

Annual Report 2014

twelve months ended September 30, 2014



Message to Shareholders 01



Summary of Results by Business Segment 03



Features 05



Financial Highlights 07



Corporate Profile 09



Stock Information / Shareholder Information 10

Features

TAKUMI (Flubendiamide) – Spreading out all over the world!

Part 2: Making rapid progress on the global stage

Shift for Growing Global 2015

Securities Code:4997

Message to Shareholders



We express our sincere thanks to all of your support. We would like to present the overview of the business for the 115th fiscal term.

Yohichi Kohyama
President

Increased earnings and profit due mainly to robust sales in the Americas and European regions

The Japanese government has put forward four reforms as policies for the sustainable development of agriculture and rural areas. However, we are no closer to a solution for the structural problems in the domestic agriculture industry such as aging farmers, the serious lack of successors, and the increase in abandoned arable land. Meanwhile, worldwide demand for agrochemicals is expected to continue growing, in line with an increase in demand for agricultural products supported by the expanding population and economic development in emerging nations.

Under these business circumstances, we have made efforts to expand its product lineup by launching eight new products in Japan, while working to promote and expand sales of key proprietary products. Overseas, sales were sluggish in the Asian region, mainly due to the impact of excess distributor inventory from past years (result of the low incidence of pests in China and South Korea, the main markets in the region). On the other hand, net sales grew in the Americas and European regions.

As a result, net sales for this fiscal year totaled 56,696 million yen (a 19.0% increase of 9,069 million yen from the previous fiscal year). In terms of profit, ordinary income totaled 9,361 million yen (a 31.0% increase of 2,217 million yen from the previous fiscal year), and net income totaled 6,137 million yen (a 30.2% increase of 1,422 million yen from the previous fiscal year).

Furthermore, during this fiscal year, we steadily implemented business expansion initiatives including alliances, product acquisitions, and M&As, as policies put forward under the medium-term management plan “Shift for Growing Global 2015 (SGG 2015),” for which fiscal 2013 was the initial year).

Working toward expanding the scale of the business

Fiscal 2015 will be the final year of the medium-term management plan, and we will continue to work actively to expand the scale of the business.

Our business forecast for fiscal 2015 is as follows: net sales of 61,000 million yen (a 7.6% increase of 4,303 million



yen from the previous fiscal year); and in terms of profit, ordinary income of 9,100 million yen (a 2.8% decrease of 261 million yen from the previous fiscal year), and net income of 5,900 million yen (a 3.9% decrease of 237 million yen from the previous fiscal year), partly due to an increase in costs resulting from aggressive advance investment for the future in accordance with the medium-term management plan. We will push ahead with our existing business, and realize our new growth strategy, in order to achieve our company's aim of "100 billion yen in net sales by fiscal 2018."

We would like to ask for your continuous support and encouragement from all our shareholders.

Progress of medium-term management plan

Shift for **Growing Global 2015** (SGG2015)

Balancing product development and business development

To become a company that can create and provide its own business frameworks, in addition to engaging in product-focused business (development and marketing)

Results in fiscal 2015 Realizing the growth strategy

Date of implementation	Content	Purpose
October 2013	Purchased herbicide "Orthosulfamuron"	Expansion of product lineup
January 2014	Acquired shares in AgriMart Corporation (100% stake)	Expansion of business derived from agrochemicals
May 2014	Established Tokyo Analysis Center of Japan EcoTech Co., Ltd.	Expansion of business derived from agrochemicals
July 2014	Established Nichino Do Brasil Consultoria Em Agroquimicos Ltda., a wholly owned subsidiary in Brazil	Strengthening of overseas business expansion
September 2014	Acquired 50% stake in Sipcarn Agro S.A.	Strengthening of overseas business expansion

Challenges and initiatives for the next fiscal year and beyond

- (1) Monetize strategic investments implemented during this fiscal year
- (2) Improve profitability of existing businesses
- (3) Realize globally competitive costs
- (4) Continue to introduce new products

