89,530	952,448
Changes of items during the current year			
Dividends from surplus	(912)	(912)	(9,709)
Net income	7,044	5,303	56,425
Acquisition of treasury stock	(1)	(1)	(18)
Disposal of treasury stock	0	0	0
Total changes of items during the current year	6,130	4,389	46,698
Ending balance	89,530	93,919	999,147
<b>Accumulated other comprehensive income</b>			
<b>Valuation differences on available-for-sale securities</b>			
Beginning balance	800	851	9,060
Changes of items during the current year			
Net changes of items other than shareholders' equity	50	885	9,424
Total changes of items during the current year	50	885	9,424
Ending balance	851	1,737	18,484
<b>Deferred gains or losses on hedges</b>			
Beginning balance	(102)	(46)	(491)
Changes of items during the current year			
Net changes of items other than shareholders' equity	56	13	144
Total changes of items during the current year	56	13	144
Ending balance	(46)	(32)	(346)
<b>Translation adjustments</b>			
Beginning balance	(3,080)	(4,000)	(42,554)
Changes of items during the current year			
Net changes of items other than shareholders' equity	(919)	3,074	32,702
Total changes of items during the current year	(919)	3,074	32,702
Ending balance	(4,000)	(926)	(9,851)
<b>Pension liability adjustment</b>			
Beginning balance	(120)	(201)	(2,146)
Changes of items during the current year			
Net changes of items other than shareholders' equity	(80)	(14)	(154)
Total changes of items during the current year	(80)	(14)	(154)
Ending balance	(201)	(216)	(2,301)
<b>Total accumulated other comprehensive income</b>			
Beginning balance	(2,502)	(3,396)	(36,132)
Changes of items during the current year			
Net changes of items other than shareholders' equity	(893)	3,958	42,116
Total changes of items during the current year	(893)	3,958	42,116
Ending balance	(3,396)	562	5,983
<b>Minority interests</b>			
Beginning balance	4,827	5,538	58,916
Changes of items during the current year			
Net changes of items other than shareholders' equity	711	225	2,400
Total changes of items during the current year	711	225	2,400
Ending balance	5,538	5,763	61,316
<b>Total net assets</b>			
Beginning balance	85,723	91,671	975,232
Changes of items during the current year			
Dividends from surplus	(912)	(912)	(9,709)
Net income	7,044	5,303	56,425
Acquisition of treasury stock	(1)	(1)	(18)
Disposal of treasury stock	0	0	0
Net changes of items other than shareholders' equity	(182)	4,184	44,516
Total changes of items during the current year	5,948	8,574	91,215
Ending balance	¥ 91,671	¥ 100,246	\$ 1,066,447

The financial statements are a translation of the Japanese annual securities report's financial statements.

