

On a consolidated basis, net sales of industrial products in fiscal 2002 were ¥183,699 million, down 6.5% from fiscal 2001, while operating income was ¥4,640 million, down 64.9% from the previous fiscal period, owing to cutbacks in IT-related investment, production adjustments of mobile phones and personal computers and a decline in new housing starts.

Bonding and Joining Products

Sales of bonding and joining products dropped sharply due to a decrease in production of home electronics, communications and OA equipment and other products in the electronics sector, which accounts for 60% of this segment, accompanied by inventory disposal by electronic component manufacturers. Another factor in a decline in business performance was the disposal of inventory held by the Nitto Denko Group as a result of the establishment of an SCM system in fiscal 2002.

With the start of operations at the No. 13 facility at the Toyohashi Plant, which is equipped with a fully integrated clean system, we launched production of differentiated, high-value-added products in growth fields in the electronics business.

Sealing Products

Owing to the drop in new housing starts, increases in overseas production of home electronics and inventory adjustments of electronic equipment, sales of sealing products were slack, with the exception of expanding our market share of reinforcement and vibration-damping materials for automobiles. We will continue to examine market needs and our production system in response to increased demand.

Full-scale production of our sound and dust-proof foam sealant for electronics equipment, such as LCDs or hard disks (HDDs), which was launched in fiscal 2002, will commence in fiscal 2003.



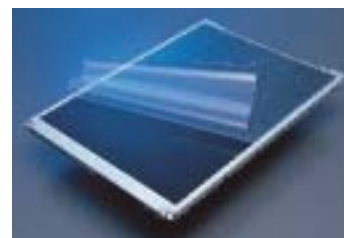
EPT Sealer

Anticorrosion and Waterproofing Products

The housing materials industry was generally sluggish, partly due to the decrease in housing construction starts. Despite an increase in demand for waterproofing and airtight-type products from the housing construction industry as a result of the requirements of the Housing Quality Assurance Act, including positive sales of housing-related products, such as ZENTEN SHEET waterproof-weathering materials, overall sales remained flat.

Surface Protection Products

Due to flat sales for the automobile industry, accompanied by a slow-down in sales for the electronics and housing construction materials industries, total sales of sur-



E-MASK

face protection products decreased as a result. Conversely, within this segment, sales of protective packaging material for polarizing films for LCDs remained strong.

Production of automobile surface protection products and protective films for painted surfaces of automobiles, will commence in the United States and Europe in fiscal 2003, setting the stage for sales expansion in these areas.

Packaging System

Amid extremely lethargic economic conditions, the packaging industry was adversely impacted due to a large amount of non-performing loans. As a result, sales and income in this area fell in fiscal 2002. Further, due to intensified price competition for industrial packaging tapes, which is expected to continue, we shifted our focus toward securing profits from sales of high-value-added products, including new environment-friendly products.

Construction Materials

Sales of construction materials decreased slightly due to a downturn in the construction materials and coating materials industries, which were adversely affected by a drop in new housing starts. On the other hand, sales of new products created through close customer marketing activities were favorable.

The home renovation market is projected to grow in fiscal 2003, and on this basis, we will focus on related products. Moreover, we are planning to start supplying dehalogenation adhesive tapes, our new environment-friendly product, to the automobile and housing construction materials industries.

Life Care Products

The maturation of the markets for diapers, sanitary products and body-warmers has intensified price competition. Although sales of materials for disposable body-warmers were down, owing to an unusually mild winter, the porous film BREATHRON is expected to maintain a large share of the market thanks to its high quality.



BREATHRON

Further, we have improved diaper tapes to meet the demand for diapers that are kind to skin. In line with our expectations for the life care market to grow in Asia, in April 2001, Nitto Life-tech Co., Ltd. assumed overall control of development, manufacturing and sales functions for this business in response to rapid and chaotic changes in the market.

Consumer Products

Earnings in this segment dropped due to sluggish personal consumption and intense price competition. Among 92 new items released in fiscal 2002, small floor cleaners were well received,



Adhesive cleaner series

becoming a hit product. In order to boost production of carpet cleaners, our mainstay product, we increased production facilities at Nitoms Inc.'s Toyohashi Plant.

Industrial-use Bar-code Labels

Despite signs of recovery at the end of the term, we posted losses in sales and income in this business area due to the stagnating market for communications devices, the primary market in this field.

Over the medium and long term, however, we expect these markets to grow. In fiscal 2003, we aim to increase sales to

manufacturers of HDDs and related components, as well as the aluminum industry, and to pursue new markets. In parallel, we will focus on the expansion of profits through enhanced productivity.

Electronic Component-related Products

A slowdown in communications devices and the PC-related industries dampened sales of thermal release sheets used in the manufacturing process and tapes used for transporting components, which resulted in lagging sales of electronic components as a whole.



Electronic component carrier tapes

Orders from component manufacturers have been on the rise since March 2002, although future performance remains uncertain.

We are currently restructuring our business system within the Group and are in the process of transferring production to Nitto Shinko Co., Ltd. and Nitto Denko Materials (Malaysia) Sdn. Bhd. In fiscal 2003, we are planning to launch promising new products for wafer prober cleaning systems and semiconductor packaging processes.

Electrical Insulation Products

In spite of an increase in sales of power generation equipment boosted by especially strong demand from the electric utility industry in the United States, business in this field was slack, owing to cutbacks in investment in new equipment by Japanese electric companies, a decline in the IT industry and reduction of earnings produced by the elimination of underperforming products.



