

# NITTO DENKO

## **Non-consolidated Annual Financial Results For the Fiscal Year Ended March 31, 2004**

*This document has been prepared as a guide to non-Japanese investors and contains forward-looking statements that are based on managements' estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations. This document is a translation of the Japanese language original. All numbers are rounded down to the nearest unit in accordance with standard Japanese practice.*



## Summary of Non-consolidated Financial Results for the Year Ended March 31, 2004

### Nitto Denko Corporation (6988)

Exchange Listed:	Tokyo and Osaka, First Section
Principal Office:	Osaka, Japan
Homepage:	<a href="http://www.nitto.com">http://www.nitto.com</a>
President and Representative Director:	Masamichi Takemoto
Contact:	Hideki Komai, General Manager, Public & Investor Relations Department
Telephone:	+81-72-622-2981
Date of the Board of Directors' meeting to approve financial statements:	April 27, 2004
Scheduled shareholders' general meeting:	June 24, 2004
Adoption of interim dividend payment:	Yes
Number of shares constituting One Trading Unit:	Yes (100 shares per unit)

### 1. Non-consolidated Financial Results (April 1, 2003 – March 31, 2004)

#### (1) Non-consolidated Operating Results

	Millions of Yen - Except Per Share Data and Percents			
	Fiscal Year Ended March 31,			
	2004	%	2003	%
Operating Revenues.....	278,024	23.3	225,450	15.3
Operating Income .....	40,482	80.6	22,416	75.8
Ordinary Income .....	44,712	78.2	25,097	54.1
Net Income .....	27,671	83.3	15,099	1,889.7
Net Income per Share (yen) .....	164.82		85.74	
Net Income per Share, Diluted (yen) .....	164.77		—	
Return on Equity (ROE).....	13.9%		7.5%	
Return on Assets (ROA).....	15.4%		9.0 %	
Ordinary Income to Operating Revenues Ratio ....	16.1%		11.1 %	

Notes: 1) Average number of shares outstanding during the period:

Fiscal year ended March 31, 2004:	166,010,029 shares
Fiscal year ended March 31, 2003:	173,546,147 shares

2) Changes in accounting policies: Yes

3) Percentages for operating revenues, operating income, ordinary income and net income represent changes compared with the previous period.



## (2) Dividends

	As of March 31,	
	2004	2003
Annual Dividends per Share .....	40.00	24.00
Mid Term .....	17.00	11.00
End of Term .....	23.00	13.00
Total Dividends (millions of yen) .....	6,542	4,162
Payout ratio .....	24.3%	28.0%
Shareholders' equity dividend yield .....	3.4%	2.0%

## (2) Financial Position

	Millions of Yen - Except Per Share Data and Percents	
	As of March 31,	
	2004	2003
Total Assets .....	290,970	290,068
Shareholders' Equity .....	191,647	205,779
Shareholders' Equity Ratio .....	65.9%	70.9%
Shareholders' Equity per Share (yen) .....	1,169.63	1,185.20

Notes:      Number of shares outstanding at the end of the year:  
                     As of March 31, 2004:           163,588,924 shares  
                     As of March 31, 2003:           173,438,827 shares

                    Number of treasury shares at the end of the year:  
                     As of March 31, 2004:           10,169,504 shares  
                     As of March 31, 2003:           319,601 shares

## 2. Projections for Fiscal Year Ending March 31, 2005 (April 1, 2004 – March 31, 2005)

	Millions of Yen	
	Full Year Ending March 31, 2005	Half Year Ending Sept 31, 2004
Net Sales .....	333,000	164,700
Operating Revenues .....	50,000	24,600
Ordinary Income .....	53,000	27,000
Net Income .....	33,000	17,100
Dividends Per Share		
Mid-Term .....	--	23.00
End of Term .....	23.00	--
Full Year .....	46.00	--

Reference: Projected net income per share for FY2004 (ending March 31, 2005): 96.75 yen

Note: The forecasts above are based on information available to the Company at the time of writing. The figures herein may differ from actual results due to risk factors both known and unknown and other contingencies.



