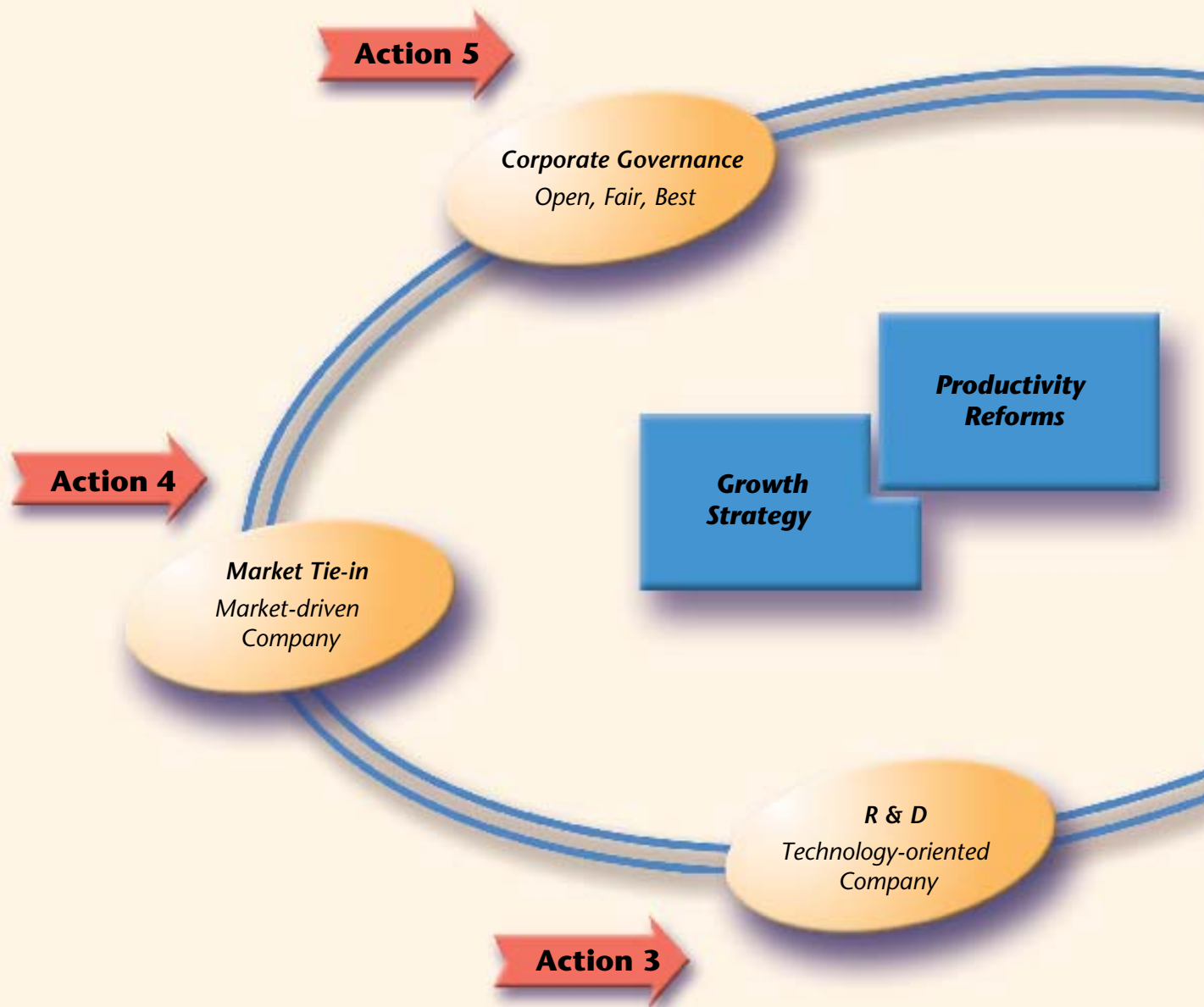
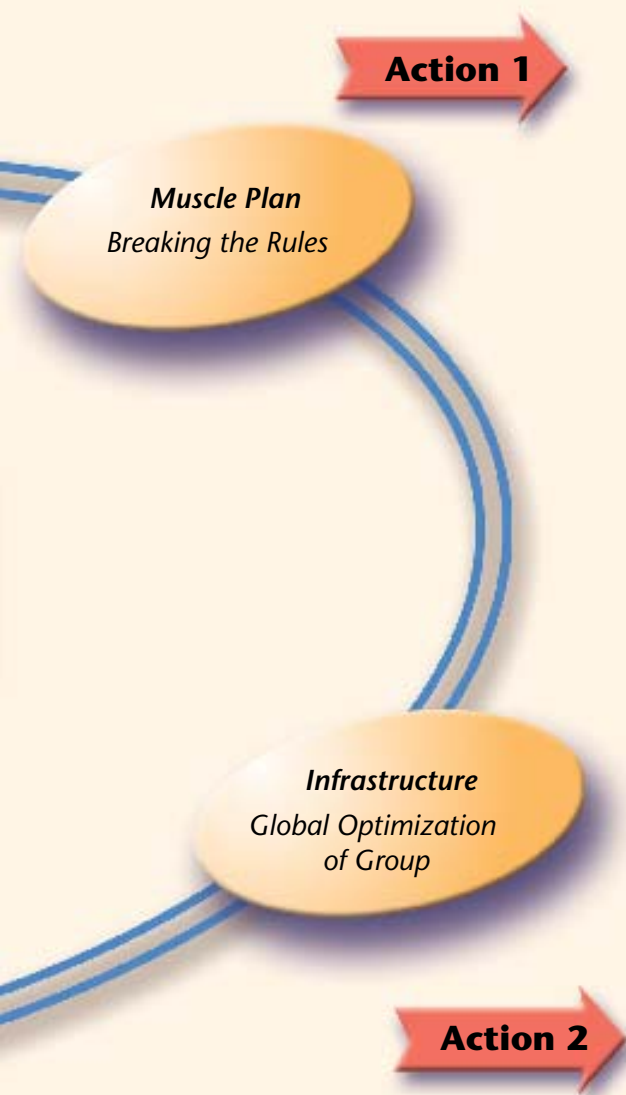


