

Consolidated Financial Summary
(for the fiscal year ended March 31, 2005)

Listed company name: **Nitto Denko Corporation**
Stock exchange listings: Tokyo, Osaka, First Section
Head office: Osaka, Japan
(URL <http://www.nitto.com/>)

Code Number : 6988

Company Representative: President, Masamichi Takemoto
Contact Person: General Manager, Investor Relations Department
Name Hideki Komai TEL (072)622-2981

Date of the board of directors' meeting concerning the financial statements: April 28, 2005

Adoption of the GAAP in the U.S. : No

(All monetary values noted herein are rounded down to the nearest million yen.)

1. Consolidated Business Results (From April 1, 2004 to March 31, 2005)

(1) Operational Results

| | Net sales | | Operating income | | Ordinary income | |
|-------------|-----------------|--------|------------------|--------|-----------------|--------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| March, 2005 | 514,867 | (13.7) | 70,018 | (25.2) | 71,828 | (23.7) |
| March, 2004 | 452,726 | (19.5) | 55,912 | (64.9) | 58,045 | (62.0) |

| | Net income | | Net income per share – Basic | Net income per share - Diluted | Return on equity | Ordinary income to total assets | Ordinary income to net sales |
|-------------|-----------------|--------|------------------------------|--------------------------------|------------------|---------------------------------|------------------------------|
| | Millions of yen | % | Yen | Yen | % | % | % |
| March, 2005 | 41,842 | (25.3) | 252 . 72 | 252. 58 | 17.3 | 17.3 | 14.0 |
| March, 2004 | 33,386 | (73.6) | 197 . 99 | 197. 93 | 14.5 | 15.1 | 12.8 |

Notes: Equity in earnings of affiliates and non-consolidated subsidiaries:

(March, 2005) 2,626 million yen (March, 2004) 2,533 million yen

Average number of shares outstanding (consolidated): (March, 2005) 163,945,102 stocks

(March, 2004) 166,010,029 stocks

Changes in accounting policies: No

Numbers in percentage in parentheses under the column of sales, operating income, ordinary income, and net income indicate changes in percentage from the corresponding period of the previous fiscal year.

(2) Financial Condition

| | Total assets | Shareholders' equity | Shareholders' equity to total assets | Shareholders' equity per share |
|-------------|-----------------|----------------------|--------------------------------------|--------------------------------|
| | Millions of yen | Millions of yen | % | Yen |
| March, 2005 | 443,264 | 261,090 | 58.9 | 1,583. 77 |
| March, 2004 | 389,525 | 223,114 | 57.3 | 1,360. 71 |

Note: Number of shares outstanding at the term end (consolidated): (March, 2005) 164,594,288 stocks

(March, 2004) 163,588,924 stocks

(3) Cash Flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents, end of term |
|-------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| March, 2005 | 56,067 | 49,171 | 9,154 | 48,278 |
| March, 2004 | 46,268 | 31,312 | 39,169 | 48,544 |

(4) Scope of consolidation and equity method

Consolidated subsidiaries: 52 Non-consolidated subsidiaries applicable of equity method: 61

Affiliates applicable of equity method: 1

(5) Changes in the scope of consolidation and the equity method

Consolidation (Inclusion): 10 (Exclusion): -
Equity method (Inclusion): 3 (Exclusion): 8

2. Projections for the year ending March 31, 2006 (From April 1, 2005 to March 31, 2006)

| | Net sales | Operating income | Ordinary income | Net income |
|-----------|-----------------|------------------|-----------------|-----------------|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Interim | 284,500 | 37,000 | 36,200 | 22,500 |
| Full-year | 580,000 | 77,000 | 75,500 | 48,000 |

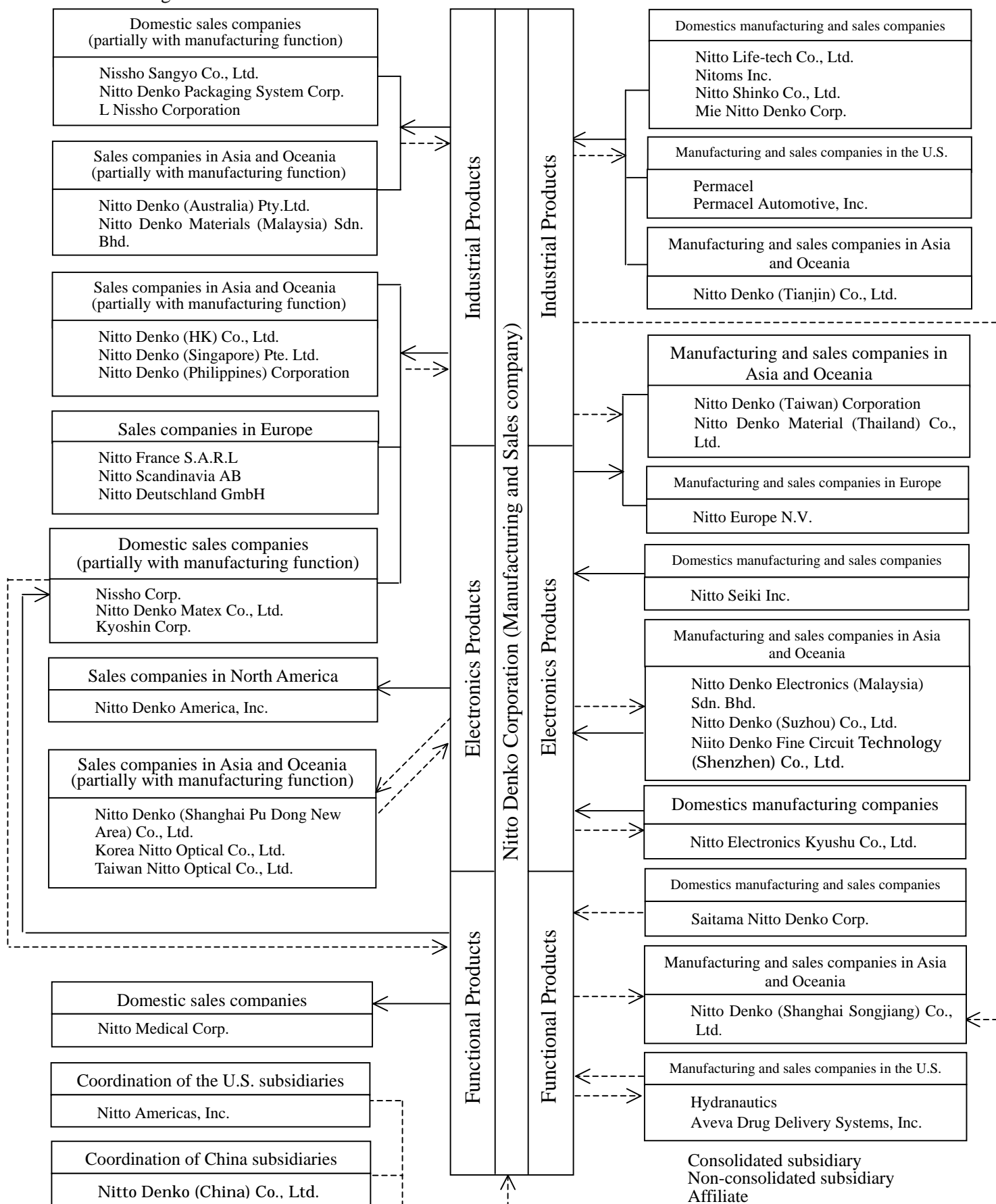
(Reference) Projected net income per share for the full year: 289.13 yen

*The projection shown above is prepared based on information available as of the issuing date of this report, and therefore the actual results may differ from these forecasted figures due to various unknown factors.

53 of 61 non-consolidated subsidiaries applicable of equity method as of March 31, 2005 will be transferred to the consolidated subsidiaries during this fiscal year ending March 31, 2006.

Nitto Denko Group Operations

As of March 31, 2005 Nitto Denko Group is comprised of this Corporation and its 113 subsidiaries as well as its 1 affiliated companies, where their business lines, positioning of each affiliated companies and their relationship to each business segment are indicated in the chart below. The information provided here reflects the classification used in the segment information.



Management Policy

1. Corporation's Basic Management Policy

The Nitto Denko Group has a corporate vision "Creating New Values" shared by all its group companies. By continuously offering new values to our customers throughout the world, we intend to attain sound growth and to build a corporation of real value for all its stakeholders, including society, shareholders and employees.

As our basic strategy, we have developed "Global Niche Top" strategy. We organize ourselves to provide the greatest satisfaction for our customers and to gain top market shares on a global scale by making the most of our unique differentiated technologies in the niche areas of the changing and growing markets. In pursuing this strategy, we find it necessary to prepare and build up our "differentiated technologies" well in advance so that we can meet customer demands timely and aptly. To this end, we endeavor to fortify the foundations of our technological expertise. We will also carry forward our marketing activities, collectively called the "San-Shin (Three-New) Activities", in which we aim to "explore new uses", to "develop new products" and to "create new demands". Through these activities, we will create new business areas around our existing ones. By carrying forward these activities on a global scale, we keep growing and will endeavor to attain further development and prosperity, exploring those areas that are growing or changing in a microscopic view, even while the economy is suffering under severe conditions from a macroscopic point of view. "Global Niche Top", used as the proper name to represent our business strategy, has received a trademark in Japan.

2. Basic Policy of Corporate Profits Appropriation

The Corporation's dividend policy, in principle, is to ensure a stable and fair return for the shareholders. At the same time, it is essential for the Corporation to make an active prior investment in R&D and production in order to stay ahead of rapid technological innovation and to meet timely customer demands. Accordingly, the dividends to the shareholders will be determined, in consideration of the Corporation's overall financial condition, profit level and payout ratio.

