



# ANNUAL REPORT 2014

For the fiscal year ended March 31, 2014



**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.



Agro  
Products  
Division

Trading  
Division

Chemicals  
Division

Transportation/  
Warehousing  
Division

Construction  
Division

Other  
Division

## Contents

Consolidated Financial Highlights	1
Interview with the President	2
Topics	7
Review of Operations	8
Business Outline	10
Research and Development Activities	12
Consolidated Five-Year Summary	13
Consolidated Balance Sheets (Unaudited)	14
Consolidated Statements of Income (Unaudited)	16
Consolidated Statements of Changes in Net Assets (Unaudited)	17
Consolidated Statements of Cash Flows (Unaudited)	18
Shareholder Information	19
Corporate Data	20
Network	21

## 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

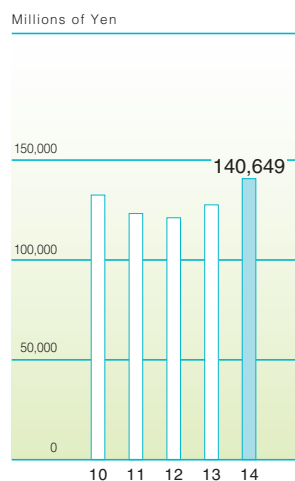
	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Net sales	¥ 127,581	¥ 140,649	\$ 1,378,918
Operating income	4,094	6,399	62,737
Net income	5,303	5,833	57,190
Net assets	100,246	108,224	1,061,026
Total assets	193,344	204,297	2,002,915

## Per Share Data

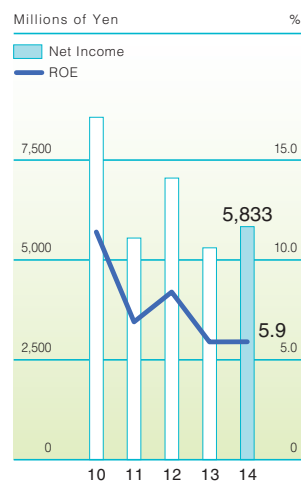
	Yen		U.S. Dollars
Net income	¥ 34.87	¥ 38.36	\$ 0.37
Shareholders' equity	621.16	672.41	6.59

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥102=U.S. \$1.00.

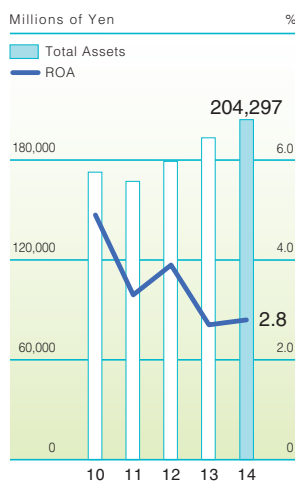
## Net Sales



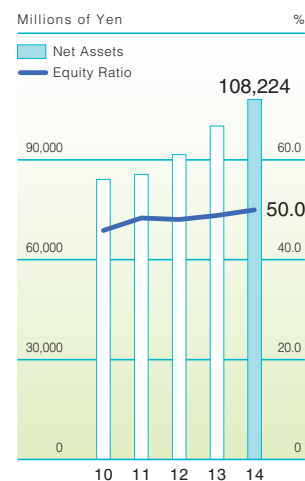
## Net Income & ROE



## Total Assets & ROA



## Net Assets & Equity Ratio





In presenting the Annual Report 2014, 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 2014, ended March 31, 2014)

During fiscal 2014, the Japanese economy recovered moderately, as shown by a pickup in consumption due to the weak yen and a stock price rally supported by monetary easing and other economic measures as well as improved corporate earnings. Overseas, the U.S. economy continued to recover, and the European economy also showed signs of improvement.

Nevertheless, uncertainty remained, as the

slowdown in the growth of emerging countries became pronounced.

In the chemicals industry as well, although signs of moderate recovery appeared due to the effects of the weak yen, there was continued uncertainty about the operating environment because of the rising prices of raw materials and fuels.



**Yutaka Kinebuchi**  
President

In these circumstances, the Nippon Soda Group formulated its medium-term business plan (April 2013 to March 2017), which represents the second step of its long-term business vision, *Chemigress to 100*. In fiscal 2014, the first year of the plan, we worked vigorously to boost sales of existing products, develop new ones, revise product prices and expand our overseas operations. In the Agro Products Division, overall overseas sales increased, including those of Mospilan insecticide and Topsin-M fungicide. Domestic sales also advanced due to an increase in demand before the consumption tax hike.

In the Chemicals Division, overall sales rebounded, supported by the economic recovery. In particular, sales increased for functional chemical

products such as NISSO HPC pharmaceutical additives and NISSO-PB resin additives.

As a result, in fiscal 2014 we achieved growth in both sales and profits. Consolidated net sales rose 10.2% year on year to ¥140,649 million, and operating income grew 56.3% to ¥6,399 million. Ordinary income increased 17.1% to ¥9,740 million. Net income advanced only 10.0%, however, to ¥5,833 million, due to the recording of impairment losses related to manufacturing equipment owned by a consolidated subsidiary.

Taking a comprehensive view of the need to maintain stable dividends, enhance shareholders' equity, and improve our financial position, we proposed a dividend of ¥8 per share, up ¥2 from the previous year.

