

This document is a translation of the Japanese language original for information purposes and is prepared as a guide for non-Japanese-speaking shareholders. In the event of a discrepancy, the Japanese original version shall prevail.

June 2, 2023

**NOTICE OF
THE 158TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

We would like to hereby inform you that the 158th Ordinary General Meeting of Shareholders of Nitto Denko Corporation (hereinafter “the Company”) will be held as indicated below.

Please refer to guidance on pages 4 to 5 for information on how to exercise voting rights.

Sincerely,

Hideo Takasaki, President

Nitto Denko Corporation

1-1-2, Shimohozumi, Ibaraki, Osaka, Japan 567-0041

(Head Office: 4-20, Ofuka-cho, Kita-ku, Osaka, Japan 530-0011)

Date/time: Friday, June 23, 2023 from 10:00 a.m. (Reception desk opens at 9:00 a.m.)

Place: 3-1, Ofuka-cho, Kita-ku, Osaka, Japan
Grand Front Osaka, Knowledge Capital Congrès Convention Center (North Building B2F)

Meeting Agenda

Items to be reported:

1. Business Report, Consolidated and Non-Consolidated Financial Statements for the 158th term (from April 1, 2022 to March 31, 2023)
2. Auditing results of Consolidated Financial Statements by Accounting Auditors and the Board of Corporate Auditors

Items to be resolved:

- Item 1: Approval of the proposed dividends from surplus
- Item 2: Election of ten Directors
- Item 3: Election of three Corporate Auditors

Internet Disclosure

- According to laws and regulations and Article 16 of the Company's Articles of Incorporation, the Company has taken measures to provide the materials of the General Meeting of Shareholders electronically.

Information regarding the electronic provision of materials is available on the website listed below.

- In the event of any revision to the Reference Materials for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements, or the Non-Consolidated Financial Statements, it will be posted on the websites below.

Dedicated website <https://d.sokai.jp/6988/teiji/>

Nitto Denko Corporation website <https://www.nitto.com/jp/en/ir/shareholdersmeeting/>

Tokyo Stock Exchange website <https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show>

*Please enter or search for "Nitto Denko Corporation" for the issue name (company name) or "6988" for the code, select "Basic information," and then select "Documents for public inspection/PR information."

Webcast and Questions in advance

We will webcast the General Meeting of Shareholders via the Internet so that you can watch from home. We will also be happy to answer any questions you may have in advance.

For more information, please see pages 6 to 7 and the enclosed documents.

After the General Meeting of Shareholders, a shareholder survey will be conducted at the venue for those who attended the meeting in person as well as on the screen for those who viewed the webcast.

From survey respondents, 200 winners will be selected in a drawing to receive a NITREAT™ KANTAN Taping.

(Shipping is scheduled for late July.)

How to Exercise Voting Rights

Voting rights at the general meeting of shareholders is an important right for shareholders.

Please read carefully the reference materials for the general meeting of shareholders below before you exercise your voting rights.

You may exercise your voting rights by doing one of the following:

Exercising your voting rights

For prior exercise

Internet voting

Please indicate your approval or disapproval of each item by following the guidance on the next page.

Deadline for voting: Thursday, June 22, 2023 at 5:00 PM (JST)

Mailing the Voting Rights Exercise Form

Please mail the Voting Rights Exercise Form after indicating your approval or disapproval of each item.

Deadline for mail arrival: Thursday, June 22, 2023 at 5:00 PM (JST)

For attendance at the meeting on the day

Please present the Voting Rights Exercise Form at the reception of the venue.

Meeting date/time: Friday, June 23, 2023 from 10:00 AM (JST)

In the event of multiple votes cast using the Voting Rights Exercise Form and via the Internet, etc., the vote cast via the Internet, etc. shall be considered to be the effective exercise of your voting rights. If you exercise your voting rights more than once via the Internet, etc., the last vote shall be considered the effective exercise of your voting rights.

How to Fill in the Voting Rights Exercise Form

Please indicate your approval or disapproval of the following items.

Item 1

- If you approve >> Put a circle mark in the “Approve” box.
- If you disapprove >> Put a circle mark in the “Disapprove” box.

Items 2 and 3

- If you approve all >> Put a circle mark in the “Approve” box.
- If you disapprove all >> Put a circle mark in the “Disapprove” box.
- If you disapprove of some candidates >> Put a circle mark in the “Approve” box and indicate the number(s) of candidate(s) that you disapprove of.

If you indicate neither approval nor disapproval of any items when exercising your voting rights through the Voting Rights Exercise Form, it will be assumed that you approve of those items.

How to Exercise Voting Rights via the Internet

- Entering log-in ID and provisional password

Exercise of Voting Rights Website: <https://evote.tr.mufg.jp/> (Japanese text only)

*The site will be unavailable between the hours of 2:00 AM and 5:00 AM (JST) each day.

1. Access the Exercise of Voting Rights Website.
2. Enter your “log-in ID and provisional password” indicated in your Voting Rights Exercise Form and click.
3. Register a new password.
4. Follow the onscreen instructions to indicate your approval/disapproval.

- How to scan a QR code

By using your electronic device to scan a QR code, you can log in to the Exercise of Voting Rights Website without having to enter the log-in ID and provisional password indicated in your Voting Rights Exercise Form.

1. Use your electronic device to scan the QR code on the right-hand side of the Voting Rights Exercise Form.

*“QR code” is a registered trademark of Denso Wave Incorporated.

2. Follow the onscreen instructions to indicate your approval/disapproval.

Please note that any costs arising from use of the Exercise of Voting Rights Website, including Internet provider connection fees and telecom rates charged by telecommunications carriers, shall be borne by the shareholder.

■ If you have any questions regarding the use of computers and smartphones when exercising your voting rights via the Internet, please call the following number:

Help Desk, Securities Agency Division, Mitsubishi UFJ Trust and Banking Corporation

Tel: 0120-173-027 (toll free)

(Hours: 9:00 AM to 9:00 PM [JST])

Institutional investors can use the electronic voting platform operated by ICJ, Inc., in addition to exercising voting rights via the Internet described above.

Webcast and Questions in advance

If you are posting the Voting Rights Exercise Form, please be sure to keep your shareholder number (ID) and registered postal code (password) with you.

Webcast Information

We will webcast the General Meeting of Shareholders via the Internet to our shareholders so that they can watch the meeting from their homes and other locations. Shareholders viewing the meeting will not be able to participate in the resolutions or ask questions on the day of the meeting. Please exercise your voting rights in advance.

Date and time of distribution: Friday, June 23, 2023, from 10:00 a.m. until the close of the General Meeting of Shareholders.

*Connection will be available 30 minutes before the start time.

Questions in advance

The Company welcomes questions in advance from shareholders regarding the matters to be reported and resolutions to be adopted at the meeting. Please fill out the reception form and submit it by the deadline. Of the questions we have received, we plan to answer or introduce the items of particular interest to our shareholders at the meeting venue or on our website (<https://www.nitto.com/jp/ja/ir/>) at a later date.

Acceptance deadline: 5:00 p.m., Tuesday, June 13, 2023

*Please note that we will not be able to respond to questions individually.

Notes:

*To protect the privacy of shareholders in attendance, the webcast will be limited to the chairman's and board members' seats.

*For some reason, the webcast may not be shown. In such case, we will notify you on our website (<https://www.nitto.com/jp/ja/ir/>).

*Please note that there may be some inconvenience to the video or audio depending on your computer or Internet connection environment.

*Communication charges associated with viewing, etc. are to be borne by the shareholder.

Guide to accessing the login screen

Website for Webcast and Questions in advance

<https://6988.ksoukai.jp/>

Password: "Postal code" (7 digits) of the registered address in the shareholder registry *as of the end of March 2023

Shareholder ID: "Shareholder number" (8 digits) indicated on the Voting Rights Exercise Form, etc.

For inquiries, please contact;

1 Viewing methods, viewing problems, etc.

V-cube, Inc. 03-4335-7084

Hours for receiving questions in advance: Tuesday, June 13, 2023, from 9:00 a.m. to 5:00 p.m.

Reception hours for the webcast: Friday, June 23, 2023, from 9:00 a.m. to the end of the General Meeting of Shareholders.