3. Mid-term and Long-term Business Strategies and Management Indices

Our mid-term object is to become a "global excellent company", and our mid-term business goal for fiscal 2008 is to achieve 12% ROA (return on assets) and 17% operating margin, the level comparable with that of the world's top companies. We think these are the conditions for making a "global excellent company" by building such good performance and a high value-added business structure.

In order to attain the "business goal", we look from the viewpoint that what we should do to attain our business goal in future is essential, rather than incremental improvements of current business. We have developed and have been pursuing a mid-term business plan called "One-NITTO Dream Plan" since fiscal 2004. It is a "three-year action plan viewed from the standpoint of five years ahead" for making a "global excellent company". With the plan that focuses on development, we will pursue our basic strategy of becoming a "Global Niche Top" more aggressively, through our "Global Niche Top products doubling plan", and "One-NITTO", in an effort to bring oneness to group management.

Consecutively to fiscal 2004, the first year in this three-year plan, we fortunately achieved the best performance in our history in fiscal 2005. With this, the target of fiscal 2008 is already within our scope. Our objective in becoming the world's top companies, however, is expected to maintain good results continuously, and its value itself is also expected to be widely recognized by society. We recognize that business reform for the goal is yet to be accomplished, and we have developed a "One-NITTO Dream Plan Step2" in fiscal 2006 - 2008 in order to attain the "business goal" defined in the original plan.

For "One-NITTO Dream Plan Step2", we will not change our objective in fiscal 2008, but we plan to stick at "Growth of quality" for the achievement of the objective. We will continue to exert our utmost efforts so that the Corporation will be recognized as the world's top company by our shareholders and other customers, as well as by society as a whole.

4. Challenges the Corporation Faces

The general business task of the Corporation is to concentrate our resources to growing areas, to promote globalization focusing on Asia and to increase "Global Niche Top products", and to create new Global Niche Top products.

With regard to specific products, as to the LCD-related products in the Electronics Products Division, the Corporation will reinforce the productive capacity in Onomichi Plant and Kameyama Plant in response to the

market's upward trend, and enhance capacity in South Korea, Taiwan and China where we experience remarkable growth. We will build up the world's optimum production system for semiconductor-related products, printed circuits products and electronic process products, and set them on the track to growth by creating new Global Niche Top products by quickly responding to shifts of the market. As to the industrial products, we will reinforce local marketing in the U.S., Europe and Asia for the automobile related materials business to make it a growing point of our group. With regard to functional products, which we expect to be the driving force of mid- and long-term growth, and we will expedite the selection and concentration of resources in pharmaceutical manufacturing in the U. S. to bring forth our business growth.

The Corporation has been actively involved in planet-wide environmental preservation in its business activities. We have set up the "basic environmental policy", and have developed a "voluntary plan (action plan on environmental protection)", and also introduced a consolidated "environmental accounting system". We will continue to be actively involved in this issue in future. In recent years, awareness of CSR (corporate social responsibility) is rapidly growing. Business companies are obliged not only to achieve better results and fulfill their responsibilities in economic aspects but also to take overall responsibilities in environmental and social aspects. The group has individually dealt with environment, safety, corporate ethics, human rights and information security to date, and we have established the CSR promotion department to further deal with these issues comprehensively across the whole group. As to our activities and achievements, we reported in our "Report on environment and society" in 2004 a developed form of "Environment report". From this fiscal year, we will provide our "CSR report" using this newly developed format.

For sustainable development of the corporation, we believe it is essential to pursue the enhancement of the corporate brand value in parallel with business growth so that the customers "can rely on Nitto Denko Group products", "feel assured of the reliable performance and quality of Nitto Denko Group products" and "can trust Nitto Denko Group employees". From fiscal 2005, based on this understanding, the Group has started a movement to improve the corporate brand value, to enhance the trust and expectations we receive from our shareholders, customers, society and employees, to bring about a synergy of all their satisfaction, and to improve the corporate value as a whole. Specifically, we have issued a short statement on our promises to the stakeholders entitled "Flexible Technology Company" – "At Moments of Change with Brilliant Technology and Flexible Attitude", and have been spreading it both inside and outside the group. We have also decided on the brand mark common to all the group companies, and started using it in our communication and other activities inside and outside the group as a symbol of corporate brand value improvement. We plan to carry this movement forward in future.

We are pursuing our policy to make ourselves a "global excellent company", by responding to issues in a timely manner. We recognize that it is our most important task to foster human resources that really achieve our objectives. The group operates "Nitto University", an organization that provides education and training by class and by job to raise the level of human resources in general, and a course to selectively foster leaders of the next generation. In fiscal 2005, we established a new course for younger employees where they can learn subjects such as management strategy, financial knowledge and languages suitable to their career. After training, we post them to key positions that fit their aptitude so as to foster them as candidates to become future executives.

5. Basic Idea on Corporate Governance and Execution of Measures for its Achievement

(1) Basic Idea on Corporate Governance

To attach importance in interests for all stakeholders who support the corporation's business activity, and to realize maximum long-term and sustainable value for shareholders, establishing corporate governance is an extremely important task. In view of this understanding, we have been promoting "sound and transparent management" by the motto "Open, Fair and Best", which means "to share information openly", "to judge fairly", and "to unite our best efforts in executing what has been determined".

Specifically, we established "Guidelines for ordinance compliance" in April 2003, to be a "sincere company that is trusted by society, by setting a high value on dialogue with society and to publish information required by society in a timely fashion". In addition, to this ordinance, we have established the "Business Ethics Help Line" system to which employees can contribute anonymously when they find any actions that are against company ethics and the public interest. This helpline has contacts inside and outside the corporation.

The Group will continue to pursue its business growth as well as corporate activities in due consideration of harmony with society and to give full satisfaction to the shareholders.

(2) Execution of Measures for Achievement of Corporate Governance

<Directors, Board of Directors and operating officers>

The Board of Directors makes decisions on key items on management of the corporation and audits business

execution by directors and operating officers. To speed up business and management, we introduced the “chief officer system” for directors so that they may concurrently perform both management and execution functions for the group. We introduced the “executive system” to “clarify the roles of the management’s decision making and business execution functions”. In fiscal 2005, we cut the number of directors to five to enable a board of directors meeting (held monthly, twice in June) with unerring and prompt decision-making based on thorough discussion. To secure “sound and transparent management”, we set up the management advisory committee “to seek advice from experts outside the group” (held once a quarter), and we hold a “management strategy conference” (monthly) to share information for both management and execution and to make decisions.

<Auditors, Board of Auditors>

We have five auditors, three of them are external auditors and two are standing statutory auditors who worked for the corporation previously. Seven boards of corporate auditors were held during the term. Auditors participate at a board of directors that is held monthly to audit executions by directors through active discussion. They also participate in other important meetings such as the exchange of opinions meeting with the chief executive officer, and perform functions such as the hearing of business reports from directors and employees, inspection of decision and other important papers, investigation of operating divisions, plants and laboratories, investigation of subsidiaries in Japan and overseas, audit reports from auditors and information exchange meetings, and liaison conferences with auditors of affiliated companies. They also work on audit reports from the internal audit office (whenever an audit is made), arrange the witnessing of accountants at the term-end inventory, and they work to improve the effectiveness and efficiency of audits by coordinating with relevant departments. The corporation and outside auditors have no personal relationship, business affairs or any other interests in the company.

<Auditing>

The corporation employs KPMG AZUSA & Co. as an auditor and auditing is based on the Securities and Exchange Act. There is no special interest between the audit corporation and managing partners of the audit corporation who engage in the audit and the corporation, and the audit corporation has been independently taking measures so as to ensure that the managing partners of the audit corporation will not audit the corporation exceeding a certain period of time.

The corporation concludes an audit contract with the audit corporation for the audit as required under the Commercial Law and the audit is required under the Securities and Exchange Law, and pays fees according to the contract. The names of certified public accountants who performed the audit and the structure of assistants for the audit for the term are listed below.

- Names of certified accountants who executed audit
 - Designated employee Managing partner: Masataka Nakao
 - Designated employee Managing partner: Hiroshi Miura
- Structure of assistants in charge of auditing
 - Certified public accountants 2, Assistant certified public accountants 4, Others 2.

<The directors’ remunerations and auditors’ remunerations>

The directors’ remunerations and auditors’ remunerations for the term are as listed below. For remuneration, we have introduced a stock option system in order to share their interests with shareholders, and to link them to business results and corporate values and for straight shareholders conscious management, we have done away with the retirement bonus system for the directors, which was fixed remuneration and replaced this with a stock option.

[Directors' remuneration]

- Compensation paid to directors and auditors
 - 10 Directors 171 million yen
 - 7 Auditors 82 million yen
- (Note 1) There are 5 directors and 5 auditors at the end of the term.
- (Note 2) The maximum fee amount is 240 million yen a year for directors, and 144 million yen a year for auditors.
- (Note 3) The salary as an employee (including bonus) for directors having duties in an employee's capacity is not included.

- The salary as an employee as directors having duties in an employee's capacity
21 million yen (including bonus)
- Allowance of bonus for directors by distribution of net profit
9 directors 310 million yen
- The retirement bonus for the directors paid during the term according to resolution of the general shareholders meeting.
3 directors 548 million yen, 2 auditors 28 million yen
(Note) Since July 2004, we have suspended to reserve a new allowance for retirement benefits for directors, and the above retirement allowances for directors are paid for their tenures from the time of taking position to June 2004.