## Implementation of the medium-term business plan (April 2013 to March 2017) and future challenges

Nippon Soda is currently promoting its long-term business vision, *Chemigress to 100*, which aims to take us to even greater heights by 2020, the centenary of our foundation. Under the current medium-term business plan, which represents the second step (or Stage II) of the vision, we are focusing on three priority initiatives:

### **(1) Increase the driving force for growth**

### **(2) Strengthen and restructure our business foundation**

### **(3) Enhance the Group's comprehensive capabilities**

#### **Priority initiative 1:**

#### **Increase the driving force for growth**

Under the initiative to boost the driving force for growth, we will give priority to the agrochemicals business, the cellulose derivatives business and the functional polymer business in allocating business resources, making them the most important businesses.

In the Agro Products Division, our important themes are the development of new agrochemicals for the future and expansion of sales of existing products. Regarding new agrochemicals, the development of a new fungicide and a new acaricide is proceeding smoothly as planned. However, because the start of sales is scheduled for fiscal 2018 or later, we also actively expanded sales of existing mainstay products such as Mospilan and Topsin-M. Thanks to growth in global demand, this effort is starting to bring results, mainly in terms of overseas sales. In fiscal 2014, our ability to ensure a stable supply increased as the production of Topsin-M in South Korea entered into full swing and the production of agrochemical progenitors started in China.

Meanwhile, in Japan sales began for ALPHARD herbicide. In addition, we are advancing into peripheral fields such as biological agrochemicals and green businesses, including the launch of Verimark insecticide.

In the Chemicals Division, to strengthen the cellulose derivatives business, an additional production facility for NISSO HPC (hydroxypropyl cellulose) pharmaceutical additives has been under construction at the Nihongi Plant (Joetsu City, Niigata Prefecture) since fiscal 2014 and is scheduled to start operating in the second half of fiscal 2015. Construction of a medium-sized testing facility for cellulose derivatives is also progressing and is scheduled for completion in

the first half of fiscal 2015. The opening of these new facilities will enhance our systems of research, evaluation and production, enabling us to actively seek business expansion, including increasing sales of NISSO HPC, developing new products and advancing into peripheral fields. For the functional polymer business, we began considering an increase in production of NISSO-PB resin additives (liquid polybutadiene), since sales of this product are growing for a range of applications, mainly as electronic materials. We also launched sales of block polymer, a new precision polymer product.

As for the developing agents business, the metallic sodium business, and the eco-care and biocide business, which have strong future potential, we expanded into new product development and peripheral fields as growth businesses, in addition to our three priority businesses described above.

Levering our unique technologies, we aim to advance into new fields, mainly those related to agriculture and other existing businesses.

### **Priority initiative 2:**

#### **Strengthen and restructure our business foundation**

While increasing the driving forces for growth, we are also formulating and implementing measures to maintain and strengthen our business foundation in each division.

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We work continuously to cut costs in production divisions, boost R&D efficiency by strengthening cooperation with external organizations and improve the efficiency of our administrative divisions. We are also addressing the issue of globalization, including its relation to human resource development.

Concurrently, we are discussing measures to improve businesses whose competitiveness is declining. In line with the results of the discussion, we will implement measures such as a drastic restructuring of business.

### **Priority initiative 3: Enhance the Group's comprehensive capabilities**

As it implements measures under the current medium-term business plan, the Nippon Soda Group is strengthening cooperation between group companies and working as one by making effective use of group-wide business resources.

This effort has started to achieve results in terms of production, such as the development of

optimal production systems, including domestic and foreign group companies, and the development of production processes through joint research by group companies. We will also seek to create an optimal supply chain through cooperation between the Trading Division and the Transportation/Warehousing Division.

### **Future challenges**

In fiscal 2014, we succeeded in implementing our plans thanks to an improvement in the external environment, including the weak yen and the economic recovery, as well as an increase in global demand for agrochemicals in the Agro Products Division.

In the future, we will achieve goals set under the medium-term business plan by further expanding the Agro Products Division and steadily implementing the growth strategy in the Chemicals Division. In addition, we will steadily strengthen our business foundation through measures such as cutting overall production costs and restructuring businesses with declining competitiveness.

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## **Outlook for the next fiscal year and priority measures**

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For fiscal 2015 consolidated financial results, we forecast consolidated net sales of ¥146.0 billion (up 3.8% year on year), operating income of ¥6.9 billion (up 7.8%), ordinary income of ¥9.3 billion

(down 4.5%), and net income of ¥6.7 billion (up 14.9%), assuming an exchange rate of ¥100/U.S. dollar and ¥130/euro.

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

Because of a rise in prices of materials and fuels and the persistent high price of electricity, among other factors, there is continued uncertainty about the operating environment. However, we will continue to work to achieve

better-than-forecast results through patient efforts to boost competitiveness.

As fiscal 2015 is the second year of our current medium-term business plan (April 2013 to March 2017), we will steadily implement the measures featured in the plan. In particular, an additional production facility for NISSO HPC—the core product of the cellulose derivatives business—will start operation during the current fiscal year, so we will devote efforts to expanding this business.

## Message to shareholders

As the economic situation in Japan is recovering moderately, the operating environment facing Nippon Soda is also showing signs of improvement. In this situation, the Company will dedicate maximum group-wide efforts to achieving the goal of contributing to society by providing useful products in fields such as agriculture, medicine, the environment, and information. It is guided in this by the *Chemigress to 100* long-term vision for the years approaching the centenary of the Company's foundation.

Nippon Soda, which started corporate social responsibility (CSR) activities in earnest in fiscal 2013, will extend them throughout the entire Group from fiscal 2015.