Breaking the Rules to Create Robust Growth Engines

Actions for Continued Growth in the 21st Century





Nitto Denko Moves into Action

Nitto Denko's "Global Niche Top" management strategy of dominating high-growth niche markets with industry-leading products has regularly paid off in continuing steady growth. Our unremitting commitment to keeping ahead of the competition by reforming our business operations, distribution system and marketing infrastructure whenever necessary has also done much to maintain and improve business results. Still, these traditional reforms did not prepare us for the severe economic circumstances encountered during fiscal 2002, and Nitto Denko experienced the worst setback in the Group's history. Faced with this reality, management saw an urgent need for a root-deep transformation. The "G-2002" mid-term management plan was therefore suspended and a new plan formulated. This new plan centers on two basic concepts. The first is productivity reforms for rebuilding Nitto Denko into a lean, muscular company with high productivity. The second is a growth strategy defining concrete measures for simultaneously putting the Group back on the road to growth.

There will be no change in the long-standing corporate strategy of pursuing Global Niche Top status toward enhancing our pursuit of excellence and growth. But, Nitto Denko intends to move into still more decisive action to power vigorous growth. Five phrases have been created to add zest and focus to this initiative: "Breaking the Rules," "Open, Fair, Best," "Global Optimization of Group," "Technology-oriented Company," and "Market-driven Company." Nitto Denko is now poised to move swiftly forward with actions reflecting the spirit of these concepts.