2 Shareholder number (ID) and registered postal code (password) until the day before the webcast

Mitsubishi UFJ Trust and Banking Corporation: 0120-094-777

Hours: 9:00 a.m. to 5:00 p.m. weekdays, excluding Saturdays, Sundays, holidays, etc./Toll free

3 Shareholder number (ID) and registered postal code (password) on the day of the webcast

Mitsubishi UFJ Trust and Banking Corporation: 0120-191-060

Hours: Friday, June 23, 2023, from 9:00 a.m. to the end of the General Meeting of Shareholders/toll free

Reference Materials for the General Meeting of Shareholders

Item 1: Approval of the proposed dividends from surplus

We consider the stable return of our profits to shareholders to be one of our most important management issues and, before providing dividends, we comprehensively assess profit conditions and the dividend payout ratio, and also consider improvement of financial conditions, prior investments for technical innovation and business development, and retained earnings. Proposed year-end dividends for the 158th term are as described below. Since we have paid interim dividends of 120 yen per share, the amount of annual dividend per share will be 240 yen.

Matters concerning year-end dividends

- (1) Type of dividend property
Cash
- (2) Matters concerning distribution of dividend property and its total amount
120 yen per share of our common stock: 17,510,144,880 yen in total
- (3) Effective date of distribution of dividends
June 26, 2023

(Reference) Trends in annual dividends and consolidated dividend payout ratio

■ Annual dividends (yen/share) Consolidated dividend payout ratio (%)

FY	Annual dividends	Consolidated dividend payout ratio
FY2018 (154th term)	180	42.5
FY2019 (155th term)	200	66.4
FY2020 (156th term)	200	42.3
FY2021 (157th term)	220	33.5
FY2022 (158th term)	240	32.5

*FY2022 includes acquisition of treasury stock, resulting in a total payout ratio of 49.0%.

Item 2: Election of ten Directors

At the close of this Ordinary General Meeting of Shareholders, the terms of office of all the nine incumbent Directors will expire.

We hereby propose the appointment of ten Directors (including five Outside Directors).

The following are the candidates for Director.

Candidate number	Name	Gender	Length of service (as of the close of this Ordinary General Meeting of Shareholders)	Attendance at Board meetings	Current position and areas of responsibility in the Company		
1	Hideo Takasaki	Male	15 years	100% 12 out of 12	Representative Director, President-Director CEO, COO		Reelection
2	Yosuke Miki	Male	6 years	100% 12 out of 12	Director, Senior Executive Vice President CTO General Manager of Corporate Technology Sector	In charge of corporate technology	Reelection
3	Yasuhiro Iseyama	Male	3 years	100% 12 out of 12	Director, Executive Vice President CFO General Manager of Corporate Accounting & Finance Division General Manager of Export Control Center	In charge of accounting & finance, IR, and export control	Reelection
4	Yasuhito Ohwaki	Male	—	—	Senior Executive Vice President General Manager of Human Resources Management Division	In charge of Human Resources, Education, Diversity & Inclusion Promotion, and Japan Plant Management	New election
5	Yoichiro Furuse	Male	16 years	100% 12 out of 12	Outside Director		Reelection
6	Tamio Fukuda	Male	5 years	100% 12 out of 12	Outside Director		Reelection Outside Independent
7	Wong Lai Yong	Female	3 years	100% 12 out of 12	Outside Director		Reelection Outside Independent
8	Michitaka Sawada	Male	2 years	100% 12 out of 12	Outside Director		Reelection Outside Independent

9	Yasuhiro Yamada	Male	1 year	100% 10 out of 10	Outside Director		Reelection Outside Independent
10	Mariko Eto	Female	—	—	—		New election Outside Independent

Reelection: Candidate for reelected Director

New election: Candidate for newly elected Director

Independent: Independent Director who is registered or to be registered with Tokyo Stock Exchange

Outside: Outside Director or Candidate for Outside Director

*CEO: Chief Executive Officer, COO: Chief Operating Officer, CTO: Chief Technology Officer,

CFO: Chief Financial Officer, CIO: Chief Information Officer, CPO: Chief Procurement Officer

Candidate number

1

Hideo Takasaki

(Date of birth: August 11, 1953)

Number of Company shares owned: 48,100

Conflicts of interest between the Company and candidate: None

Important positions concurrently held outside of the Company: 0

Brief Profile

April 1978	Joined Nitto Denko Corporation
June 2008	Director, Vice President
June 2010	Director, Senior Vice President
June 2011	Director, Executive Vice President
June 2013	Director, Senior Executive Vice President
April 2014	Representative Director, President CEO, COO (present)

■ Reason for nomination as a candidate for Director

Mr. Hideo Takasaki has led the Nitto Group as a member of the management team and fulfilled his responsibilities as Representative Director, President of the Company by making decisions on material issues for management, among others, thus increasing the corporate value of the Company.

Based on these experiences and insights, he is considered suitable for the management of the Company.

Therefore, Mr. Takasaki has been nominated as a candidate for Director again this year.

Number of Company shares owned: 8,900

Conflicts of interest between the Company and candidate: None

Important positions concurrently held outside of the Company: 0

Brief Profile

April 1993	Joined Nitto Denko Corporation
June 2016	Vice President, General Manager of Information and Communication Technology Sector
April 2017	Vice President, Deputy CTO General Manager of Information and Communication Technology Sector, Deputy General Manager of Corporate Technology Sector and General Manager of New Business Development Division
June 2017	Director, Vice President
June 2019	Director, Senior Vice President
April 2020	Director, Senior Vice President, Deputy CTO General Manager of Information and Communication Technology Sector, Deputy General Manager of Corporate Technology Sector
June 2020	Director, Executive Vice President, CTO General Manager of Corporate Technology Sector, General Manager of Information and Communication Technology Sector
April 2021	Director, Executive Vice President, CTO
June 2022	Director, Senior Executive Vice President, CTO (present)

■ Reason for nomination as a candidate for Director

Mr. Yosuke Miki has been involved in the information and communication technology business for many years. As a manager who knows that business inside out and then as a head of the technology department - the core of any manufacturing business - he has dedicated himself to enhancing the corporate value of the Nitto Group.

Based on these experiences and insights, he is considered suitable for the management of the Company. Therefore, Mr. Miki has been nominated as a candidate for Director again this year.

Candidate number

3

Yasuhiro Iseyama

(Date of birth: April 19, 1962)

Number of Company shares owned: 7,200

Conflicts of interest between the Company and candidate: None

Important positions concurrently held outside of the Company: 0

Brief Profile

June 1991	Joined Nitto Denko Corporation
June 2017	Vice President, General Manager of Corporate Accounting & Finance Division
June 2020	Director, Senior Vice President, CFO
June 2021	Director, Executive Vice President, CFO (present)

■ Reason for nomination as a candidate for Director

Mr. Yasuhiro Iseyama has assumed key positions in administration sections, especially in the area of accounting and finance, over a long time, dedicating himself to enhancing the corporate value and corporate governance of the Nitto Group.

Based on these experiences and insights, he is considered suitable for the management of the Company. Therefore, Mr. Iseyama has been nominated as a candidate for Director again this year.

Number of Company shares owned: 10,100

Conflicts of interest between the Company and candidate: None

Important positions concurrently held outside of the Company: 0

Brief Profile

April 1984	Joined Nitto Denko Corporation
June 2006	General Manager of Printed Circuits Department, Industrial Business Division
April 2010	General Manager of Planning & Management Department, Information and Communication Technology Division
April 2011	General Manager of Planning & Management Division, Tape Products Sector and General Manager of Planning & Management Department, Industrial Products Division
April 2012	General Manager of Strategy Management Division, Functional Base Products Sector
June 2012	Vice President, General Manager of Functional Base Products Sector
October 2013	Vice President, General Manager of Automotive Products Sector
April 2015	Vice President, General Manager of Quality, Environment & Safety Management Sector
April 2017	Vice President, Director of Nitto Denko India Private Limited
June 2017	Senior Vice President
October 2018	Senior Vice President, CPO
October 2019	Senior Vice President, CIO, CPO
June 2020	Executive Vice President, CIO, General Manager of Corporate Sustainability Division
June 2021	Senior Executive Vice President
April 2022	Senior Executive Vice President, General Manager of Human Resources Management Division (present)

■ Reason for nomination as a candidate for Director

Mr. Yasuhito Ohwaki has assumed key positions in several divisions of the Nitto Group as well as administration sections of the Head Office over a long time. In his current position as General Manager of Human Resources Management Division, he has dedicated himself to enhancing the corporate value and corporate governance of the Nitto Group.