■ Commencement of operation of a joint venture with Sipcarn in Brazil

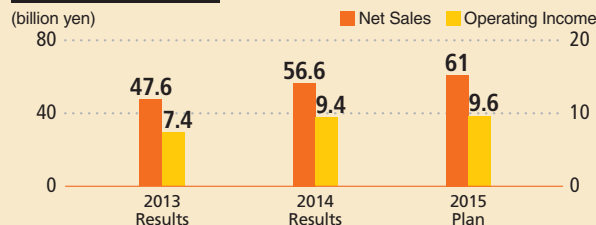
In September 2014, we commenced a strategic alliance with Sipcarn S.p.A. ("Sipcarn"), a major Italian agrochemical manufacturer, to operate a joint venture in Brazil. From Sipcarn, we acquired 50% shares of Sipcarn's subsidiary (Sipcarn Agro S.A.). Then, Sipcarn Agro S.A.'s name was changed to Sipcarn Nichino Brasil S.A., which will develop, manufacture, and sell agrochemicals. In July 2014, we also established Nichino Do Brasil Consultoria Em Agroquimicos Ltda., a wholly owned subsidiary in Brazil. Through Sipcarn Agro S.A. and Nichino Do Brasil Consultoria Em Agroquimicos Ltda., we will work together to expand sales of our products in Brazil's agrochemical market, the largest market in the world.

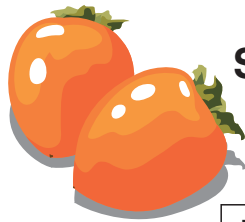


Company outline

Company name	Sipcarn Nichino Brasil S.A.
Location	Uberaba, Minas Gerais, Brazil
Share capital	145 million BRL
Shareholders	Sipcarn Group (50%), Nihon Nohyaku (50%)
Chairman of the Board	Yukio Arai
Managing Director & CEO	Luiz J. Traldi

Numerical targets





Summary of Results by Business Segment

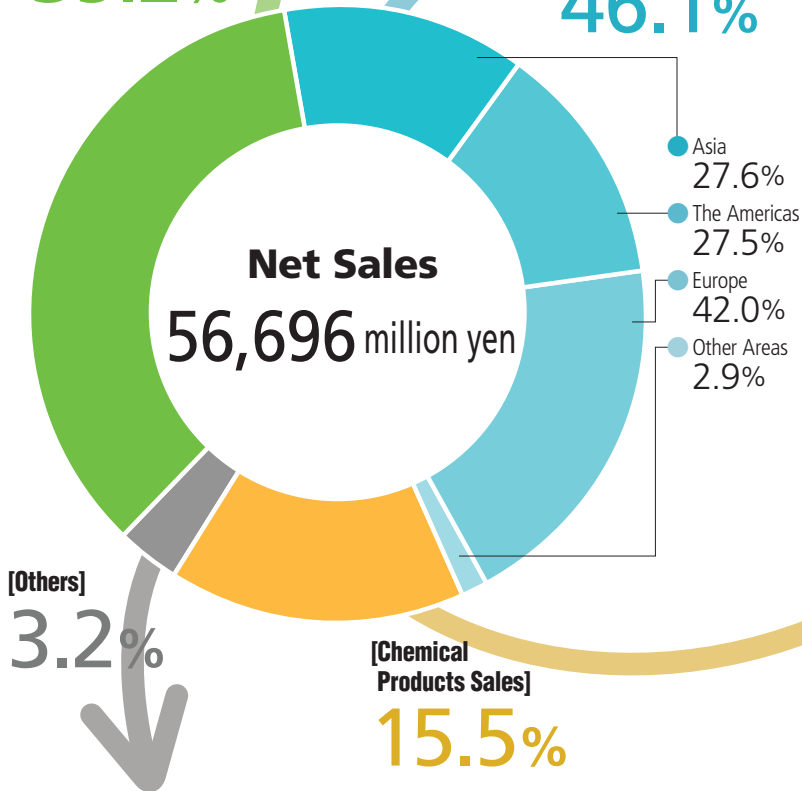
Net Sales Composition by Business Segment

[Domestic Agrochemical Sales]

35.2%

[Overseas Agrochemical Sales]

46.1%



[Others]

3.2%

[Chemical Products Sales]

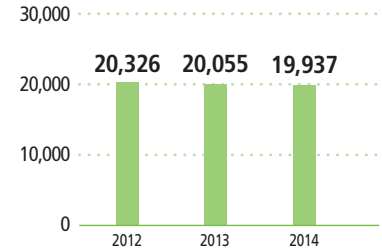
15.5%

Landscape work, real estate rental, agrochemical residue analysis, etc.