Through the CSR initiative, we will conduct business activities in ways that sufficiently consider the environment, safety and quality. We

will strengthen compliance by ensuring corporate behavior based on the principles of complying with laws and regulations and respecting corporate ethics.

In fiscal 2014, we introduced an executive officer system to enhance the management team's decision-making and supervisory functions and strengthen the business execution function. We will continue our efforts to enhance corporate governance.

We are halfway through the implementation of activities to achieve the goals for the centenary of Nippon Soda's foundation.

Although uncertainties remain in our operating environment, we are resolved to take a leap forward with a spirit of challenge in fiscal 2015.

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



## Startup of Nisso Namhae Agro Co., Ltd.'s headquarters plant

Nippon Soda established a joint venture called Nisso Namhae Agro Co., Ltd. in June 2011 together with Namhae Chemical Co., Ltd. of South Korea and Mitsubishi Corporation.

The construction of a manufacturing plant for Topsin-M at the joint venture's headquarters plant (Nakpo-dong, Yeosu city, Jeollanam-do, South Korea) was completed in June 2013 and started commercial production in August of the same year. Topsin-M, a self-developed agrochemical, is a long-selling fungicide product that has been Nippon Soda's main agrochemical for four decades. More than 40 years after its launch in 1971, Topsin-M is still enjoying increasing sales not only in Japan but around the world. To meet increasing demand, we established Nisso Namhae Agro Co., Ltd. as the third production base for the fungicide after the Takaoka Plant (Toyama Prefecture) and IHARABRAS S/A. INDÚSTRIAS QUÍMICAS (Brazil), increasing our ability to ensure a stable supply.

Since starting commercial production, this manufacturing plant has enjoyed steady operation, and we expect that it will make increasing contributions to the Nippon Soda Group as a pillar of the Agro Products Division.



## Launch of a new herbicide, ALPHARD

ALPHARD liquid chemical (generic name: topramezone) is a foliage-applied herbicide for animal feed corn. Nippon Soda obtained registration of it as an agrochemical in June 2013 and started sales in December of the same year. A major feature of this herbicide is that it ensures a high level of crop safety for animal feed corn and is highly effective in preventing and removing gramineous and broad-leaved weeds.

As prices of imported feeds have continued to rise in recent years, domestic feed production is gaining renewed attention. ALPHARD's effectiveness in killing weeds and superior safety is thus expected to improve productivity by helping to remove weeds from animal corn fields.

Alphard, the name of the brightest star, also means "leader." We chose the name in the hope that the new herbicide will protect animal feed corn against weeds as the leading product among the numerous herbicides available on the market.



## Review of Operations

### Chemicals Division

Industrial chemicals sales increased as a result of growth in exports of sodium cyanide.

Chemical products sales expanded as a result of growth in exports of o-tolidine diisocyanate and developing agents for thermo-sensitive paper.

Functional materials sales rose due to higher sales of the NISSO-PB resin additives and resins for a range of electronic materials.

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.

Sales of pharmaceuticals and pharmaceutical intermediates remained flat compared with the previous year, as growth in sales of NISSO HPC pharmaceutical additives was offset by a decline in sales of the AOSA antibiotic intermediate.

Industrial fungicide sales rose mainly because of higher sales of antiseptic agents for housing applications as well as anti-mold agents and insect repellents.

As a result, the Chemicals Division recorded net sales of ¥40,825 million (up 12.6% year on year).

### Agro Products Division

Domestic sales increased due to higher sales of such products as Mospilan insecticide and new fungicide Fantasista as well as an increase in demand before the consumption tax.

Exports grew because of increased sales of such products as Mospilan insecticide, Pancho fungicide, Topsin-M fungicide and Nabu herbicide.

As a result, the Agro Products Division posted net sales of ¥43,321 million (up 13.9% year on year).

### Trading Division

The Trading Division recorded net sales of ¥35,794 million (up 10.6% year on year) as a result of higher sales of a number of organic and inorganic chemicals, urethane materials and resin materials.

### Transportation/Warehousing Division

Although the transportation business recorded strong business results, the warehousing business suffered a sales decline. As a result, the Transportation/Warehousing Division recorded net sales of ¥3,756 million (the same level as in the previous fiscal year).