[Contents of the accountant's fee]

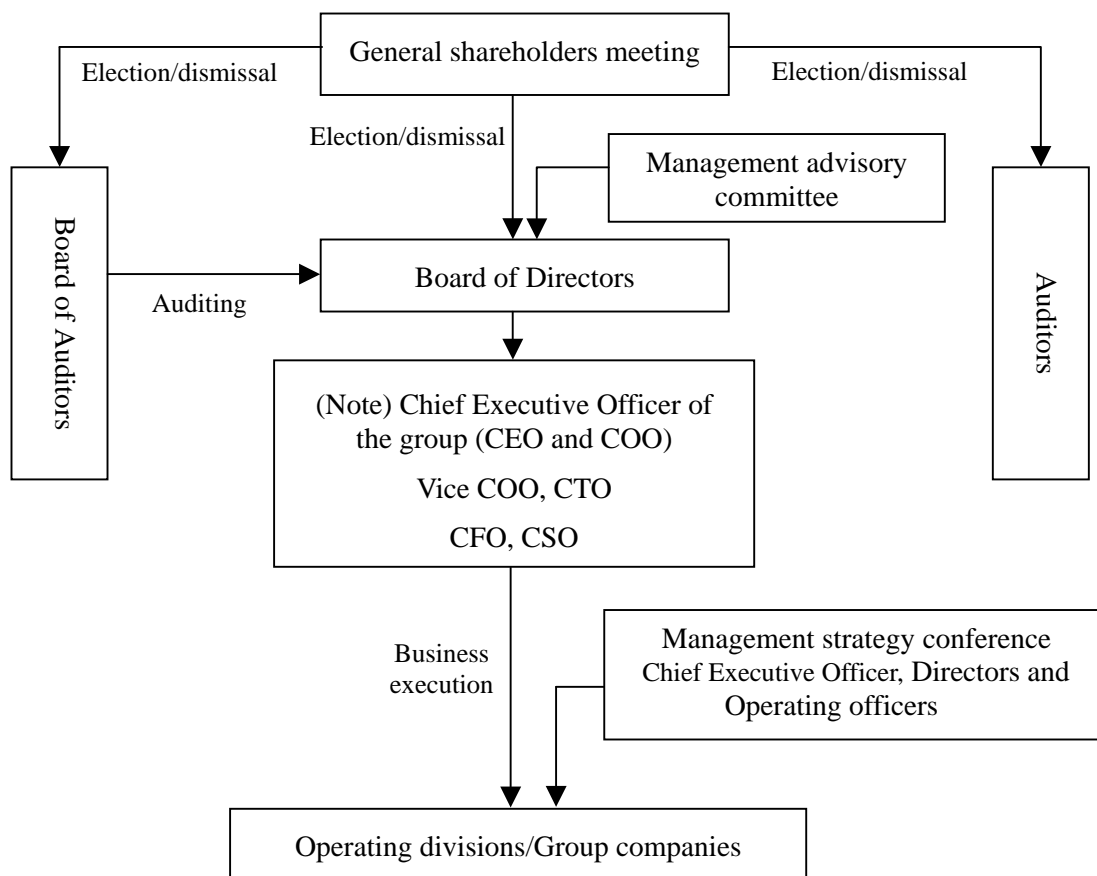
- Fee to “KPMG AZSA & Co.” accounting auditor of the company and consolidated subsidiaries
- Fee for business provided for under the Clause 1, Art. 2 the Certified Public Accountants Law
85 million yen (of that, 50 million yen for the company and 35 million yen for consolidated subsidiaries)
- Fee for business other than the above
1 million yen (of that, 1 million yen for consolidated subsidiary)

<Internal audit>

The corporation has established the audit office for thorough internal control and to audit the validity and efficiency of management and the appropriateness of business processes of companies including domestic and overseas subsidiaries. As a part of its additional internal auditing function, the relevant special functional departments perform auditing on environment, safety, product quality and export control in cooperation with the audit office.

<Schematic drawing of Corporate Governance System>

Schematic drawing that explains auditing and execution system of our company operation is shown below.



(Note)

CEO (Chief Executive Officer): Chief Executive Officer of the group

COO (Chief Operating Officer): Chief Operating Officer of the group

CTO (Chief Technology Officer): Chief Technology Officer of the group

CFO (Chief Financial Officer): Chief Financial Officer of the group

CSO (Chief Strategy Officer): Chief Strategy Officer of the group

6. Item related to holding company

Not applicable.

Business Results and Financial Condition

1. Summary of Business Results

(1) Summary of the term

Summary of overall business

During fiscal 2005, the global economy showed a steady tone with a favorable digital economy and an increase in plant and equipment investment despite some factors to slowdown the pace of economic growth, such as soaring crude oil prices and increases of primary products prices. However, in the later period of the term, uncertainty over future prospects such as the slowdown of exports due to concerns regarding the U.S. and Chinese economies and the adjustment of product production began.

Under such economic conditions, the Group continuously concentrated on growing products and sales remained robust, especially LCD related materials, industrial products, printed circuit products and polymer separation membrane products for FPD (flat panel display) industries, especially industrial products and engineering plastic products for automobile industries and OA (office automation), equipment, and especially healthcare-related products such as transdermal therapeutic patches for the pharmaceutical market.

As a result, net sales increased by 13.7% compared with the same period in the previous year (the same comparison applies to the following percentages) to 514,867 million yen. In terms of profits, despite the drop in product prices, the increase of costs of specific materials due to soaring crude oil prices, influence of yen's appreciation and increase of depreciation cost, operating income increased by 25.2% to 70,018 million yen, ordinary income increased by 23.7% to 71,828 million yen, and net income increased by 25.3% to 41,842 million yen, thanks to the operating ratio effect brought by sales increase, lowered material unit costs and improved yield rate.

Dividends at year-end will be 25 yen per share, the same amount as the interim dividends paid, based on our basic policy of appropriation of the corporation's profits, making a total of 50 yen per share for the full year, a 10 yen increase from the previous year.

Summary of Results by Business Segments

[Industrial Products]

Sales of bonding and joining products for cellular phones and automobile industries remained robust. Sales of bonding and joining products for digital consumer electronics and laptop (notebook size) computers also remained strong in East Asia. Sales of surface protection products for machine installation and for housing have leveled off, sales of FPD market remained strong due to the influence of production increases of LCD panels. Sales of sealing products for cellular phone and automobile industries remained robust. Among construction products, coating products for housing and waterproof materials for windows remained steady.

As a result, net sales increased to 207,366 million yen (up 8.2%) and operating income to 16,539 million yen (up 23.1%)

[Electronic Products]

Sales of LCD-related products remained strong with the market expansion and growth of demand for larger LCD panels. Sales of view angle expansion films for LCD monitors remained strong despite being influenced by price drops, sales of polarizing films with view angle expansion films for LCD monitors remained strong. Laptop PC production remain robust, and sales of advanced films on the whole, including polarizing films with brightness enhancing function, remained strong. Among semiconductor related products, in the first half of the term, sales of sealers for leading-edge packages remained robust in the latter half of the term due to the influence of inventory adjustment of the market, and sales for the whole term remained sluggish. As to sales of printed circuits products, while sales of medium and small LCD modules, mainly for cellular phone were sluggish, sales of thin metal core boards with circuit for Magnetron Resistive Heads (MRH), used for HDDs remained strong and it remained robust for the term. Among electronic process products, though affected by adjustments of production of electronic components in the latter half of the term, sales of protection sheets and laminating machines for semiconductor production process remained strong for the term.

As a result, net sales increased to 261,541 million yen (up 19.0%) and operating income to 47,152 million yen (up 21.3%)

[Functional Products]

Among medical products, while the pharmaceutical market on the whole is stagnant due to the influence of medical expense containment policies, our main product, transdermal therapeutic patches for asthma remained strong. Among healthcare products, sales of cosmetic-related products remained strong. As the result, business on the whole remained robust in spite of defrayal of research and development costs for the “Aveva Drug Delivery Systems, Inc. (ADS)” transdermal therapeutic patches manufacturer in the U.S. Among polymer separation membranes, the decrease of business for large-scale seawater desalination plants and the influence of the falling selling prices of ultra-pure water production equipment used in the semiconductor industry, small-scale seawater desalination plants and plants for industrial water in East Asia remained robust, and it remained robust overall. Among engineering plastic products, sales of functional products such as fluorine porous membrane products for inner pressure control filters for automobiles and OA equipment as well as porous process products for electronics industry remained strong.

As a result, net sales increased to 45,959 million yen (up 11.2%) and operating income to 6,326 million yen (up 76.1%)

Summary of Results by Market segments

In Japan, Asia and Oceania, LCD-related products and industrial products for FPD industries remained strong with growth of demand for larger LCD panels, industrial products for OA and home electronics in East Asia remained robust.

As a result, net sales in Japan increased to 295,115 million yen (up 3.1%), and operating income increased to 65,918 million yen (up 28.9%).

In Asia and Oceania, net sales increased significantly to 166,522 million yen (up 47.7%), but operating income decreased to 5,936 million yen (down 9.3%) due to factors such as the drop in the selling prices and currency fluctuations in the latter half of the term.

In Europe, industrial products remained robust mainly for automobile industries, however, because of factors such as write-offs of bad loans in the latter half of the term, net sales increased to 17,392 million yen (up 5.9%), but operating income decreased to 246 million yen (down 51.6%) for the fiscal 2005.

In the North America, business was sluggish due to factors such as the delay of full-scale operation of the Permacel Automotive, Inc.’s new factory, defrayal of research and development cost of ADS, the business slowdown of Permacel Automotive, Inc. the sluggish nature of business for major U.S. automobile manufacturers, and the sale of Graphic Technology, Inc. As a result, net sales of North America decreased to 35,836 million yen (down 3.7%), with an operating loss was 2,479 million yen.

