

# ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

## Sales Overview

Nitto Denko's consolidated net sales for fiscal 2001, ended March 31, 2001, amounted to ¥365,698 million, a 12.4% increase against fiscal 2000 and a record high for the corporation.

The first half of fiscal 2001 saw steady growth, with the U.S. economy acting as the motor of the world economy. In the second half, the bursting of the dotcom bubble in the U.S. had an adverse knock-on effect in Europe and Asia, and growth slowed. In turn, this slowdown hit exports from Japan, stymieing economic recovery.

Nitto Denko's electronic products business, including LCD-related products and flexible printed circuit products, performed particularly well. The increased net sales also reflected the Corporation's initiative to expand its overseas activities.

Net sales of electronic products amounted to ¥132,145 million, an increase of 23.4%, and accounted for 36.1% of total sales, up 3.2 percentage points.

Net sales of industrial products amounted to ¥196,535 million, an increase of 5.8%, and accounted for 53.8% of total sales, down 3.3 percentage points.

Net sales of functional products amounted to ¥37,018 million, an increase of 13.8%, and accounted for 10.1% of total sales, up 0.1 percentage points.

Net sales to customers outside Japan amounted to ¥139,152 million, a 24.7% up against fiscal 2000, and accounted for 38.1% of total sales, up 3.8 percentage points.

## Income Analysis

Cost of sales amounted to ¥259,277 million, an increase of 11.4%.

This compares with an increase in net sales of 12.4%, and the ratio of cost of sales to net sales decreased by 0.6 percentage points to 70.9%.

Gross profit amounted to ¥106,421 million, a 14.8% increase against fiscal 2000. The ratio of gross profit to net sales increased 0.6 percentage points to 29.1%.

Selling, general and administrative (SGA) expenses were up 8.4% to ¥71,597 million, due mainly to an increase in labor costs. However, as a consequence of continued restructuring of subsidiaries and structural streamlining to enhance group profitability, the ratio of SGA expenses to net sales decreased 0.7 percentage points to 19.6%.

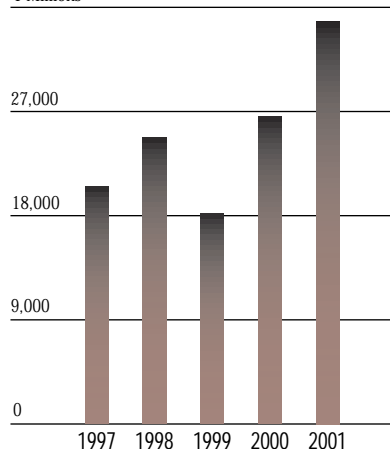
As a result, operating income increased 30.9% to ¥34,824 million. The operating income ratio increased by 1.3 percentage points to 9.5%.

In other income and expenses, interest and dividend income amounted to ¥914 million. Interest expense amounted to ¥478 million, net gain in sales of marketable securities and investments in securities amounted to ¥48 million. Amortization of net transition obligation in retirement benefit accounting policy amounted to ¥15,567 million. Thereby, other income and expenses resulted in a ¥9,100 million loss.

