

**Summary of Consolidated Financial Statements for the Fiscal 2003 Third Quarter**

**NITTO DENKO**

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(Unit: Million yen)

	Third Quarter (Three months ended on December 31)			Three Quarters (Nine months ended on December 31)		
	Fiscal 2002	Fiscal 2003	Year-on-year change (%)	Fiscal 2002	Fiscal 2003	Year-on-year change (%)
Net sales	86,879	96,095	110.6%	253,598	284,847	112.3%
Operating income	6,139 (7.0%)	8,207 (8.5%)	133.7%	13,334 (5.3%)	26,113 (9.2%)	195.8%
Ordinary income	6,428 (7.4%)	8,537 (8.9%)	132.8%	14,086 (5.6%)	26,044 (9.1%)	184.9%
Income before provision for income taxes	5,563 (6.4%)	8,170 (8.5%)	146.9%	12,779 (5.1%)	24,082 (8.5%)	188.4%
Net income	3,110 (3.6%)	4,482 (4.7%)	144.1%	6,798 (2.7%)	13,775 (4.8%)	202.6%
Net income per share, Yen	17.9	25.9	-	39.1	79.4	-

(Notes)

1. Consolidated subsidiaries: 38  
Non-consolidated subsidiaries and affiliates applicable of equity method: 65
2. Differences arising from revaluations of other securities are reported in values reflecting the tax effects in Shareholders' Equity section.
3. The accompanying quarterly consolidated balance sheets, consolidated statements of income and consolidated cash flows have been presented based on the guidance of independent auditors in compliance with "Standards Concerning Presentation of Auditors' Opinion on Quarterly Financial Statements", separately supplemented as an appendix of "Application of Provisions Concerning Timely Disclosure of Information of the Business Entity by the Issuer of Listed Securities" set forth by Tokyo Stock Exchange.
4. All monetary values noted herein are rounded down to the nearest million yen.

## **Business Results**

### **Summary of the 3<sup>rd</sup> Quarter of the Fiscal 2002**

During the fiscal 3<sup>rd</sup> quarter, the global economy has lacked of the strength of recovery, especially in the United States. The Japanese economy has been slow in its recovering movement due to slowdown of export, which had played the role of an engine for economic growth, and poor capital investment caused by prolonged deflation.

Under such economic circumstances, Nitto Denko Group's businesses for the quarter generally continued steady by good performance of products such as materials for automobiles and cellular phones, semiconductor-related products, electronic process materials, transdermal therapeutic patches, and polymer separating membranes, making up for the affection by delays in the recovery of LCD-related products for notebook computers and monitors.

In consequence, net sales for the quarter increased by 10.6% (changes in percentage hereunder indicate the change from the same quarter last year) to 96,095 million yen. In terms of profits, despite negative factors such as pricing pressure, the increase in capacity utilization caused by increase in sales and effects of the structural reform plan, "Muscle Plan" launched during the second half of the fiscal 2001, contributed greatly to the profit growth as well as the previous fiscal year. As a result, operating income increased by 33.7% to 8,207 million yen, and ordinary income increased by 32.8% to 8,537 million yen. Net income increased by 44.1% to 4,482 million yen.

Summary of results by business segment is as follows:

#### **[Industrial Products]**

Sales of bonding products were steady thanks to production rises for PCs' peripherals and home electronics, and increase in orders for cellular phones. Among surface protection products, sales of metal sheets used for IT-related equipment or construction industry were steady. Among construction materials, although weakened anticorrosion materials due to decrease of public works, tape materials for construction industry such as preservative adhesive sheet or waterproof tape were robust, so were sealing materials because of production rise of automobiles. Sales of electronic component-related products, such as tapes for component shipping and handling, and thermal release sheets for temporary bonding used in process, remained robust because of production adjustments by customers.

As a result, net sales of industrial products increased to 49,839 million yen (up 7.5%), and operating income to 3,501 million yen (up 120.4%).

#### **[Electronic Products]**

Among LCD-related products, sales of retardation films and advanced optical films remained robust because of increased production of cellular phones with color LCD and LCD TVs, but sales of polarizing films and advanced films for wider viewing angle were unfavorable due to delays in inventory adjustment of notebook PCs and LCD monitors. Among semiconductor related materials, sales of encapsulating resins for the leading-edge packaging and transparent encapsulating resins for light emitting / receiving elements remained favorable as well as products for the semiconductor manufacturing process. Sales of printed circuit products were favorable because of pickup of cellular phones with color LCD, despite of continued weakness of HDDs. For this period, the performance of printed circuit products was in the red because of the initial costs for new factories in China.

