

Performance of Fiscal 2010 and Future Prospects

Electronic Products Are Strong, While Tape Business Drives Globalization.

O

Optical Business

Throughout fiscal 2010 our optical business ran smoothly as demand for LCD televisions remained strong due to the eco point system in Japan and the economic stimulus measures initiated by many countries. In addition to the popularization of LCD televisions, which use LED-backlighting (LED: semiconductors called light-emitting diodes), sales of innovative 3-dimensional LCD televisions began. Our optical films are utilized in both products and we continue to contribute to the evolution of LCD televisions.

The market for mobile devices such as multifunctional smartphones expanded. In line with the growing size of smartphone screens compared to those of traditional mobile phones, high-definition liquid crystal panels became more commonly installed. Our optical film technology, cultivated in LCD televisions, was utilized in this field and we were able to contribute to demand for smartphones.



Transparent conductive film
ELECRYSTA™

As touch panels are installed on many smartphones, the demand for our ELECRYSTA™ transparent conductive film increased greatly. In the future, it is expected that our ELECRYSTA™ will be installed on many other mobile devices such as tablet PCs, too. The market for touch panels, which are the interface through which information is entered, is expected to grow progressively larger. We will make ELECRYSTA™ an indispensable material in such fields.

If the LCD market reaches its maturity in the not-so-distant future, we will pour our energy into further improvements and innovative product development, aiming to be a business which continuously produces stable and enduring profits.

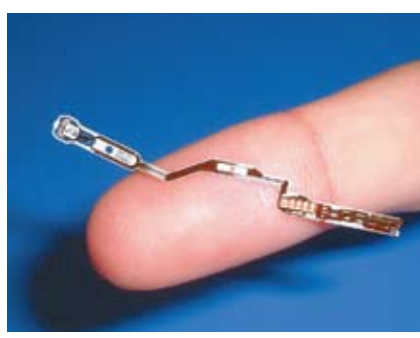
E

Electronics Business

Our printed circuit materials, "NITOFLEX®", a flexible printed circuit board and "CISFLEX®", a thin-film metal base board with high resolution circuit, performed well. Both of these products are installed on hard disc drives (HDDs) used in personal computers. In the future, hard disc drives are expected to have increasingly high-capacity as memory devices used for storing graphics and audio data. Our super-fine wiring technology will contribute to such evolution.

In regards to semiconductor encapsulating materials, the markets for products such as environment-responsive resin saw a mild recovery.

In electronic processing materials, sales of tape applicators remained strong because of a recovery in capital investment in semiconductors. Along with recovery in the semiconductor market, demand for tapes used in semiconductor production was strong. Production in the semiconductor industry is expected to expand in Asian countries. We will pour our efforts into the further streamlining of existing products and the development of new products in growing fields in response to our customers' needs.



"CISFLEX®", our thin-film metal base board with high resolution circuit

Medical Business

A base producing transdermal drug delivery patches in Osaki-shi, Miyagi Prefecture was affected by the Great East Japan Earthquake and was forced to shut down operations. However, it has already been restored and restarted operations. The interruption to production was not significant. On the other hand, one of the Group companies in the US shut down production voluntarily, partly aiming at concentrating on activities to improve quality control. As a result, sales were somewhat weak.

However, our medical business is closely linked to “Fine” (life science) which is one of our three key values: “Green, Clean and Fine”. In order to achieve further growth in the future, we are actively

developing this area of our business.

Domestically, in April 2010, we signed an agreement with Kowa Company, Ltd. for the joint development of transdermal drug delivery patches based on the medicinal compound donepezil hydrochloride. By utilizing our drug delivery patch technology, we will co-develop an inhibitor of the symptoms of Alzheimer’s disease.

Overseas, through Nitto Americas, Inc., our headquarters in the US, we acquired Avecia Biotechnology, Inc. of Massachusetts in February 2011. Avecia Biotechnology, Inc. is a leader in the manufacture of nucleic acid medicine on consignment. Synergy effects from the acquisition are anticipated.

Avecia Biotechnology, Inc. Joins Nitto Denko Group — Strengthens Nucleic Acid Drug Manufacturing Capabilities —

On February 2, 2011, Nitto Denko acquired the US company Avecia Biotechnology, Inc. (ABI). The company will act as the Medical Division’s primary facility in the manufacture of oligonucleotide drugs.

Founded in Milford, Massachusetts in 1999, ABI accounts for more than 50% of the global contract manufacturing of oligonucleotide drugs and has extensive experience in analysis and quality control in this field.

The Nitto Denko Group has been active in oligonucleotide drug-related R&D for some years and produces a solid polymer support (NittoPhase®HL) for the synthesis of oligonucleotide drugs at its Tohoku Plant in Miyagi Prefecture, which is then marketed throughout the world.



ABI products



ABI Headquarters

Acquisition of ABI will enable us to expand our business in the emerging oligonucleotide drug market, and it is our hope that we will be able to bring to market oligonucleotide drugs that will benefit many people throughout the world.