Based on these experiences and insights, he is considered suitable for the management of the Company. Therefore, Mr. Ohwaki has been newly nominated as a candidate for Director.

Number of Company shares owned: 2,000

Conflicts of interest between the Company and candidate: None

Important positions concurrently held outside of the Company: 2

Brief Profile

April 1964	Joined Sumitomo Bank, Ltd.
June 1989	Director, Sumitomo Bank, Ltd.
October 1993	Executive Director, Sumitomo Bank, Ltd. (retired in June 1996)
June 1996	Senior Managing Director, Mazda Motor Corporation (retired in June 2000)
June 2001	Director, Sanyo Electric Co., Ltd.
June 2002	Representative Director and Vice President, Sanyo Electric Co., Ltd. (retired in October 2005)
January 2006	Representative Director, Evanston Corporation (present)
June 2007	Outside Director, Nitto Denko Corporation (present)
September 2010	Non-Executive & Independent Director, Global Logistic Properties Limited (retired in December 2017)
July 2015	Chairman of Japan, Permira Advisers KK (retired in December 2020)
October 2015	Director, Sushiro Global Holdings Ltd. (retired in December 2016)
March 2016	Outside Director, Nasta Co., Ltd. (present)
January 2018	Consultant of GLP Pte. Ltd. (present)
January 2021	Consultant of Japan, Permira Advisers KK (retired in December 2022)

Important concurrent positions held at Evanston Corporation and GLP Pte. Ltd.

■ Reason for nomination as a candidate for Director

Mr. Yoichiro Furuse has made useful recommendations to our Board of Directors as an Outside Director based on his high level of insights and experience gained through positions of director and representative director of listed companies and mega banks over a long time.

Based on these experiences and insights, Mr. Furuse has been nominated as Director in order to have him participate in management more deeply moving forward.

Number of Company shares owned: 1,000

Conflicts of interest between the Company and candidate: None

Important positions concurrently held outside of the Company: 1

Brief Profile

April 1989	Design Advisor of Samsung Electronics Co., Ltd., South Korea (retired in September 1999)
October 1999	Professor, Graduate School of Science and Technology, Kyoto Institute of Technology
April 2013	Professor Emeritus, Kyoto Institute of Technology (present)
June 2018	Outside Director, Nitto Denko Corporation (present)

Important concurrent position held at Kyoto Institute of Technology

■ Reason for nomination as a candidate for Outside Director and expected roles

In this fiscal year, Mr. Tamio Fukuda participated in all the Board of Directors meetings (12 times) and made useful comments based on his insights as a university professor specializing in design management and his experience in business management as a corporate advisor.

As it is expected that he will continue to oversee the Board of Directors and provide opinions on the management of Nitto from the perspectives of brand building and innovation creation based on his insights and experience as an expert as detailed above, Mr. Fukuda has again been nominated as a candidate for Outside Director this year. Upon his reappointment as Outside Director, he will also continue working as a member of the Management, Nomination and Remuneration Advisory Committee.

■ Matters concerning independence

The Company stipulates “Criteria for Appointment of Independent Outside Directors and Outside Corporate Auditors” (please refer to page 29 for the content of these criteria) and selects candidates for Outside Directors based on the said criteria. The Company designated Mr. Fukuda as an Independent Director as stipulated by Tokyo Stock Exchange and reported such designation to the Exchange.

Mr. Fukuda also currently serves as a professor emeritus of Kyoto Institute of Technology. Although the Company conducts joint research with the University, the annual amount is less than 0.0005% of Nitto’s consolidated revenue. Thus, the Company’s relationship with the University does not affect his independence.

Number of Company shares owned: 0

Conflicts of interest between the Company and candidate: None

Important positions concurrently held outside of the Company: 1

Brief Profile

September 2013 Founder, Principal Trainer and Consultant, First Penguin Sdn. Bhd. (present)
July 2018 Director, Penang Women's Development Corporation (present)
October 2019 Adjunct Associate Professor, Graduate School of Leadership & Innovation, Shizenkan University
Deputy Center Leader, Center for Sustainability and Innovation (present)
June 2020 Outside Director, Nitto Denko Corporation (present)
November 2022 Outside Director, Farmnote Holdings, Inc. (present)

Important concurrent position held at First Penguin Sdn. Bhd.

■ Reason for nomination as a candidate for Outside Director and expected roles

Ms. Wong Lai Yong participated in all the Board of Directors meetings (12 times) during this fiscal year and provided useful opinions on diversity and sustainability including the promotion of women and non-Japanese nationals based on her experience of studying and working in Japan for about 16 years and diverse experience and track records in her mother country, Malaysia, and other Asian countries.

As it is expected that she will continue to oversee the Board of Directors based on her insights and experience as an expert as detailed above and provide opinions on the management of Nitto from the perspective of an expert, Ms. Wong has again been nominated as a candidate for Outside Director this year. Upon her reappointment as Outside Director, she will also continue working as a member of the Management, Nomination and Remuneration Advisory Committee.

■ Matters concerning independence

The Company stipulates "Criteria for Appointment of Independent Outside Directors and Outside Corporate Auditors" (please refer to page 29 for the content of these criteria) and selects candidates for Outside Directors based on the said criteria. The Company designated Ms. Wong as an Independent Director as stipulated by Tokyo Stock Exchange and reported such designation to the Exchange.

Ms. Wong also currently serves as an important executing person of First Penguin Sdn. Bhd., with which the Company does not engage in transactions.

Number of Company shares owned: 0

Conflicts of interest between the Company and candidate: None

Important positions concurrently held outside of the Company: 3

Brief Profile

April 1981	Joined Kao Soap Co., Ltd.
June 2008	Director, Executive Officer, Kao Corporation
June 2012	Representative Director, President and CEO, Kao Corporation
June 2020	Outside Director, Panasonic Corporation (present)
January 2021	Director and Chair of the Board of Directors, Kao Corporation (present)
June 2021	Outside Director, Nitto Denko Corporation (present)
June 2022	Outside Director, Komatsu Ltd. (present)

Important concurrent positions held at Kao Corporation, Panasonic Holdings Corporation, and Komatsu Ltd.

■ Reason for nomination as a candidate for Outside Director and expected roles

Mr. Michitaka Sawada attended all meetings (12) of the Board of Directors held during the fiscal year and provided useful opinions based on his diverse experience and achievements as a leading corporate manager in ESG promotion.

As it is expected that he will continue to oversee the Board of Directors and provide a wide range of opinions on the management of Nitto based on his insights and experience as a corporate manager, Mr. Sawada has again been nominated as a candidate for Outside Director this year. Upon his reappointment as Outside Director, he will also continue working as a member of the Management, Nomination and Remuneration Advisory Committee.

■ Matters concerning independence

The Company stipulates “Criteria for Appointment of Independent Outside Directors and Outside Corporate Auditors” (please refer to page 29 for the content of these criteria) and selects candidates for Outside Directors based on the said criteria. The Company designated Mr. Sawada as an Independent Director as stipulated by Tokyo Stock Exchange and reported such designation to the Exchange.

Mr. Sawada also currently serves as an important executing person of Kao Corporation, with which the Company does not engage in transactions.

Candidate number

9

Yasuhiro Yamada

(Date of birth: June 28, 1963)

Number of Company shares owned: 0

Conflicts of interest between the Company and candidate: None

Important positions concurrently held outside of the Company: 1

Brief Profile

April 1987	Joined Bank of Japan
May 2018	Executive Director of Bank of Japan (retired in May 2022)
June 2022	Outside Director, Nitto Denko Corporation (present)
September 2022	Outside Director, SUSMED, Inc. (present)

Important concurrent position held at SUSMED, Inc.

■ Reason for nomination as a candidate for Outside Director and expected roles

Mr. Yasuhiro Yamada participated in all the Board of Directors meetings (10 times) held during the fiscal year and provided useful opinions based on his diverse experience and achievements as an expert in financial economy.

As it is expected that he will continue to oversee the Board of Directors based on his insights and experience as an expert as detailed above and provide opinions on the management of Nitto from the perspective of an expert, Mr. Yamada has again been nominated as a candidate for Outside Director this year. Upon his reappointment as Outside Director, he will also continue working as a member of the Management, Nomination and Remuneration Advisory Committee.

