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Annual Report 2013

twelve months ended September 30, 2013

●Features●

**Satellite Offices – Backbone of NIHON
NOHYAKU's Overseas Development**

Securities Code:4997



NIHON NOHYAKU CO.,LTD.

Shift for Growing Global 2015

Innovation for Life & Nature

Message to Shareholders

We express our deepest thanks for all your support as we present this report for the 114th fiscal term.

Yohichi Kohyama
President



Increased earnings and profit due mainly to sales promotion and expansion of proprietary products in Japan and overseas

Regarding the mid-term business environment surrounding agrochemicals, continued growth in demand for agrochemicals is expected in line with the increase in demand for agricultural products supported by the expansion of the worldwide population and economic growth in emerging nations. Factors that affected overseas agrochemical business during this fiscal year included the expansion of planting acreage for various types of crops in India and a large presence of pests throughout Europe and in the West Coast of the U.S. On the other hand, in the domestic business, due mainly to a limited presence of agrochemical pests throughout Japan overall as well as unstable weather and an record-setting heat wave experienced during the period when agrochemicals were supposed to be used, shipments of agrochemical products during this fiscal year remained at the same level as the previous fiscal year.

Under these business circumstances, in Japan, the company group worked to promote and expand sales of key proprietary products such as the horticultural insecticide “Phoenix”. As for the overseas business, the company group achieved sales growth in all regions of Asia, Europe, and the Americas, amid the depreciation of the yen. As a result, net sales for this fiscal year totaled 47,627 million yen (a 12.7% increase of 5,381 million yen from the previous fiscal year). In terms of profit, ordinary income totaled 7,143 million yen (an 83.2% increase of 3,244 million yen from the previous fiscal year), and net income totaled 4,715 million yen (a 106.4% increase of 2,430 million yen from the previous fiscal year), attributable to increased revenue from transfers of know-how technology in addition to greater earnings.

Continued efforts to maximize value of existing products in addition to creation of new products

The company group considers “Strengthening of drug discovery and acceleration of the development” one of the vital themes in our growth strategy and has been continuously working to maximize the value of the existing products as well as to create new products.

For example, an effect supporting the growth of rice paddy, which could be harmfully affected by high and low



temperatures, was found in “Fuji-One”, a pest control agent for rice blast, launched in 1975. As a result, “Fuji-One” was also registered for the effect of plant growth regulation, such as bolstering root growth and rooting and enhancing rice ripening. Furthermore, the application of this product has been expanded for the prevention of chalky grain (low quality rice), which is a symptom of high temperature injury to rice paddy that has become an issue over the last years. As above, new value of “Fuji-One” has been provided to agricultural production sites.

In fields other than agrochemicals, approval of manufacturing and sales of the topical antifungal agent “Luliconazole” in China was acquired during this fiscal year. The topical antifungal agents market in China is growing at an annual rate of approximately 10% and is expected to contribute to the company's future net sales. “Luliconazole” has also been sold in India since 2010, and furthermore, approval in the U.S. was acquired in November 2013. As a research and development-focused company, the company group will continue its efforts to apply and expand its activities to peripheral and related business fields such as pharmaceuticals and veterinary pharmaceuticals through research and development of agrochemicals.

Moving forward to achieve plans by promoting and expanding sales of proprietary products and strengthening relations with sales companies and alliance partners

The company group has been promoting the medium-term management plan “Shift for Growing Global 2015 (SGG2015)” with fiscal 2013 as the initial year, with the aim of expanding the scale of business operations and improving profitability. Based on this medium-term management plan, the full-year projections of operating performance for the next fiscal year are as follows: net sales of 52,500 million yen (a 10.2% increase of 4,872 million yen from the previous fiscal year), ordinary income of 7,300 million yen (a 2.2% increase of 156 million yen from the previous fiscal year), and net income of 4,800 million yen (a 1.8% increase of 84 million yen from the previous fiscal year). To achieve this plan, in Japan, we will work to promote and expand sales of our key proprietary products such as “Phoenix”, the horticultural insecticide “Colt”, and the rice paddy fungicide “V-GET” by strengthening marketing and promotion functions as well as sales capacity. Overseas,

sales expansion of our existing proprietary products will be enhanced through strengthening promotion activities. At the same time, developments of new products, compounds, and other agrochemicals will be further advanced by strengthening collaboration with local sales companies and alliance partners. Furthermore, investment for overseas business expansion will be intensified.