## I. Annual Non-consolidated Financial Statements

### 1. Non-consolidated Balance Sheets

	Millions of Yen				
	As of March 31, 2004		As of March 31, 2003		Change
	Amount	%	Amount	%	
<b>Assets</b>					
<b>Current Assets:</b>					
Cash.....	25,885		33,032		(7,147)
Trade notes receivable .....	815		750		65
Accounts receivable.....	66,009		53,594		12,414
Marketable securities.....	--		18,934		(18,934)
Finished goods and merchandise .....	2,797		2,906		(108)
Raw materials and stored goods.....	2,308		2,049		259
Work in progress .....	13,399		13,772		(372)
Short-term loan.....	1,217		1,943		(725)
Deferred tax assets.....	4,032		3,695		337
Other current assets .....	7,811		9,131		(1,320)
Allowance for bad debts .....	(300)		(300)		--
<b>Total Current Assets .....</b>	<b>123,978</b>	<b>42.6</b>	<b>139,510</b>	<b>48.1</b>	<b>(15,532)</b>
<b>Fixed Assets:</b>					
<b>Tangible Fixed Assets:</b>					
Buildings .....	36,218		33,712		2,506
Structures.....	2,389		2,121		267
Machinery and equipment .....	35,597		33,343		2,253
Tools, fixtures and parts.....	101		84		17
Vehicles and material-handling equipment.....	3,147		3,055		91
Land.....	13,901		13,905		(4)
Construction in progress.....	7,196		<b>1,468</b>		5,728
<b>Total Tangible Fixed Assets .....</b>	<b>98,552</b>	<b>33.9</b>	<b>87,691</b>	<b>30.2</b>	<b>10,860</b>
<b>Intangible Fixed Assets:</b>					
Software.....	2,607		2,279		328
Right to use facilities.....	46		30		16
Other intangible assets .....	994		701		292
<b>Total Intangible Fixed Assets .....</b>	<b>3,649</b>	<b>1.2</b>	<b>3,011</b>	<b>1.1</b>	<b>638</b>
<b>Investments and Other Assets:</b>					
Investments in securities .....	9,065		4,272		4,793
Investments in subsidiaries and affiliates.....	53,390		47,932		5,458
Long term loan.....	332		539		(207)
Deferred tax assets.....	2,623		6,128		(3,504)

# NITTO DENKO

	Millions of Yen				
	As of March 31, 2004		As of March 31, 2003		
Other investments.....	1,142		1,128	14	
Allowance for bad debts .....	(149)		(146)	(3)	
Allowance for loss on investments .....	(1,614)		--	(1614)	
<b>Total Investments and Other Assets ....</b>	<b>64,790</b>	<b>22.3</b>	<b>59,855</b>	<b>20.6</b>	<b>4,935</b>
<b>Total Fixed Assets .....</b>	<b>166,992</b>	<b>57.4</b>	<b>150,558</b>	<b>51.9</b>	<b>16,434</b>
<b>Total Assets .....</b>	<b>290,970</b>	<b>100.0</b>	<b>290,068</b>	<b>100.0</b>	<b>901</b>

	Amount	%	Amount	%	Change
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
Trade notes payable .....	--		7		(7)
Trade accounts payable .....	47,337		36,050		11,287
Accounts payable .....	22,986		12,519		10,466
Accrued expenses .....	6,632		6,707		(74)
Income taxes .....	9,413		9,908		(495)
Deposits payable .....	5,793		6,200		(407)
Other current liabilities.....	78		44		33
<b>Total Current Liabilities.....</b>	<b>92,241</b>	<b>31.7</b>	<b>71,439</b>	<b>24.6</b>	<b>20,802</b>
<b>Long-term Liabilities</b>					
Provision for retirement benefits.....	6,066		12,038		(5,972)
Provision for allowances for directors and corporate auditors .....	771		582		189
Guarantee deposits received .....	243		229		14
<b>Total Long-term Liabilities.....</b>	<b>7,080</b>	<b>2.4</b>	<b>12,849</b>	<b>4.5</b>	<b>(5,769)</b>
<b>Total Liabilities .....</b>	<b>99,322</b>	<b>34.1</b>	<b>84,289</b>	<b>29.1</b>	<b>15,033</b>

