

RESULTS OF OPERATIONS

Sales Overview

On a consolidated basis, Nitto Denko's net sales for fiscal 2002, ended March 31, 2002, amounted to ¥338,930 million, down 7.3% from the previous fiscal year, whereas the inclusion of Kyoshin Corporation as a consolidated subsidiary contributed to this sales increase.

During fiscal 2002, the world economy demonstrated growing signs of global recession, mainly due to the bursting of the IT bubble along with a decline in the U.S. economy in the wake of the terrorist attacks in the United States in September, 2001. The Japan economy also continued to be dragged down by deflation and seriously impacted by a decrease in production, a significant scaling back of capital expenditures and a continuing decline in corporate financial performance. Although a slight indication of a bottoming-out occurred in the third quarter of the fiscal period, marked by improvements in inventory adjustments and a leveling-out of declining sales of exports, the economy failed to realize a full-fledged recovery.

Under such economic conditions, with the exception of certain business areas such as LCD-related products, medical-related products and polymer separation membrane modules, the financial performance of the Group has been impaired by cutbacks in IT-related investment, adverse effects of production adjustments in mobile phones and personal computers, and a decrease in housing construction starts.

Summary of Results by Business Segment

Industrial Products

Net sales of industrial products amounted to ¥183,699 million,

down 6.5% from the previous fiscal year. Sales of bonding and joining products and surface protection products remained weak due to a slump in the electronics industry. Sales of electronic component-related products declined due to a continuing slowdown in production by electronic component manufacturers. A drop in housing starts resulted in lower sales of paint products in particular, while sales of waterproofing and sealing products remained robust among housing and construction materials.

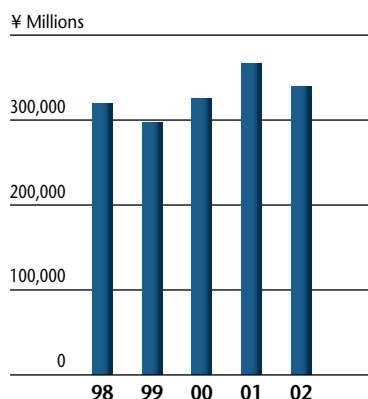
Electronic Products

Net sales of electronic products amounted to ¥119,627 million, down 9.5%. This was due mainly to stagnant sales of semiconductor-related products as a result of declining demand in the information and communication industries. Among flexible printed circuits (FPCs), sales were largely offset by a unit decline of optical disc drivers and consumer electronics appliances. Conversely, a surge in demand contributed to continuing positive sales of LCD-related products, including high-performance optical films for LCD monitors and retardation films for LCD TVs.

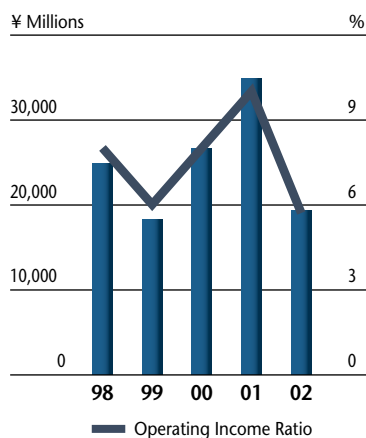
Functional Products

Net sales of functional products amounted to ¥35,604 million, down 3.8% from the previous fiscal period. Among medical-related products, sales of surgical products and transdermal therapeutic patches increased. Concerning polymer separation membrane modules, sales of membrane modules of industrial/portable water increased significantly in the United States, Europe and China. Regarding engineering plastic products, sales of processing and equipment products for the electronics industry remained weak.

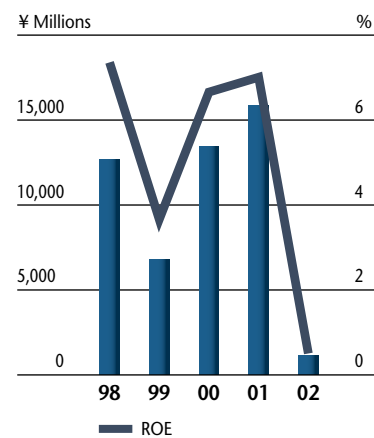
NET SALES



OPERATING INCOME & OPERATING INCOME RATIO



NET INCOME & ROE



Results by Geographic Areas

In Japan, net sales totaled ¥237,460 million, down 4.3% from the previous fiscal period, and operating income decreased 41.9% to ¥16,727 million, whereas the inclusion of Kyoshin Corporation as a consolidated subsidiary contributed to this sales increase. With the exception of certain business areas such as LCD-related products, medical-related products and polymer separation membrane modules, the financial performance of the Group has been severely affected by cutbacks in IT-related investment, adverse effects of production adjustments in mobile phones and personal computers, and a decrease in housing construction starts.