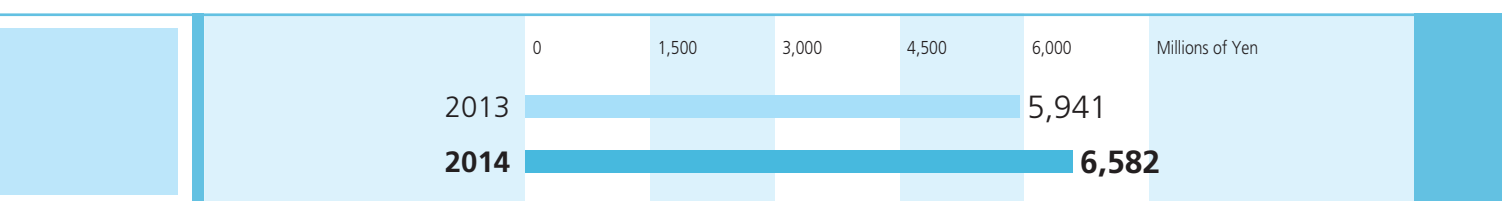
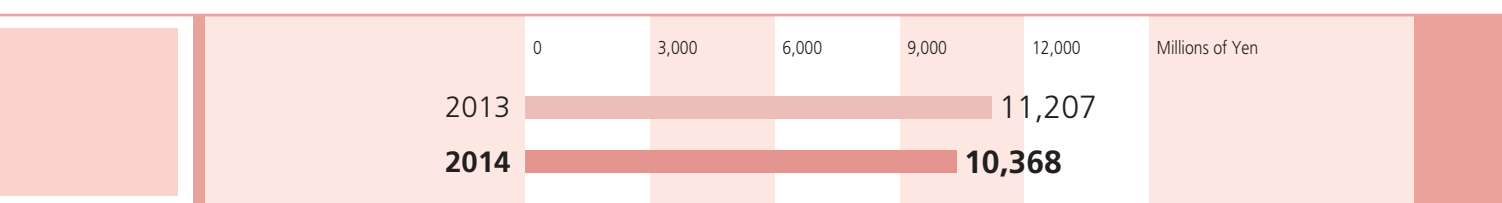
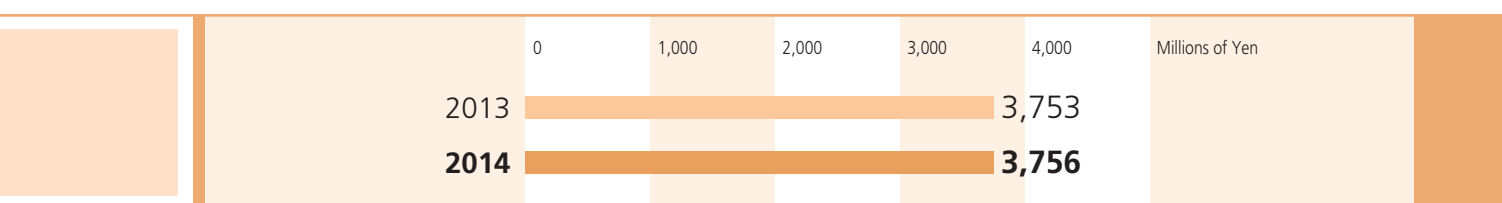
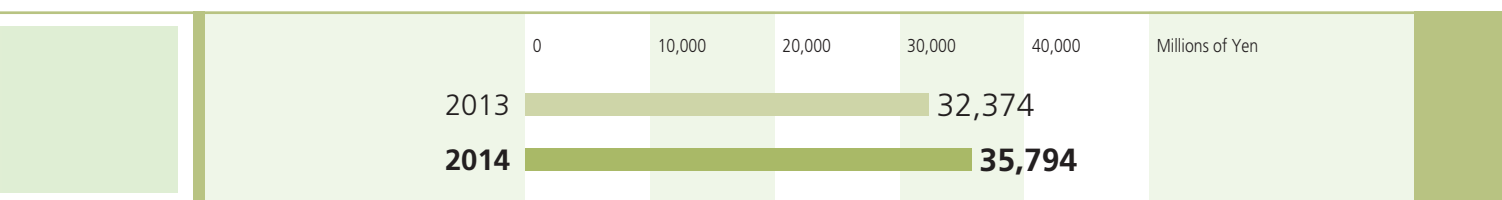
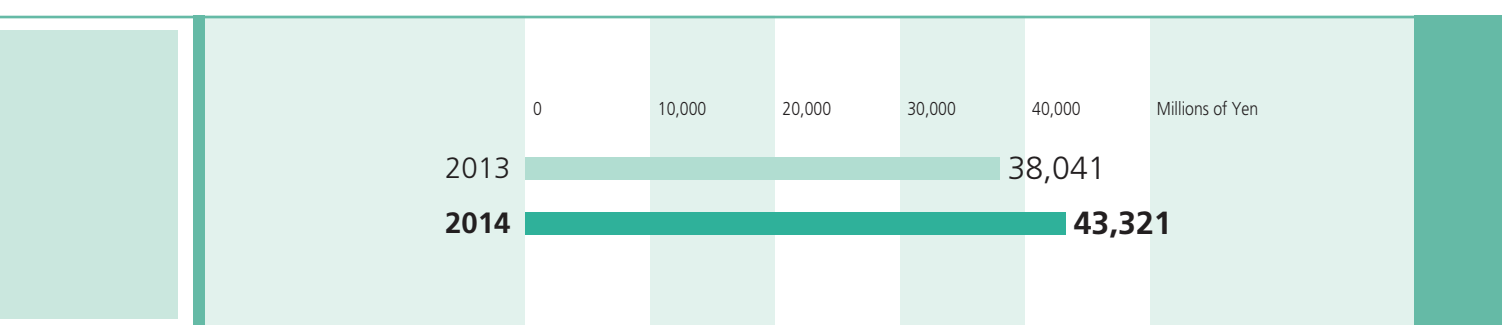
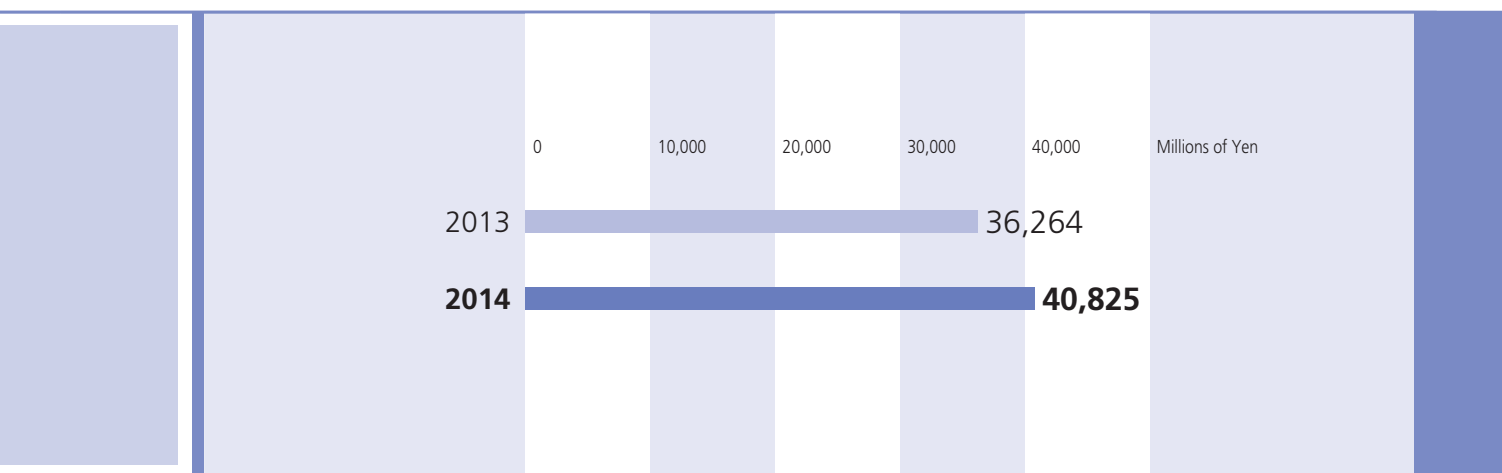
### Construction Division