## Shareholders' Equity

<b>Common stock.....</b>	<b>26,783</b>	<b>9.2</b>	<b>26,783</b>	<b>9.2</b>	<b>--</b>
Capital surplus .....	50,482	17.4	50,482	17.4	--
<b>Capital surplus.....</b>	<b>50,482</b>		<b>50,482</b>		<b>--</b>
<b>Earned surplus .....</b>	<b>151,861</b>	<b>52.2</b>	<b>129,446</b>	<b>44.7</b>	<b>22,415</b>
Legal reserve.....	4,095		4,095		--
Reserve for special depreciation .....	400		440		(40)
General reserve.....	117,000		109,000		8,000
Unappropriated profits.....	30,366		15,910		14,456
Net unrealized holding gains on securities .....	2,695	0.9	134	0.0	2,561
Cost of treasury stocks.....	(40,175)	(13.8)	(1,067)	(0.4)	(39,108)
<b>Total Shareholders' Equity.....</b>	<b>191,647</b>	<b>65.9</b>	<b>205,779</b>	<b>70.9</b>	<b>(14,131)</b>
<b>Total Liabilities and Shareholders' Equity.....</b>	<b>290,970</b>	<b>100.0</b>	<b>290,068</b>	<b>100.0</b>	<b>901</b>



## 2. Non-consolidated Statements of Income

	Millions of Yen					
	2004	%	2003	%	Change	%
<b>Net Sales</b> .....	<b>278,024</b>	<b>100.0</b>	<b>225,450</b>	<b>100.0</b>	<b>52,574</b>	<b>123.3</b>
Cost of sales .....	197,003	70.9	164,911	73.1	32,091	
Gross profit .....	81,021	29.1	60,538	26.9	20,482	133.8
Selling, general, & administrative expenses .....	40,539	14.6	38,122	17.0	2,417	
<b>Operating Income</b> .....	<b>40,482</b>	<b>14.5</b>	<b>22,416</b>	<b>9.9</b>	<b>18,065</b>	<b>180.6</b>
<b>Other Income and Expenses</b>						
<b>Other Income:</b>						
Interest and dividend income.....	2,468		798		1,670	
Others .....	3,076		3,456		(379)	
<b>Other Income</b> .....	<b>5,544</b>	<b>2.0</b>	<b>4,254</b>	<b>1.9</b>	<b>1,290</b>	
<b>Other Expenses:</b>						
Interest expenses .....	27		30		(3)	
Others.....	1,287		1,542		(255)	
<b>Other Expenses</b> .....	<b>1,314</b>	<b>0.4</b>	<b>1,573</b>	<b>0.7</b>	<b>(258)</b>	
<b>Ordinary Income</b> .....	<b>44,712</b>	<b>16.1</b>	<b>25,097</b>	<b>11.1</b>	<b>19,614</b>	<b>178.2</b>
<b>Extraordinary Gain and Loss:</b>						
Gains on sales of fixed assets .....	62		23		39	
Reversal of reserve for retirement benefits in pension system .....	1,637		--		1,637	
Gains on sales of investments in securities .....	130		--		130	
Gains on return of substituted portion of the welfare pension fund plan .....	--		2,990		(2,990)	
Others.....	--		341		(341)	
<b>Extraordinary Gains</b> .....	<b>1,831</b>	<b>0.6</b>	<b>3,354</b>	<b>1.5</b>	<b>(1,523)</b>	
Losses on sales and disposal of fixed assets .....	836		765		70	
Losses on evaluation of investment in securities .....	2		1,541		(1,539)	
Restructuring expenses.....	--		1,365		(1,365)	
Allowance for loss on investments .....	1,614		--		1,614	
Others.....	318		--		318	
<b>Extraordinary Losses</b> .....	<b>2,771</b>	<b>1.0</b>	<b>3,672</b>	<b>1.6</b>	<b>(901)</b>	
<b>Income Before Provision for Income Taxes</b> .....	<b>43,771</b>	<b>15.7</b>	<b>24,779</b>	<b>11.0</b>	<b>18,992</b>	<b>176.6</b>
Corporate Income, Local and Business Taxes.....	14,673	5.3	9,264	4.1	5,409	
Adjustments to Income Taxes .....	1,426	0.5	415	0.2	1,010	
<b>Net Income</b> .....	<b>27,671</b>	<b>9.9</b>	<b>15,099</b>	<b>6.7</b>	<b>12,572</b>	<b>183.3</b>
Profits brought forward.....	5,476		2,718		2,757	
Loss on disposition of treasury stock .....	(2)		--		(2)	
Interim dividends paid.....	(2,279)		(1,907)		(871)	
<b>Unappropriated Profits</b> .....	<b>30,366</b>		<b>15,910</b>		<b>14,456</b>	