■ Matters concerning independence

The Company stipulates “Criteria for Appointment of Independent Outside Directors and Outside Corporate Auditors” (please refer to page 29 for the content of these criteria) and selects candidates for Outside Directors based on the said criteria. The Company designated Mr. Yamada as an Independent Director as stipulated by Tokyo Stock Exchange and reported such designation to the Exchange.

In the past, he has also been an important Executive Officer of the Bank of Japan. The Company has no transactions with the Bank.

Number of Company shares owned: 0

Conflicts of interest between the Company and candidate: None

Important positions concurrently held outside of the Company: 2

Brief Profile

April 1994	Joined MITSUI & CO., LTD.
October 2003	Registered with Daini Tokyo Bar Association
April 2015	Joined TMI Associates
January 2017	Partner of TMI Associates (present)
March 2019	Outside Corporate Auditor, OTSUKA KAGU, LTD. (retired in August 2021)
June 2022	Outside Director, Starzen Co., Ltd. (present)

Important concurrent positions held at TMI Associates and Starzen Co., Ltd.

■ Reason for nomination as a candidate for Outside Director and expected roles

In expectation of Ms. Mariko Eto to provide opinions based on her expert insights and diverse experience as a lawyer dealing in corporate legal affairs and labor issues, she has been nominated as a candidate for Outside Director.

Although she has no direct experience of being involved in corporate management, for the reasons stated above, she is deemed to be able to perform her duties as an Outside Director of the Company appropriately. Upon her appointment as Outside Director, she will also become a member of the Management, Nomination and Remuneration Advisory Committee.

■ Matters concerning independence

The Company stipulates “Criteria for Appointment of Independent Outside Directors and Outside Corporate Auditors” (please refer to page 29 for the content of these criteria) and selects candidates for Outside Directors based on the said criteria. The Company designated Ms. Eto as an Independent Director as stipulated by Tokyo Stock Exchange and reported such designation to the Exchange.

Furthermore, she is currently a partner of TMI Associates. Although the Company may receive advice on individual matters based on the expertise of TMI Associates, she is not in charge of the Company and the annual amount is less than 0.0005% of Nitto’s consolidated revenue. The Company has not entered into a consultant agreement with TMI Associates. Thus, the Company’s relationship with TMI Associates does not affect her independence.

[Notes on the Candidate for Director]

■ Summary of liability limitation agreement

Nitto has entered into a liability limitation agreement with Outside Directors to limit their liability for damages to the maximum amount stipulated by law.

Therefore, Nitto intends to continue this agreement with each of Mr. Tamio Fukuda, Ms. Wong Lai Yong, Mr. Michitaka Sawada and Mr. Yasuhiro Yamada when they are reappointed as Outside Directors. In addition, Nitto will enter into the same liability limitation agreement with Ms. Mariko Eto upon her election as Outside Director.

■ Summary of directors and officers (D&O) liability insurance policy

Nitto purchases a directors and officers (D&O) liability insurance policy from an insurance company, naming its Directors, Corporate Auditors, and so on as the insured, to cover any damage (e.g., compensations and legal fees) incurred when a lawsuit is filed against any of the insured for an action they have taken in the course of performing their duties. If Director candidates are appointed as Directors, they will be added to the insured under the said insurance policy.

Item 3: Election of three Corporate Auditors

At the close of this Ordinary General Meeting of Shareholders, the terms of office of three of the five incumbent Corporate Auditors will expire.

We hereby propose the appointment of three Corporate Auditors (including one Outside Corporate Auditor). The candidates for Corporate Auditor and the (proposed) composition of the Board of Corporate Auditors after their appointment are as follows, and the Board of Corporate Auditors has given its consent to this item.

Candidate number	Name	Gender	Length of service (as of the close of this Ordinary General Meeting of Shareholders)	Attendance at Board meetings	Attendance at Board of Corporate Auditors meetings	Current position and areas of responsibility in the Company		
1	Shin Tokuyasu	Male	4 years	100% 12 out of 12	100% 14 out of 14	Corporate Auditor (full-time service)		Reelection
2	Toshihiko Takayanagi	Male	—	—	—	Executive Vice President, General Manager of Sales Management Division, General Manager of Taiwan	In charge of sales management & sales support and management of Taiwan	New election
*	Masashi Teranishi	Male	15 years	100% 12 out of 12	100% 14 out of 14	Outside Corporate Auditor		Outside Independent
*	Mitsuhide Shiraki	Male	11 years	100% 12 out of 12	100% 14 out of 14	Outside Corporate Auditor		Outside Independent
3	Yasuko Kobashikawa	Female	—	—	—	—	—	New election Outside Independent

Reelection: Candidate for reelected Corporate Auditor

New election: Candidate for newly elected Corporate Auditor

Outside: Outside Corporate Auditor or candidate for Outside Corporate Auditor

Independent: Independent Auditor who is registered or to be registered with Tokyo Stock Exchange

*The term of office of the Company's Corporate Auditors is four years, and Mr. Masashi Teranishi and Mr. Mitsuhide Shiraki were each appointed and assumed office at the 155th Ordinary General Meeting of Shareholders held in June 2020.

Candidate number

1

Shin Tokuyasu

(Date of birth: June 7, 1961)

Number of Company shares owned: 5,205

Conflicts of interest between the Company and candidate: None

Important positions concurrently held outside of the Company: 0

Brief Profile

April 1985	Joined Nitto Denko Corporation
June 2017	Vice President Representative Director, Nitto Automotive. Inc.
July 2018	Vice President, General Manager of Compliance Division
April 2019	Vice President, General Manager of Corporate Sustainability Division
June 2019	Corporate Auditor (full-time service) (present)

■ Reason for nomination as a candidate for Corporate Auditor

Mr. Shin Tokuyasu has assumed key positions in administration sections, especially in areas such as accounting and finance, in addition to Representative Director of the Company's overseas subsidiary. Since then, as the Company's full-time Corporate Auditor, he has dedicated himself to enhancing the corporate governance of the Nitto Group.

Based on these experiences and insights, he is considered suitable for the Corporate Audit of the Company. Therefore, Mr. Tokuyasu has been nominated as a candidate for Corporate Auditor again this year.

Candidate number

2

Toshihiko Takayanagi

(Date of birth: August 19, 1958)

Number of Company shares owned: 6,500

Conflicts of interest between the Company and candidate: None

Important positions concurrently held outside of the Company: 0

Brief Profile

April 1981	Joined Nitto Denko Corporation
June 2009	Representative Director, Nitto Shinko Corporation
August 2014	Vice President Chairman, Nitto Denko (China) Investment Co., Ltd.
April 2018	Vice President, General Manager of Sales Management Sector & Manager of Tokyo Sales Branch
June 2018	Senior Vice President
June 2020	Executive Vice President, General Manager of Sales Management Sector, General Manager of Taiwan (present)

■ Reason for nomination as a candidate for Corporate Auditor

Mr. Toshihiko Takayanagi has assumed key positions including Representative Director of a Nitto Group company and overseas area management. In his current position as a leader of the Sales Sector and overseas area management, he has dedicated himself to enhancing the corporate value and corporate governance of the Nitto Group.

Based on these experiences and insights, he is considered suitable for the Corporate Audit of the Company. Therefore, Mr. Takayanagi has been newly nominated as a candidate for Corporate Auditor.

Candidate number

3

Yasuko Kobashikawa

(Date of birth: July 9, 1965)

Number of Company shares owned: 0

Conflicts of interest between the Company and candidate: None

Important positions concurrently held outside of the Company: 1

Brief Profile

February 2001 Registered as a Certified Public Accountant

June 2006 Established MIKASA&Co.

June 2015 Outside Director of ARTNATURE INC. (retired in June 2022)

December 2017 Established JK & CREW Tax Accountant's Corporation (present)

Important concurrent positions held at JK & CREW Tax Accountant's Corporation

■ Reason for nomination as a candidate for Outside Corporate Auditor and expected roles

In expectation of Ms. Yasuko Kobashikawa to provide opinions based on many years of experience in auditing companies as a chartered accountant or tax accountant in addition to her perspective as an expert in accounting and finance, she has been nominated as a candidate for Outside Corporate Auditor. Although she has no direct experience of being involved in corporate management, for the reasons stated above, she is deemed to be able to perform her duties as an Outside Corporate Auditor of the Company appropriately. Upon her appointment as Outside Corporate Auditor, she will also become a member of the Management, Nomination and Remuneration Advisory Committee.