The Construction Division posted net sales of ¥10,368 million (down 7.5% year on year) due to a decline in civil engineering and other work.

### Other Division

The Other Division recorded net sales of ¥6,582 million (up 10.8% year on year).

## Net Sales





### 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 that 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

Besticide (bactericides)  
Biocut (fungicides/algaecides)  
Millcut (fungicides for wood)  
Bestac (insecticides)  
Nissocoat (termiticide)

### 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  
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)  
FANTASISTA WDG (pyribencarb)

#### 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 (tepaloxydim)  
NISSO FRASTAR (mepiquat-chloride-growth regulator)  
ALPHARD (topramezone)

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 of a number of organic chemical products that employ 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. To anticipate developments in our operating environment, we will further strengthen and expand our product lineup and vigorously promote new businesses and product development in fields that are peripheral to existing businesses, as well as in priority fields. At the same time, we aim to enhance the technological capability of Group companies as a whole through technological cooperation with affiliated companies, advance into new technological fields, and create new businesses by fusing new technologies with ones that we already own.

The overview of R&D by business segment for the fiscal year under review is as follows:

The aggregate amount of R&D expenses totaled ¥6,480 million (4.6% of consolidated net sales), and there were 327 R&D personnel (13.1% of all employees) in 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, thin-film lubricant materials, basecoat materials, 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 develop 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.

Our R&D expenses in the Chemicals Division totaled ¥1,607 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, a fungicide for which we obtained EU registration in April 2010, are growing significantly due to robust sales in Europe for use in wheat and barley fields as well as the expansion of its applications to include fruit and vegetable farming.

Our new fungicide Fantasista is excellent for preventing and eliminating Botrytis cinerea and stem rot of various crops. We launched it in Japan in October 2012 and are expanding sales, and aim to launch a mixed formulation in South Korea.

We also plan to apply for the registration of a new fungicide with superior effectiveness against downy mildew, late blight and Pythium blight during the first half of 2014, and last year we started commissioned testing of an acaricide with new effects. We have other promising compounds in our pipeline and are earnestly moving them toward the next phase.

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

Our R&D expenses in the Agro Products Division amounted to ¥4,837 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.

Our R&D expenses in the Other Division totaled ¥36 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
	2010	2011	2012	2013	2014	2014
Net sales	¥ 132,486	¥ 123,238	¥ 121,118	¥ 127,581	¥ 140,649	\$ 1,378,918
Gross profit	29,830	28,644	29,184	30,681	35,325	346,330
Selling, general and administrative expenses	24,508	23,908	24,477	26,586	28,926	283,593
Operating income	5,322	4,736	4,706	4,094	6,399	62,737
Income before income taxes and minority interests	10,233	7,049	9,307	7,346	8,196	80,359
Net income	8,571	5,548	7,044	5,303	5,833	57,190
Net assets	84,173	85,723	91,671	100,246	108,224	1,061,026
Total assets	172,795	167,223	179,230	193,344	204,297	2,002,915

## Per Share Data

	Yen					U.S. Dollars
	2010	2011	2012	2013	2014	2014
Net income	¥ 56.35	¥ 36.48	¥ 46.31	¥ 34.87	¥ 38.36	\$ 0.37
Shareholders' equity	521.89	531.82	566.26	621.16	672.41	6.59