(2) Projection for the next term

As to the future economic outlook, we expect that the business adjustment situation since the previous year will continue, demand for information related businesses in Europe will recover in the latter half of the term, and production of mainly electronic devices in Japan is expected to be reactivated. However, recovery of U.S. economy might not be so strong, and we expect that a gentle economic recovery as a whole continue.

Under such an economic environment, in order to come closer to our corporate goal to make us a “global excellent company” aimed at by the group's mid-term business plan called “One-NITTO Dream Plan Step2”, we will continue to improve corporate quality and to concentrate resources in the promising areas to bring forth our business growth as a business strategy and to create new “Global Niche Top products”.

For flat panel display (FPD) industry where we can expect continued growth, we will focus on LCD related products such as advanced films for larger LCD panels for LCD TVs and polarizing films and surface protection products, printed circuits (PC) products for HDD industry where we can enjoy a decided advantage of our high-performance and miniaturization technology, industrial products for automobile industries, other than the Japanese market, and in North America and Asia, we will pursue an improvement in performance by concentrating on the transdermal therapeutic patches business for expanding healthcare products.

Our projections for business results in the fiscal year ending March 31, 2006, taking change of the scope of consolidation and influence of currency fluctuation into consideration are as follows: net sales of 580 billion yen (up 12.7%), operating income at 77 billion yen (up 10.0%), ordinary income at 75.5 billion yen (up 5.1%), and net income at 48 billion yen (up 14.7%).

2. Financial Condition

Cash and cash equivalents (hereafter called “net cash”) at the end of the fiscal 2005 were 48,278 million yen, 266 million yen down from the end of the fiscal 2004. Analysis of cash flow and financial position are as follows:

(Cash flow from operating activities)

Net cash provided by operating activities totaled 56,067 million yen.

This was mainly attributable to an increase in net profit after taxes of 69,976 million yen, depreciation of 24,681 million yen, and a decrease in accounts receivable of 8,874 million yen, and an inventory of 2,005 million yen and an outlay of corporate taxes and other payments of 21,563 million yen.

(Cash flow from investing activities)

Net cash used in investing activities totaled 49,171 million yen.

This was mainly attributable to an outlay of 47,593 million yen for acquisition of fixed assets.

(Cash flow from financing operations)

Net cash used in financing operations totaled 9,154 million yen.

This was mainly attributable to an outlay of 7,853 million yen for dividends paid.

The following table shows the changes in the Group’s cash flow indices:

| | March, 2002 | March, 2003 | March, 2004 | March, 2005 |
|--|----------------|----------------|----------------|----------------|
| Shareholder’ equity ratio (%) | 65.2 | 62.5 | 57.3 | 58.9 |
| Shareholders’ equity ratio on a market value basis (%) | 190.0 | 144.8 | 240.2 | 208.7 |
| Debt redemption period (year) | 0.5 | 0.2 | 0.4 | 0.3 |
| Interest coverage ratio | 89.2 | 284.1 | 193.3 | 169.0 |

Note:

1. Respective indices are obtained by calculating the financial results on a consolidated basis with the following formulae.

Shareholders’ equity ratio: $\text{shareholders' equity} \div \text{total assets}$

Shareholders’ equity ratio on a market value basis: $\text{total market value of shares} \div \text{total assets}$

Debt redemption period: $\text{liabilities with interest} \div (\text{cash flow from operating activities})$

Interest coverage ratio: $\text{cash flow from operating activities} \div \text{interest payment}$

2. Total market value of shares is obtained by multiplying the closing price of a share at the end of the year by the number of shares issued at the end of the first half, after deduction of treasury stock.
3. Liabilities with interest represent all the liabilities included in the consolidated balance sheet for which interest is paid.
4. Cash flow from operating activities and interest payment used here are those included in the consolidated cash flow statement.

3. Operational Risks

(1) Currency fluctuation

The group manufactures and markets our products across the world. Therefore, our business is subject to fluctuations of exchange rates, and a strong yen negatively affects performance, while a cheap yen positively affects performance. The group continues its efforts to limit the influence of such fluctuations of exchange rates among major currencies to the minimum, including U.S. dollar, Asian currencies and the yen as long-term currency fluctuation could negatively affect the performance of the group.

(2) Optical business

As for the optical business of the group, our market share becomes the number one in the world through continued business with major LCD panel manufacturers and is the core business of the group. We continue to pursue to maintain and to increase our large market share and to improve profitability by continuously launching new products and increasing production capacity in a timely manner. Intensified competition and a sharp drop of prices due to competitors entering could negatively affect performance of the group.

(3) Overseas operation

The group operates businesses in Europe, North America and Asian countries, actively pursuing global business operations by performing marketing activities and reducing production costs in each area. In Asia, especially, there are inherent unavoidable risks such as unanticipated change to laws and ordinances, taxes and regulations, social disorder such as transportation delay and power outages due to incomplete social infrastructures, political disturbance and war and terrorism, and in case such risks occur, it could negatively affect performance of the group.

(4) Operations in the North America

In the North American area, the group operates businesses of industrial products and functional materials (membrane/medical and pharmaceutical products). In spite of our aggressive measures such as the consolidation of production by local subsidiaries, we recorded an operating loss for fiscal year 2005. Although the group plans to pull it into the black by improving efficiency, a worsening environment surrounding the business could negatively affect performance of the group.

(5) New product development

There are severe requirements for technological innovation and cost competition in the area where the group operates its business. The corporation continues to pursue new technologies and new products development, with research and development investment necessary for production process innovation as well as plant and equipment investment based on our "Global Niche Top" strategy. However, it is not easy to accurately forecast changes in an industry where market change and technological innovation is so drastic, so when an unexpected situation develops, it could affect future business management.

(6) Intellectual property

The group owns much intellectual property that it maintains and manages. However there is a possibility that a third party might claim these rights to be invalid and we cannot enjoy complete protection and may be imitated in some areas. When protection of intellectual property is severely damaged, it could negatively affect performance of the group.

(7) Products liability

The base of the business of the group is trading producer goods. We manufacture products according to international quality management systems and we do our best in quality management to manufacture goods trusted by our customers. As the main business of the group is producer goods, there will be few possibilities for us to compensate the end users or recall products, however, in case it happens that we have to compensate the end users for our products or recall our products, and compensation that exceeds coverage of products liability insurance incurs, it damages the reputation of the corporation and our products, and it could negatively affect performance of the group.

(8) Environment issues

The group regards environmental preservation measures to be one of our key business policies, and have been acting from a viewpoint of social responsibility to reduce waste and to prevent global warming and air

pollution. The group has not caused any serious environmental problems. The group publishes the fact that we use plenty of toluene in PRTR (The Pollutant Release and Transfer Register) and in the report on the environment and society. The group independently established a reduction plan and observes the plan. However, new environmental regulations may incur a large on-cost.

(9) Regulations

Products of the group include products such as transdermal therapeutic patches (for asthma and angina pectoris) approved as drugs and surgical tapes (Yuki series) for medical use. These regulations apply to the group business activity. In case these regulations are strengthened or changed significantly, activity of the group may be limited or incurs additional cost in compliance with regulations, and it could negatively affect performance of the group.

(10) Accidents and disasters

To prevent accidents due to fires or explosions, or damage due to disasters, the group performs facility inspection and enhances other safety devices and fire-extinguishing equipment and other safety activities. As to the Toyohashi plant, our major production base is located in a designated "earthquake disaster prevention strengthening region", we have improved facilities including seismic retrofitting and automatic shutoff and conduct disaster drills to protect the plant against direct damage or secondary disaster. However, accidents and disasters may happen in spite of these activities, and the Toyohashi plant that is located at the Tokai area has earthquake insurance but its coverage of compensation is limited and it may influence performance of the group.

(11) Retirement benefit liability

Employee accrued benefit costs and liabilities of the corporation and its group is calculated based on prerequisites such as the discount rates that are set for mathematic calculation and expected earnings of pension assets. When the actual result is different from the prerequisites or when the prerequisites have been changed, the influence will be accumulated and will be systematically recognized in future, and it may generally influence on recognized costs and calculated liabilities in future. With suspending handling benefits paid to retired employees on behalf of the government, the group plans to return a part of these pensions asset to Japanese government. With this, the occurrence of the risk of fund shortages decreases while in case market interest rates go down or investment yield of pension assets deteriorates in future, an increase of retirement benefit liability and a shortage of funds might occur to influence the business result of our group.