■ Matters concerning independence

The Company stipulates "Criteria for Appointment of Independent Outside Directors and Outside Corporate Auditors" (please refer to page 29 for the content of these criteria) and selects candidates for Outside Corporate Auditors based on the said criteria. The Company designated Ms. Kobashikawa as an Independent Auditor as stipulated by Tokyo Stock Exchange and reported such designation to the Exchange.

Also, she is currently an important executing person of JK & Crew Tax Consultancy. The Company has no transactions with this company.

[Notes on the Candidate for Corporate Auditor]

■ Summary of liability limitation agreement

Nitto has entered into a liability limitation agreement with Outside Corporate Auditors to limit their liability for damages to the maximum amount stipulated by law.

Therefore, Nitto will enter into the same liability limitation agreement with Ms. Yasuko Kobashikawa upon her election as Outside Corporate Auditor.

■ Summary of directors and officers (D&O) liability insurance policy

Nitto purchases a directors and officers (D&O) liability insurance policy from an insurance company, naming its Directors, Corporate Auditors, and so on as the insured, to cover any damage (e.g., compensations and legal fees) incurred when a lawsuit is filed against any of the insured for an action they have taken in the course of performing their duties. If Corporate Auditor candidates are appointed as Corporate Auditors, they will be added to the insured under the said insurance policy.

(Reference) Nomination of Directors and Corporate Auditors

[Appropriate structure of the Board of Directors and Board of Corporate Auditors]

Given the current scale of business, the need to facilitate substantial discussions at Board of Directors meetings and Board of Corporate Auditors meetings and to ensure an appropriate number of Outside Directors, and so forth, the Company believes that the appropriate size of the Board of Directors is not more than ten (10) Directors (one third (1/3) or more of whom are Independent Outside Directors). Likewise, the Articles of Incorporation set an upper limit of ten (10). The Company also believes that the appropriate size of the Board of Corporate Auditors is not more than five (5) members (half or more of whom are Independent Outside Corporate Auditors), who are individuals having appropriate experience and ability as well as necessary knowledge in finance, accounting, and legal affairs, with at least one (1) Corporate Auditor who has sufficient expertise in finance and accounting. Likewise, the Articles of Incorporation set an upper limit of five (5). Furthermore, in order to make important policy decisions in an ever-changing business environment and to exercise a sustained supervisory function, we have identified five qualities, knowledge, experience, etc. (hereinafter collectively referred to as “skills”) in “leadership,” “technology,” “finance,” “governance,” and “sustainability” for the Board of Directors and Board of Corporate Auditors and believe that a composition that ensures a good balance of such skills will contribute to management.

[Appointment of Directors and Corporate Auditors]

The Officer Appointment Standards have been established as described below and are applied when appointing a Director or Corporate Auditor. In addition, in order to further enhance fairness and transparency in appointment of Directors, the Management, Nomination and Remuneration Advisory Committee meets and reports the results of its deliberations to the Board of Directors, and the Board of Directors makes the final decision by taking such report into account.

Officer Appointment Standards

1. A person who practices the Nitto Way*
2. A person who can contribute to the Company with the five skills identified by the Company.
*Nitto’s unique values, consisting of: “Safety,” “Sustainability,” “Diversity & human rights,” “Customer,” “Anticipation of change,” “Challenge,” “*Sanshin* Activities,” “Niche Top,” “Speed and perfection,” “Corporate culture,” “Personal development,” and “Sense of ownership”

Five skills identified by the Company

Skill	Reason for selection
Leadership	For a company to keep growing in a dramatically changing business environment, it needs to make bold business decisions. For this reason, we have chosen leadership qualities and experience in a global organization, such as being part of a management team or a person responsible for a large project at a listed company, or a manager of a venture company, or having a key role in a government, as a skill we seek in our Board members.
Technology	To achieve Nitto's mission, "Contribute to customers' value creation with innovative ideas," we need to keep investing in innovation. For this reason, we have chosen in-depth knowledge in science and technology not only in relation to our existing businesses but also in relation to IT, DX, quality, the environment, safety technologies, and new areas as a skill we seek in our Board members.
Finance	To manage a company, we need scientific investment measures based on financial indicators. For this reason, we have chosen knowledge in finance and accounting as a skill we seek in our Board members.
Governance	The statement, "We place safety before everything else," which is one of the principles of "The Nitto Way," also encompasses "safety in business management." For this reason, we have chosen insights into and board experience in areas such as legal matters, risk management, and labor as a skill we seek in our Board members.
Sustainability	For a company to keep growing, it needs to help build a sustainable society in addition to achieving its own growth. For this reason, we have chosen a background in areas, such as diversity, environmental contribution, and brand value, as a skill we seek in our Board members.

Skills of Nitto's (prospective) Directors and Corporate Auditors following the 158th Ordinary General Meeting of Shareholders

Name	Title	Gender	Length of service	Leadership	Technology	Finance	Governance	Sustainability
Hideo Takasaki	Representative Director	Male	15	●				
Yosuke Miki	Director	Male	6	●	●			
Yasuhiro Iseyama	Director	Male	3			●	●	
Yasuhito Ohwaki	Director	Male	—	●			●	●
Yoichiro Furuse	Director	Male	16	●		●	●	
Tamio Fukuda	Outside Director	Male	5	●	●			●
Wong Lai Yong	Outside Director	Female	3				●	●
Michitaka Sawada	Outside Director	Male	2	●	●			●
Yasuhiro Yamada	Outside Director	Male	1		●	●	●	
Mariko Eto	Outside Director	Female	—				●	●
Shin Tokuyasu	Corporate Auditor (full-time service)	Male	4			●		●
Toshihiko Takayanagi	Corporate Auditor (full-time service)	Male	—	●			●	
Masashi Teranishi	Outside Auditor	Male	15	●		●	●	
Mitsuhide Shiraki	Outside Auditor	Male	11				●	●
Yasuko Kobashikawa	Outside Auditor	Female	—			●	●	

*The table above shows skills specifically expected and is not all-inclusive.

*Director Hideo Takasaki is designated as Leadership only from the viewpoint that it is most important for him to oversee management as President-Director.

[Nomination of Outside Directors and Outside Corporate Auditors]

When nominating Outside Director and Outside Corporate Auditor candidates, individuals who are considered appropriate for such positions must meet the separately established “Criteria for Appointment of Independent Outside Directors and Outside Corporate Auditors,” in addition to the Officer Appointment Standards. Furthermore, in order for Outside Directors and Corporate Auditors to set aside the time and labor necessary to properly fulfill their roles and responsibilities at the Company, due attention is paid to the statuses of concurrent positions (officers, etc.) that they might hold at other companies to ensure that such statuses are appropriate.

<Criteria for Appointment of Independent Outside Directors and Outside Corporate Auditors>

The Company, in an effort to ensure the objectivity and transparency of governance, has set forth the criteria for the independence of Outside Directors and Outside Corporate Auditors (hereinafter collectively referred to as “Outside Officer(s)”), as follows.

The Company considers an Outside Officer or a candidate for Outside Officer to have independence, if, after conducting an investigation to the utmost reasonable extent, it is determined that none of the following items are applicable to the Outside Officer or the candidate for Outside Officer.

1. A person who is or has been in the past ten years an executing person (Director, Corporate Auditor, Vice President, or any other employee) of the Company or the Group (hereinafter collectively referred to as the “Group”);
2. A person who is an important executing person (Director, Corporate Auditor, Accounting Advisor, Executive Officer, Vice President, or any other important employee; hereinafter the same shall apply) of a major shareholder of the Company (a shareholder holding 10% or more of the voting rights of the Company; hereinafter the same shall apply);
3. A person who is an important executing person of a company of which the Company is a major shareholder;
4. A person who is an important executing person of a major counterparty of the Company (a counterparty for which the amount of payment or receipt for transactions with the Company for the latest fiscal year exceeds 2% of consolidated revenue);
5. A person who is an important executing person of a major lender of the Company (a lender to which the Group’s aggregate amount of loans payable at the latest fiscal year-end exceeds 2% of consolidated total assets);
6. A person who is a legal professional, accounting and tax professional, consultant, or research and education specialist who receives a large amount of remuneration or donation (for the latest fiscal year, 10 million yen or more in the case of an individual and more than 2% of consolidated revenue in the case of a corporation or an organization) from the Company;
7. A person who has kinship status (being a relative within the third degree of kinship or a relative living together) with an executing person of the Group;
8. A person to whom any of the items 2. through 7. above has been applicable within the past ten years; and
9. In addition to the above, a person who has an interest that is reasonably considered to give rise to doubts about his or her independence as an Independent Outside Director or Independent Outside Corporate Auditor, or to give rise to a conflict of interest with shareholders of the Company.