In North America, net sales amounted to ¥31,338 million, down 17.5% from the previous fiscal period, whereas operating income was ¥172 million, representing a decrease of 87.7%. Sales of electronic products dropped, affected by a slowdown in the IT industry. Although sales of auto-related products increased significantly, sales of industrial products decreased due to a slump in electronics and other industries. Conversely, sales of polymer separation membrane modules used in agricultural water and seawater desalination increased, respectively.

In Europe, a plunge in demand in the semiconductor and mobile phone markets impacted the financial performance of LCD- and semiconductor-related products. In addition, sales of circuit-related materials for computer peripherals and electronic appliances significantly decreased, resulting in a sharp drop in sales of electronic products, while sales of industrial products, such as mobile phone-related materials, remained weak due to a slump in the electronics industry. As a result, net sales in the region decreased 24.6% to ¥13,287 million, and operating income decreased 75.7% to ¥249 million.

In the Asia & Oceania region, sales of semiconductor-related materials and materials for electronic components drastically declined, acutely affected by a decrease in IT demand worldwide. Although demand for LCD-related materials increased in response to an expansion in LCD monitors, net sales amounted to ¥56,846 million, down 8.4%, and operating income amounted to ¥1,341 million, a decline of 61.6% compared to the previous fiscal period.

Income Analysis

Cost of sales amounted to ¥247,823 million, down 4.4%. This compares with a decrease in net sales of 7.3%, and an increase in the ratio of cost of sales to net sales by 2.2 percentage points to 73.1%.

Gross profit amounted to ¥91,107 million, down 14.4%. The ratio of gross profit to net sales decreased 2.2 percentage points to 26.9%.

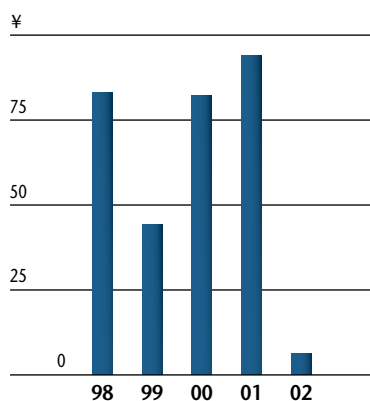
Selling, general and administrative (SGA) expenses were up 0.3% to ¥71,793 million. The ratio of SGA expenses to net sales increased 1.6 percentage points to 21.2%.

As a result, operating income decreased 44.5% to ¥19,314 million compared to ¥34,824 million in fiscal 2001.

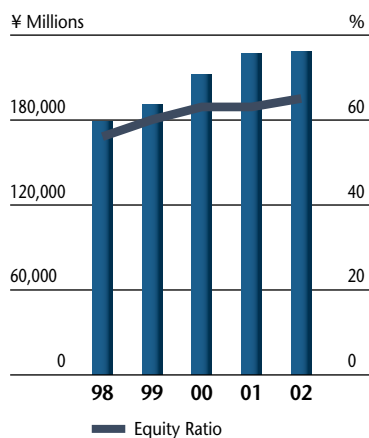
With regard to other income and expenses, losses on evaluation of investment in securities amounted to ¥4,870 million, and restructuring expense, including expenses related to early retirement benefits along with an early retirement scheme, totaled ¥11,518 million. As a result, other income and expenses resulted in a loss totaling ¥15,592 million.

Income before provision for income taxes decreased 85.4% to ¥3,722 million. Net income amounted to ¥1,115 million, a 93.0% decrease. The ratio of net income to net sales was 0.3%, down 4.0

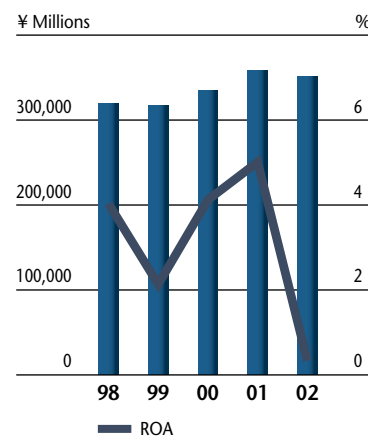
NET INCOME PER SHARE



SHAREHOLDERS' EQUITY & EQUITY RATIO



TOTAL ASSETS & ROA



percentage points. Net income per share was ¥6.42, a decrease of ¥87.09. ROE declined by 6.7 percentage points to 0.5%.