The company group will continue to implement business expansion initiatives such as M&As, alliances, and acquiring products based on the two pillars of implementing growth strategy and seeking a high-profit structure as we aim to expand our business. Furthermore, we will actively conduct human resource development which is the foundation for achieving these goals, and will conduct such business development so as to create and provide its own business frameworks, in addition to the deployment of business focused on our traditional product lineup.

We would like to ask for the continued support and encouragement from all our shareholders.

Purchase of herbicide “Orthosulfamuron”

On October 16, 2013, the company group entered into an agreement with Italy's ISEM S.r.l. to purchase the herbicide “Orthosulfamuron”. “Orthosulfamuron” is a systemic herbicide belonging to the family of sulfonlureas and is registered and sold in the U.S., China, India, Brazil, etc., as rice paddy herbicide or sugarcane ripener. As part of its medium-term management plan, the company group has been implementing business expansion initiatives that include M&As, alliances, and acquiring products. From this viewpoint, we consider this purchase to be very important. Starting with the purchase of this herbicide, we will be carrying out product acquisitions and other initiatives to enhance our product lineup so we can further strengthen our competitiveness in overseas business development.





Summary of Results by Business Segment

**Net Sales
Composition by
Business Segment**

Domestic Agrochemical Sales

20,055 million yen
(Decreased by 1.3% from fiscal 2012)

[Domestic
Agrochemical Sales]

42.1%

Overseas Agrochemical Sales

19,116 million yen
(Increased by 29.7% from fiscal 2012)

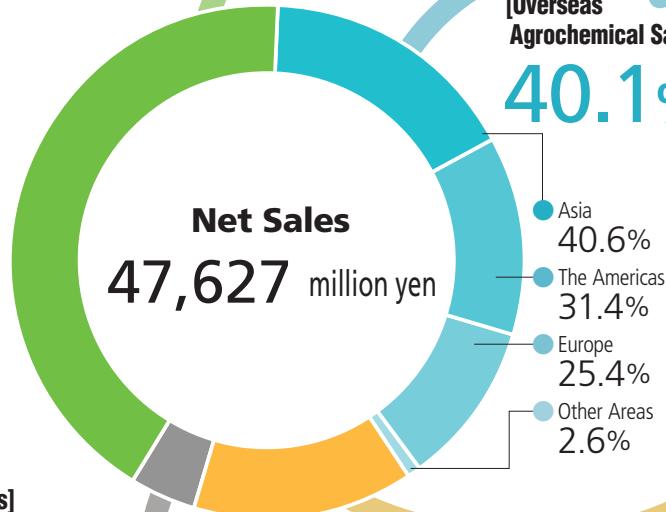
[Overseas
Agrochemical Sales]

40.1%

Chemical Products Sales

6,577 million yen
(Increased by 26.2% from fiscal 2012)

- Chemical products, pharmaceuticals, etc.
- Revenue from transfers of know-how technology



[Others]
4.0%

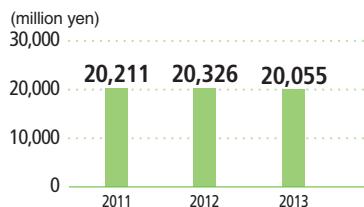
[Chemical
Products Sales]
13.8%

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

1,876 million yen
(Decreased by 4.8% from fiscal 2012)



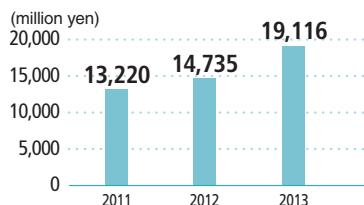
Promoted and expanded sales of key proprietary products such as “Phoenix” agents



In domestic agrochemical sales, we made efforts to boost sales of our key proprietary products such as the horticultural insecticide “Phoenix”, while commencing sales of five new products as part of efforts to expand our product lineups. In agrochemical technical grade sales, shipments of the horticultural insecticide “Kotetsu” and other products to the sales companies were steady. However, in addition to the effect of unstable weather, due mainly to suspended sales of some third-party products and inventory adjustment of rice paddy fungicides, total domestic sales were at the same level as the previous fiscal year.



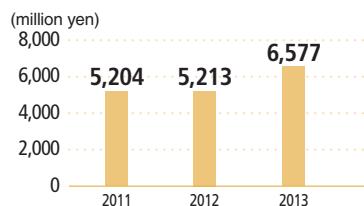
Greater sales in all regions of Asia, Europe, and the Americas



In overseas agrochemical sales, all the regions of Asia, Europe, and the Americas enjoyed greater sales growth. In terms of sales by product, the horticultural insecticide “Colt” secured full-scale penetration in South Korea in the second year of its launch, and its sales grew steadily. In the U.S., continuing warm weather caused a larger presence of pests than usual, and the West Coast especially suffered large outbreaks of mites. As a result, sales of insecticides and acaricides such as “DANITRON” increased. Furthermore, due mainly to the growth in sales of the technical grade agrochemicals of “Phoenix” and the depreciation of the yen, total overseas sales exceeded the results of the previous fiscal year.