### 3. Appropriation Statement

	Millions of Yen	
	Fiscal Year Ended March 31,	
	2004	2003
<b>Unappropriated Profits</b> .....	30,366	15,910
Reversal of reserve for special depreciation .....	101	115
<b>Total</b> .....	<b>30,468</b>	<b>16,025</b>
<b>Allocated to the Following:</b>		
<b>Cash dividends</b> .....	3,762 (23 yen per share)	2,254 (13 yen per share)
Directors' bonuses .....	310	220
<b>Reserve for special depreciation</b> .....	1,056	74
General reserve .....	<b>17,000</b>	<b>8,000</b>
<b>Retained Earnings Carried Forward</b> .....	<b>8,339</b>	<b>5,476</b>

Notes:

1. Semiannual dividends in the total amount of 2,779,512,461 yen (17 yen per share) were paid out on December 10, 2003.

2. Extraordinary depreciation reserve is provided based on Special Taxation Measures Law.



## II. Significant Accounting and Reporting Policies

### 1. Revaluation standards and method of securities and inventories

**(i) Marketable securities for trading purposes:** Market value method (Moving average cost method for cost of sales).

**(ii) Equities of subsidiaries and affiliated companies:** Stated at moving-average cost.

**(iii) Other securities:** Market value is available: Stated at market value on the date of the current fiscal year end. (Valuation adjustments are reported in the Equity section, and the sales cost is calculated by a moving-average method.) Market value is not available: Stated at moving-average cost.

**2. Revaluation standards and method of derivative:** Fair value method.

### 3. Revaluation standards and method of inventories

**(i) Finished products, raw materials and work in process:** The lower of cost or market, where cost is determined by the average method.

**(ii) Stored goods:** Latest purchase cost method.

### 4. Depreciation and amortization of depreciable fixed assets

**(i) Tangible fixed assets:** Declining-balance method.

**(ii) Intangible fixed assets:** Straight-line method (Straight-line method is adopted for the software used in-house for the proprietary purposes during its usable life (five years).)

### 5. Translation of foreign currency assets and liabilities into Japanese yen

Foreign currency assets and liabilities of the Corporation are translated into Japanese yen at the spot exchange rate prevailing at the end of the fiscal year, while exchange gain or loss adjustments were posted as gains or losses.

### 6. Provision of significant allowances

**(i) Allowance for bad debts:** Allowance for bad debts is provided at an amount sufficient to cover possible losses on the collection of receivables. For certain probable doubtful accounts the uncollectible amounts are estimated based on a review of the collectibility of individual receivables.

**(ii) Allowance for investment losses:** Provision is made for losses on investments in affiliated companies at anticipated losses based on financial status and corporate standards.

Change in accounting method: Allowance for investment losses was begun this fiscal year, as some time will be required for the financial status of certain affiliated companies to recover. Accordingly, net income before taxes is 1,614 million yen less than last year.

**(iii) Provision for retirement benefits for employees:** The corporation provided allowance for employees' severance and pension benefits at the end of this fiscal year based on the estimated amounts of projected benefit obligation and the fair value of plan assets at the end of this fiscal year.

Prior service liabilities are written off over the employees' average service period remaining (12 years) using the straight-line method. Actuarial differences are written off over the employees' average service period remaining (12 years) using the straight-line method, from the following fiscal year.



**(iv) Provision for retirement allowances for directors and corporate auditors:** The Corporation provides for retirement allowances for directors and corporate auditors at the full amount which would be required to be paid if all directors and corporate auditors retired at the balance sheet date based on the Corporation's internal regulations.