<Criteria for “Important Concurrent Positions”>

Concurrent positions are deemed “important” if:

1. The director (candidate) in question concurrently holds a position as Director, etc. at listed companies or equivalent public companies;
2. The director (candidate) is a representative of corporations other than those stipulated in the preceding item and does not have the time, etc. necessary to fulfill his/her duties at the Company;
3. The director (candidate) has a specialist job (as a professor, lawyer, accountant, etc.) and his/her related duties can affect the allocation of time, etc. necessary to fulfill his/her duties at the Company;
4. The place of employment of the director (candidate) affects his/her independence in light of the Criteria for Appointment of Independent Outside Directors and Outside Corporate Auditors of the Company; and/or
5. The place of employment of the director (candidate) affects the allocation of time, etc. necessary to fulfill his/her duties at the Company.

Business Report for the 158th Fiscal Term

For the 2022 fiscal year (April 1, 2022 to March 31, 2023)

1. Performance

(1) Highlights*¹

Item	FY2018 (154th term)	FY2019 (155th term)	FY2020 (156th term)	FY2021 (157th term)	FY2022 (158th term)
Revenue (million yen)	806,495	741,018	761,321	853,448	929,036
Operating income (million yen)	92,777	69,733	93,809	132,260	147,173
Net income attributable to owners of the parent company (million yen)	66,560	47,156	70,235	97,132	109,264
Dividend payout ratio (%)	42.5	66.4	42.3	33.5	32.5* ²
ROA (Ratio of profit attributable to owners of the parent company to total assets) (%)	7.2	5.1	7.4	9.4	9.7
ROE (Return on equity attributable to owners of the parent company) (%)	9.6	6.8	10.0	12.6	12.7
Operating income to revenue (%)	11.5	9.4	12.3	15.5	15.8
Capital investment (million yen)	64,353	58,930	50,597	56,496	50,789
Research and development(R&D) costs (million yen)	31,990	33,765	35,261	37,271	40,175
R&D Sales ratio (%)	4.0	4.6	4.6	4.4	4.3
Gender Ratio of Management (%)	Men:83 Women:17	Men:84 Women:16	Men:83 Women:17	Men:82 Women:18	Men:81 Women:19
Number of Critical/Serious Occupational Accidents* ^{3,4}	Critical accidents:0 Serious accidents:12	Critical accidents:1 Serious accidents:6	Critical accidents:1 Serious accidents:4	Critical accidents:2 Serious accidents:4	Critical accidents:0 Serious accidents:8
CO ₂ Emissions(Scope 1+2) (kton)	806	759	685	649	* ⁵
Total Waste (kton)	127	123	129	144	* ⁵

Notes:

- The Nitto Group prepares its consolidated financial statements based on the International Financial Reporting Standards (IFRS).
- “Dividend payout ratio” is calculated based on a tentative dividend amount whose payment is subject to approval of Item 1 as proposed for the 158th Ordinary General Meeting of Shareholders.
- Critical Occupational Accidents: Accidents resulting in death or permanent disability. Serious Occupational Accidents: Accidents that could develop into Critical Occupational Accidents.
- The number of cases covers all Critical Occupational Accidents and Serious Occupational Accidents that occurred on the premises and makes no distinction based on the attributes of the affected persons.
- FY2022 results are being compiled and will be disclosed on the Company’s website and in the Integrated Report.

(2) Operating progress and results

The economic environment in fiscal 2022 saw a rise in energy and primary commodity prices triggered by Russia's military invasion of Ukraine. In addition, the sharp monetary tightening aimed at curbing inflation, particularly in the United States, caused some banks' bankruptcy, financial instability spread. In China, COVID-19 transmission and protective measures such as urban lockdowns were implemented. The global economy experienced a significant slowdown in growth rates in major regions. In the foreign exchange market, the yen depreciated sharply due to the widening interest rate differential between Japan and the United States.

Under this circumstance, demand of products for high-end smartphones, which the Group is focusing on, and products for automotive displays, in which remarkable evolution has been seen in recent years, increased. Demand for automotive materials increased moderately with a recovery in automobile production. Meanwhile, demand of products for high-end laptops and data centers, which had been strong, declined from the third quarter due to the completion of demand of staying at home by the lifting of COVID-19 restrictions in the U.S. and European countries. In addition, demand for immunologic adjuvants for vaccines declined as the global COVID-19 cases stabilized.

As a result of the above, revenue increased by 8.9% from the same period of the previous year (changes hereafter are given in comparison with the same period of the previous year) to 929,036 million yen. Operating income increased by 11.3% to 147,173 million yen, income before income taxes increased by 10.9% to 146,840 million yen, net income increased by 12.4% to 109,264 million yen, and net income attributable to owners of the parent company increased by 12.4% to 109,173 million yen

The yen's exchange rate against the U.S. dollar for the fiscal year ended March 31, 2023, was 134.7 yen to the dollar, a 20.5% depreciation of the yen compared with the same period of the previous year, and the effect of the weaker yen increased operating income by 69.5 billion yen.

(3) Summary of operations by segment

[Industrial Tape] Composition of revenue: 35.5%

Main products or businesses: Functional Base Products (bonding and joining products/protection products/process materials/automotive products, etc.)

For Functional Base Products, revenue increased from the previous fiscal year. In automotive materials, the impact of semiconductor shortages eased, and demand increased due to a recovery in automobile production. On the other hand, demand for process materials of semiconductors and ceramic capacitors used in electronic equipment declined due to deteriorating market conditions. In addition, the Group reduced the impact of rising raw material and transportation costs due to rising crude oil prices offset by sales prices and rationalization. In the automotive materials business, the Group agreed to transfer a portion of NVH (Noise, Vibration, Harshness) business to Parker Corporation and recorded an impairment loss on a portion of the related assets. As a result of the above, revenue increased by 6.3% to 339,433 million yen and operating income decreased by 27.1% to 27,553 million yen.

[Optronics] Composition of revenue: 50.5%

Main products or businesses: Information Fine Materials (optical films, etc.), Flexible Circuit Boards (CIS*, high-precision substrates, etc.)

*Circuit Integrated Suspension

In Information Fine Materials, revenue increased from the previous fiscal year. Demand of optical films for automotive applications, on which the Group is focusing, increased, while demand of optical films for TV and high-end laptops declined due to deteriorating market conditions. In addition, optical films for Virtual Reality (VR) expanded its manufacturing capacity for future business expansion. The Group recorded loss related to a fire at its consolidated subsidiary Korea Optical Hight Tech Co. Ltd., occurred on October 4, 2022.

In Flexible Circuits Boards, revenue increased from the previous fiscal year. In high-precision circuits for high-end smartphones, result was driven by an increase in the number of models installed, while demand for CIS (Circuit Integrated Suspension) for data centers decreased due to an adjustment in HDD (Hard Disk Drives) market. As a result of the above, revenue increased by 5.0% to 482,432 million yen and operating income increased by 34.4% to 129,867 million yen.

[Human Life] Composition of revenue: 14.0%

Main products or businesses: Human Life (nucleic acid contract manufacturing, nucleic acid synthesis materials, nucleic acid development, medical-related products, etc.), Membrane (membrane products), Personal Care Materials (functional films for sanitary materials, etc.)

In Life Science, revenue increased from the previous fiscal year. Along with the expansion of nucleic acid drugs market, demand for oligonucleotide contract manufacturing and polymer beads for nucleic acid synthesis (NittoPhase™) increased. On the other hand, demand of immunologic adjuvants for COVID-19 vaccines declined as new orders stopped from the second quarter of the fiscal year due to a slowdown in worldwide demand for vaccines. In development of nucleic acid drugs, the Group continues to engage in clinical trials of idiopathic pulmonary fibrosis and intractable cancer drugs.