1,805 million yen (Decreased by 3.8% from fiscal 2013)

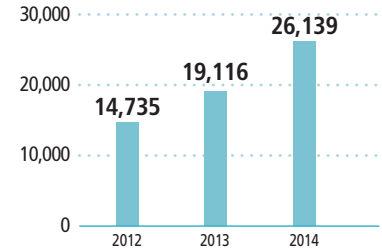
Domestic Agrochemical Sales

(million yen)



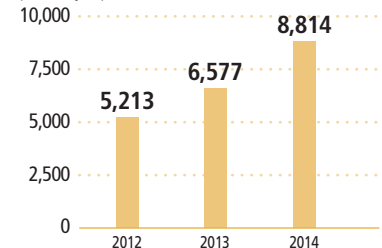
Overseas Agrochemical Sales

(million yen)



Chemical Products Sales

(million yen)





19,937 million yen (Decreased by 0.6% from fiscal 2013)

Expanding product lineup, and pressing ahead with promotion and sales of key proprietary products

In domestic agrochemical sales, we made efforts to boost sales of our key proprietary products such as the horticultural insecticide "PHOENIX," while launching eight new products as part of efforts to expand our product lineups. However, in addition to the effect of unstable weather (due mainly to suspended sales of some third-party products). As a result, total domestic sales were at the same level as the previous fiscal year.

During fiscal 2015, we will work to strengthen sales capacity by promoting sales process management, reinforce the marketing and promotion function based on more precise market analysis, and expand collaboration with distributors. In addition, we will make efforts to bolster collaboration and sharing of sales promotion measures with sales companies, and strive to promote and expand sales and to maximize value of proprietary products such as the rice paddy fungicide "V-GET" and "PHOENIX."



26,139 million yen (Increased by 36.7% from fiscal 2013)

Net sales growth driven mainly by strong sales in Europe and the Americas

In overseas agrochemical sales during fiscal 2014, sales were sluggish in the Asia region, due to the impact of factors such as excess distributor inventory from past years (result of the low incidence of pests in China and South Korea, the major markets in the region). Meanwhile, net sales grew in the Americas and European regions due to favorable sales of the miticide "DANITRON" in the U.S. among other factors. Furthermore, due to the growth in sales of the technical grade of "PHOENIX" and the depreciation of the yen, total overseas sales exceeded the results of the previous fiscal year.

During fiscal 2015, we will push ahead further with promoting and expanding sales of "PHOENIX" and developing mixture products in the Asian region. In Europe and the Americas, we will shift local contract manufacturing into high gear and boost collaboration with sales companies at our U.K. subsidiary, and also work on new product development and sales expansion at our U.S. subsidiary. We will also step up operational support for Sipcam Nichino Brasil S.A., and build a sales promotion system for our proprietary products in Brazil, the world's largest agrochemical market.



8,814 million yen

(Increased by 34.0% from fiscal 2013)

- Chemical products, pharmaceuticals, etc. 4,335million yen (Increased by 15.2% from fiscal 2013)
- Revenue from transfers of know-how technology 4,479million yen (Increased by 59.1% from fiscal 2013)

Increased revenue from termite control products, topical antifungal agents and transfers of know-how technology

Net sales were up year on year in the chemical products sector during fiscal 2014 reflecting steady shipments of termite control products and the inclusion of AgriMart Corporation within the scope of consolidation. In the pharmaceutical sector, net sales grew because shipments of the topical antifungal agents "Luliconazole" in China and the U.S. commenced from fiscal 2014. Furthermore, revenue from transfer of know-how technology increased due to steady sales at licensing-out clients.