## 7. Lease transactions

Finance leases, except for those leases where the ownership of the leased assets is considered to be transferred to the lessee are allowed to be accounted for in the same manner as ordinary rental transactions.

## 8. Accounting method for hedges

**(i) Hedge accounting:** Deferred hedge accounting is adopted for the foreign currency forward contracts on anticipated transactions.

**(ii) Hedging instruments and hedged items:** Hedging instruments and hedged items subject to the hedging accounting during the current fiscal year are as follows:

- Hedging instruments: Foreign currency forward contracts
- Hedged items: Accounts receivable dominated in foreign currencies for product exports
- Debt in foreign currencies for imports of facilities and others.

**(iii) Hedging policy:** Foreign currency forward contracts are executed to hedge the risk in fluctuations in the amount of receivables due to fluctuations in foreign currency exchange rates.

## 9. Other basic information for preparation of the financial statements

The tax-excluded method is adopted for accounting treatment of consumption and other taxes.

## Significant Subsequent Events

- No applicable items.



### III. Notes to the Non-consolidated Financial Statements

#### 1. Non-consolidated Balance Sheets

	Millions of Yen	
	As of March 31,	
	2004	2003
1. Accumulated depreciation of tangible fixed assets .....	168,245	159,514
2. Amounts outstanding under letters of comfort for management guidance ....	7,525	7,165
• Notes receivable endorsed.....	--	4
• Guaranteed obligations .....	6,084	3,588
3. Dividend limitation		
• The Corporation's net assets increased by 2,695 million yen, calculating the assets regulated in paragraph 1-6of Article 290 of Commercial Law at actual values.		

#### 2. Non-consolidated Statements of Income

	Millions of Yen	
	2004	2003
1. Major items of Selling, General and Administrative Expenses and their amount		
• Notes receivable endorsed.....	5,315	4,670
• Advertisements and sales commissions.....	2,146	1,896
• Employees' salaries and benefits .....	12,621	12,267
• Traveling expenses.....	1,545	1,396
• Fees and commissions.....	6,175	6,322
• Depreciation and amortization.....	2,324	2,428
• Rents and leases .....	838	422

#### 3. Leases

No notes are made since we disclose them electronically in accordance with the provisions in paragraph 30-6 of Article 27 of Securities Exchange Law.

#### 4. Securities

There are no securities with fair value of the Corporation's subsidiaries and affiliates during Fiscal 2003 (from April 1, 2002 to March 31, 2003) and Fiscal 2004 (from April 1, 2003 to March 31, 2004).



## IV. Tax Effect Accounting

### Significant components of deferred tax assets and liabilities

	Millions of Yen	
	As of March 31,	
	2004	2003
<b>Current assets</b>		
Deferred tax assets:		
• Accrued bonus payable.....	2,300	2,140
• Unpaid business taxes .....	1,037	998
• Accounts payable .....	199	214
• Others .....	495	341
<b>Total deferred tax assets .....</b>	<b>4,032</b>	<b>3,695</b>
<b>Net deferred tax assets .....</b>	<b>4,032</b>	<b>3,695</b>
<b>Fixed assets</b>		
Deferred tax assets:		
• Provision for retirement benefits .....	2,098	4,172
• Depreciation expenses beyond allowable amount as deductibles .....	1,648	1,474
• Provision for retirement allowances for directors and corporate auditors	312	235
• Others .....	1,155	<b>608</b>
<b>Total deferred tax assets .....</b>	<b>5,215</b>	<b>6,491</b>
Deferred tax liabilities		
• Net unrealized holding gains on securities .....	1,832	91
• Reserve for special depreciation .....	759	272
<b>Total deferred tax liabilities .....</b>	<b>2,591</b>	<b>363</b>
<b>Net deferred tax assets .....</b>	<b>2,623</b>	<b>6,128</b>

Note:

Domestic legal effective tax rates used in calculation of Deferred tax assets and Total deferred tax liabilities are 41.8% for FY2002, and 41.8% for Current assets and 40.5% for Fixed assets of FY2003. These decreased Deferred tax assets by 117 million yen, and increased the amount of adjustments to income taxes, accounted for in FY2004 as costs, by the same amount.