<General Overview of ABI>

- Company Name: Avecia Biotechnology, Inc.
- Description of Business: Manufacture of oligonucleotide drugs
- Location: Milford, Massachusetts, USA

Industrial Tape Business

Due to the increase in demand for flat panel displays and mobile devices such as smartphones, sales of surface protective products for optical elements and sealing materials were strong. As production volume increased on the back of an increase in demand for these mobile devices, sales of adhesive tapes for electronic components remained strong. Sales of devices with touch panels increased and as a result,

transparent double-coated adhesive tapes were also strong.

With regards to materials produced for the automobile industry, in spite of the impact from the Great East Japan Earthquake at the end of the fiscal year, we were able to respond to an increase in production overseas. A demand for materials utilized in noise reduction and energy conservation as well as electrical insulating materials for electric vehicles with the potential for growth has emerged and we look forward to the new opportunities that presents.

Area Niche Top Strategy

The Nitto Denko Group has been developing since the late 1960's, expanding its business overseas, and driving globalization. In the future, developing countries such as China and India as well as advanced countries such as Europe and the US will very likely be central to economic growth. In order to respond to such a situation, we will pour our efforts into creating not only Global Niche Top products for globally integrated markets but also Area Niche Top products by grasping the needs of each area in developing countries.

With Niche Top strategies including both Global Niche and Area Niche, we will develop the second stage of globalization. It is important for us to differentiate ourselves from other companies when we create Niche Top products. We will conduct differentiation from other companies from the perspective of supply-chain management in aspects such as product function, value of supply, intellectual property, standardization and method of supply.

Establishment of Our First Overseas Affiliated Company in Turkey

In Turkey high economic growth centering around automobile, home electrical appliance and metallic plate industries shows promise. The amount of foreign investment in Turkey is increasing yearly. Aiming at pushing ahead with further expansion of our business in developing countries with market potential, we established an overseas subsidiary in Turkey for the first time in fiscal 2010.



<Overview of the Company>

- Company Name: Nitto Denko Turkey Tape Materials Industry and Trade, Limited
- Description of Business: Finish processing and sales of tape related products and automotive parts
- Established: April, 2010
- Location: Tuzla (east of Istanbul)
- Capital: 120,000,000 yen
- Number of Employees: 9 (Start-up)

Nitto Denko's Adhesive Tape Contributes to Success of Hayabusa Asteroid Probe

The Hayabusa Asteroid Probe launched from Japan on May 9, 2003 returned safely to Earth on June 13, 2010 after a seven-year space journey.

EM Series film capacitors produced by Nichikon Corporation were used on the Hayabusa. Such capacitors, which contributed to the landing on the Itokawa asteroid, required greater reliability and lighter weight than conventional products. Highly rated for its heat resistance and high insulation properties, Nitto Denko's polyester adhesive tape No.3161-F (now No.3161FR2) was adopted as a material for use on the Hayabusa.

In the future, we will continue to develop high-integrity products that contribute to space-related business.



Polyester adhesive tape No.3161FR2

Turning to architectural materials, infrastructure and equipment investment, in line with a recovery in domestic demand, overseas demand took an upturn. As a result, sales of protection materials for construction materials, waterproof tape and curing tape for architectural materials, general-purpose double-faced tape for industrial use and products for fluorine resin were strong.

Our tape business has been growing globally by expanding into developing countries where high growth is expected. Since fiscal 2005, we have established thirteen companies in developing countries, including one in India in fiscal 2009, and another in Turkey in fiscal 2010. One of our growth strategies in developing countries is “Area Niche Top”. We will expand our business by rapidly introducing products of the appropriate quality and price required to the local markets we enter.

Membrane Business

In fiscal 2010, sales to China and North America of reverse osmosis membranes for general industry were strong and production recovered due to orders for seawater desalination plants. One such order was for our latest model reverse osmosis membrane for a large-sized desalination plant which is now being constructed in the state of Victoria, Australia and will supply 440,000 metric tons of water a day.

The shortage of water in the world is becoming a serious problem and with it the water treatment market is expanding greatly.

In the future, we will improve our pre-treatment technology in microfiltration membranes, ultrafiltration membranes and membrane bioreactor (MBR) processes, as well as in reverse osmosis membranes for use in growing fields such as the desalination of seawater and the recycling of wastewater. In addition, by means of developing our maintenance and repair service business, we will focus on offering total solutions to our customers in water treatment.

Presentation of Our Water Filtration Demonstration Equipment at Expo 2010 Shanghai

At the Expo 2010 Shanghai China (May to October, 2010), there was an “Urban Best Practice Area” where representative cities from around the world presented themselves as “cities”. From Japan, the Osaka Pavilion participated. The basic theme of the Osaka Pavilion presentation was an “Advanced Environment City – The Challenge of a Water Metropolis, Osaka”. In China, the shortage of water that is accompanying the increase in population and the expansion of the economy is becoming a serious problem. Therefore, we presented our hands-on water filtration demonstration equipment using our reverse osmosis membranes.

Our water filtration demonstration equipment, which showed how seawater or wastewater is converted to drinking water using filtration membranes, was warmly appreciated, attracting great interest. The Osaka Pavilion received a favorable reception, welcoming more than 1,700,000 visitors.