During the fiscal 2015, in the chemical products sector, we will work on the following: promoting the spread of technology to sales companies for termite control products and developing new sales channels, and pursuing business expansion by promoting cooperation with AgriMart Corporation. In the pharmaceuticals sector, we will seek to expand sales and promote development of topical antifungal agents "Lanoconazole" and "Luliconazole" mainly by bolstering support for sales companies. We will also concentrate efforts on promoting collaboration and development with sales companies overseas for "Luliconazole."



TAKUMI (Flubendiamide)

– Spreading out all over the world!



Features

Part 2: Making rapid progress on the global stage

The insecticide “TAKUMI* (Flubendiamide)” has unique structure and activities. TAKUMI is now attracting attention in markets worldwide as an innovative insecticide that protects crops from damage caused by lepidopterous insect pests. In this second issue, we will hear about sales and future developments for TAKUMI.

*TAKUMI is sold as PHOENIX in Japan.

Highlights from Part 1

TAKUMI protects crops such as cabbage and other leafy vegetables, tea plants, and fruit trees from lepidopterous insect pests. This agrochemical has the unprecedented effect of causing eating disorders in larvae of lepidopterous insect pests triggered by muscle contractions. In Part 1, we looked back on the path from the discovery and optimization of the compound to its industrialization.

Not only in Japan, but also to the world

—You finally saw the launch of TAKUMI after a long period of research and development.

Hirooka Discovery and optimization took seven years, and it took another seven years from the decision of development to the sales launch. It was 2007 when we reached the point of launching domestic sales, and also overseas sales in some countries (Thailand, etc.).

Nishimatsu After the prospect of manufacturing was within view, I was transferred to the Marketing Department, and I put together the technical documents needed for sales.

Hirooka In television commercials for insecticides, the pests generally die and fall off the crops which are treated with insecticides, but with TAKUMI, they are still clinging to the crops. It was a tough sell getting customers to understand that.

Nishimatsu We made a DVD in order to explain the difference between TAKUMI and existing insecticides to Agricultural Experiment Stations, JA (Japan Agricultural Co-operatives), and farmers. With the use of TAKUMI, the eating behavior of the pest stops, and you can see at a glance the damage on the crop being halted.

Hirooka However, no matter how great an insecticide is, the area of cultivated land in Japan still remains unchanged. To grow significantly, we need



Takashi Hirooka

He was the Project Leader during the development phase of TAKUMI. He assumed position as the General Manager of the Development Department in 2002 and was subsequently responsible for TAKUMI as the Project Manager. Currently, he is seconded to the Japan Crop Protection Association.

to expand overseas. The global agrochemical market in the year 2000 was worth 2,780 billion yen (converted at 1 dollar = 100 yen) on a net sales basis, but has seen continued double-digit growth of over 10% per year since the beginning of the 2010s, and by 2013 had grown to 5,420 billion yen.

Tohnishi It's the population increase and economic growth, isn't it?

Hirooka The world's population is already over seven billion, and is predicted to top nine billion by the year 2050. In addition to the need of increase in food supplies, the trend toward a richer diet is picking up in Asia, where economic development continues.

Nishimatsu Nowadays more and more people are eating meat.

Hirooka With its enormous population, China can no longer produce domestic soybean alone, so they began to import a large volume of soybeans from Brazil.

Tohnishi It seems that Brazil has pulled ahead of the U.S., and has become the world's top consumer of agrochemicals.

Nishimatsu That's because it is a global food supplier.

Hirooka Farmland in Brazil is expanding by 2.7 million hectares each year. Japan has about 1.6 million hectares of rice paddies, which means that the increase in cultivated land in Brazil per year is greater than the acreage of rice fields in Japan. The wasteland known as the Cerrado can be improved and planted with crops, but



Tetsuyoshi Nishimatsu

He was responsible for selection, evaluation, and marketing of the compound. Currently, he serves as the General Manager of the Marketing & Technical Support Department under the Overseas Division, and Chief of the Marketing Group, and is involved in supporting the global marketing of TAKUMI.



the climate of high precipitation and high temperature makes it vulnerable to pest outbreaks, on top of which invasive pests are also attacking. There have been major outbreaks of soybean rust since 2003, and of the cotton bollworm, a lepidopterous insect pest, since the 2010s.