CONSOLIDATED BALANCE SHEETS

| Description | Fiscal 2004 (As of March 31, 2004) | | Fiscal 2005 (As of March 31, 2005) | | Increase/decrease |
|---|---------------------------------------|--------------|---------------------------------------|--------------|-------------------|
| | Amount | Composition | Amount | Composition | |
| (Assets) | Millions of yen | % | Millions of yen | % | Millions of yen |
| Current Assets | (211,294) | 54.2 | (227,206) | 51.3 | (15,912) |
| Cash on hand in banks | 49,144 | | 50,354 | | 1,210 |
| Trade notes and accounts receivable | 105,369 | | 117,357 | | 11,987 |
| Inventories | 40,670 | | 44,170 | | 3,500 |
| Deferred tax assets | 6,411 | | 6,315 | | 95 |
| Other current assets | 10,866 | | 10,605 | | 260 |
| Allowance for doubtful receivables | 1,169 | | 1,597 | | 428 |
| Fixed Assets | (178,231) | 45.8 | (216,057) | 48.7 | (37,826) |
| Tangible Fixed Assets | 139,329 | 35.8 | 166,523 | 37.5 | 27,194 |
| Buildings and structures | 111,061 | | 122,785 | | 11,723 |
| Machinery and material-handling equipment | 195,932 | | 210,584 | | 14,652 |
| Tools, fixtures and parts | 21,966 | | 23,715 | | 1,748 |
| Land | 18,823 | | 19,000 | | 177 |
| Construction in progress | 10,214 | | 22,228 | | 12,013 |
| Accumulated depreciation | 218,668 | | 231,789 | | 13,121 |
| Intangible Fixed Assets | 6,753 | 1.7 | 6,619 | 1.5 | 133 |
| Goodwill | 620 | | 80 | | 540 |
| Other intangible fixed assets | 6,132 | | 6,539 | | 406 |
| Investments and Other Assets | 32,148 | 8.3 | 42,914 | 9.7 | 10,765 |
| Investments in securities | 11,602 | | 11,467 | | 135 |
| Investments in non-consolidated subsidiaries and affiliates | 13,538 | | 15,570 | | 2,032 |
| Deferred tax assets | 2,669 | | 1,090 | | 1,579 |
| Prepaid pension cost | -- | | 10,524 | | 10,524 |
| Others | 4,874 | | 4,809 | | 64 |
| Allowance for doubtful receivables | 537 | | 548 | | 11 |
| Total Assets | 389,525 | 100.0 | 443,264 | 100.0 | 53,738 |

-

| Description | Fiscal 2004 (As of March 31, 2004) | | Fiscal 2005 (As of March 31, 2005) | | Increase/decrease |
|---|---------------------------------------|--------------|---------------------------------------|--------------|-------------------|
| | Amount | Composition | Amount | Composition | |
| (Liabilities) | Millions of yen | % | Millions of yen | % | Millions of yen |
| Current Liabilities | (138,274) | 35.5 | (145,218) | 32.8 | (6,944) |
| Trade notes and accounts payable | 70,927 | | 71,958 | | 1,031 |
| Short-term loans payable | 12,115 | | 8,508 | | 3,606 |
| Current portion of bonds | | | 300 | | 300 |
| Accrued expenses | 15,202 | | 15,634 | | 432 |
| Income taxes | 12,573 | | 16,089 | | 3,515 |
| Other current liabilities | 27,455 | | 32,727 | | 5,271 |
| Long-term Liabilities | (16,153) | 4.1 | (26,686) | 6.0 | (10,532) |
| Bonds | 300 | | | | 300 |
| Long-term loans payable | 3,448 | | 6,503 | | 3,055 |
| Provision for retirement benefits | 8,641 | | 14,030 | | 5,388 |
| Provision for retirement allowances for directors and corporate auditors | 1,339 | | 594 | | 744 |
| Deferred tax liabilities | -- | | 428 | | 428 |
| Consolidation adjusting account | -- | | 2,011 | | 2,011 |
| Other long-term liabilities | 2,424 | | 3,118 | | 693 |
| Total Liabilities | 154,427 | 39.6 | 171,905 | 38.8 | 17,477 |
| (Minority Interests) | | | | | |
| Minority interests | 11,983 | 3.1 | 10,267 | 2.3 | 1,715 |
| (Shareholders' Equity) | | | | | |
| Common stock | 26,783 | | 26,783 | | -- |
| Capital surplus | 50,482 | | 50,482 | | -- |
| Earned surplus | 196,596 | | 228,927 | | 32,331 |
| Net unrealized holding gains on securities | 3,057 | | 3,022 | | 35 |
| Foreign currency translation adjustments | 13,629 | | 11,913 | | 1,716 |
| Cost of treasury stock | 40,175 | | 36,210 | | 3,964 |
| Total Shareholders' Equity | 223,114 | 57.3 | 261,090 | 58.9 | 37,976 |
| Total Liabilities, Minority Interest and Shareholders' Equity | 389,525 | 100.0 | 443,264 | 100.0 | 53,738 |

CONSOLIDATED STATEMENTS OF INCOME

| Description | Fiscal 2004 From April 1, 2003 to March 31, 2004 | | Fiscal 2005 From April 1, 2004 to March 31, 2005 | | Increase/ decrease | Yr/yr % change |
|--|--|------------|--|------------|-----------------------|-------------------|
| | Amount | Percentage | Amount | Percentage | | |
| | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Net sales | 452,726 | 100.0 | 514,867 | 100.0 | 62,141 | 113.7 |
| Cost of sales | 314,785 | 69.5 | 355,880 | 69.1 | 41,094 | |
| Gross profit | 137,940 | 30.5 | 158,987 | 30.9 | 21,046 | 115.3 |
| Selling, general and administrative expenses | 82,028 | 18.1 | 88,968 | 17.3 | 6,940 | |
| Operating Income | 55,912 | 12.4 | 70,018 | 13.6 | 14,106 | 125.2 |
| Other Income | (5,775) | 1.2 | (5,104) | 1.0 | (671) | |
| Interest and dividend income | 526 | | 305 | | 220 | |
| Equity in earnings of non-consolidated subsidiaries and affiliates | 2,533 | | 2,626 | | 92 | |
| Miscellaneous income | 2,715 | | 2,173 | | 542 | |
| Other Expenses | (3,642) | 0.8 | (3,295) | 0.6 | (347) | |
| Interest expenses | 245 | | 322 | | 76 | |
| Miscellaneous expenses | 3,396 | | 2,972 | | 424 | |
| Ordinary Income | 58,045 | 12.8 | 71,828 | 14.0 | 13,783 | 123.7 |
| Extraordinary Gains | (2,192) | 0.5 | (394) | 0.1 | (1,797) | |
| Gains on sales of fixed assets | 93 | | 109 | | 15 | |
| Reversal of provision for retirement benefits by system changes | 1,957 | | -- | | 1,957 | |
| Gains on disposal of businesses | -- | | 253 | | 253 | |
| Other extraordinary gains | 141 | | 32 | | 109 | |
| Extraordinary Losses | (3,162) | 0.7 | (2,246) | 0.5 | (916) | |
| Losses on sales and disposal of fixed assets | 1,071 | | 1,261 | | 189 | |
| Other extraordinary losses | 2,091 | | 985 | | 1,105 | |
| Income before provision for income taxes | 57,074 | 12.6 | 69,976 | 13.6 | 12,901 | 122.6 |
| Corporate income, local and business taxes | 18,954 | 4.2 | 24,464 | 4.8 | 5,510 | |
| Adjustments to income taxes | 2,946 | 0.6 | 2,152 | 0.4 | 794 | |
| Minority interest in net income of consolidated subsidiaries | 1,787 | 0.4 | 1,517 | 0.3 | 270 | |
| Net Income | 33,386 | 7.4 | 41,842 | 8.1 | 8,456 | 125.3 |

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

| Description | (From April 1, 2003 to March 31, 2004) | (From April 1, 2004 to March 31, 2005) |
|---|---|---|
| | Millions of yen | Millions of yen |
| (Capital Surplus) | | |
| I Beginning Balance of Capital Surplus | 50,482 | 50,482 |
| II Ending Balance of Capital Surplus | 50,482 | 50,482 |
| (Earned Surplus) | | |
| I Beginning Balance of Earned Surplus | 168,632 | 196,596 |
| II Increase in Earned Surplus | (33,386) | (41,842) |
| Net Income | 33,386 | 41,842 |
| III Decrease in Earned Surplus | (5,422) | (9,511) |
| Cash dividends paid | 5,034 | 7,853 |
| Directors' bonuses | 385 | 552 |
| Loss on disposal of treasury stock | 2 | 1,105 |
| IV Ending Balance of Earned Surplus | 196,596 | 228,927 |

CONSOLIDATED STATEMENTS OF CASH FLOWS

| Year | Fiscal 2004 (From April 1, 2003 to March 31, 2004) | Fiscal 2005 (From April 1, 2004 to March 31, 2005) |
|--|--|--|
| Description | Millions of yen | Millions of yen |
| I Cash Flows from Operating Activities | | |
| Income before provision for income taxes before adjustments to reconcile income to net cash provided by operating activities | 57,074 | 69,976 |
| Depreciation and amortization | 21,386 | 24,681 |
| Increase (decrease) in provision for retirement benefits | 7,974 | 5,135 |
| Increase (decrease) in provision for retirement allowances for directors and corporate auditors | 107 | 401 |
| Interest and dividend income | 526 | 305 |
| Interest expenses | 245 | 322 |
| Equity in earnings of non-consolidated subsidiaries and affiliates | 2,533 | 2,626 |
| Losses on evaluation of investment in securities | 2 | 8 |
| Losses on sales and disposal of fixed assets | 978 | 1,152 |
| Increase (decrease) in trade notes and accounts receivable | 16,879 | 8,874 |
| Increase (decrease) in inventories | 3,948 | 2,005 |
| Increase (decrease) in other accounts receivable | 1,949 | 620 |
| Increase (decrease) in trade notes and accounts payable | 15,565 | 37 |
| Directors' bonuses paid | 437 | 622 |
| Others, net | 4,449 | 387 |
| Sub-total | 65,560 | 77,139 |
| Interest and dividends received | 803 | 823 |
| Interest paid | 239 | 331 |
| Income taxes paid and refunded | 19,857 | 21,563 |
| Net cash provided by operating activities | 46,268 | 56,067 |
| II Cash Flows from Investing Activities | | |
| Increase (decrease) in time deposits | 1 | 1,048 |
| Proceeds from sales of marketable securities | 1,717 | -- |
| Acquisition of fixed assets | 27,084 | 47,593 |
| Proceeds from sales of fixed assets | 973 | 1,050 |
| Purchase of investments in securities | 611 | 80 |
| Proceeds from sales of investments in securities | 459 | 132 |
| Purchase of securities in subsidiaries | 7,659 | 1,513 |
| Proceeds from sales of securities in subsidiaries | 148 | -- |
| Payments of loans | 86 | 423 |
| Collections of loans | 829 | 304 |
| Net cash used in investing activities | 31,312 | 49,171 |
| III Cash Flows from Financing Activities | | |
| Increase (decrease) in short-term debt | 1,944 | 3,778 |
| Proceeds from long-term debt | 3,446 | 4,022 |
| Repayment of long-term debt | 284 | 1,687 |
| Increase (decrease) in treasury stock | 39,111 | 437 |
| Dividends paid | 5,034 | 7,853 |
| Dividends paid to minority interest | 130 | 295 |
| Net cash used in financing activities | 39,169 | 9,154 |
| IV Effect of Exchange-rate Changes on Cash and Cash Equivalents | 947 | 742 |
| V Net Increase in Cash and Cash Equivalents | 25,161 | 1,515 |
| VI Cash and Cash Equivalents, Beginning of Year | 73,341 | 48,544 |
| VII Cash and Cash Equivalents of a Newly Consolidated Company | 364 | 1,249 |
| VIII Cash and Cash Equivalents, End of Year | 48,544 | 48,278 |

Basis of Preparation for the Consolidated Financial Statements

1. Scope of Consolidation

1) Consolidated subsidiaries: 52

Major companies: Nitto Shinko Corp, Nissho Corp., Kyoshin Co., Ltd., Nitto Denko Matex Co., Ltd., and Nitto Europe N. V.