## V. Executive-level Changes in Management

(Effective on June 24, 2004, after the annual shareholders' meeting)

### 1. Changes in Representative Director

Resigning Representative Director	New appointments	Current title
Hideki Yamamoto	Chairman, Chairperson of Management Advisory Committee, President of Nitto University	Chairman, Representative Director, Board Member

### 2. Changes in Executive-Level Management for Directors

New Director Candidate	New appointments	Current title
Yasuo Ninomiya	Director - Board Member	Corporate Vice President (General Manager, Specialty Products Business Sector)

Resigning Directors	New appointments	Current title
Koichi Takatsuka	Director of ShinMaywa Industries Ltd. (not full time service)	Director - Board Member, Senior Executive Vice President
Mikio Aizawa	Fellow	Director -Board Member, Executive Vice President
Yasuki Nishizaka	Senior Vice President	Director -Board Member, Senior Vice President
Yoshiyasu Kamiyama	Executive Corporate Vice President	Director -Board Member, Senior Vice President

### 3. Changes in Statutory Auditors

New Statutory Auditor Candidate	New appointments	Current title
Nobuyuki Tanioka	Corporate Auditor	Adviser
Shigeru Hozan	Corporate Auditor	Officer, General Manager (Corporate Communication Div.)
Kazuo Kumagai	Corporate Auditor (not full time service)	Adviser of Hitachi Ltd.

Resigning Statutory Auditor	New appointments	Current title
Tsuneo Asada		Corporate Auditor
Makoto Yoshida		Corporate Auditor



#### 4. Titles of All Directors and Statutory Auditors (\* New)

Masamichi Takemoto	President, Representative Director, Board Member
Yukio Nagira	Director -Board Member
Yasuo Ninomiya *	Director -Board Member
Tatsunosuke Fujiwara	Director -Board Member
Wataru Kitao	Director -Board Member
Nobuyuki Tanioka *	Corporate Auditor
Shigeru Hozan *	Corporate Auditor
Hisashi Hosokawa	Corporate Auditor (not full time service)
Shiko Saikawa	Corporate Auditor (not full time service)
Kazuo Kumagai *	Corporate Auditor (not full time service)

#### 5. Installment of Corporate Vice Presidents (\* New) (Effective on June 24, 2004, after the annual shareholders' meeting)

Yoshiyasu Kamiyama	Executive Corporate Vice President	Director -Board Member, Senior Vice President, General Manager (Optical Related Products Sector)
Yasuki Nishizaka	Senior Corporate Vice President	Director -Board Member, Senior Vice President, General Manager (Tape-Material Business Sector)
Katsuhiro Akamatsu	Senior Corporate Vice President	Corporate Vice President, General Manager (Sales & Marketing Sector)
Ryoichi Ota	Upper Level Corporate Vice President	Corporate Vice President, General Manager (Procurement Business Sector)
Tetsuo Horiuchi	Upper Level Corporate Vice President	Corporate Vice President, General Manager (Specialty Technology Sector)
Kaoru Aizawa	Upper Level Corporate Vice President	Corporate Vice President, General Manager (Research & Development Sector)
Hideo Abe	Upper Level Corporate Vice President	Corporate Vice President, General Manager (Optical Related Products Div.)
Setsuo Watanabe	Upper Level Corporate Vice President	Corporate Vice President, General Manager (Planning & Marketing Div., Sales & Marketing Sector)
William J. Hayes	Corporate Vice President	Corporate Vice President, President of Nitto Americas, Inc.
Yoshihiko Chikuma *	Corporate Vice President	Officer, President of Nitto Denko (China) Investment Co., Ltd., President of Nitto Denko (Suzhou) Co., Ltd.
Tomio Sakka *	Corporate Vice President	Officer, General Manager (Production Engineering Development Center)
Masakazu Ozawa *	Corporate Vice President	Officer, General Manager (Corporate Development Div.)
Kenji Matsumoto *	Corporate Vice President	Officer, Director of Nitto Denko Technical Corp.
Takeshi Igarashi *	Corporate Vice President	Officer, General Manager (Global Management Dept.)
Hongin Kim *	Corporate Vice President	President of Korea Nitto Optical Co., Ltd.