

*Raising management  
efficiency to a new level  
for creation of new value  
to become the top player  
in global niche markets*

### **Targets Exceeded**

The business results of Nitto Denko Corporation and its consolidated subsidiaries for fiscal 2000, ended March 31, 2000, were well above the targeted figures. Consolidated net sales totaled ¥325,399 million, up 9.5% over fiscal 1999, ended March 31, 1999. Operating income increased 45.7% to ¥26,612 million. Net income came in at ¥13,399 million.

These increases in sales and profit were attributable mainly to the success of our constant efforts to reorganize our business structure. Three years ago, we divided our business segments into two categories: “Traditional Business (T Business)” and “Growth Business (G Business).” The former consists of long-established, rather mature business lines, while the latter includes business fields for which future growth is expected. Focusing on the attainment of higher efficiency through a reorganization of the T Business, we transferred the electrical insulation products and packaging tapes sectors, our mainstay business lines since our establishment, to subsidiaries, and removed some products from the lineup. To become a company with a keen competitive edge in the 21st century, we must continue to implement measures to restructure our business framework. These measures are also effective in improving the efficiency of the Company’s fund operations.

Our excellent performance for fiscal 2000 is also proof that our aggressive investments in the past, made even during times of difficulty, were worthwhile. On the sales front, our target markets, namely the markets for cellular phones and notebook-type personal computers (PCs), grew even more strongly than we expected. During fiscal 2000, we released on schedule several products incorporating new technologies, and these new products made important contributions to the upturn in our business results.

### **Developing Products Truly Beneficial to End-users**

In the rapidly growing field of LCD polarizing films and related products, we have been creating products in strict accordance with a predefined “roadmap.” For notebook-type PCs, for example, our goal is to create a brighter LCD with a wider viewing angle. For cellular phones, our “destination” is a lighter, thinner

product. We prepared the roadmap by anticipating the needs of general consumers. Examples of products developed this way include a LCD-use polarization converting system and a film that offers a wider viewing angle.

Sales of other new products, such as connection cables for computer hard disk drives and thin metal core boards for Magnetron Resistive Heads (MRH), posted steady growth. In addition to electronics and information technology (IT) related products, sales of transdermal therapeutic patches for asthma treatment increased more than expected. We obtained government approval to produce this product in December 1998 and began sales during fiscal 1999.

### **“3Es,” a New Corporate Banner**

G Business products, which made a marked contribution to our excellent business results for fiscal 2000, will be the driving force behind our future growth. The key to success is “3Es.”

“3Es” stand for Electronics, Energy, and Ecology. It is in these fields that we are confident of becoming one of the leading players in the global market. As well as representing external business development targets, they also have an internal role in raising awareness of the importance of these three fields among our employees.

In the future, Japan’s GDP will be increased by companies capable of making the most of leading-edge information technologies. These companies, in turn, will be supported by hardware manufacturers constantly creating more sophisticated products. Put another way, the extent of the contribution we can make to the IT industry will determine our growth in the electronics field.

In the energy field, the requirement will be the development of products and production systems that reduce consumption of energy.

People are increasingly concerned with the environment and related health issues. We must quickly develop technologies, products and production systems that offer total ecological



solutions, harming neither humans nor the natural world. To this end, we set aside a special “environment budget” in our budget plan for fiscal 2001. We intend to integrate environment protection activities into our business operations from a macro viewpoint.

### **“G-2002,” a New Mid-term Management Plan**

I noted earlier that we have classified our business segments into “T Business” and “G Business,” and have been concentrating on improving the further profitability of the former and increasing sales of the latter. Over the next three years, starting from fiscal 2001, we will need to make investments totaling ¥100,000 million. T Business, which has been the major source our profit, will play a role in generating cash flows sufficient to make such a large-scale investment. In “G-2002,” we have already upgraded the targets for net sales and income before income taxes to ¥420,000 million and ¥45,000 million, respectively, in light of our excellent business results for fiscal 2000. These upward revisions are based on evidence that our reorganization measures have begun to bear fruit, and that the business results of some of our overseas subsidiaries, which have fallen into the red, have started to recover.

### **Creating New Value**

The IT field is currently experiencing a massive boom in both technological innovation and sales. If “Business to Business (B to B)” electronic commerce (international procurement of materials over the Internet) continues to expand as fast as the evidence suggests it will, forming a global value chain, we will need to reorganize our Group structure from a global viewpoint. As a first step, we plan to merge three sales companies on October 1, 2000. The “IT revolution” has dramatic implications for the structure of our sales network. Changes will require investment in information technologies on a scale that small companies cannot afford. The integration of these companies will ensure that they are in a good position to raise the large funds needed for IT investments.

Our “technology-driven” management policy to achieve growth through technology development remains unchanged. In fiscal 2001, we will set up a research laboratory in the United States. The role of this facility is to carry out research and information collection in the optical and biotechnology fields, and identify business opportunities that can be exploited within a seven-to-ten year time span. We aim to develop advanced optical technologies based on our already renowned polarizing film manufacturing techniques, and biotechnology-related products such as in-vivo use medical materials, which can be derived from our existing T Business.

The management philosophy of the Nitto Denko Group stresses “creating new value.” By continually offering new value to our customers, we intend to achieve steady corporate growth and become a company whose *raison d'être* is appreciated by society, end-users, shareholders, employees, and other stakeholders.

We are currently considering a plan to publish quarterly consolidated reports in the interests of timely disclosure to both the public and our shareholders. Another purpose is to concentrate the mind of corporate management on the need to constantly monitor business results in a manner that is fully transparent both internally and externally. This does not mean that we will become obsessed with the short term. On the contrary, we look to our traditional culture of challenge and response in pursuing our long-term Group-wide goal of becoming a “Global Niche Leader” with a market capitalization of ¥1,000 billion.



Hideki Yamamoto  
President