Nitto Denko (Tianjin) Co., Ltd. was newly established.

Nissho Precision (Wuxi) Co., Ltd. was newly established.

L Nissho Corporation was newly added from non-consolidated company.

Nitto U.K. Limited was newly added from non-consolidated company.

Nitto Italia S.R.L. was newly added from non-consolidated company.

Nitto Polska Sp.zo.o. was newly added from non-consolidated company.

Nitto Denko Material Thailand Co., Ltd. was newly added from non-consolidated company.

Nitto Denko Philippines Corp. was newly added from non-consolidated company.

Other 2 companies were newly added.

2) Non-consolidated subsidiaries: 61

Major company: Nistem Corporation

Nitto Matex (Shenzhen) Co., Ltd. was newly established.

Nissho Precision (Wuxi) Co., Ltd. was newly established.

Optmate Corporation was newly established.

Nissho (Thailand) Co., Ltd. was newly added from affiliate applicable of equity method.

Nissho (Malaysia) Sdn. Bhd. and other 1 company were excluded (through consolidation).

L Nissho Corporation was excluded.

Nitto U.K. Limited was excluded.

Nitto Italia S.R.L. was newly added from non-consolidated company.

Nitto Polska Sp.zo.o. was excluded.

Nitto Denko Material Thailand Co., Ltd. was excluded.

Nitto Denko Philippines Corp. was excluded.

2. Application of equity method

1) Non-consolidated subsidiaries applicable of equity method: 61

Major company : Nistem Corporation

Nitto Matex (Shenzhen) Co., Ltd. was newly established.

Nissho Precision (Wuxi) Co., Ltd. was newly established.

Optmate Corporation was newly established.

Nissho (Thailand) Co., Ltd. was newly added from affiliate applicable of equity method.

Nissho (Malaysia) Sdn. Bhd. and other 1 company were excluded (through consolidation).

L Nissho Corporation was excluded.

Nitto U.K. Limited was excluded.

Nitto Italia S.R.L. was excluded.

Nitto Polska Sp.zo.o. was excluded.

Nitto Denko Material Thailand Co., Ltd. was excluded.

Nitto Denko Philippines Corp. was excluded.

2) Affiliates applicable of equity method: 1

Nissho (Thailand) Co., Ltd. was newly added from affiliate applicable of equity method.

3. Fiscal Year End of Consolidated Companies

45 of the consolidated subsidiaries use the same first half of fiscal year end.

7 of the consolidated subsidiaries use the different first half of fiscal year end.

Necessary adjustments have been made for inter-company transactions between these six subsidiaries and the Corporation, which have taken place during the intervening period from the end of last consolidated fiscal year-end to the current consolidated first half of fiscal year end.

4. Accounting Principles and Practices

1) Revaluation standards and method of significant assets

Securities

Other securities

Market value is available: Stated at market value on the date of the current consolidated fiscal year end (Valuation adjustments are reported in Equity section, and the sales cost is calculated by a moving average method).

Market value is not available: Stated at moving-average cost

Derivatives Fair value method

Inventories Mainly the lower of cost or market, where cost is determined by the average method.

2) Depreciation method of significant depreciable assets

Tangible fixed assets Mainly declining balance method

Intangible fixed assets Straight-line method

(Straight-line method is applied for the software used in-house for the proprietary purposes during its usable life (five years).)

3) Provision of significant allowances

Allowance for doubtful receivables

Allowance of doubtful receivables 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 collectivity of individual receivables.

Provision for retirement benefits

The corporation provided allowance for employees' severance and pension benefits at the end of this period 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 cost of pension plans are amortized over the fixed years less than the estimated average remaining service lives of the employees, which is 12 years for the current year.

The actuarial net losses are amortized over the fixed years less than the estimated average remaining service lives of the employees, which is 12 years for the current year, from the next fiscal year.

Provision for retirement allowances for directors and corporate auditors

Domestic consolidated companies provide 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 each Company's internal regulations.

As the result of reviewing the board members compensation in the management reforms, the Corporation abolished the retirement allowances for directors and corporate auditors system on June 24, 2004, the day of the annual shareholders meeting. The amount of the allowances for the periods until the annual shareholders meeting is posted as "Other long-term liabilities" at the section of the Long-term liabilities.

4) 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 date of the end of the fiscal year, while exchange gain or loss adjustments were posted as gains or losses. The assets and liabilities of the foreign subsidiaries are translated into Japanese yen at the spot exchange rate prevailing at the balance sheet date, and their revenues and expenses are translated into Japanese yen at the average exchange rate during the reporting semiannual period, the differences arising from such translations are posted as "Minority interests" and "Foreign currency translation adjustments" at the section of the Shareholder's equity.

5) 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.

6) Hedging accounting

Hedge accounting

Deferred hedge accounting is adopted for the foreign currency forward contracts on anticipated transactions.

Hedging instruments and hedged items

Hedging instruments and hedged items subject to the hedging accounting during the current semiannual fiscal year are as follows:

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

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.

- 7) Other basic information for preparation of the semiannual consolidated financial statements
The tax-excluded method is adopted for accounting treatment of consumption and other taxes.

5. Revaluation of Assets and Liabilities of Subsidiaries

Partial fair market value method is applied to revalue assets and liabilities of consolidated subsidiaries.

6. Amortization of Consolidation Adjustment Account

The difference between the cost of investments in the consolidated subsidiaries and the amount of underlying equity in the net assets of such subsidiaries is amortized over a 5-year period on a straight-line basis. If such amount is not material, it is directly charged to income for the current year.

7. Consolidated Appropriation of Retained Earnings

Consolidated Statements of Shareholders' Equity has been prepared based on the appropriation of earnings determined during the fiscal year.

8. Scope of funds in the Consolidated Statements of Cash Flows

Funds (cash and cash equivalents) in the consolidated statements of cash flows are comprised of cash in hand, demand deposits and time deposits maturing within three months from the date of acquisition, and highly liquid short-term investments having an original maturity of three months or less with minor risk of fluctuations in value.

(Change of representation system)

For "accrued pension cost" and "advance pension cost", we have recorded the sum of both costs on the consolidated balance sheet, taking the importance of the cost in the fiscal year into consideration, we have recorded both costs respectively. The amount of "pay in advance pension cost" in the previous fiscal year is 6,187 million yen.

[Additional Information]

(Assessment by estimation on the basis of the size of business)

In accordance with the public announcement of Business Practice Report No.12 "Business practice on the description of the portion of corporate business tax assessed by estimation on the basis of the size of business in the profit and loss statement" (Business Accounting Standard Committee) (February 13, 2004), the Corporation deals with the portion of corporate business tax assessed by added value and that assessed by capital (625 million yen) as selling expenses and administrative expenses in compliance with the report from this consolidated accounting of the first half of the fiscal 2005.

(Significant contingent liabilities)

Not applicable.

Notes

(Consolidated balance sheets)

1. Pledged assets and secured debt

| | <u>Fiscal 2004</u> | <u>Fiscal 2005</u> |
|----------------|--------------------|--------------------|
| Pledged assets | 447 mil. yen | 1,402 mil. yen |
| Secured debt | 423 mil. yen | 1,071 mil. yen |

2. Assets at non-consolidated subsidiaries and affiliates

| | <u>Fiscal 2004</u> | <u>Fiscal 2005</u> |
|------------------------------------|--------------------|--------------------|
| Investments in securities (equity) | 13,538 mil. yen | 15,570 mil. yen |

3. Obligation and commitment under the guarantee agreements (including letters of comfort for management guidance)

| | <u>Fiscal 2004</u> | <u>Fiscal 2005</u> |
|--|--------------------|--------------------|
| Obligations under the guarantee agreements | 1,711 mil. yen | 1,812 mil. yen |

4. Trade notes discounted and trade notes endorsed

| | <u>Fiscal 2004</u> | <u>Fiscal 2005</u> |
|-----------------------------|--------------------|--------------------|
| Notes receivable discounted | 90 mil. yen | 90 mil. yen |
| Notes receivable endorsed | 720 mil. yen | 744 mil. yen |

(Consolidated Statements of Income)

1. Major Items of Selling, General and Administrative Expenses and their Amount

| | <u>Fiscal 2004</u> | <u>Fiscal 2005</u> |
|------------------------------------|--------------------|--------------------|
| Transportation cost | 9,783 mil. yen | 11,707 mil. yen |
| Advertisement and sales commission | 3,195 mil. yen | 3,465 mil. yen |
| Employees' salaries and benefits | 28,934 mil. yen | 29,902 mil. yen |
| Traveling expenses | 3,578 mil. yen | 4,080 mil. yen |
| Fees and commissions | 9,518 mil. yen | 11,871 mil. yen |
| Depreciation and amortization | 4,083 mil. yen | 3,888 mil. yen |
| Rents and leases | 2,530 mil. yen | 2,386 mil. yen |

(Consolidated statements of cash flows)

Cash and cash equivalents at the end of the fiscal year and their relevant items posted in the balance sheet and their amount

| | <u>Fiscal 2004</u> | <u>Fiscal 2005</u> |
|--------------------------------------|--------------------|--------------------|
| Cash on hand and in banks | 49,144 mil. yen | 50,354 mil. yen |
| Time deposits maturing over 3 months | 600 mil. yen | 2,076 mil. yen |
| Cash and cash equivalents | 48,544 mil. yen | 48,278 mil. yen |

(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.