# Consolidated Statements of Cash Flows (Unaudited)

Nippon Soda Co., Ltd. and its consolidated subsidiaries

For the years ended March 31

Millions of Yen

Thousands of  
U.S. Dollars

	2012	2013	2013
<b>Cash flows from operating activities</b>			
Income before income taxes and minority interests	¥ 9,307	¥ 7,346	\$ 78,151
Depreciation	6,092	5,761	61,289
Impairment loss	—	758	8,066
Amortization of trade right	308	345	3,679
Loss (gain) on investments accounted for by equity method	(5,209)	(4,246)	(45,177)
Increase (decrease) in reserve for retirement benefits	(138)	(132)	(1,414)
Increase (decrease) in accrued bonuses	1,008	101	1,084
Increase (decrease) in allowance for doubtful accounts	49	7	80
Interest and dividends income	(375)	(374)	(3,987)
Interest expenses	604	611	6,502
Loss on disposal of fixed assets	139	168	1,788
Loss on valuation of investment securities	11	65	691
Decrease (increase) in notes and accounts receivable—trade	(560)	(8)	(93)
Decrease (increase) in inventories	(1,265)	(1,410)	(15,000)
Increase (decrease) in account payables—purchases	(2)	2,517	26,781
Other	(1,147)	(3,209)	(34,142)
Subtotal	8,822	8,300	88,300
Interests and dividend received	2,972	3,041	32,355
Interest paid	(600)	(606)	(6,451)
Payments of income taxes, etc.	(1,327)	(899)	(9,563)
Net cash provided by operating activities	9,867	9,836	104,639
<b>Cash flows from investing activities</b>			
Purchases of tangible fixed assets	(4,934)	(8,827)	(93,906)
Proceeds from sales of tangible fixed assets	54	39	424
Purchases of intangible fixed assets	(143)	(622)	(6,626)
Purchases of investment securities	(221)	(1,049)	(11,162)
Proceeds from sales of investment securities	100	97	1,036
Purchase of investments in subsidiaries	—	(743)	(7,908)
Payments for investments in capital of subsidiaries and affiliates	(423)	—	—
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(1,664)	—	—
Payments for loans receivable	(214)	(93)	(996)
Proceeds from loans receivable	365	131	1,399
Purchase of treasury stock of subsidiaries in consolidation	(317)	—	—
Other	(550)	284	3,025
Net cash used in investing activities	(7,949)	(10,783)	(114,715)
<b>Cash flows from financing activities</b>			
Net increase (decrease) in short-term borrowings	45	(3,787)	(40,292)
Proceeds from long-term borrowings	6,500	12,742	135,559
Repayment of long-term borrowings	(6,397)	(7,084)	(75,362)
Proceeds from stock issuance to minority shareholders	851	—	—
Dividends paid	(909)	(909)	(9,677)
Dividends paid to minority interests	(70)	(70)	(753)
Repayment of lease obligations	(572)	(684)	(7,285)
Other	(1)	(1)	(17)
Net cash provided by (used in) financing activities	(554)	203	2,169
<b>Translation differences on cash and cash equivalents</b>	(84)	655	6,968
<b>Increase (decrease) in cash and cash equivalents</b>	1,278	(88)	(937)
<b>Cash and cash equivalents at beginning of period</b>	13,155	14,434	153,559
<b>Cash and cash equivalents at end of period</b>	¥ 14,434	¥ 14,346	\$ 152,622

The financial statements are a translation of the Japanese annual securities report's financial statements.



# Shareholder Information

(as of March 31, 2013)

## Common Stock

Authorized: 480,000,000 shares

Issued: 154,317,630 shares

Number of Shareholders: 18,506

## Settlement Period

March

## Stock Listing

Tokyo Stock Exchange, First Section

## Transfer Agent of Common Stock

The Mizuho Trust & Banking Co., Ltd.

2-1, Yaesu 1-chome, Chuo-ku, Tokyo 103-8670, Japan

## Principal Shareholders

	Number of Shares Owned (Thousands)	Percentage of Total Shares Issued (%)*
The Master Trust Bank of Japan, Ltd. (Trust account)	13,553	8.91
Japan Trustee Services Bank, Ltd. (Trust account)	11,030	7.25
MITSUI & CO., LTD.	6,075	3.99
Sompo Japan Insurance Inc.	4,152	2.73
The Norinchukin Bank	4,120	2.71
Mizuho Corporate Bank, Ltd.	4,082	2.68
Shareholding Members of Nippon Soda Clients	3,912	2.57
Resona Bank, Limited.	2,400	1.58
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	2,288	1.50
JP Morgan Chase Bank 385166	2,196	1.44

\* The Company's 2,212,093 shares of treasury stock were excluded from the calculation of percentage of total shares issued.

