

REVIEW OF OPERATIONS

BUSINESS LINEUP

Nitto Denko has partially reorganized its operating segments in order to respond more quickly to changes in business environments and thereby raise efficiency.

INDUSTRIAL PRODUCTS

- **Bonding and Joining Products**
- **Sealing Products**
- **Anticorrosion and Waterproofing Products**
- **Pro-Techno (Surface Protection) Products**
- **Packaging Products**
- **Construction Material**
- **Life Care Products**
- **Consumer Products**
- **Industrial-use Bar-code Labels**
- **Electronic Component-related Products** *(Moved from electronic products segment)*
- **Electrical Insulating Products**

ELECTRONIC PRODUCTS

- **LCD-related Products**
- **Semiconductor-related Products**
- **Flexible Printed Circuit Products**
- **ASMAT (Application Specific Material)**
- **Thin Metal Core Boards and Related Products**

FUNCTIONAL PRODUCTS

- **Medical-related Products** *(Moved from industrial products segment)*
- **Engineering Plastics Products** *(Moved from industrial products segment)*
- **Membrane Products** *(Moved from industrial products segment)*

INDUSTRIAL PRODUCTS

Net sales of industrial products in fiscal 2000 amounted to ¥185,824 million, an increase of 0.3% over fiscal 1999. Operating income increased 36.6% to ¥10,722 million.

Bonding and Joining Products

Domestic and overseas sales of bonding and joining materials for home electric appliances, OA equipment, cellular phones and PC-related equipment increased. Sales of the first two items were particularly good in Southeast Asia. Sales of products for housing rose slightly and sales of materials for automobile application were almost unchanged.



Bonding and Joining Products

Sealing Products

Sales of sealing products, selected for a new automobile model in Japan and also in demand in a booming new car market in North America, increased significantly. Good sales to the electronics industry, especially soundproofing materials for HDDs for the home and overseas markets, boosted profits.

Anticorrosion and Waterproofing Products

Sales of anticorrosion products decreased, owing to a decline in demand in the domestic market. Thanks to a rise in new housing starts, sales of waterproofing and airtight materials showed a remarkable increase. ZENTEN SHEET waterproof-weathering materials registered record sales.

Pro-Techno Products

Sales of Pro-Techno surface protection products for wide application increased, owing mainly to a greater volume of new housing starts over fiscal 1999. Rapidly expanding investment in IT produced

increased sales of surface protection films for semiconductors, LCDs and PC boards. Brisk demand for new automobiles in North America led to higher sales of surface protection films for car bodies.

Packaging Products

During fiscal 2000, we reorganized our packaging products business. We established Nitto Denko Packaging System Corporation with a remit of reducing the time between new product development and shipment.

Construction Materials

In the field of environment-related products, the development of a substitute for vinyl-chloride tape for application in the automobile, household electric appliance and food industries was almost completed. Our vinyl tape maintained its No. 1 share of the global market, and we are now considering how best to allocate production within the four regions of Europe, North America, East Asia, and South Asia.

Life Care Products

Supported by the special demand arising from Y2K and a cold snap in March 2000, sales of material for disposable body-warmers were good. With the Japanese market for disposable diapers having reached a 90% saturation rate, sales of diaper tape were flat.

Consumer Products

In April 2000, we integrated our consumer products sector into Nitoms Inc., a consolidated subsidiary. We now intend to take a more dynamic approach to growth by leveraging the innovative strategies and brand strength of Nitoms and the technology of Nitto Denko.

Industrial-use Bar-code Labels

Sales in this field increased 10% over fiscal 1999, owing mainly to a boom in PC peripherals and mobile information equipment. However, installation business, such as bar-code printers and bar-



Sealing Products



Industrial-use Bar-code Labels

code labelers, was affected by weak capital investment by manufacturers. We sold two of our group companies in the United States.

Electronic Component-related Products

In line with a boom in demand for IT-related products, sales of carrier tapes, REVALPHA thermal-release sheets and heatproof tape were good both at home and overseas.