(Securities)

(Fiscal 2005)(As of March 31, 2005)

1. Securities Held for Trading Purposes

Carrying amount -- mil. yen
 Valuation adjustment charged to income -- mil. yen

2. Debt securities intended to be held till their maturities

Not applicable.

3. Other Securities with Fair Value

Securities with book values exceeding acquisition costs (unit: million yen)

| | Acquisition cost | Book value | Difference |
|--------------------------------------|------------------|--------------|--------------|
| (1) Equity securities | 3,217 | 8,527 | 5,309 |
| (2) Bonds | | | |
| Government bonds, municipal bonds | -- | -- | -- |
| Corporate bonds | -- | -- | -- |
| Others | 268 | 304 | 36 |
| (3) Others | -- | -- | -- |
| Total | 3,486 | 8,832 | 5,346 |

Securities with book values not exceeding acquisition costs (unit: million yen)

| | Acquisition cost | Book value | Difference |
|--------------------------------------|------------------|------------|------------|
| (1) Equity securities | 16 | 12 | 3 |
| (2) Bonds | | | |
| Government bonds, municipal bonds | -- | -- | -- |
| Corporate bonds | -- | -- | -- |
| Others | -- | -- | -- |
| (3) Others | -- | -- | -- |
| Total | 16 | 12 | 3 |

4. Other Securities Disposed during the Fiscal 2005

No notes are made since the total amount of gains/losses from sales is immaterial.

5. Securities with no Fair Values

(Unit: Millions of yen)

| | Carrying amount |
|--|-----------------|
| Other securities | |
| Non-listed equity (excluding equity securities traded over the counter) | 2,623 |

6. There is no redemption scheduled to be noted for the securities with stated maturities and the debt securities held-to-maturity among other securities.

(Previous fiscal year end)(As of March 31, 2004)

1. Marketable securities for trading purposes

Amount posted on balance sheet -- mil. yen
 Securities valuation adjustments included in the current fiscal year's gains and losses 5 mil. yen

2. The debt securities intended to be held till their maturities

Not applicable

3. Other securities subject to marked-to-market

Securities with book values exceeding acquisition costs

(Unit: Millions of yen)

| | Acquisition cost | Book value | Difference |
|--------------------------------------|------------------|--------------|--------------|
| (1) Equity securities | 2,738 | 8,276 | 5,537 |
| (2) Bonds | | | |
| Government bonds, municipal bonds | - | - | - |
| Corporate bonds | - | - | - |
| Others | 165 | 200 | 34 |
| (3) Others | - | - | - |
| Total | 2,904 | 8,477 | 5,572 |

Securities with book values not exceeding acquisition costs

(Unit: Millions of yen)

| | Acquisition cost | Book value | Difference |
|--------------------------------------|------------------|------------|------------|
| (1) Equity securities | 516 | 515 | 1 |
| (2) Bonds | | | |
| Government bonds, municipal bonds | - | - | - |
| Corporate bonds | - | - | - |
| Others | 104 | 103 | 1 |
| (3) Others | - | - | - |
| Total | 621 | 619 | 2 |

4. Other securities sold during the Fiscal 2005

| Proceeds from sales | Amount of capital gain | Amount of capital loss |
|---------------------|------------------------|------------------------|
| 459 | 38 | 14 |

5. Securities not subject to marked-to-market

(Unit: Millions of yen)

| | Amount posted on balance sheet |
|--|--------------------------------|
| Other securities | |
| Unlisted equity securities (not including over-the-counter traded equities) | 2,506 |

6. Redemption amount of marketable securities subject to matured and debt securities intended to be held till their maturities

Not applicable.

(Derivative transactions)

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.

(Employees' severance and retirement benefits)

1. Retirement benefit plans offered by the company

The company and consolidated subsidiary in Japan offer fixed benefit pension plans, the corporate pension funds system, the qualified employee retirement pension plan and the retirement gratuity system. We may pay an extra retirement allowance for retiring employees.

The corporate pension fund system is a system migrated from an employees' pension fund system, with enforcement of the defined-contribution pension law, as of March 1st 2005 with approval of the Minister of Health, Labor and Welfare. With this migration, as of March 1st, 2005, we were approved by the Minister of Health, Labor and Welfare, also for an employee pension fund to stop handling benefits paid to retired employees on the behalf of the government.

We were approved the suspension of obligation to allow a portion of an employee's pension fund in future, as of March 26th, 2003 by the Minister of Health, Labor and Welfare, so we have developed an accounting procedure calculating that the amount of pension asset that was equal to the part of pension benefits that the company paid out on behalf of the government has ceased, as of the date of approval.

2. Items regarding the retirement benefit liabilities

| | Fiscal 2004 | Fiscal 2005 |
|--|-----------------|-----------------|
| Projected benefit obligation | 87,539 mil. yen | 88,625 mil. yen |
| Pension assets | 59,250 mil. yen | 67,662 mil. yen |
| Unreserved provision for retirement benefits (-) | 28,288 mil. yen | 20,963 mil. yen |
| Unrecognized actuarial difference | 23,360 mil. yen | 22,329 mil. yen |
| Unrecognized prior service costs | 3,469 mil. yen | 4,872 mil. yen |
| Defference (- -) | 8,396 mil. yen | 3,506 mil. yen |
| Advance pension cost | 244 mil. yen | 10,524 mil. yen |
| Provision for retirement benefits (+) | 8,641 mil. yen | 14,030 mil. yen |

(Note) 1. Some subsidiaries adopt simplified method to calculate the projected benefit obligation.

2. In representation in respective balance sheets of the company and consolidated subsidiaries, the "accrued pension cost" and "advance pension cost" of the previous fiscal year show values totaling each net amount. Total of the both costs in the previous fiscal year was 6,187 million yen.

3. Past service liability (reduction in liability) accrued due to system changes of an employees' pension fund system and defined-contribution pension system in the previous fiscal year, and the system change for migration of an employees' pension fund system to corporate pension fund system in this fiscal year.

3. Items regarding the retirement benefit expenses

| | Fiscal 2004 | Fiscal 2005 |
|---|----------------|----------------|
| Service costs | 3,176 mil. yen | 3,155 mil. yen |
| Interest costs | 2,167 mil. yen | 2,163 mil. yen |
| Expected return on plan assets | 1,720 mil. yen | 2,529 mil. yen |
| Amortization of actuarial difference | 2,917 mil. yen | 2,343 mil. yen |
| Prior service costs | 230 mil. yen | 320 mil. yen |
| Retirement benefit expenses (+ - + +) | 6,310 mil. yen | 4,812 mil. yen |
| Gains on return of substituted portion of employee pension fund | 1,957 mil. yen | -- mil. yen |
| Total (-) | 4,353 mil. yen | 4,812 mil. yen |

(Note) Retirement benefit expenses of the consolidated subsidiaries, which have adopted simplified method, are posted at "Service costs".

4. Basis of calculation of retirement benefit liabilities

| | Fiscal 2004 | Fiscal 2005 |
|--|---|-----------------------|
| Method of allocating expected retirement benefits to reporting periods | Fixed Base for Period | Fixed Base for Period |
| Discount rate | 2.0-2.5 % | 2.0-2.5 % |
| Expected rate of return on plan assets | 1.5-3.5 % | 1.5-3.5 % |
| Amortization period of prior service costs | 12 years | 12 years |
| Amortization period of actuarial difference | 12 years | 12 years |
| Amortization period of transition obligation | Recognized all in the first fiscal year | Same as in the left |

(Tax Effect Accounting)

1. Significant components of deferred tax assets and liabilities:

| | Fiscal 2004 | Fiscal 2005 |
|--|-----------------------|-----------------------|
| [Current assets] | | |
| (Deferred tax assets) | | |
| Valuation of inventories | 299 mil. yen | 147 mil. yen |
| Unrealized gains on inventories | 1,014 mil. yen | 1,256 mil. yen |
| Allowance for doubtful receivables | 166 mil. yen | 156 mil. yen |
| Unpaid business taxes | 1,226 mil. yen | 1,131 mil. yen |
| Accounts payable | 248 mil. yen | 243 mil. yen |
| Accrued expenses | 2,705 mil. yen | 2,851 mil. yen |
| Others | 751 mil. yen | 528 mil. yen |
| Total deferred tax assets | 6,411 mil. yen | 6,315 mil. yen |
| Net deferred tax assets | 6,411 mil. yen | 6,315 mil. yen |
| [Fixed assets] | | |
| (Deferred tax assets) | | |
| Depreciation expenses beyond allowable amount as deductibles | 1,754 mil. yen | 2,007 mil. yen |
| Provision for retirement benefits | 3,008 mil. yen | 1,802 mil. yen |
| Provision for retirement allowances for directors and corporate auditors | 542 mil. yen | 386 mil. yen |
| Others | 2,093 mil. yen | 983 mil. yen |
| Total deferred tax assets | 7,398 mil. yen | 5,180 mil. yen |
| (Deferred tax liabilities) | | |
| Advance retirement pension cost | -- mil. yen | 548 mil. yen |
| Reserve for special depreciation | 1,498 mil. yen | 708 mil. yen |
| Undistributed earnings of overseas subsidiaries and affiliates | 976 mil. yen | 1,099 mil. yen |
| Net unrealized holding gains on securities | 2,254 mil. yen | 2,161 mil. yen |
| Total deferred tax liabilities | 4,729 mil. yen | 4,518 mil. yen |
| Net deferred tax assets | 2,669 mil. yen | 662 mil. yen |

(Going Concern Assumption)k

There is no appropriate item for this assumption.