Picking up speed

—You began cooperating with Bayer CropScience (BCS) with global sales in mind.

Hirooka It is essential to acquire registration in each country for the sale of agrochemicals. Both companies cooperated to prepare the data needed for the registration application.

Nishimatsu Usually, domestic sales come first, and once they are on track, we move on to overseas sales. However, this time, the product was launched in Japan and overseas almost simultaneously.

Tohnishi Overseas companies were also developing insecticides to combat lepidopterous insect pests. I think partnering with BCS was the right decision.

Hirooka In 2007, we acquired registration in Japan for Flubendiamide (the active ingredient in TAKUMI), and in 2009 completed registration for the product as TAKUMI in large markets such as India and China, and also in the U.S. and Brazil, Flubendiamide was registered as BELT. Sales took off from 2010.

Towards achieving the new vision

—So, you are now making great advances on the global stage.

Nishimatsu As put forward in our vision, “Nichino Group-Growing Global: Becoming an Outstanding Globally Competitive Company,” the Nihon Nohyaku Group aims to pass the 100 billion yen mark in net sales by fiscal 2018, with a view to ultimately becoming one of the

world's top ten largest research and development-focused companies.

Hirooka We are working on issues that include bolstering drug discovery and accelerating development, strengthening overseas business expansion, reinforcing and stabilizing domestic sales, enhancing manufacturing capabilities, and selecting and concentrating on business derived from agrochemicals.

Tohnishi I am currently responsible for research on industrial manufacturing technology for new products, and the atmosphere within the company is brimming with ambition.

Hirooka Does Mr. Tohnishi have any advice for the work of young researchers?

Tohnishi I'd like them not to be limited by the topics assigned by the company, but to enthusiastically pursue the challenges that interest them.

Nishimatsu I hope to always keep the eagerness for a challenge. There is still a lot of room for growth with TAKUMI. I will press on with expanding new applications, while continuing technical support for biological evaluation.

Hirooka We all have to keep up the good work.



Masanori Tohnishi

He was responsible for synthesis of the compound from creation to selection. He received the technology award from the Chemical Society of Japan in 2011. Currently, he serves as the Head Researcher of the Process Chemistry Unit of the Research Center of the Research & Development Division, where he oversees industrial manufacturing methods for new products.



Financial Highlights

Net Sales

56,696 million yen

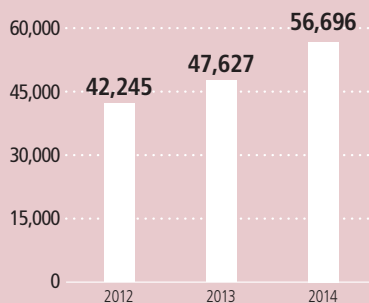
Ordinary Income

9,361 million yen

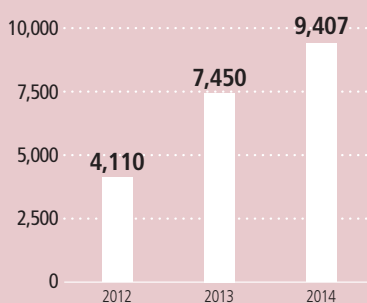
Net Income

6,137 million yen

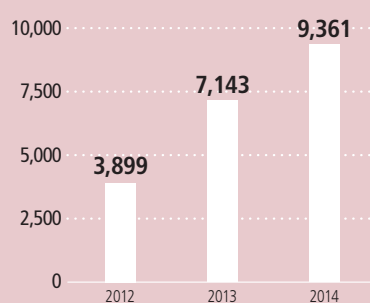
Net Sales (million yen)



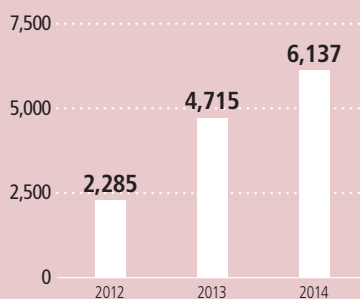
Operating Income (million yen)