## Ownership among Shareholders

	(%)
Individuals and others	14.41
Financial institutions	43.77
Other domestic corporations	12.69
Foreign shareholders	22.74
Securities firms	6.39

# Corporate Data

(as of March 31, 2013)

<b>Name:</b>	Nippon Soda Co., Ltd.
<b>Head Office:</b>	2-2-1, Ohtemachi, Chiyoda-ku, Tokyo 100-8165, Japan
<b>Phone:</b>	+81-3-3245-6054
<b>Fax:</b>	+81-3-3245-6238
<b>Website:</b>	<a href="http://www.nippon-soda.co.jp/e">http://www.nippon-soda.co.jp/e</a>
<b>Established:</b>	February 1, 1920
<b>Capital:</b>	¥29,166 million
<b>Number of Employees:</b>	1,236 (Consolidated: 2,539)

## Executives

(as of June 27, 2013)

### Representative Director, President

Yutaka Kinebuchi

### Representative Director, Senior Executive Managing Officer

Eiji Ito

### Directors, Executive Managing Officers

Makoto Masuda

Shingo Nakamura

Akira Ishii

Hiroyuki Uryu

### Director

Naoyuki Hori

### Corporate Auditors

Ryuichiro Yagi

Mitsuru Kobayashi

Isomi Suzuki

Masahiro Murakami

### Executive Managing Officer

Akihiko Kikuchi

### Senior Executive Officers

Haruo Higuchi

Noriyuki Haketa

Tsutomu Sakuma

Hiroyuki Adachi

### Executive Officers

Shinsuke Sano

Satoshi Tsukamura

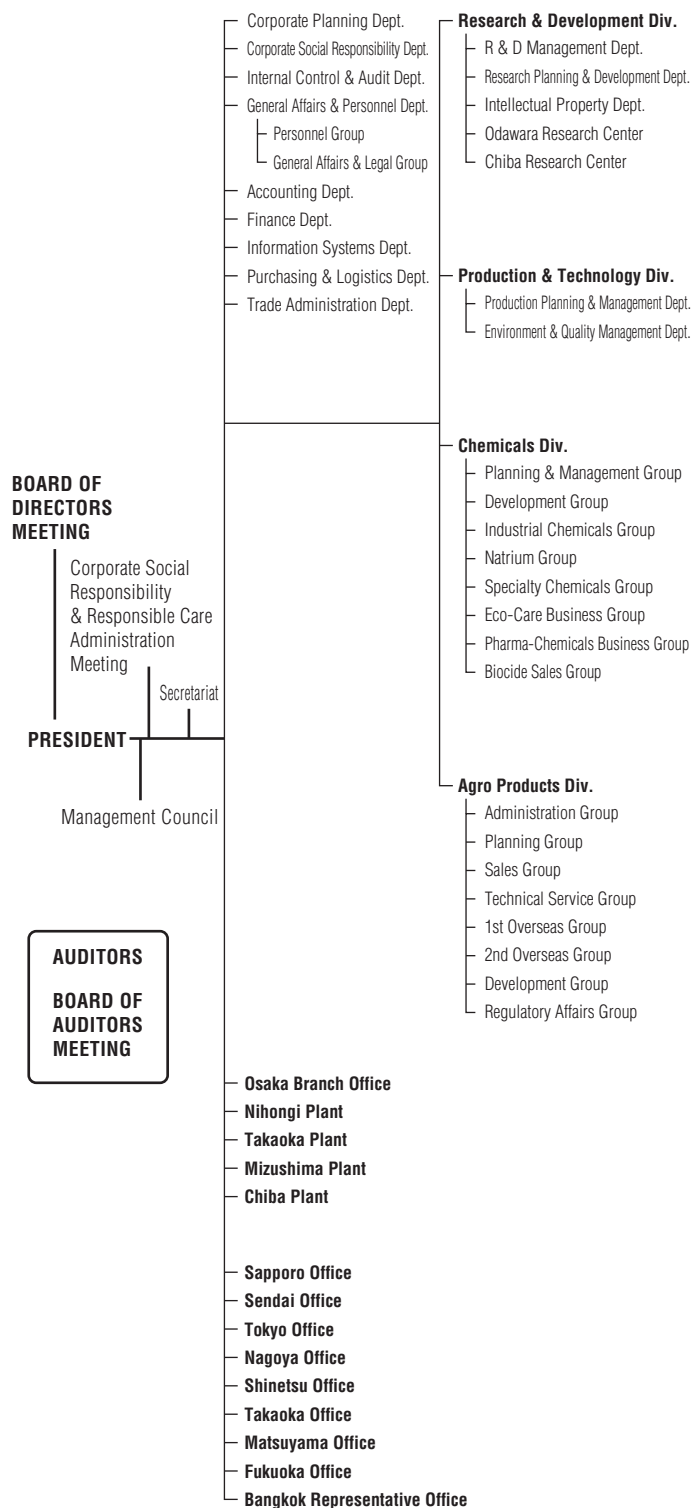
Eisaku Okamoto

Akio Morii

Note: Naoyuki Hori is an outside director, while Mitsuru Kobayashi, Isomi Suzuki and Masahiro Murakami are outside auditors.

## Organization

(as of July 1, 2013)



## Long-Term Vision: Chemigress to 100



Advancing to our 100th birthday in 2020

Thanks to the support of everyone, Nippon Soda is approaching its 100th anniversary in 2020.

Based on the concept of "Chemigress" (contributing

to the sound development of society with the strength of chemistry), we aim to utilize the Group's strengths, and face the challenge of reaching new targets, allowing us to attain even greater heights in the years ahead.