(Segment Information)**I. Operating Segment Information**

(Fiscal 2004) (From April 1, 2003 to March 31, 2004)

(Unit: Millions of yen)

| | Industrial products | Electronic products | Functional products | Total | Eliminations (corporate) | Consolidated total |
|--|---------------------|---------------------|---------------------|---------|--------------------------|--------------------|
| 1. Net sales and operating income | | | | | | |
| I. Net sales | | | | | | |
| (1) Net sales to outside customers | 191,682 | 219,709 | 41,333 | 452,726 | -- | 452,726 |
| (2) Inter-segment sales or transfers | 11 | 95 | 495 | 602 | (602) | -- |
| Total | 191,694 | 219,805 | 41,829 | 453,328 | (602) | 452,726 |
| Operating expenses | 178,256 | 180,923 | 38,236 | 397,416 | (602) | 396,814 |
| Operating income | 13,437 | 38,881 | 3,592 | 55,912 | -- | 55,912 |
| 2. Assets, Depreciation and Amortization, and Capital Expenditures | | | | | | |
| Assets | 118,462 | 165,956 | 41,457 | 325,876 | 63,649 | 389,525 |
| Depreciation and Amortization | 7,832 | 10,438 | 3,114 | 21,386 | -- | 21,386 |
| Capital Expenditure | 11,994 | 19,148 | 5,175 | 36,317 | -- | 36,317 |

(Fiscal 2005) (From April 1, 2004 to March 31, 2005)

(Unit: Millions of yen)

| | Industrial products | Electronic products | Functional products | Total | Eliminations (corporate) | Consolidated total |
|--|---------------------|---------------------|---------------------|---------|--------------------------|--------------------|
| 1. Net sales and operating income | | | | | | |
| I. Net sales | | | | | | |
| (1) Net sales to outside customers | 207,366 | 261,541 | 45,959 | 514,867 | -- | 514,867 |
| (2) Inter-segment sales or transfers | 15 | 85 | 455 | 556 | (556) | -- |
| Total | 207,382 | 261,627 | 46,415 | 515,424 | (556) | 514,867 |
| Operating expenses | 190,843 | 214,474 | 40,088 | 445,405 | (556) | 444,848 |
| Operating income | 16,539 | 47,152 | 6,326 | 70,018 | -- | 70,018 |
| 2. Assets, Depreciation and Amortization, and Capital Expenditures | | | | | | |
| Assets | 123,052 | 208,948 | 45,986 | 377,987 | 65,276 | 443,264 |
| Depreciation and Amortization | 7,247 | 14,251 | 3,182 | 24,681 | -- | 24,681 |
| Capital Expenditure | 12,768 | 34,889 | 5,256 | 52,914 | -- | 52,914 |

(Notes) Methods of business segmentation

The Corporation classifies its operation principally in three business segments, industrial products, electronic products, and functional products, depending on the use of the products in the market.

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 products | LCD-related products, flexible printed circuit products, electronic processing products, Semi-conductor related products |
| Functional products | Medical-related products, polymer separation membranes, engineering plastics products |

Corporate assets included in the account "Eliminations (Corporate)" in fiscal 2005 amounted to 68,701 million yen, which consists mainly of the parent company's investment of the surplus funds (cash, time deposits and marketable securities) and securities held as investments, as compared with 65,099million yen in fiscal 2004.

II. Segment information by geographic area

(Fiscal 2004) (From April 1, 2003 to March 31, 2004)

(Unit: Millions of yen)

| | Japan | North America | Europe | Asia & Oceania | Total | Eliminations (corporate) | Consolidated total |
|-------------------------------------|---------|---------------|--------|----------------|---------|--------------------------|--------------------|
| 1. Net sales and operating income | | | | | | | |
| I. Net sales | | | | | | | |
| (1) Net sales to outside customers | 286,322 | 37,216 | 16,422 | 112,764 | 452,726 | -- | 452,726 |
| (2) Intersegment sales or transfers | 98,163 | 1,606 | 1,949 | 4,872 | 106,592 | (106,592) | -- |
| Total | 384,486 | 38,823 | 18,372 | 117,637 | 559,319 | (106,592) | 452,726 |
| II. Operating expenses | 333,328 | 41,222 | 17,862 | 111,089 | 503,502 | (106,688) | 396,814 |
| III. Operating income | 51,158 | 2,399 | 509 | 6,547 | 55,816 | 95 | 55,912 |
| 2. Assets | 245,748 | 47,628 | 11,368 | 57,221 | 361,967 | 27,557 | 389,525 |

(Fiscal 2005) (From April 1, 2004 to March 31, 2005)

(Unit: Millions of yen)

| | Japan | North America | Europe | Asia & Oceania | Total | Eliminations (corporate) | Consolidated total |
|-------------------------------------|---------|---------------|--------|----------------|---------|--------------------------|--------------------|
| 1. Net sales and operating income | | | | | | | |
| I. Net sales | | | | | | | |
| (1) Net sales to outside customers | 295,115 | 35,836 | 17,392 | 166,522 | 514,867 | -- | 514,867 |
| (2) Intersegment sales or transfers | 147,655 | 1,749 | 2,617 | 7,351 | 159,373 | (159,373) | -- |
| Total | 442,770 | 37,586 | 20,010 | 173,874 | 674,241 | (159,373) | 514,867 |
| II. Operating expenses | 376,851 | 40,065 | 19,764 | 167,937 | 604,618 | (159,769) | 444,848 |
| III. Operating income | 65,918 | 2,479 | 246 | 5,936 | 69,622 | 395 | 70,018 |
| 2. Assets | 280,505 | 41,568 | 12,325 | 94,894 | 429,294 | 13,969 | 443,264 |

- (Notes) Countries or regions are segmented by geographical proximity.
 Major countries or regions excluding Japan represented by categories:
 North America : U.S.A.
 Europe : European countries
 Asia & Oceania : East and South-east Asian countries, Australia

Corporate assets included in the account "Eliminations (corporate)" in fiscal 2005 amounted to 68,701 million yen, which consists mainly of the parent company's investment of the surplus funds (cash, time deposits and marketable securities) and securities held as investments, compared with 65,099 million yen in fiscal 2004.

III. Net Sales to Customers outside Japan

(Fiscal 2004) (From April 1, 2003 to March 31, 2004)

(Unit: Millions of yen)

| | North America | Europe | Asia & Oceania | Total |
|--|---------------------------|---------------------------|----------------------------|----------------------------|
| I. Net sales to customers outside Japan | Millions of yen 33,442 | Millions of yen 17,634 | Millions of yen 158,448 | Millions of yen 209,525 |
| II. Consolidated sales | | | | Millions of yen 452,726 |
| III. Ratio of net sales to customers outside Japan to consolidated sales | % 7.4 | % 3.9 | % 35.0 | % 46.3 |

(Fiscal 2005) (From April 1, 2004 to March 31, 2005)

(Unit: Millions of yen)

| | North America | Europe | Asia & Oceania | Total |
|--|---------------------------|---------------------------|----------------------------|----------------------------|
| I. Net sales to customers outside Japan | Millions of yen 31,805 | Millions of yen 19,352 | Millions of yen 216,948 | Millions of yen 268,106 |
| II. Consolidated sales | | | | Millions of yen 514,867 |
| III. Ratio of net sales to customers outside Japan to consolidated sales | % 6.2 | % 3.8 | % 42.1 | % 52.1 |

Notes: Countries or regions are listed in the order of geographical proximity.

Major countries or regions excluding Japan represented by categories:

North America : U.S.A.

Europe : European countries

Asia & Oceania : East and South-east Asian countries, Australia

Net sales to customers outside Japan represent the sales by the parent company and its consolidated subsidiaries in the countries or regions outside Japan.

(Related Party Transactions)

Fiscal 2005 (from April 1, 2004 to March 31, 2005)

No transactions to be noted.

(Production and Sales)**(1) Production Results**

Production results by business segment for the current consolidated fiscal year are as follows:

(Unit: Millions of yen)

| Description of business segment | Amount | |
|---------------------------------|---------|-------------------------|
| | | Year-on-year change (%) |
| Industrial products | 109,486 | 103.5 |
| Electronic products | 246,985 | 123.4 |
| Functional products | 42,493 | 110.5 |
| Total | 398,964 | 115.8 |

(Note) The amounts are rounded since it is difficult to accurately estimate the total amounts of products due to the complex nature of the transactions between consolidated subsidiaries.

(2) Sales Results

Sales results by business segment for the current consolidated fiscal year are as follows:

(Unit: Millions of yen)

| Description of business segment | Amount | |
|---------------------------------|---------|-------------------------|
| | | Year-on-year change (%) |
| Industrial products | 207,366 | 108.2 |
| Electronic products | 261,541 | 119.0 |
| Functional products | 45,959 | 111.2 |
| Total | 514,867 | 113.7 |

(Notes) Names of major counter-parties are not indicated herein as none has constituted 10% or more of the total sales.

Amounts in the table do not include consumption taxes.