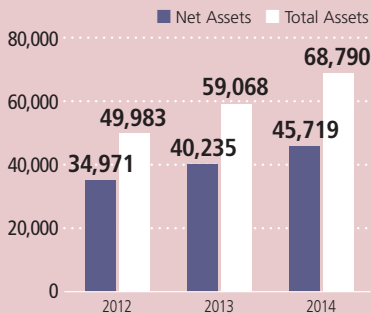
Ordinary Income (million yen)



Net Income (million yen)



Net Assets / Total Assets (million yen)



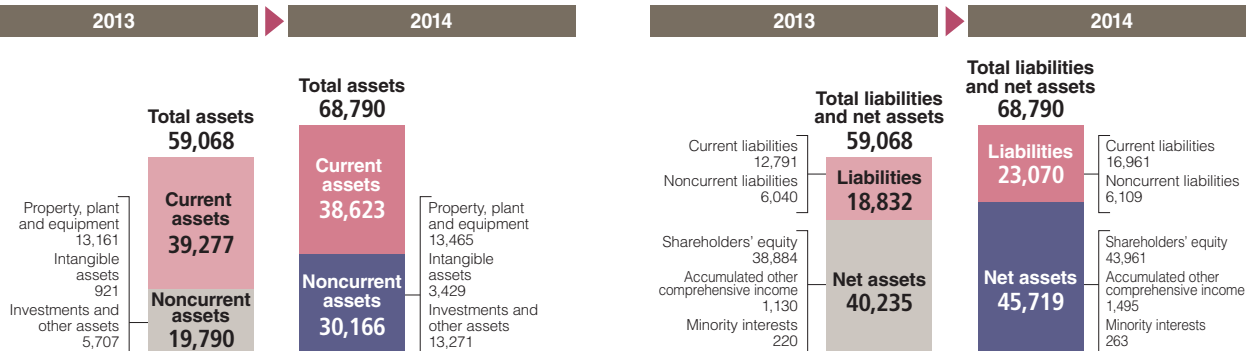
Dividend per Share (yen)

	Interim Dividend	Year-end Dividend	Total Dividend
2012	4.5	4.5	9.0
2013	4.5	8.5	13.0
2014	6.5	8.5	15.0



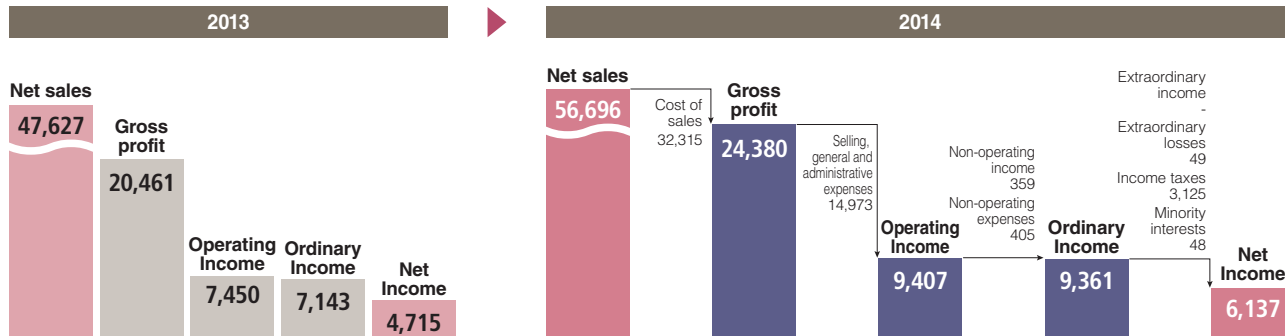
Financial Position

(million yen)

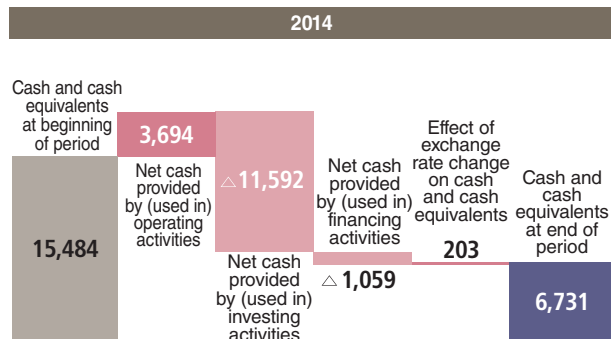


Operating results

(million yen)



Consolidated Statements of Cash Flows (million yen)



Cash Flows

- **Net cash provided by (used in) operating activities**

Net cash provided by operating activities for this fiscal year amounted to 3,694 million yen, due to an increase in cash attributable primarily to income before income taxes and minority interests, which exceeded a decrease in cash due primarily to payment of income taxes and increases in notes and accounts receivable-trade and inventories.