In Medical Products, demand for transdermal absorbents and surgical tapes recovered from sluggish demand caused by COVID-19.

Sales of Membrane (high-polymer separation membrane) increased compared to the previous fiscal year. In particular, demand for industrial applications increased.

The Personal Care Materials business was launched under the new organization, Advanced Film Solutions Division, integrating the personal care component business of Mondi plc acquired in July 2022 and the existing hygiene material business. The functional films for hygiene products, our main products, are being developed for use in baby care, adult diapers, feminine care, and other applications.

As a result of the above, revenue increased by 44.7% to 133,377 million yen and operating income decreased by 88.4% to 840 million yen.

[Others] *The percentage is not shown because it is a small percentage of the total, as most of the businesses do not yet have sufficient sales revenue.

Main products or businesses: new businesses, other products

Please note that this segment includes new products that have not generated sufficient revenue yet. As a major subject, the Group started shipment of Active Optical Cable, for VR headset applications in the fourth quarter of the fiscal year.

As a result of the above, revenue increased by 143.4% to 4 million yen and operating loss amounted to 5,655 million yen. (operating loss of 5,932 million yen was reported in the same period of the previous year)

- Notes: 1. The breakdown of composition of revenue stated above is calculated by excluding eliminations and corporate.
2. Reporting segments were partially changed due to the change made to the management structure during the fiscal year. The figures for the previous fiscal year are adjusted to reflect this change.

(4) Capital expenditure

Capital investment by the Group during the fiscal year totaled 50,789 million yen.

For the Industrial Tape segment, 14,763 million yen was spent to enhance its production capacity of adhesive tapes and so on. For the Optronics segment, 24,372 million yen was mainly spent to boost the productivity of optical films for VR, etc., and to build the production system of CIS for Flexible Printed Circuits. For the Human Life segment, 6,197 million yen was spent mainly to establish the production system of nucleic acid medicines. In the Others segment, 850 million yen investments were implemented, including investment into the introduction of prototype equipment for new business development.

Capital expenditures not directly related to any business segment amounted to 4,604 million yen.

(5) Financing

With the Group's policy to utilize its funds efficiently and reduce borrowings as much as possible, consolidated total borrowings in the fiscal year stood at 272 million yen.

(6) Status of major subsidiaries

Corporate name	Capital	Company's stake	Main business
Nissho Corporation	in million yen 515	100.0 %	Production, processing, and sales; Industrial Tape
Nitto EMEA NV	in thousand euro 212,282	100.0	Administration of Group companies in Europe
Nitto Belgium NV	in thousand euro 28,446	100.0 (100.0)	Production, processing, and sales; Industrial Tape
Nitto, Inc.	in thousand U.S. dollars 0	100.0	Administration of Group companies in the Americas Production, processing, sales, etc.; Industrial Tape
Nitto Denko Avecia Inc.	in thousand U.S. dollars 1	100.0 (100.0)	Production and sales; Human Life
Nitto Advanced Film Gronau GmbH	in thousand euro 7,600	100.0	Production, processing, and sales; Human Life
Nitto Denko (China) Investment Co., Ltd.	in thousand RMB 925,394	100.0	Administration of the Group companies in China
Taiwan Nitto Optical Co., Ltd.	in thousand NT\$ 568,003	100.0	Production, processing, and sales; Optronics
Korea Nitto Optical Co., Ltd.	in million won 84,365	100.0	Production, processing, and sales; Optronics
Nitto Denko (HK) Co., Ltd.	in thousand HK\$ 13,826	100.0	Sales; Industrial Tape and Optronics
Shanghai Nitto Optical Co., Ltd.	in thousand RMB 89,981	100.0 (24.5)	Production, processing, and sales; Optronics
Shenzhen Nitto Optical Co., Ltd.	in thousand RMB 568,925	100.0	Production, processing, and sales; Optronics
Nitto (China) New Materials Co., Ltd.	in thousand RMB 50,000	100.0 (100.0)	Sales; Industrial Tape, Optronics, and Others
Nitto Denko (Singapore) Pte. Ltd.	in thousand U.S. dollars 81,088	100.0	Administration of Group companies in South Asia Sales; Industrial Tape
Nitto Denko Material (Thailand) Co., Ltd.	in thousand Thai Baht 460,000	100.0 (100.0)	Production, processing, and sales; Optronics
Taiwan Nitto Corporation	in thousand NT\$ 262,768	100.0	Sales; Optronics and Industrial Tape

Note: Figures in parenthesis in "Company's stake" indicate the percentage of indirect stake.

2. Management Issues and Plans

(1) Basic Management Policies

The Group's mission is to "Contribute to customers' value creation with innovative ideas," which is at the core of our Corporate Philosophy. Based on this mission, we will strive to resolve social issues through our business activities by placing environment, society, and governance (ESG) at the core of our management, and aim to be a corporate group that continues to grow while contributing to the global environment and society with the aim of realizing a sustainable future.

The Group's strengths include core technologies based on polymer synthesis and processing technologies cultivated over its history, a customer base that spans multiple industries, and strong intellectual property derived from these technologies. By combining these strengths, we will accelerate innovation and create products and solutions that contribute to the global environment and society through our *Sanshin* (literally "three new" in Japanese; developing new products, developing new applications, and creating new demands) activity, which are marketing approaches unique to our group, and our Niche Top Strategy—a strategy to find niche areas in growing markets where there are no existing competitors and aim for the No. 1 market share with our unique technologies. We will accelerate innovation and create products and solutions that contribute to the global environment and to society.

Moreover, we will fulfill our social responsibility as a corporation to address common global social issues such as climate change and human rights, and build trust with our stakeholders.

Global Niche Top® and Area Niche Top® are Nitto's registered trademarks.

(2) Medium- to Long-term Management Strategy

<1> Review of the Previous Mid-Term Management Plan “Nitto Beyond 2023”

In the previous fiscal year, the Group formulated its Mid-Term Management Plan “Nitto Beyond 2023,” which covers the period from FY2021 to FY2023. Under Nitto Beyond 2023, the Company has endeavored to focus on three key factors: Promoting ESG Management, Speeding up Innovation, and Strengthening Management Infrastructure. The aim is to build a resilient corporate structure immune to external environments. In the fiscal year, the business environment was extremely challenging due to soaring prices of energy and primary commodities triggered by Russia’s military invasion of Ukraine, rapid depreciation of the yen due to the widening difference in interest rates between Japan and the United States, and supply chain disruptions caused by quarantine measures such as urban lockdowns due to the spread of COVID-19. Despite this backdrop, the Group achieved its management targets of revenue of 920,000 million yen, operating income of 140,000 million yen, operating income to revenue of 15%, and ROE (return on equity attributable to owners of the parent company) of 12% at the end of FY2023, one year ahead of schedule.

During the previous Mid-Term Management Plan period, the Company executed two acquisitions and accelerated efforts to grow its business in the “Human Life” field, one of its priority areas, and also made progress in transforming its business portfolio by transferring part of the NVH business of its Transportation Sector.

A system has also been established to evaluate the Group’s products from the two perspectives of environmental contribution and human contribution based on original criteria, and to certify products that have made particularly high contributions as PlanetFlags™ (products that contribute to the environment) and HumanFlags™ (products that contribute to Human Life). By prioritizing the allocation of development resources to themes that are expected to be certified as PlanetFlags™/HumanFlags™ in the future, the Company is simultaneously solving social issues and creating economic value.

<2> What We Aim to Be by 2030 and the New Mid-Term Management Plan, “Nitto for Everyone 2025”

In formulating the New Mid-Term Management Plan, the Company envisioned changes in the external environment toward 2030 from the perspectives of Politics, Economy, Society, and Technology. With “the changes we do not want are the ones that happen faster than expected” in mind, the Company has set what we aim to be by 2030 to be “an irreplaceable Top ESG company” that continues to surprise and inspire people as a Niche Top creator. Based on a corporate culture of enjoying taking on challenges, which is the Nitto character, the Company will contribute to a prosperous future by creating “niche-top products that contribute to the environment and humanity” and by providing customers with the best possible “surprises and amazement”. The Group will create new value through co-creation innovation with customers and partners, and live up to the trust and expectations of its stakeholders as an indispensable presence in a sustainable global environment and human society.