## Domestic Subsidiaries

### CHEMICALS - AGROCHEMICALS

**Shin Fuji Kaseiyaku Co., Ltd.**  
313, Koyagimachi, Takasaki,  
Gunma 370-0071, Japan  
Phone: (027) 361-6100

**NISSO BASF Agro Co., Ltd.**  
1-13-4, Nihonbashi Muromachi,  
Chuo-ku, Tokyo 103-0022, Japan  
Phone: (03) 3275-0261

### CHEMICALS - SPECIALTY CHEMICALS

**Nisso Fine Co., Ltd.**  
(Equipped with GMP-certified facilities)  
3-3-6, Nihonbashi Honcho,  
Chuo-ku, Tokyo 103-8422, Japan  
Phone: (03) 6202-0161

**Joetsu Nisso Chemical Co., Ltd.**  
950, Fujisawa, Nakago-ku, Joetsu,  
Niigata 949-2302, Japan  
Phone: (0255) 81-2390

### TRADING

**Nisso Shoji Co., Ltd.**  
3-3-6, Nihonbashi Honcho,  
Chuo-ku, Tokyo 103-8422, Japan  
Phone: (03) 3270-0701  
<http://www.nissoshoji.com/>

**Nisso Green Co., Ltd.**  
3-1-2, Ueno, Taito-ku,  
Tokyo 110-0005, Japan  
Phone: (03) 5816-4351

### LOGISTICS

**Sanwa Soko Co., Ltd.**  
(Listed on the Tokyo Stock Exchange, Second Section)  
2-4-1, Shibakoen, Minato-ku,  
Tokyo 105-0011, Japan  
Phone: (03) 3578-3001  
<http://www.sanwasoko.co.jp/>

**Sanso Unyu Co., Ltd.**  
1-4-1, Tamamaenishi, Ichihara,  
Chiba 290-0044, Japan  
Phone: (0436) 22-8947

### ENGINEERING

**Nisso Engineering Co., Ltd.**  
1-6-1, Kanda Jinbo-cho,  
Chiyoda-ku, Tokyo 101-0051, Japan  
Phone: (03) 3296-9315

### CIVIL ENGINEERING AND CONSTRUCTION

**Nisso Construction Co., Ltd.**  
1169, Fujisawa, Nakago-ku,  
Joetsu, Niigata 949-2302, Japan  
Phone: (0255) 74-2561

### CHEMICALS - NON-FERROUS METALS AND INDUSTRIAL WASTE TREATMENT

**Nisso Metallochemical Co., Ltd.**  
3-1-2, Ueno, Taito-ku,  
Tokyo 110-0005, Japan  
Phone: (03) 5688-6381

### R&D CONSULTANTS

**Nisso Chemical Analysis Service Co., Ltd.**  
(Equipped with GLP-certified facilities)  
345, Takada, Odawara,  
Kanagawa 250-0216, Japan  
Phone: (0465) 42-3115