- **Net cash provided by (used in) investing activities**

Net cash used in investing activities for this fiscal year amounted to 11,592 million yen, due primarily to the expenditure for acquisition of investment securities.

- **Net cash provided by (used in) financing activities**

Net cash used in financing activities for this fiscal year amounted to 1,059 million yen, due primarily to the expenditure for repayment of short-term loans payable.



Outline of Company (As of September 30, 2014)

Trade Name	NIHON NOHYAKU CO.,LTD.
Location of Head Office	19-8, Kyobashi 1-Chome, Chuo-ku, Tokyo 104-8386, Japan
Establishment	March 9, 1926
Capital	10,939,725,250 yen
Number of Employees	731 (consolidated)
Security Stock Market	Tokyo Stock Exchange, 1st Section
Main Business	Manufacturing, import and export, and sales of agrochemicals, pharmaceuticals, veterinary pharmaceuticals, quasi-drugs, industrial chemicals, wood preservatives, agricultural materials, etc.
Main Facilities	Head Office Sapporo Branch, Sendai Branch, Tokyo Branch, Osaka Branch, Fukuoka Branch, Tokai-Hokuriku Sales Office, Research Center, Bangkok Office

Consolidated Subsidiaries

Nichino Ryokka Co., Ltd. (Japan)
 Nichino Rec Co., Ltd. (Japan)
 Nichino Service Co., Ltd. (Japan)
 Nichino America, Inc. (U.S.A.)
 Japan EcoTech Co., Ltd. (Japan)
 Taiwan Nihon Nohyaku Co., Ltd. (Taiwan)
 AgriMart Corporation (Japan)

Non-Consolidated Subsidiaries

Nichino Europe Co., Ltd. (U.K.)
 Nichino Shanghai Co., Ltd. (China)
 Nichino Do Brasil Consultoria Em Agroquimicos Ltda. (Brazil)

Equity Method Affiliate

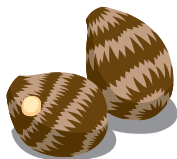
Agricultural Chemicals (Malaysia) Sdn. Bhd.
 Sipcarn Nichino Brasil S.A. (Brazil)

Board of Directors and Corporate Auditors (As of December 19, 2014)

Chairman	Kazuhiko Morio
Representative Director, President	Yohichi Kohyama
Director, Senior Managing Executive Officer	Yousuke Tomoi
Director, Managing Executive Officer	Sumitaka Kose
Director, Managing Executive Officer	Kaoru Hirose
Director, Managing Executive Officer	Takamichi Konno
Director, Managing Executive Officer	Hideji Hosoda
Director, Executive Officer	Shin Sakuma
Director, Executive Officer	Hiroyuki Nakashima
Director	Akio Kohri
Director	Yasunori Matsui
Auditor	Nobumasa Hamade
Auditor	Haruhiko Tomiyasu
Auditor	Iwao Toigawa

Executive Officers (excluding executive officers who concurrently serve as directors)

Gakuo Fukutomi
 Kenji Tsubata
 Hirohisa Yano
 Jeffrey R. Johnson
 Toyokazu Iijima
 Hirofumi Tomita
 Akira Seo
 Yoshiaki Higashino
 Kohzoh Machiya



Stock Information / Shareholder Information

(As of September 30, 2014)