As a result, net sales of electronic products increased to 35,921 million yen (up 14.0%), and operating income to 351 million yen (down 6.5%).

## **[Functional Products]**

Among healthcare products, sales of medical products such as transdermal therapeutic patches remained strong, although affected by price down due to NHI price revision. But due to withdrawal from less profitable products among medical-hygienic products, general sales of healthcare products were about the same as the last third quarter. Among engineering plastics products, sales of environmental-friendly dust collection filters, inner pressure control filters for OA equipment or automotive electronics remained strong, and polyimide belts for OA equipment also remained strong. Among polymer separating membrane modules, sales of membrane modules for condensation in atomic power plants, for drinking water treatment, and for cleaning process of the LCD industry in Asia remained strong.

As a result, net sales of functional products increased to 10,335 million yen (up 15.0%), and operating income to 1,639 million yen (up 29.1%).

## CONSOLIDATED BALANCE SHEET

Description	As of the end of Fiscal 2002 third quarter As of December 31, 2001		As of the end of Fiscal 2003 third quarter As of December 31, 2002		As of the end of Fiscal 2003 half year As of September 30, 2002	
	Amount	Composition	Amount	Composition	Amount	Composition
(Assets)	(Million yen)	%	(Million yen)	%	(Million yen)	%
<u>Current Assets</u>	(185,348)	52.6	(194,757)	53.9	(194,110)	53.3
Cash on hand and in banks	40,755		48,261		51,807	
Trade notes and accounts receivable	89,636		92,706		89,311	
Marketable securities	6,691		6,497		4,298	
Inventories	32,848		34,025		33,726	
Other current assets	15,416		13,267		14,967	
<u>Fixed Assets</u>	(166,870)	47.4	(166,836)	46.1	(170,352)	46.7
Tangible fixed assets	130,237	37.0	128,832	35.6	132,192	36.3
Intangible fixed assets	4,914	1.4	5,566	1.5	5,679	1.5
Investments and other assets	31,717	9.0	32,437	9.0	32,479	8.9
<b>Total Assets</b>	<b>352,218</b>	<b>100.0</b>	<b>361,594</b>	<b>100.0</b>	<b>364,463</b>	<b>100.0</b>

Description	As of the end of Fiscal 2002 third quarter As of December 31, 2001		As of the end of Fiscal 2003 third quarter As of December 31, 2002		As of the end of Fiscal 2003 half year As of September 30, 2002	
	Amount	Composition	Amount	Composition	Amount	Composition
(Liabilities)	(Million yen)	%	(Million yen)	%	(Million yen)	%
<u>Current Liabilities</u>	(88,811)	25.2	(95,116)	26.3	(99,653)	27.4
Trade notes and accounts payable	46,326		52,303		52,680	
Short-term bank loans	6,935		8,503		5,662	
Other current liabilities	35,549		34,309		41,310	
<u>Long-term Liabilities</u>	(24,320)	6.9	(25,773)	7.1	(24,856)	6.8
Bonds	300		300		300	
Long-term bank loans	1,509		1,768		1,838	
Provision for retirement benefits	20,061		20,168		19,390	
Other long-term liabilities	2,449		3,535		3,328	
<b>Total Liabilities</b>	<b>113,132</b>	<b>32.1</b>	<b>120,889</b>	<b>33.4</b>	<b>124,510</b>	<b>34.2</b>
(Minority Interests)						
Minority interests	9,321	2.7	9,929	2.8	9,794	2.7
(Shareholders' Equity)						
Common stock	26,783		26,783		26,783	
Additional paid-in capital	50,482		50,482		50,482	
Retained earnings	159,191		163,170		160,596	
Net on realized holding gains on securities	2,318		569		451	
Foreign currency translation adjustments	4,365		8,025		7,100	
Costs of treasury stock	9		1,065		1,054	
<b>Total Shareholders' Equity</b>	<b>229,764</b>	<b>65.2</b>	<b>230,775</b>	<b>63.8</b>	<b>230,158</b>	<b>63.1</b>
<b>Total Liabilities, Minority Interests, and Shareholders' Equity</b>	<b>352,218</b>	<b>100.0</b>	<b>361,594</b>	<b>100.0</b>	<b>364,463</b>	<b>100.0</b>

## QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

(Three months ended on December 31, 2002)