Electrical Insulation Products

Nitto Shinko Corp. took over responsibility for this sector.

ELECTRONIC PRODUCTS

Net sales of electronic products in fiscal 2000 amounted to ¥107,056 million, an increase of 31.0% over fiscal 1999. Operating income increased 55.6% to ¥12,728 million.

LCD-related Products

Against a background of growth in the PC and cellular phone markets, sales of polarizing films for large-size TFT-LCDs, and polarizing and retardation films for STN-LCDs have increased. Our new products “NIPOCS,” an LCD-use polarization converting system and “NWF,” a wide-angle film, expanded their market shares. The No.2 Factory at the Onomichi Plant went into operation during fiscal 2000 and can increase production capacity as required.

Semiconductor-related Products

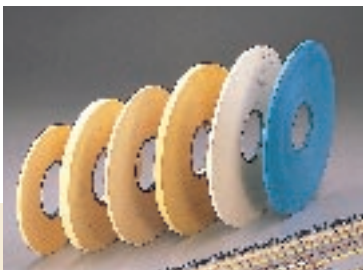
Buoyant demand for semiconductor-related products for use in cellular phones and PCs led to increased sales. Sales of encapsulating materials for semiconductors showed modest growth, accounted for by an accelerating trend toward package miniaturization. We raised sales prices in line with higher material costs, and total sales increased.

ASMAT Products

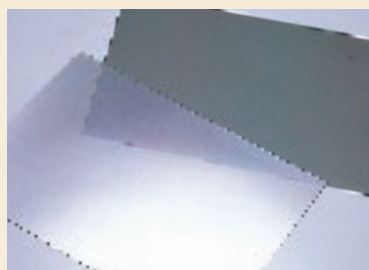
We decided to withdraw from ASMAT (Application Specific Materials) for CPS interposers.

Flexible Printed Circuit Products

Lower sales prices for computer peripherals resulted in similar downward pressure on prices of FPC products. Nitto Denko Vietnam Co. Ltd., established for



Electronic Component-related Products



LCD-related Products

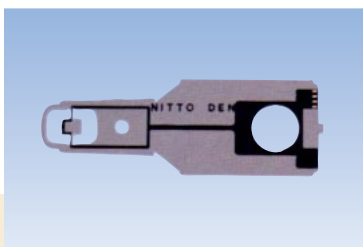


Semiconductor-related Products

the purpose of reducing manufacturing costs, became operational during fiscal 2000. We now plan to increase sales by targeting the growing market for mobile communication devices.

Thin Metal Core Boards and Related Products

Sales of thin metal core boards for MRH, used in HDDs, posted a strong increase. However, an excess of supply made this field extremely competitive.



Thin Metal Core Boards and Related Products

FUNCTIONAL PRODUCTS

Net sales of functional products in fiscal 2000 totaled ¥32,516 million, up 8.3% over fiscal 1999. Operating income increased 41.8% to ¥3,161 million.

Medical-related Products

Sales of patches for angina pectoris treatment, and transdermal therapeutic patches for asthma launched in fiscal 1999, showed steady increases and good returns. Sales of sebum plug-removing facial packs decreased, owing to a decline in overseas demand. Meanwhile, we are continuing to draw up plans for a reorganization of our surgical products business, which had shown poor profitability.

Engineering Plastic Products

Polyimide belts, for application in the fax machines and photocopiers of two

leading Japanese manufacturers, registered excellent sales. Sales of fluoroplastic adhesive tapes for electronic and OA equipment applications were also good. Sales of filtration products increased to the point where they matched initial expectations.

Membrane Products

Sales of polymer separation membrane modules for application in the semiconductor manufacturing process started to show a gradual recovery in response to increased capital investment in our client industries. The drinking water-related market continued to grow rapidly, but there was intense pricing competition. We received further large orders for membrane modules from a seawater desalination plant in Bahrain. We plan to lower costs through global-scale production.



Medical-related Products



Engineering Plastic Products