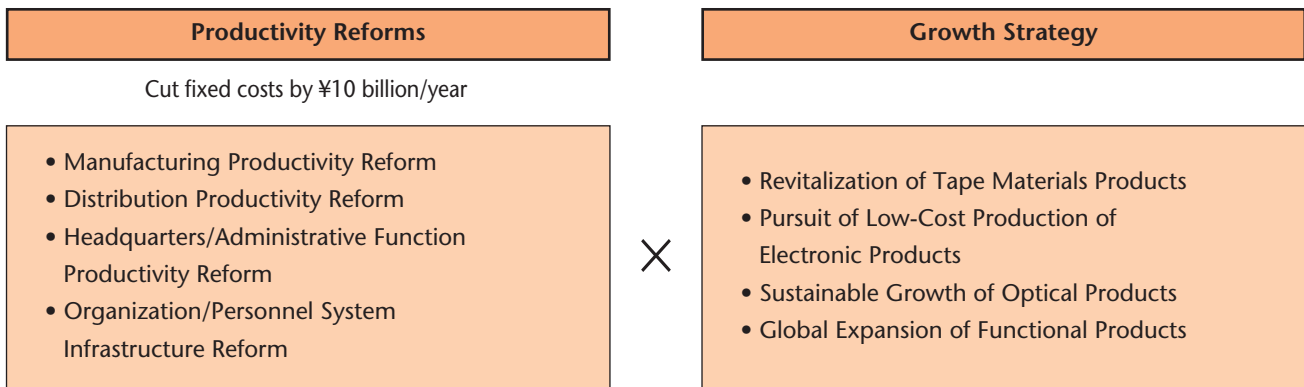
Action 1 Muscle Plan

“Breaking the Rules” — It’s a New Game, the Old Rules No Longer Apply

The “G-2002” mid-term management plan has been suspended, and the Muscle Plan implemented in its place. The Muscle Plan focuses on productivity reforms and a growth strategy. It aims at trimming all excess weight off the Nitto Denko Group, fundamentally changing the cost structure, building corporate muscle needed for future growth and development and achieving the target ratio of operating income to sales of 10% in fiscal 2004.

◆ Outline of Muscle Plan

Creation of a well-muscled body (group attributes) for achieving an operating profit margin of 10% in fiscal 2004.



Action 2 Infrastructure

Global Optimization of Group — Cultivating a Cosmopolitan Perspective

The first stage of the Muscle Plan will be like pushing the reset button on every work process, system and practice throughout every facet of Nitto Denko Group operations from R&D through production and marketing. In the reassessment and improvement phase that follows, the overriding standard for every decision will be “Does it help to achieve Global Optimization of the Group?” No proposition will be accepted unless it is the best for the whole Group at the global level. The where, what and when of every proposal will also be meticulously judged in the same light.

The following is a review of global optimization of group actions currently in progress.

Reorganization of R&D and Production Bases in the Electronics Sector

◆ New FPC plant in China

A new flexible printed circuit (FPC) production base under construction at Nitto Denko (Suzhou) Co., Ltd., established in Suzhou in China’s Jiangsu Province in July 2001, is expected to come on line with completion of the First Phase Plant in early 2003. As an integrated facility equipped to handle all production processes from

the film stage onward, the plant will manufacture FPCs mainly for use in IT electronic equipment.

Currently, FPCs are manufactured at the Kameyama Plant in Japan, and only downstream operations are handled by facilities in China and Vietnam. As Nitto Denko's first offshore integrated FPC facility, the Suzhou Plant will step into place as the Nitto Denko's main Asian production base and contribute strongly to increasing market share in the region. Ensuing Second Phase expansion will make the Suzhou facility into a major production base matching the scale of the Kameyama Plant.

Suzhou was selected as the plant site based on the fact that many electronic equipment manufacturers have production bases in China. The Suzhou Plant is positioned to offer the SCM system of these manufacturers virtually waitless delivery.

◆ *Semiconductor packaging material R&D base set up in Malaysia*

In April 2002, semiconductor encapsulating material production operations were transferred from the Kameyama Plant to Nitto Electronics Kyushu Corporation and Nitto Denko Electronics (Malaysia) Sdn. Bhd. In parallel, all R&D for general-purpose encapsulating materials was moved to Malaysia. R&D in Japan is now focused solely on materials for next-generation packaging applications.