Steady growth in sales of topical antifungal agents for domestic hospital-use



In the chemical products business, sales fell short of the previous fiscal year due to the transfer of the water treatment chemicals sales business and the suspension of the organic intermediates business in the previous fiscal year as part of the selection and concentration strategy, despite growing sales of pesticides for termites as a result of sales channel expansion.

In the pharmaceutical sector, sales of both the topical antifungal agents “Lanoconazole” and “Luliconazole” grew steadily for domestic hospital-use.

Furthermore, revenue from transfers of know-how technology increased due to steady sales at licensing-out clients.



Satellite Offices – Backbone of NIHON NOHYAKU's Overseas Development

The company has been developing, promoting, and selling regionally-based products to provide safe and high-quality agrochemicals that meet the requirements of agricultural producers all over the world. This activity has been supported by our satellite offices located in various regions of the world.

We would like to introduce our “local representatives” who play an active role in each satellite office.

South Korea



Representative of South Korea
H.S. Ham



Representative of South Korea
Y.S. Baeg

Our business covers a wide range of activities such as development and registration support of NIHON NOHYAKU products, technology promotion, and marketing. Tiadinil*¹ agent achieved the highest market share in the highly competitive nursery-box treatment market in South Korea, and the flubendiamide*² agent is recognized as a leading insecticide against lepidoptera in the market. Both of them are some of our successful cases. Furthermore, pyrifluquinazon*³ agent was launched in fiscal 2012, and the market presence of NIHON NOHYAKU products has become stronger in South Korea. We will make our best efforts to further promote and expand sales of NIHON NOHYAKU products including new agents to be developed in the future.

India



Representative of India A. K. Shetty

We have been helping Indian farmers to protect key crops such as rice and pulses from pests. Today, our two products, APPLAUD (buprofezin) and TAKUMI (flubendiamide*²), are leading agrochemical brands in India. We have a vision to increase our contribution to Indian agriculture and to improve our market presence in this rapidly growing market by directly participating in such activities as new product development.

Vietnam



Representative of Southern Vietnam
T.Q. Hien



Representative of Northern Vietnam
D.H. Hung

We are working to expand business in Vietnam so as to contribute to the growth of the company's overseas sales. We cooperate with local distributors to find ways of marketing and promotion for 10 proprietary products of Nihon Nohyaku. To develop suitable solutions for improving and expanding our sales, we also analyze market information and competitive situation with the local distributors. Our vision in the future is to achieve our sales target for the flubendiamide*² agent, and to grow our business in Vietnam by seeking suitable and potential markets for Nihon Nohyaku's current and future products.

*1 tiadinil = active ingredient of “V-GET”

*2 flubendiamide = active ingredient of “Phoenix”

*3 pyrifluquinazon = active ingredient of “Colt”



Mexico



Growing our business by identifying new market segments for our products and new partners has been an on-going challenge during the last years, and this challenge will continue for Nihon Nohyaku's new products to be registered and introduced in the near future. The mar-

ket in this region offers great opportunities for our products in major crops sectors as well as in attractive niche sectors. My vision is to achieve our sales expectations for actual and new products in the near future.

Representative of Mexico and Central America region
Kurt Grueninger

Colombia



In order to be at the forefront of the agrochemical industry by making use of the business opportunities that might arise for Nihon Nohyaku's molecules, the company currently cooperate with a local representative for the Andean Countries, encompassing Colombia, Peru, Ecuador and Venezuela. I am glad to hold such responsibility which has integrated the 3 main pillars: commercial, technical and regulatory. Such integration of 3 pillars aims at visualizing the current market trends and providing a structured strategy that allows us to materialize a sustainable business under local conditions.

Representative of Northern South America region (Colombia, Peru, Ecuador, and Venezuela)
Juan David Amaya

Brazil



Since 2011, I have been working as a local representative of Nihon Nohyaku. For more than 30 years, I have worked on product development, market development, marketing and sales in Brazil. During this period, I had opportunities to do business with several Japanese agrochemical companies and forming several partnerships. All these experiences let me accept this challenge to elevate the name of Nihon Nohyaku, and to grow sales in this big market opportunity for us. The Brazilian market is a rapidly-growing and the largest market in the world. Although our share is still insignificant now, we have a good chance of growth in this market.