Note: The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥102=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	2013	2014	2014
<b>Current assets</b>			
Cash and deposits with banks	¥ 14,368	¥ 12,424	\$ 121,807
Notes and accounts receivable—trade	40,768	43,886	430,257
Inventories	24,399	27,464	269,255
Deferred tax assets	1,766	1,995	19,567
Other	3,264	3,119	30,586
Allowance for doubtful accounts	(69)	(30)	(299)
Total current assets	84,498	88,859	871,174
<b>Fixed assets</b>			
<b>Tangible fixed assets</b>			
Buildings and structures	16,562	16,985	166,523
Machinery, equipment and vehicles	17,308	17,175	168,386
Tools, furniture and fixtures	1,696	1,644	16,120
Land	15,300	15,413	151,110
Lease assets	489	405	3,973
Construction in progress	1,367	3,008	29,491
Total tangible fixed assets	52,725	54,631	535,606
<b>Intangible fixed assets</b>			
Trade right	1,642	1,407	13,801
Other	1,632	1,421	13,931
Total intangible fixed assets	3,274	2,828	27,733
<b>Investments and other assets</b>			
Investment securities	41,051	47,050	461,281
Prepaid pension cost	6,958	—	—
Net defined benefit asset	—	5,304	52,001
Deferred tax assets	2,709	3,163	31,019
Other	2,205	2,514	24,654
Allowance for doubtful accounts	(79)	(56)	(555)
Total investments and other assets	52,845	57,976	568,400
<b>Total fixed assets</b>	108,845	115,437	1,131,740
<b>Total assets</b>	¥ 193,344	¥ 204,297	\$ 2,002,915

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

<b>LIABILITIES</b>	<b>2013</b>	<b>2014</b>	<b>2014</b>
<b>Current liabilities</b>			
Notes and accounts payable—trade	¥ 22,961	¥ 22,757	\$ 223,113
Short-term borrowings	32,110	32,259	316,269
Lease obligations	486	408	4,004
Corporation and inhabitants taxes payable	521	1,914	18,771
Accrued bonuses	2,880	3,728	36,552
Other	6,806	7,650	75,000
Total current liabilities	65,767	68,718	673,712
<b>Long-term liabilities</b>			
Long-term borrowings	17,721	17,701	173,547
Lease obligations	665	326	3,199
Deferred tax liabilities	2,808	3,023	29,638
Reserve for retirement benefits	2,734	—	—
Net defined benefit liability	—	2,883	28,269
Other	3,400	3,419	33,521
Total long-term liabilities	27,330	27,353	268,176
<b>Total liabilities</b>	93,098	96,072	941,888
<b>NET ASSETS</b>			
<b>Shareholders' equity</b>			
Capital stock	29,166	29,166	285,947
Capital surplus	26,094	26,095	255,836
Retained earnings	39,253	44,174	433,084
Treasury stock	(595)	(644)	(6,318)
Total shareholders' equity	93,919	98,792	968,549
<b>Accumulated other comprehensive income</b>			
Valuation differences on available-for-sale securities	1,737	2,919	28,622
Deferred gains or losses on hedges	(32)	(112)	(1,103)
Translation adjustments	(926)	2,067	20,269
Pension liability adjustment	(216)	(1,441)	(14,128)
Total accumulated other comprehensive income	562	3,433	33,658
<b>Minority interests</b>	5,763	5,999	58,817
<b>Total net assets</b>	100,246	108,224	1,061,026
<b>Total liabilities and net assets</b>	¥ 193,344	¥ 204,297	\$ 2,002,915

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

	2013	2014	2014
<b>Net sales</b>	¥ 127,581	¥ 140,649	\$ 1,378,918
<b>Cost of sales</b>	96,900	105,323	1,032,587
Gross profit	30,681	35,325	346,330
<b>Selling, general and administrative expenses</b>	26,586	28,926	283,593
Operating income	4,094	6,399	62,737
<b>Nonoperating income</b>	5,957	4,699	46,073
Interest income	42	11	109
Dividends received	332	380	3,731
Rent income	337	209	2,051
Income from investments accounted for by equity method	4,246	2,705	26,524
Other	998	1,392	13,655
<b>Nonoperating expenses</b>	1,734	1,358	13,320
Interest expenses	611	595	5,835
Cost—lease	199	93	917
Salaries for seconded staff	178	218	2,146
Other	744	450	4,421
Ordinary income	8,317	9,740	95,490
<b>Special income</b>	75	0	0
Gain on sales of investment securities	58	—	0
Gain on sales of noncurrent assets	17	0	0
<b>Special loss</b>	1,046	1,543	15,131
Impairment loss	758	1,318	12,924
Loss on disposal of fixed assets	162	206	2,027
Other	126	18	179
Income before income taxes and minority interests	7,346	8,196	80,359
Corporation, inhabitants and enterprise taxes	1,052	2,527	24,779
Deferred income taxes and other	851	(385)	(3,780)
Net income before minority interests	5,441	6,054	59,360
Minority interests in net income	137	221	2,170
<b>Net income</b>	¥ 5,303	¥ 5,833	\$ 57,190