The new R&D Center set up at Nitto Denko Electronics (Malaysia) Sdn. Bhd. in March 2002 has gone into operation and is moving forward with R&D of advanced encapsulating materials for multilayer high-density packages and other applications. Its technical service and evaluation capabilities with regard to encapsulating resins are on par with those in Japan. The R&D Center will play a central role particularly in R&D of semiconductor encapsulating materials for the Nitto Denko Group.



Reorganization of Tape Sector Production and Marketing

◆ *Permacel ramps up new plant in the United States*

Permacel, the Nitto Denko Group's New Jersey-based subsidiary, commenced operations at its new Wisconsin Plant in April 2002. Permacel's product lineup includes industrial adhesive tapes for bonding and surface protection of electronic components and automotive materials. A total of ¥6,500 million was invested to build the plant, which has a total floor area of 15,000 square meters. The workforce numbers around 100 and annual production capacity is on the order of ¥5,500 million. This added capability boosts the total production capacity of the Nitto Denko Group in the United States by 30%, from about ¥16,000 million to about ¥21,000 million.

◆ *Tape operations consolidated at Toyohashi Plant*

The Toyohashi Plant, the Group's main domestic producer of industrial tapes, is to concentrate on development and production of new high-value-added products targeting the whole spectrum of electronics industries. The Toyohashi No. 13 Plant, completed in October 2001, is equipped with a Class 1,000 clean room used to manufacture protective films for LCDs, transparent double-coated tape, sound absorption materials for hard disks (HDDs) and vibration-damping adhesive labels.

The Toyohashi Plant will also be moving into production of new products with high potential to contribute to business performance, including cleaning materials for manufacturing plasma displays.

Action 3 R & D

Toward a More Technology-oriented Company

— Exploiting the “Change Represents Opportunity” Tradition to Create New Technologies

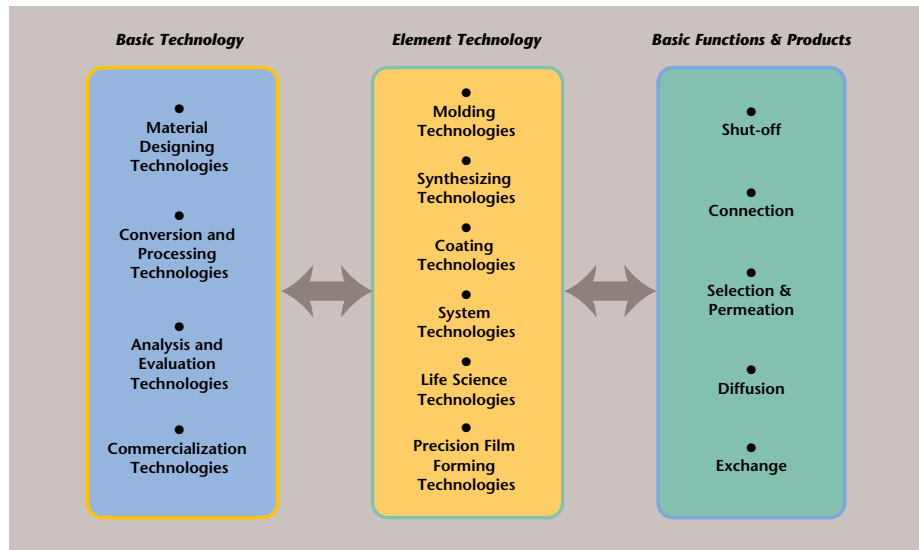
Nitto Denko believes that we exist to serve society with the products we make and, to do this well, we endeavor constantly to create and apply new technologies. This is an immutable commitment unchanged by the turbulence of the times. It is simply part of our corporate DNA. Today, Nitto Denko is working to become a more agile, flexible organization that gives wide berth to people on the frontline. As part of this, we are concentrating corporate resources on “Group-wide R&D Projects” seen as initiatives compatible with both management strategy and business strategy. “Group-wide R&D Projects” is defined as an initiative of high strategic significance

◆ Nitto Denko’s Technology Platform

Nitto Denko uses our core expertise as a starting point for a process of refinement, supplementation and combination that expands the breadth and depth of our technology platform through the development of technologies of expanded functionality and sophistication.

and urgency to be pursued under the direct control of the chief technical officer (CTO), whose duties are currently assumed by the president. Once monthly, the CTO calls an Integrated Technology Strategy Meeting, which is aimed primarily at promoting technology sharing throughout the Group, monitoring progress in the development of important technologies and products, and working out ways to allocate R&D resources for maximum efficiency and effect.