## Overseas Group Companies

### NISSO AMERICA INC.

Wall Street Plaza,  
88 Pine Street, 14th Floor,  
New York, NY 10005, USA  
Phone: (212) 490-0350  
Business lines: Product importing and exporting, and collection of technical and market information  
<http://www.nissoamerica.com/>

### NISSO CHEMICAL EUROPE GmbH

Berliner Allee 42, 40212  
Duesseldorf, Germany  
Phone: (211) 1306686-0  
Business lines: Importing and exporting, and technical and marketing information center for European and African countries  
<http://nisso-chem.de/>

### NISSO TM LLC

45 Broadway, Suite 2120,  
New York, NY 10006, USA  
Business lines: U.S. sales and distribution of Topsin-M

### NISSO BRASILEIRA REPRESENTAÇÃO LTDA.

Av. Paulista, 854-13° andar-cj. 135  
Bela Vista Sao Paulo-SP-  
CEP01310-913, Brazil  
Phone: (11) 3145-1840  
Business lines: Sales promotion planning and management for insecticides, fungicides, herbicides and other agrochemicals

### NIPPON SODA TRADING (SHANGHAI) Co., Ltd.

RM.2318, Ruijing Building 205,  
Maoming South Road,  
Shanghai P.R. 200020, China  
Phone: 21-64731277  
Business lines: Importing and exporting, business in China, and consulting

### Novus International, Inc.

20 Research Park Drive,  
St. Charles, MO 63304, USA  
Business lines: Manufacture and sales of feed additives  
<http://www.novusint.com/>

### IHARABRAS S/A. INDÚSTRIAS QUÍMICAS

Av. Liberdade, 1701-Bairro  
Cajuru do Sul, CEP18087-170-  
Sorocaba-SP, Brazil  
Business lines: Import/export and wholesale of agrochemicals; marketing of agrochemicals including own and third party products  
<http://www.ihara.com.br/>

### Certis Europe B.V.

Bd. de la Woluwe 60 Woluwedal  
B-1200 Brussels, Belgium  
<http://www.certiseurope.com/>

### Japan Agro Service (JAS) S.A.

Bd. de la Woluwe 60 Woluwedal  
B-1200 Brussels, Belgium  
Business lines: Survey and collection of information related to agrochemicals in the EU, field trials, and product registration

### NISSO KOREA Co., Ltd.

A-1401, Champs Elysees Center  
B/D 889-5, Daechi-dong,  
Kangnam-gu, Seoul 135-712,  
Republic of Korea  
Phone: (02) 2051-7718, 7719  
Business lines: Sales promotion planning and management for insecticides, fungicides, herbicides and other agrochemicals

### Nisso Namhae Agro Co., Ltd.

323-1, Nakpo-dong, Yeosu city,  
Jeollanam-do, Republic of Korea  
Business lines: Manufacture of agrochemical progenitors and intermediates

### Alkaline SAS

Pomblière 73600 Saint-Marcel,  
France  
Phone: 4-79-24-70-70  
Business lines: Manufacture and sales of metallic sodium, chlorine and other chemicals  
<http://www.metauxspeciaux.fr/>

### Liling Fine Chemicals Co., Ltd.

Xing Gang Rd., Riverside Industry Park, Changshu Economic Development Zone, Jiangsu, China  
Business lines: Manufacture of agrochemical intermediates and fine chemical intermediates

## **NIPPON SODA CO., LTD.**

2-2-1, Ohtemachi, Chiyoda-ku  
Tokyo 100-8165, Japan  
<http://www.nippon-soda.co.jp/e/>