Income before provision for income taxes increased 19.2% to

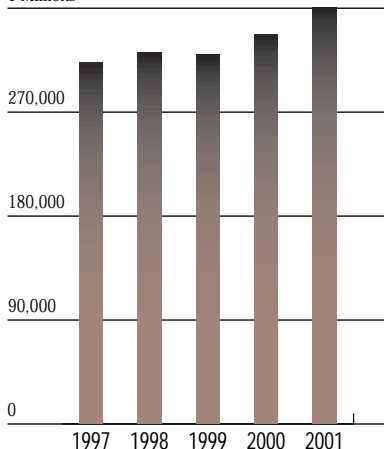
### OPERATING INCOME

¥ Millions



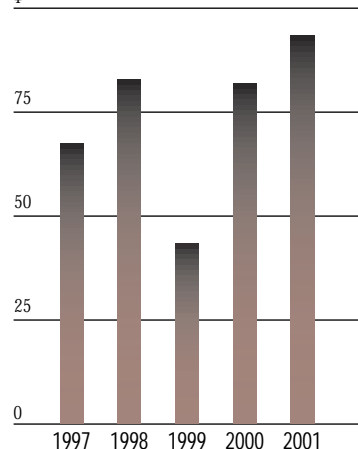
### TOTAL ASSETS

¥ Millions



### NET INCOME PER SHARE

¥



¥25,724 million. Net income amounted to ¥15,851 million, an 18.3% increase against fiscal 2000. The ratio of net income to net sales was 4.3%, up 0.2 percentage points. Net income per share was ¥93.51, an increase of ¥11.47. ROE rose by 0.57 percentage points to 7.22%.

### Analysis of Financial Condition

Total assets as of March 31, 2001 amounted to ¥357,654 million, an increase of ¥23,153 million against the figure at the end of fiscal 2000. This was attributable mainly to an increase in current assets, including cash on hand and in banks, and inventories.

Among current assets, cash on hand and in banks increased ¥7,545 million to ¥54,926 million and inventories increased ¥8,186 million to ¥35,682 million. Marketable securities increased as the Corporation and its domestic consolidated subsidiaries adopted the new domestic accounting standard for financial instruments from fiscal 2001, thus increasing total current assets to ¥205,189 million, up ¥23,607 million.

Plant and equipment increased ¥12,005 million to ¥113,475 million, mainly as a result of an increase in buildings and structures, machinery and others, reflecting the Corporation's substantial investment in production facilities.

Total liabilities increased by ¥9,310 million to ¥127,634 million.

Shareholders' equity increased ¥14,768 million to ¥226,894 million. Shareholders' equity ratio rose 0.02 percentage points to 63.44%. Shareholders' equity per share increased ¥31.85 to ¥1,305.80.

### Cash Flow Analysis

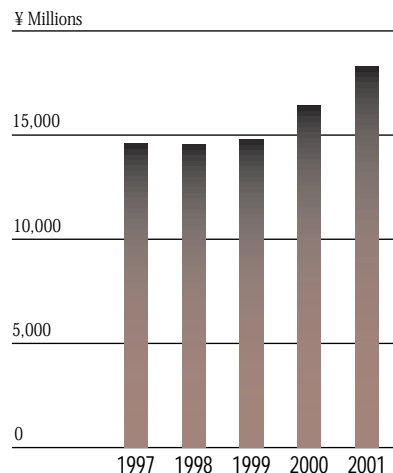
As of March 31, 2001, consolidated cash and cash equivalents were ¥57,989 million, an increase of ¥5,377 million against fiscal 2000. This was in despite of increased capital expenditure and income taxes. In fiscal 2001, the Corporation changed its method of calculating cash and cash equivalents (see Note 1 (j) for details).

Net cash provided by operating activities decreased ¥5,808 million to ¥33,950 million. Income before provision for income taxes amounted to ¥25,724 million, reflecting continued strong sales of electronic products. Increased income taxes and others offset early recovery of trade receivables.

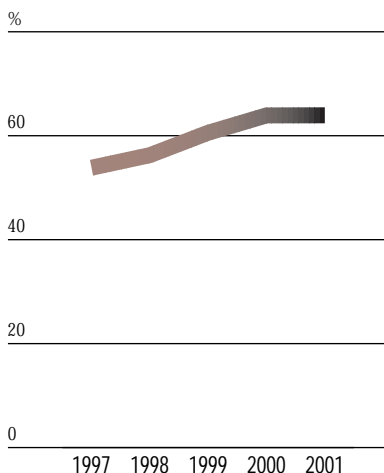
Net cash used in investing activities increased ¥6,302 million to ¥26,833 million. This reflects the fact that capital expenditure for electronic products increased substantially over the fiscal 2000 figure.

Net cash used in financing activities decreased ¥4,738 million to ¥2,270 million. This is attributable mainly to decreased payment of long-term bank loans and increased payment of dividends.

#### DEPRECIATION & AMORTIZATION



#### EQUITY RATIO



#### ROE