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

	2013	2014	2014
<b>Shareholders' equity</b>			
<b>Capital stock</b>			
Beginning balance	¥ 29,166	¥ 29,166	\$ 285,947
Changes of the current year			
Total changes of items during the current year	—	—	—
Ending balance	29,166	29,166	285,947
<b>Capital surplus</b>			
Beginning balance	26,094	26,094	255,830
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	26,095	255,836
<b>Retained earnings</b>			
Beginning balance	34,862	39,253	384,841
Changes of items during the current year			
Dividends from surplus	(912)	(912)	(8,947)
Net income	5,303	5,833	57,190
Total changes of items during the current year	4,391	4,920	48,242
Ending balance	39,253	44,174	433,084
<b>Treasury stock</b>			
Beginning balance	(593)	(595)	(5,837)
Changes of items during the current year			
Acquisition of treasury stock	(1)	(49)	(485)
Disposal of treasury stock	0	0	0
Total changes of items during the current year	(1)	(49)	(485)
Ending balance	(595)	(644)	(6,318)
<b>Total shareholders' equity</b>			
Beginning balance	89,530	93,919	920,782
Changes of items during the current year			
Dividends from surplus	(912)	(912)	(8,947)
Net income	5,303	5,833	57,190
Acquisition of treasury stock	(1)	(49)	(485)
Disposal of treasury stock	0	0	0
Total changes of items during the current year	4,389	4,872	477,666
Ending balance	93,919	98,792	968,549
<b>Accumulated other comprehensive income</b>			
<b>Valuation differences on available-for-sale securities</b>			
Beginning balance	851	1,737	17,034
Changes of items during the current year			
Net changes of items other than shareholders' equity	885	1,181	11,587
Total changes of items during the current year	885	1,181	11,587
Ending balance	1,737	2,919	28,622
<b>Deferred gains or losses on hedges</b>			
Beginning balance	(46)	(32)	(319)
Changes of items during the current year			
Net changes of items other than shareholders' equity	13	(80)	(784)
Total changes of items during the current year	13	(80)	(784)
Ending balance	(32)	(112)	(1,103)
<b>Translation adjustments</b>			
Beginning balance	(4,000)	(926)	(9,079)
Changes of items during the current year			
Net changes of items other than shareholders' equity	3,074	2,993	29,348
Total changes of items during the current year	3,074	2,993	29,348
Ending balance	(926)	2,067	20,269
<b>Pension liability adjustment</b>			
Beginning balance	(201)	(216)	(2,121)
Changes of items during the current year			
Net changes of items other than shareholders' equity	(14)	(1,224)	(12,007)
Total changes of items during the current year	(14)	(1,224)	(12,007)
Ending balance	(216)	(1,441)	(14,128)
<b>Total accumulated other comprehensive income</b>			
Beginning balance	(3,396)	562	5,514
Changes of items during the current year			
Net changes of items other than shareholders' equity	3,958	2,870	28,144
Total changes of items during the current year	3,958	2,870	28,144
Ending balance	562	3,433	33,658
<b>Minority interests</b>			
Beginning balance	5,538	5,763	56,507
Changes of items during the current year			
Net changes of items other than shareholders' equity	225	235	2,310
Total changes of items during the current year	225	235	2,310
Ending balance	5,763	5,999	58,817
<b>Total net assets</b>			
Beginning balance	91,671	100,246	982,804
Changes of items during the current year			
Dividends from surplus	(912)	(912)	(8,947)
Net income	5,303	5,833	57,190
Acquisition of treasury stock	(1)	(49)	(485)
Disposal of treasury stock	0	0	0
Net changes of items other than shareholders' equity	4,184	3,106	30,455
Total changes of items during the current year	8,574	7,978	78,221
Ending balance	¥ 100,246	¥ 108,224	\$ 1,061,026

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

	2013	2014	2014
<b>Cash flows from operating activities</b>			
Income before income taxes and minority interests	¥ 7,346	¥ 8,196	\$ 80,359
Depreciation	5,761	6,480	63,536
Impairment loss	758	1,318	12,924
Amortization of trade right	345	234	2,300
Loss (gain) on investments accounted for by equity method	(4,246)	(2,705)	(26,524)
Increase (decrease) in reserve for retirement benefits	(132)	—	0
Increase (decrease) in accrued bonuses	101	845	8,289
Increase (decrease) in allowance for doubtful accounts	7	(73)	(716)
Interest and dividends income	(374)	(391)	(3,840)
Interest expenses	611	595	5,835
Loss on disposal of fixed assets	168	208	2,048
Loss on valuation of investment securities	65	14	140
Decrease (increase) in notes and accounts receivable—trade	(8)	(2,365)	(23,193)
Decrease (increase) in inventories	(1,410)	(2,572)	(25,221)
Increase (decrease) in account payables—purchases	2,517	(1,468)	(14,398)
Other	(3,209)	725	7,112
Subtotal	8,300	8,483	83,169
Interests and dividend received	3,041	4,527	44,386
Interest paid	(606)	(604)	(5,924)
Payments of income taxes, etc.	(899)	(1,145)	(11,234)
Net cash provided by operating activities	9,836	11,260	110,397
<b>Cash flows from investing activities</b>			
Purchases of tangible fixed assets	(8,827)	(8,154)	(79,948)
Proceeds from sales of tangible fixed assets	39	10	106
Purchases of intangible fixed assets	(622)	(341)	(3,346)
Purchases of investment securities	(1,049)	(3,461)	(33,936)
Proceeds from sales of investment securities	97	15	148
Purchase of investments in subsidiaries	(743)	(29)	(287)
Payments for loans receivable	(93)	(107)	(1,058)
Proceeds from loans receivable	131	406	3,981
Other	284	(143)	(1,402)
Net cash used in investing activities	(10,783)	(11,805)	(115,743)
<b>Cash flows from financing activities</b>			
Net increase (decrease) in short-term borrowings	(3,787)	108	1,063
Proceeds from long-term borrowings	12,742	7,104	69,652
Repayment of long-term borrowings	(7,084)	(7,633)	(74,833)
Dividends paid	(909)	(909)	(8,916)
Dividends paid to minority interests	(70)	(68)	(668)
Repayment of lease obligations	(684)	(441)	(4,331)
Other	(1)	(48)	(475)
Net cash provided by (used in) financing activities	203	(1,888)	(18,510)
<b>Translation differences on cash and cash equivalents</b>	655	489	4,795
<b>Increase (decrease) in cash and cash equivalents</b>	(88)	(1,944)	(19,060)
<b>Cash and cash equivalents at beginning of period</b>	14,434	14,346	140,651
<b>Cash and cash equivalents at end of period</b>	¥ 14,346	¥ 12,402	\$ 121,591