----- Stock Information / Shareholder Information



Stock Information

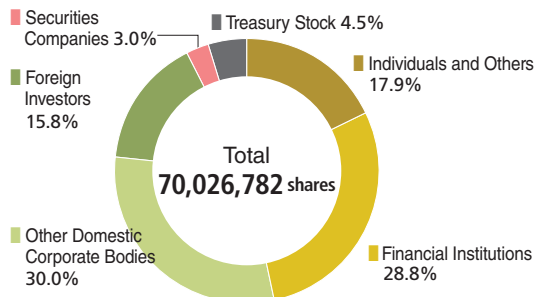
Authorized Shares 199,529,000 shares
Issued Shares 70,026,782 shares
Number of Shareholders 9,881

Major Shareholders

Name of Shareholders	Number of Shares	
	Held (Thousands)	Percentage of Total Shares Issued
ADEKA CORPORATION	16,176	24.20
The Master Trust Bank of Japan Ltd. (Trust Account)	3,258	4.87
Mizuho Bank, Ltd.	2,802	4.19
Japan Trustee Services Bank, Ltd. (Trust Account)	2,109	3.16
The Norinchukin Bank	1,960	2.93
Asahi Mutual Life Insurance Company	1,383	2.07
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	1,039	1.56
Resona Bank, Limited.	1,009	1.51
JAPAN RE FEDELITY	951	1.42
STATE STREET BANK AND TRUST COMPANY	906	1.36

*Treasury stock is deducted (3,186 thousand shares).

Breakdown of Shareholders



Shareholder Information

Business Year October 1 to September 30 of the consecutive year

Ordinary General Meeting of Shareholders Held in December each year

Record Date Ordinary General Meeting of Shareholders and year-end dividend: September 30 of each year
 Interim dividend: March 31 of each year

Method of Public Notice Electronic public notice
 (In the event where electronic public notice cannot be released due to unforeseeable accidents or unavoidable circumstances, public notice shall be posted in the Nihon Keizai Shimbun published in Tokyo.)

Unit of Shares 100 shares

Transfer Agent 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
 Sumitomo Mitsui Trust Bank, Limited

Administrator of Special Account 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
 Sumitomo Mitsui Trust Bank, Limited

Mailing Address 2-8-4, Izumi, Suginami-ku, Tokyo 168-0063
 Stock Transfer Agency Business Planning Dept.,
 Sumitomo Mitsui Trust Bank, Limited

[Telephone Inquiry] 0120-782-031 (toll free in Japan)
 (Inquiries are handled by the head office of Sumitomo Mitsui Trust Bank, Limited as well as its branches within Japan.)

Securities Code 4997

NIHON NOHYAKU

in numbers Vol. 8

8 Bases

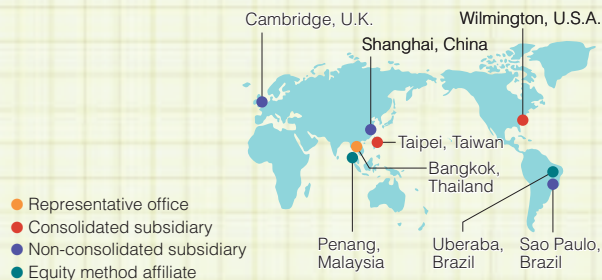


This word represents the number of overseas main bases in our company (including subsidiaries and affiliated companies).

We have established overseas bases in various regions that carry out regionally oriented sales and promotion activities in order to provide safe, high-quality agrochemicals that meet the requirements of agricultural producers all over the world. With regard to expansion of bases, we have established three core bases in Asia, Europe, and the Americas by setting up wholly owned subsidiaries, strategic capital alliances, representative offices and satellite offices.

In 2014, we brought its total number of overseas bases to eight with the establishment of two bases in Brazil: Nichino Do Brasil Consultoria Em Agroquimicos Ltda. (a non-consolidated subsidiary) in July, and Sipcarn Nichino Brasil S.A. (an equity method affiliate), which is a joint venture with Italy's Sipcarn, in September.

The company has put forward "strengthening of overseas business expansion" as one of the themes to promote in our growth strategy under the medium-term management plan "Shift for Growing Global 2015 (SGG 2015)," which is now underway. We will press ahead by developing bases in key markets to continue our global expansion.



For more information, please check our website.

<http://www.nichino.co.jp/>

NIHON NOHYAKU

Search



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