High-voltage electrical insulation tapes

Domestic business conditions are projected to remain sluggish in fiscal 2003. We will concentrate our energies in receiving orders from the Taiwanese market where a five-year plan for power generation is in progress.

ELECTRONIC PRODUCTS

Net sales of electronic products in fiscal 2002 amounted to ¥119,627 million, down 9.5% from fiscal 2001. Operating income was ¥10,663 million, down 35.1%. Sales of LCD-related products increased substantially, supported by expanded sales of high-tech optical films for LCD monitors. Conversely, sales of semiconductor-related products and flexible printed circuits (FPCs) were adversely affected by the IT-industry downturn. As a result, overall business slowed in this segment.

LCD-related Products

With the progress in the shift from CRT to LCDs in response to decreases in the price of LCD monitors, and increases in sales of LCD TVs, sales of wide angle polarizing films (NWF) and polarizing films with retardation films for TVs increased sharply. Sales of NIPOCS were also up as a result of an increase in demand for high-



NIPOCS

luminance LCDs. However, sales of mobile phone panels were on a downward trend due to inventory adjustments, and sales of retardation films and transmissive polarizing films for mobile phones

decreased slightly. On the other hand, prior investment in plant and equipment (No. 3 Facility at Onomichi Plant and processing bases in Southeast Asia) which coincided with an increase in demand, contributed to strong sales of LCD-related products.

Semiconductor-related Products

Sales of semiconductor encapsulating resins and wafer-protection tapes for the semiconductor manufacturing process, which were seriously affected by the falloff in demand for PCs and peripherals and communications devices, dropped sharply. However, sales of semiconductor encapsulating resins began to recover in the latter stages of the second half of fiscal 2002, mainly in the Taiwanese



NITRON-T Series

market. Encapsulating resins for optical devices for DVDs, in particular, also showed signs of recovery. There is a strong indication that the downturn in this field has bottomed out.

Further, we discontinued production of semiconductor encapsulating resins at the Kameyama Plant, the former production base for semiconductor-related products in March 2002, and started production at two production bases, Nitto Electronics Kyushu Co., Ltd., a spin-off company, and Nitto Denko Electronics (Malaysia) Sdn. Bhd. from April 2002.

Flexible Printed Circuit Products

Sales of FPCs were slow due to inventory adjustments of IT-related products. Currently, a new plant is under construction in Suzhou, China. This integrated production facility, which will comprise start-to-finish manufacture of FPCs, will be our first such plant of its kind overseas. The facility to be constructed in the first phase of



FPC

the project is scheduled to start operation at the beginning of 2003 in manufacturing FPCs for electronics, including IT-related products. We will begin application of high-density FPCs in fiscal 2003, with integrated production scheduled to start in the first half of fiscal 2003. Further, we will continue to examine applications to support our customers' needs via new product development.

Thin Metal Core Boards and Related Products

Although sales of HDDs were sluggish due to a reduction in market demand for PCs, sales of thin metal core boards with precision circuits increased over the previous fiscal period, bringing an increase in market share in shifting to new specifications. The market for HDDs is expected to pick up in fiscal 2003 after bottoming out. In addition, thin metal core boards with precision circuits will be switched to the new specifications, resulting in an expected increase in sales in this field.



Thin metal core board for HDDs

FUNCTIONAL PRODUCTS

Net sales of functional products in fiscal 2002 amounted to ¥35,604 million, down 3.8% from fiscal 2001. Operating income was ¥4,039 million, down 22.4%. Sales of medical-related products, including transdermal therapeutic patches and membrane products for desalination plants remained steady.

Medical-related Products

We maintained the largest share for transdermal therapeutic patches in the Japanese market, with increases in sales of patches for asthma and steady sales of patches for angina pectoris treatment. Among our surgical products, sales of adhesive bandage sheets and surgical tapes remained strong. Total sales in this field increased slightly as a result. Amid price competition in the surgical product market, we have implemented reorganization of this business and established Sanshin Kako Co., Ltd., targeting an improved profit structure for the Group. Production will be subsequently transferred to the new company. In addition, plans for introducing our transdermal therapeutic patches overseas are underway.



Transdermal therapeutic patches

Engineering Plastic Products

Sales of processing materials for electronic components and semiconductors decreased in fiscal 2002 due to a downturn in the electronics industry. Conversely, corresponding to a focus on environmental concerns, demand in bag filters used for anti-dioxin measures and filtration products in the office automation (OA), automotive, home electronics and organic electroluminescence (EL) equipment fields expanded. Sales of polyimide belts for OA equipment also remained steady.

In addition to domestic and overseas sales expansion of NITOFILON fluoroplastic adhesive tapes, we expect to increase sales of filtration products and polyimide belts in fiscal 2003.



Semi-conductive polyimide belts

Membrane Products

Although sales of products for semiconductor industry applications decreased due to continued cutbacks in capital investment, overseas demand for membranes used in seawater desalination remained strong, leading to a slight increase in sales in this field.

In the semiconductor industry, in line with an increase in the number of new plants in Asia, we are planning to focus on expansion of the business in this region.

At the same time, growth in overseas water treatment markets is expected to continue. In response, we intend to launch new products, including advanced purification equipment. To this end, we are strengthening ties with Hydranautics, our U.S. subsidiary. Further, we will start an assembly-line process at Nitto Denko (Shanghai Songjiang) Co., Ltd., thus establishing a three-site production system, comprising these two companies and the Shiga Plant.



High-polymer separation membrane modules