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

# Shareholder Information

(as of March 31, 2014)

## Common Stock

Authorized: 480,000,000 shares

Issued: 154,317,630 shares

Number of Shareholders: 16,745

## 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)	13,525	8.90
Japan Trustee Services Bank, Ltd. (Trust account)	10,331	6.80
MITSUI & CO., LTD.	5,075	3.34
The Norinchukin Bank	4,120	2.71
Mizuho Bank, Ltd.	4,082	2.69
Shareholding Members of Nippon Soda Clients	3,986	2.62
JPMorgan Chase Bank, N.A.	3,089	2.03
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/ BP2S DUBLIN-US PENSION FUND	3,075	2.02
BNP Paribas Securities (Japan) Limited.	3,034	2.00
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	2,729	1.80

\* The Company's 2,289,384 shares of treasury stock were excluded from the calculation of percentage of total shares issued.

## Ownership among Shareholders

	(%)
Individuals and others	12.48
Financial institutions	42.96
Other domestic corporations	14.51
Foreign shareholders	24.84
Securities firms	5.21



# Corporate Data

(as of March 31, 2014)

<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>	1,207 (Consolidated: 2,501)

Note: The Company's 2,289,384 shares of treasury stock were excluded from the calculation of percentage of total shares issued.

## Executives

(as of June 27, 2014)

### 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 Officers

Akihiko Kikuchi  
Haruo Higuchi  
Hiroyuki Adachi

### Senior Executive Officers

Noriyuki Haketa  
Tsutomu Sakuma

### Executive Officers

Shinsuke Sano  
Satoshi Tsukamura  
Eisaku Okamoto  
Akio Morii  
Takashi Kishimoto  
Akira Kaneko

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

## Long-Term Vision: Chemigress to 100



Advancing to our 100th birthday in 2020

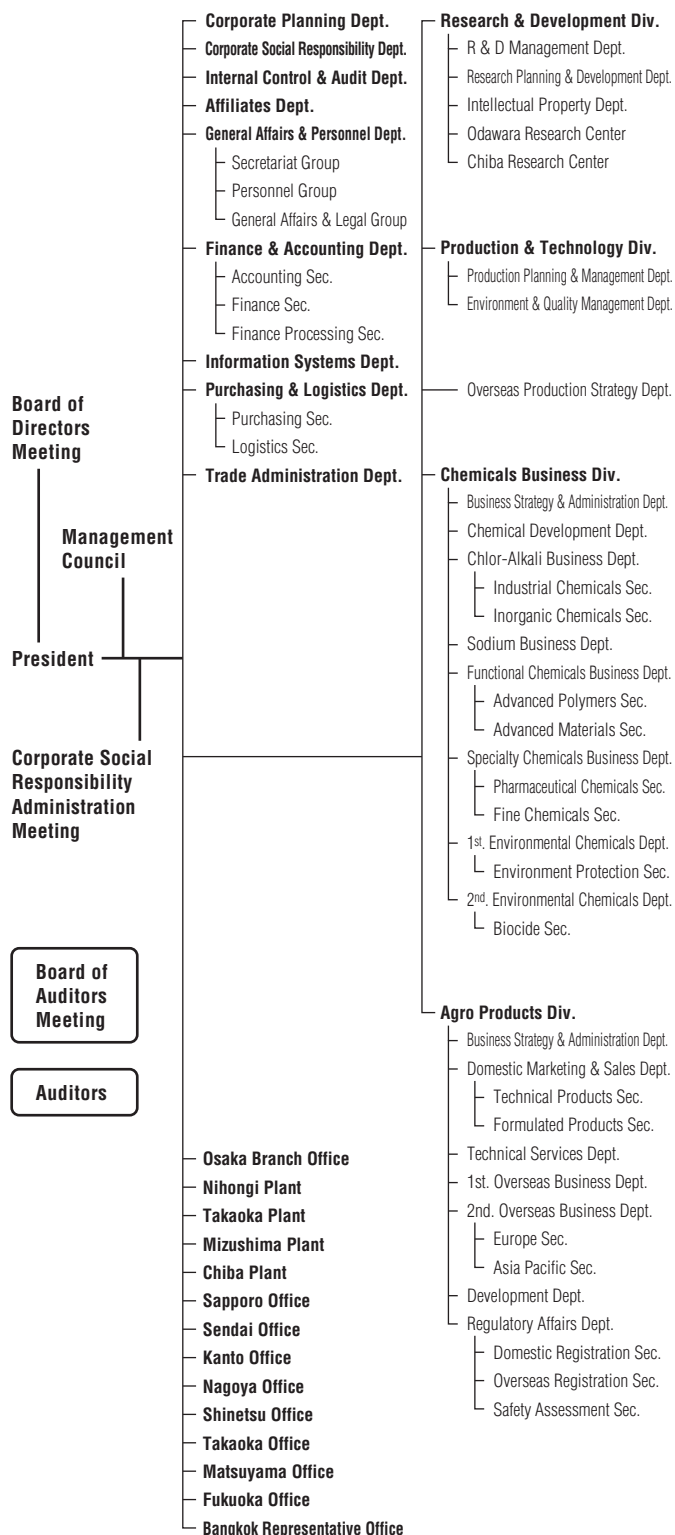
Thanks to the support of everyone, Nippon Soda is approaching its 100th anniversary in 2020.

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.

## Organization

(as of July 1, 2014)



## 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  
Dusseldorf, 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/>