ANALYSIS OF FINANCIAL CONDITION

Assets and Liabilities & Shareholders' Equity

Total assets amounted to ¥350,340 million, representing a 2.0% decrease.

Regarding current assets, cash on hand and in banks decreased ¥15,386 million to ¥39,540 million. Trade notes and accounts receivable fell ¥849 million to ¥91,145 million as a result of a drop in net sales. Inventories decreased ¥2,146 million to ¥33,536 million. As a result, total current assets amounted to ¥182,032 million, down 11.3%, or ¥23,157 million, compared to the previous fiscal year.

Plant and equipment increased ¥16,494 million to ¥129,969 million, mainly due to an increase in production facilities, reflecting the Group's substantial investment, including the Onomichi Plant in Japan, the Suzhou Plant in China and a new plant for adhesive tapes for industrial use in the United States.

Total current liabilities decreased ¥13,788 million to ¥89,040 million, mainly as a result of a decrease in income taxes. Long-term liabilities decreased ¥1,258 million to ¥23,548 million due to a decline in the allowance for severance and pension benefits. As a result, total liabilities decreased ¥15,046 million to ¥112,588 million. Interest-bearing liabilities decreased ¥547 million to ¥9,219 million.

Shareholders' equity increased ¥1,516 million to ¥228,410 million. The shareholders' equity ratio rose 1.8 percentage points to 65.2%. Shareholders' equity per share increased ¥8.73 to ¥1,314.53.

Cash Flow Analysis

As of March 31, 2002, cash and cash equivalents, end of year were ¥40,105 million, down ¥17,884 million versus the previous fiscal period. This was largely due to an 85.5% decrease in income before provision for income taxes to ¥3,722 million, vigorous capital investment and income taxes paid, along with an increase in cash and cash equivalents of a newly consolidated company amounting to ¥1,638 million.

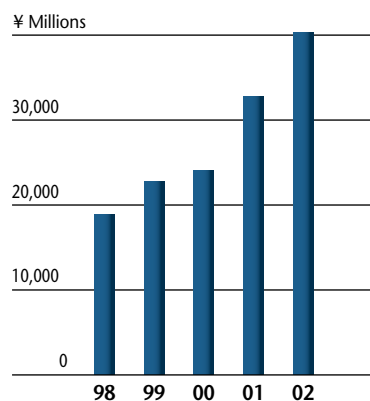
Net cash provided by operating activities decreased to ¥20,013 million. This is mainly attributable to income before provision for income taxes amounting to ¥3,722 million, depreciation and amortization totaling ¥20,443 million, a decrease in trade notes and accounts receivable amounting to ¥10,836 million, a decrease in trade notes and accounts payable totaling ¥4,697 million and income taxes paid amounting to ¥15,483 million.

Net cash used in investing activities increased to ¥35,593 million, due in part to acquisitions of plant and equipment focusing on electronic products, which amounted ¥41,630 million.

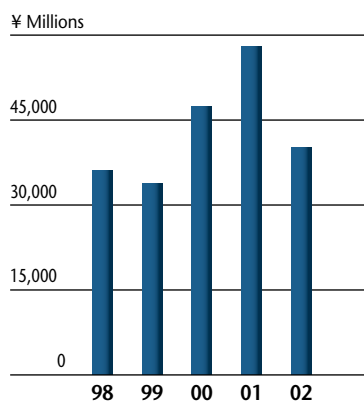
Net cash used in financing activities increased to ¥4,445 million, mainly attributable to dividends paid totaling ¥3,820 million.

Previously revenues and expenses of both domestic and foreign subsidiaries and equity investments have been translated into yen using the year-end spot exchange rates. From the current fiscal year, they are translated into yen at average exchange rates during the period. As a result of this change, net cash provided by operating activities decreased ¥271 million, net cash used in investing activities increased ¥400 million and net cash used in financing activities decreased ¥117 million.

CAPITAL EXPENDITURES



CASH & CASH EQUIVALENTS



DEPRECIATION & AMORTIZATION