Description	Fiscal 2002 Third Quarter From October 1, 2001 To December 31, 2001		Fiscal 2003 Third Quarter From October 1, 2002 To December 31, 2002		Percentage change
	Amount	Composition	Amount	Composition	
	(Million yen)	%	(Million yen)	%	%
Net Sales	86,879	100.0	96,095	100.0	110.6
Cost of Sales	62,970	72.5	68,608	71.4	
Gross Profit	23,908	27.5	27,487	28.6	
Selling, General and Administrative Expenses	17,768	20.5	19,279	20.1	
Operating Income	6,139	7.0	8,207	8.5	133.7
Other Income	(834)	1.0	(1,049)	1.1	
Interest and dividend income	33		106		
Equity in earnings of non-consolidated subsidiaries and affiliates	236		403		
Miscellaneous income	563		539		
Other Expenses	(546)	0.6	(719)	0.7	
Interest expenses	52		42		
Miscellaneous expenses	493		677		
Ordinary Income	6,428	7.4	8,537	8.9	132.8
Extraordinary Gains	(13)	0.0	(45)	0.0	
Gains on sales of fixed assets	7		44		
Other extraordinary gains	5		0		
Extraordinary Losses	(878)	1.0	(411)	0.4	
Losses on sales of fixed assets	705		265		
Other extraordinary losses	172		146		
Income before provision for income taxes	5,563	6.4	8,170	8.5	146.9
Income taxes	2,331	2.7	3,502	3.6	
Minority interests	120	0.1	186	0.2	
Net Income	3,110	3.6	4,482	4.7	144.1

## QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

(Nine months ended on December 31, 2002)

Description	Fiscal 2002 From April 1, 2001 To December 31, 2001		Fiscal 2001 From April 1, 2002 To December 31, 2002		Percentage change
	Amount	Composition	Amount	Composition	
	(Million yen)	%	(Million yen)	%	%
Net Sales	253,598	100.0	284,847	100.0	112.3
Cost of Sales	186,394	73.5	202,060	70.9	
Gross Profit	67,203	26.5	82,787	29.1	
Selling, General and Administrative Expenses	53,869	21.2	56,673	19.9	
Operating Income	13,334	5.3	26,113	9.2	195.8
Other Income	(3,228)	1.3	(3,061)	1.0	
Interest and dividend income	394		385		
Equity in earnings of non-consolidated subsidiaries and affiliates	651		901		
Miscellaneous income	2,182		1,774		
Other Expenses	(2,477)	1.0	(3,130)	1.1	
Interest expenses	189		112		
Miscellaneous expenses	2,287		3,017		
Ordinary Income	14,086	5.6	26,044	9.1	184.9
Extraordinary Gains	(1,252)	0.5	(304)	0.2	
Gains on sales of fixed assets	943		288		
Other extraordinary gains	308		16		
Extraordinary Losses	(2,558)	1.0	(2,267)	0.8	
Losses on sales of fixed assets	1,187		623		
Other extraordinary losses	1,371		1,643		
Income before provision for income taxes	12,779	5.1	24,082	8.5	188.4
Income taxes	5,609	2.2	9,715	3.5	
Minority interests	371	0.2	591	0.2	
Net Income	6,798	2.7	13,775	4.8	202.6

**QUARTERLY CONSOLIDATED STATEMENTS OF CASH FLOWS**

Description	Period	Fiscal 2002 Third Quarter From October 1, 2001 To December 31, 2001	Fiscal 2003 Third Quarter From October 1, 2002 To December 31, 2002
		(Million yen)	(Million yen)
<b>I. Cash Flows from Operating Activities</b>			
Income before provision for income taxes		12,779	24,082
Depreciation and amortization		14,559	15,632
Equity in earnings of non-consolidated subsidiaries and affiliates		651	901
Increase/decrease in trade notes and accounts receivable		10,839	5,542
Increase/decrease in inventories		4,637	848
Increase/decrease in trade accounts payable		6,652	4,136
Income taxes paid		15,198	2,211
Others		7,798	188
<b>Net cash provided from operating activities</b>		<b>12,514</b>	<b>38,958</b>
<b>II. Cash Flows from Investing Activities</b>			
Purchase of marketable securities		1,357	2,999
Proceeds from sales of marketable securities		2,519	1,204
Acquisition of fixed assets		29,479	20,751
Proceeds from sales of fixed assets		2,266	843
Others		437	4,450
<b>Net cash used in investing activities</b>		<b>25,613</b>	<b>26,153</b>
<b>III. Cash Flows from Financing Activities</b>			
Increase/decrease in short-term loans		860	1,021
Proceeds from long-term loans		1,350	1,002
Repayment of long-term loans		1,539	55
Purchase of treasury stock based on stock option		-	1,062
Repayment of bonds upon maturity		-	200
Dividends paid		3,897	3,921
<b>Net cash used in financing activities</b>		<b>4,947</b>	<b>3,216</b>
<b>IV Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>		<b>409</b>	<b>592</b>
<b>V Net Increase in Cash and Cash Equivalents</b>		<b>17,637</b>	<b>8,995</b>
<b>VI Cash and Cash Equivalents, Beginning Balance</b>		<b>57,988</b>	<b>40,105</b>
<b>VII Cash and Cash Equivalents of a Newly Consolidated Company</b>		<b>1,638</b>	<b>827</b>
<b>VIII Cash and Cash Equivalents, Ending Balance</b>		<b>41,989</b>	<b>49,928</b>
Cash on hand and in banks		40,755	48,261
Time deposits with maturity of more than 3 months		1,076	642
Securities and other		2,311	2,310
<b>Cash and cash equivalents</b>		<b>41,989</b>	<b>49,928</b>