Representative of Brazil
Kami Mario

Chile



The south cone of South America is formed by Argentina, Chile, Uruguay, Paraguay and Bolivia. Crops of the area mainly consist of soya, maize, and wheat, and we also have countries such as Chile, which is one of the largest fruits export countries in the southern

hemisphere. This fact makes this market very attractive to agrochemical companies. My job in this area is to maintain and enhance Nihon Nohyaku's business in each country, by periodically visiting main distributors. I analyze all the markets with the distributors to identify where the best opportunities for our products are, and also carefully monitors development of new products in this area.

Representative of Southern South America region
(Chile, Argentina, Uruguay, and Paraguay)
Jorge Guarda Eisendecker

Brazil



My area of responsibility focuses on supporting and accelerating the registration development to obtain registrations in the shortest time possible. To expand our product portfolio and to support product development in South and Central America, everything related to registration, such as maintaining current registrations and evaluating registrabilities, is needed. The region of South and Central America has enormous potential to be a world protagonist in agriculture and food security, thus our fundamental role is to take initiatives to pioneer this region by combining the values of our products, services and people and providing them to farmers.

Representative of Brazil
(Registration)
Evelyn Y. Kawaguchi



Financial Highlights

Net Sales **47,627** million yen

Ordinary Income **7,143** million yen

Net Income **4,715** million yen



Net sales increased due mainly to overseas promotion and sales expansion of our proprietary products



Ordinary income increased due to larger revenue from transfers of know-how technology as well as greater net sales

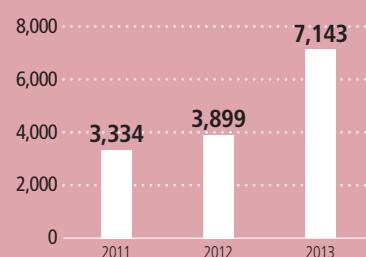
Net Sales (million yen)



Operating Income (million yen)



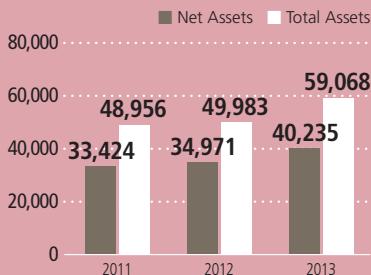
Ordinary Income (million yen)



Net Income (million yen)



Net Assets / Total Assets (million yen)



Dividend per Share (yen)

	Interim Dividend	Year-end Dividend	Total Dividend
2011	4.5	4.5	9.0
2012	4.5	4.5	9.0
2013	4.5	8.5	13.0



Consolidated Balance Sheets (Summary)

	2013	2012
Assets		
Current assets	39,277	31,781
Noncurrent assets	19,790	18,201
Property, plant and equipment	13,161	12,791
Intangible assets	921	820
Investments and other assets	5,707	4,590
Total assets	59,068	49,983

(million yen)

	2013	2012
Liabilities		
Current liabilities	12,791	10,676
Noncurrent liabilities	6,040	4,335
Total liabilities	18,832	15,011
Net assets		
Shareholders' equity	38,884	34,819
Accumulated other comprehensive income	1,130	△ 1
Minority interests	220	152
Total net assets	40,235	34,971
Total liabilities and net assets	59,068	49,983

Consolidated Statements of Income (Summary)

	2013	2012
Net sales	47,627	42,245
Operating income	7,450	4,110
Ordinary income	7,143	3,899
Income before income taxes and minority interests	7,219	3,730
Net income	4,715	2,285

(million yen)

Consolidated Statements of Cash Flows (Summary) (million yen)

2013	
Cash and cash equivalents at beginning of period	7,226
Net cash provided by (used in) operating activities	8,031
Net cash provided by (used in) investing activities	△ 1,284
Net cash provided by (used in) financing activities	1,434
Effect of exchange rate change on cash and cash equivalents	76
Cash and cash equivalents at end of period	15,484

Cash Flows

Net cash provided by (used in) operating activities

Net cash provided by operating activities for this fiscal year amounted to 8,031 million yen, due to an increase in cash attributable primarily to income before income taxes and minority interests, depreciation, and a decrease in inventories, which exceeded a decrease in cash due primarily to a decrease in notes and accounts payable-trade.

Net cash provided by (used in) investing activities

Net cash used in investing activities for this fiscal year amounted to 1,284 million yen, due primarily to the expenditure for acquisition of property, plant and equipment.