Nitto Denko takes the position that technologies are needed not only for product development but also for solving every problem related to production. The Company is therefore also aggressively engaged in the development of technologies in such areas as energy-saving processes, cost reduction, quality enhancement, waste reduction and environmental protection.



Action 4 Market Tie-in

Toward a More Market-driven Company

— When All Decisions Are Market Driven, Swift Response Is Indispensable

As of April 2002, Nitto Denko abandoned its business sector-based sales system of 14 years to put in place a new marketing system that bases business decisions solely on market realities. This transition was an urgent response to the realization that we could not

survive in an era of turbulent market change without strengthening the market interface and overhauling sectors whose products no longer matched the needs and priorities of the market. Under the old system, marketing operations were handled separately by the individual sectors by the sales division in charge of each region. This made it impossible to 1) exploit the overall power of the whole Group, 2) move ahead with marketing on a global scale,

3) ascertain emerging customer needs through sharing of information between different sales divisions, and 4) deploy personnel flexibly. As the development of new products cutting across two or more business sectors was therefore difficult, the segments frequently got locked into a pattern of a single product for a single market. The newly introduced sales market sector-based system consists of eight marketing divisions each in charge of a different market segment, including automobiles, electric devices and health

care. With this system, customers in every market can be offered total solutions developed by the entire Nitto Denko Group, enabling us to maintain our businesses in closer contact with customer wants and needs. The goal is to build a marketing system that can come up with the solution the customer needs via the shortest route and enables development and production of new products unfettered by barriers between business sectors.

Action 5 **Corporate Governance**

Open, Fair, Best — Staying Attentive to the Interests of Every Stakeholder

In 1993, Nitto Denko adopted “Creating New Value” as a corporate vision and also defined the Employee Guidelines for day-to-day corporate activities toward realizing this vision. Nitto Denko is especially concerned about protecting the environment. In addition to drawing up its own voluntary plan for environmental protection and formulating a “Basic Environment Policy,” we also publish an “Environment Report.” Since fiscal 2002, we have conducted environmental accounting encompassing both Nitto Denko Corporation and some consolidated subsidiaries.

One of the guidelines stipulates that Nitto Denko as a company and its employees must conduct themselves in accordance with the law and good ethics. This principle is reflected, for example, in the “Open, Fair, Best” policy aimed at structuring a better and more comprehensive disclosure system that is transparent to the eyes of shareholders and investors.

Nitto Denko is organized by business operation, with the general manager of each business sector having the authority to make decisions regarding ordinary daily operations. Strategy decisions and matters regarding the setting of operating segment and company-wide goals are discussed and decided by different deliberating bodies as explained in the following. Issues of utmost importance are taken up by the Board of Directors.

◆ *Board of Directors*

The Board of Directors, which is composed of 14 directors and four participating auditors elected at the Ordinary General Meeting of Shareholders held on June 22, 2001, is the highest decision-making body in the administration of all aspects of the company’s business. The Board of Directors has the authority to make all management decisions other than those falling under the power of the General Meeting of Shareholders. The Group Management Committee, whose members include four area leaders in the world, deliberates and decides important matters regarding the Nitto Denko Group within the scope of the authority delegated by the Board of Directors.

◆ *Board of Auditors*

The Board of Auditors, which is composed of four auditors elected at the Ordinary General Meeting of Shareholders held on June 22, 2001, audits the business operations and accounts of the company. The Board of Auditors conducts business operation audits to determine whether or not the actions of the Board of Directors in conducting the business of the company are in compliance with the laws and regulations and the Articles of Incorporation. In conducting account audits, the Board of Auditors receives a report from an external auditor (auditing corporation) on auditing methods and results and judges their appropriateness. Based on these, the Board of Auditors prepares an audit report and submits it to the Board of Directors.