## Segment Information

### (Operating Segment Information)

(Unit: Million yen)

		Third Quarter (Three months ended on December 31, 2002)			Three Quarters (Nine months ended on December 31, 2002)		
		Fiscal 2002	Fiscal 2003	Year-on-year change (%)	Fiscal 2002	Fiscal 2003	Year-on-year change (%)
Net sales	Industrial products	46,376	49,839	107.5	139,471	144,515	103.6
	Electronic products	31,513	35,922	114.0	87,002	110,144	126.6
	Functional products	8,989	10,335	115.0	27,124	30,188	111.3
	Total	86,879	96,096	110.6	253,598	284,847	112.3
Operating income	Industrial products	1,588	3,501	220.4	3,321	8,975	270.2
	Electronic products	3,280	3,067	93.5	6,717	12,890	191.9
	Functional products	1,270	1,639	129.1	3,295	4,247	128.9
	Total	6,139	8,208	133.7	13,334	26,113	195.8

### (Segment Information by geographic area)

Net sales	Japan	61,449	65,508	106.6	180,008	190,261	105.7
	North America	7,538	8,470	112.4	23,344	25,684	110.0
	Europe	2,949	3,446	116.8	9,774	10,482	107.2
	Asia & Oceania	14,941	18,670	125.0	40,471	58,419	144.3
	Total	86,879	96,095	110.6	253,598	284,847	112.3
Operating income	Japan	5,403	7,922	146.6	11,759	22,831	194.2
	North America	247	308	124.8	379	1,054	277.8
	Europe	62	21	--	111	319	285.2
	Asia & Oceania	419	90	--	513	1,701	331.2
	Eliminations (corporate)	131	88	66.7	569	207	36.4
	Total	6,139	8,207	133.7	13,334	26,113	195.8

### (Net Sales to Customers outside Japan)

Net overseas sales	33,481	37,167	111.0	93,991	114,876	122.2
Ratio of net overseas sales to consolidated sales	38.5%	38.7%	--	37.1%	40.3%	--

### Major products for each business segment

Business segment	Major products
Industrial products	Bonding and joining products, surface protection products, anticorrosion and waterproofing products, sealing products, packaging products and equipment, electronic component-related products
Electronic products	Semiconductor-related products, LCD-related products, flexible printed circuit products
Functional products	Medical-related products, polymer separation membranes, engineering plastics products

## Projections for the Full Year

Going forward, the global economy is expected to further slow down, due to poor recovery of capital investment in U.S. economy and a drop in consumer confidence caused by decline in stock prices and pretty slow employment recovery. In Japan also, worsening economic conditions caused by sluggish consumption and asset deflation are concerned.

Despite affection by a drop in sales due to seasonal factors, in addition to such severe circumstances, we expect that sales of the fiscal 4th quarter will grow in LCD-related products, because demand rise of LCD display monitors and LCD TVs is expected, with a backdrop of their price down.

Consolidated sales and earnings forecasts for the full year ending March 2003 as of this date are as follows:

We estimate a loss of 1,700 million yen arising from negative revaluation of the stocks held due to the rapid downward movement in the stock market.

(Unit: Million yen)

	Fiscal 2002 (full year)	Fiscal 2003 (full year)		
		Previous forecasts*	Revised forecasts	Percentage change
Net sales	338,930	370,000	376,000	110.9%
Operating income	19,314	30,000	32,000	165.7%
Ordinary income	19,748	31,500	33,200	168.1%
Net income	1,115	17,000	16,400	1470.7%

\* Forecasts as of October 24, 2002, when semiannual financial results for FY2003 were announced.

As the projections above are based on certain premises deemed reasonable from the information and data available to the Corporation at this point, it should be noted that actual business results may differ considerably from the forecasts.

Main factors causing such difference include:

- Significant changes in economic conditions and demand-supply situations in major markets such as Japan, the U.S. and Asia.
- Significant fluctuations of yen-dollar or yen-euro exchange rates, and Japan's stock market.