Net cash provided by (used in) financing activities

Net cash provided by financing activities for this fiscal year amounted to 1,434 million yen, due to an increase in cash attributable to short-term loans payable and long-term loans payable, which exceeded a decrease in cash primarily from the repayment of short-term loans payable.



Outline of Company (As of September 30, 2013)

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	692 (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

*On February 4, 2013, the company relocated its Head 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)

Non-Consolidated Subsidiaries

Nichino Europe Co., Ltd. (U.K.)
 Nichino Shanghai Co., Ltd. (China)

Equity Method Affiliate

Agricultural Chemicals (Malaysia) Sdn. Bhd.

Board of Directors and Corporate Auditors (As of December 20, 2013)

Chairman	Kazuhiko Morio
Representative Director, President	Yohichi Kohyama
Director, Managing Executive Officer	Kaoru Hirose
Director, Managing Executive Officer	Takamichi Konno
Director, Managing Executive Officer	Yousuke Tomoi
Director, Managing Executive Officer	Hideji Hosoda
Director, Managing Executive Officer	Sumitaka Kose
Director, Executive Officer	Shin Sakuma
Director, Executive Officer	Hiroyuki Nakashima
Director	Aki o Kohri
Auditor	Nobumasa Hamade
Auditor	Haruhiko Tomiyasu
Auditor	Iwao Toigawa
Executive Advisor	Shukichi Ohuchi

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

Kazuhisa Goh
 Kazuo Kanai
 Gakuo Fukutomi
 Kenji Tsubata
 Hirohisa Yano
 Jeffrey R. Johnson
 Toyokazu Iijima
 Hirofumi Tomita
 Aki ra Seo
 Yoshiaki Higashino

Stock Information / Shareholder Information

(As of September 30, 2013)

Stock Information / Shareholder Information



Stock Information

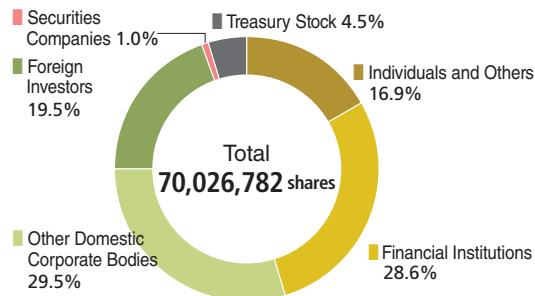
Authorized Shares	199,529,000 shares
Issued Shares	70,026,782 shares
Number of Shareholders	6,986

Major Shareholders

Name of Shareholders	Number of Shares	
	Held (Thousands)	Percentage of Total Shares Issued
ADEKA CORPORATION	16,176	24.19
The Master Trust Bank of Japan Ltd. (Trust Account)	3,444	5.15
Mizuho Bank, Ltd.	2,802	4.19
Japan Trustee Services Bank, Ltd. (Trust Account)	2,704	4.04
The Norinchukin Bank	1,960	2.93
Asahi Mutual Life Insurance Company	1,626	2.43
Resona Bank, Limited.	1,009	1.51
THE CHASE MANHATTAN BANK 385036	964	1.44
Sompo Japan Insurance Inc.	829	1.24
SSBT OD05 OMNIBUS ACCOUNT - TREATY CLIENTS	811	1.21

*Treasury stock is deducted (3,143 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 1,000 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 figures Vol. 6

“2,295”



Study tours by vocational school students
(Nichino Service Co., Ltd., Osaka Plant)

▶▶▶ This figure represents the number of people who came to visit the company group's research center, nursery, and plants for training courses and study tours during fiscal 2013.

● Number of training courses and study tours attendees during fiscal 2013

Research Center	847
Naganuma Nursery	213
Fukushima Plant	438
Kashima Plant	17
Osaka Plant	40
Saga Plant	740
Total	2,295

The company group, as part of its CSR (Corporate Social Responsibility) activities, puts efforts into communicating with society in various ways, with the aim of becoming an entity that is more accessible to the public. Among such efforts, we have been promoting training courses and study tours at our research center, nursery, and plants to provide opportunities where local residents and students could enrich their understanding of the company group's businesses as well as agrochemicals. Every year, we are receiving a large number of visitors through this activity.

During fiscal 2013 (October 2012 to September 2013), the total number of visitors at our Research Center, Naganuma Nursery, and four plants of Nichino Service Co., Ltd. reached 2,295 (increased by 230 from the previous fiscal year). Through these training courses and study tours, we explain to the visitors about issues such as the roles that agrochemicals play in agricultural production, and the care taken regarding conservation of the environment and for safety in agrochemical development.

For more information, please check our website.

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

NIHON NOHYAKU

Search



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