In order to realize its vision of becoming “an irreplaceable Top ESG company” in 2030, the Company has formulated the Mid-Term Management Plan “Nitto for Everyone 2025,” which covers the period from FY2023 to FY2025. Under “Nitto for Everyone 2025,” in order to respond to social changes such as decarbonization, circular economy, and digitalization, the Company has revised its focus areas from “Information Interface” to “Digital Interface” and from “Next Generation Mobility” to “Power & Mobility.” In the three key areas of “Digital Interface,” “Power & Mobility,” and “Human Life” and the areas where they intersect, we aim to become an indispensable presence by leveraging the Group’s strengths in technology, customer base, etc.

<3> “Nitto for Everyone 2025” Priority Areas

a. Business Portfolio Transformation to Contribute to the Environment and Humanity

While we will make focused investments in “growth items” that we have identified in terms of both economic value and social value, we will pursue structural reforms, including withdrawal and sale, for “items that will not be retained,” such as items for which future growth is not expected or for which we may no longer be able to manufacture due to environmental chemical substance regulations. In new areas, we will promote the transformation of our business portfolio by actively utilizing strategic alliances, including M&A and investments in startup companies, and by taking on the challenge of creating environmental and solution businesses.

b. Advancement of Innovation Models to Create Niche Top

The Group believes that in order to evolve its unique innovation model and create indispensable Niche Top solutions, the three key elements are to “focus on social issues,” “strengthen business development capabilities,” and “co-create with stakeholders.” By refining differentiating technologies that provide solutions to social issues to create PlanetFlags™/HumanFlags™, enhancing business development capabilities by strengthening marketing capabilities, and accelerating commercialization through co-creation with customers and partners, the Group will establish new ways to win in addition to the winning ways it has cultivated to date.

c. Reforming Organizational Culture to Accelerate Challenges for Human Capital and Teams

The Group regards human resources as its most important asset. To create new innovations necessary for sustainable growth, we will expand opportunities to take on challenges and reform our human resources and training systems. In addition, to accelerate diverse business development and the establishment of new ways to win, we will develop and acquire human resources skilled in business development and different industries, and work on inclusion measures to support their activities. We will promote human capital management that is befitting of Nitto, aiming to be a company where all employees work with vitality and enthusiasm.

d. Transformation into a Management Infrastructure that Anticipates Change

In order to implement the “Niche Top Strategy x Nitto ESG Strategy” that the Group is aiming for, it is necessary to anticipate changes in the surrounding business environment. We will continue our transformation into a robust management infrastructure that supports our vision of becoming “an irreplaceable Top ESG company” by improving our ability to anticipate and respond to supply chain risks, including geopolitical risks, realizing data-driven management through digital utilization, and maintaining and improving a strong financial position to support our business.

(3) Objective indicators for assessing the achievement of management goals, etc.

Under “Nitto for Everyone 2025,” our management targets for the end of FY2025 are operating income of 170 billion yen, an operating income to revenue of 17%, and return on equity (ROE) attributable to owners of the parent company of 15%. The Group also refers to elements that are not yet financial at this time, but could become financial in the future, or that will be converted to financials, as “future-financial” elements. The future-financial targets, continuing on from the previous Mid-Term Management Plan of “Nitto Beyond 2023,” are: maintaining the ratio of new products—the source of the Group’s competitiveness—at 35% or higher; reducing total CO₂ emissions to 550,000 tons per year, with the aim of realizing a decarbonized society; and increasing the proportion of women leaders to 24% on a global basis.

Furthermore, in order to achieve the goal of becoming “an indispensable ESG top company,” “Nitto for Everyone 2025” has established six new future-financial indicators. Product related indicators are “Niche Top sales ratio,” which is the ratio of products that drive revenue, and the “PlanetFlags™/HumanFlags™ Category Sales Ratio,” which measures the degree of contribution to the global environment and human society through business; Environment related indicators are “Waste Plastic Recycling Rate,” which evaluates progress in resource recycling efforts, and the “Sustainable Materials Usage Rate,” which indicates the percentage of environmentally friendly materials procured; and HR related indicators are “Engagement Score,” which indicates employee job satisfaction, and the “Challenge Ratio,” which is the ratio of human resources who take on the challenge of creating value. We will accelerate our transformation and enhance our corporate value by promoting activities to achieve these future-financial targets.

(4) Strategies and initiatives by segment

The key strategies and initiatives in each segment are as follows.

- **Industrial tape**

Demand of Industrial Tape for process materials of semiconductors and ceramic capacitors, is expected to recover after production adjustments. In automotive materials, we will work to expand sales and create new products in CASE (connected, automated, sharing, and electrified), which is expected to grow in the future. In addition, as a medium- to long-term effort toward decarbonization we will promote solvent-free tapes and create new business opportunities to build a business foundation that can generate stable, high-profit earnings for Industrial Tape as a whole.

- **Optronics**

In Optronics, as the display market, with a focus on smartphones, is maturing, Information Fine Materials contribute to improve our customer's productivity, reduce the effects on the environment through total solutions that combine optical films and others peripheral materials. On the other hand, we have positioned the optical films for automotive and VR markets as a new growth point and will invest management resources to expand our business in the future. Demand for circuit materials is expected to rise again as the market of HDD for data centers continues to increase in volume. We will construct a new plant in Vietnam to enhance production capacity, strengthen BCP measures and build a stable supply system. In high-precision circuits for high-end smartphones, we will work to increase production capacity and improve productivity at our domestic site to expand supply.

- **Human life**

In Human Life, the contract manufacturing business of Life Science is expected to shift from rare diseases to commercialization of therapeutic drugs targeting more patients. Demand from late-stage clinical trials held by the Group is expected to remain firm. In addition, as the nucleic acid drugs market expands, demand for synthetic materials (NittoPhase™) used in the manufacture of nucleic acid drugs is expected to increase. In response to this anticipated growth in demand, a new facility for our oligonucleotide contract manufacturing business will be completed in Massachusetts, U.S., in the first half of fiscal 2023. We are also constructing new plants for nucleic acid synthetic materials at our domestic site as well as that in California, U.S., and plan to start operations in fiscal 2024 onwards. In nucleic acid drug discovery, we are in the process of analyzing the results of Phase 2 clinical trials for pulmonary fibrosis, and we will proceed with negotiations for out-licensing.

We expect the membrane market to grow in the medium to long term against the backdrop of water shortages and tightening environmental regulations in various countries. We will develop products for carbon-free market and work to transform our product portfolio contributing to the Environment and/or Human Life. In Personal Care Materials, we aim to expand our business by introducing new products to hygiene materials for diapers. Looking ahead, we will leverage the strengths of our core materials, such as high-performance films and nonwoven fabrics, to create environmentally friendly products and expand our sales areas.

- **Others**

In new business, we will transfer the business of plastic optical fiber, which enables high-capacity, high-speed communications, from the company-wide Research & Development Sector to the Information & Communication Technology Sector to meet the market's high-speed transmission needs, and aim for full-scale deployment in countries around the world. In addition, we will concentrate our management resources on PlanetFlags™/HumanFlags™ candidate themes, such as digital health, flexible sensors, and next-generation semiconductor-related products, with the aim of commercializing them as soon as possible.

3. Executives

(1) Directors and Corporate Auditors (as of March 31, 2023)

Name	Title (Position)	Responsible area, etc.
Hideo Takasaki	Representative Director, President-Director CEO, COO	
Yosuke Miki	Director, Senior Executive Vice President CTO General Manager of Corporate Technology Sector	Corporate technology
Yasuhiro Iseyama	Director, Executive Vice President CFO General Manager of Corporate Accounting & Finance Division	Accounting & finance, IR, and export control
Yoichiro Furuse	Outside Director	Representative Director of Evanston Corporation Consultant of GLP Pte. Ltd.
Takashi Hatchoji	Outside Director	Outside Director of Marubeni Corporation
Tamio Fukuda	Outside Director	Professor Emeritus of Kyoto Institute of Technology
Wong Lai Yong	Outside Director	Founder, Principal Trainer and Consultant of First Penguin Sdn. Bhd.
Michitaka Sawada	Outside Director	Director, Chair of Kao Corporation Outside Director of Panasonic Holdings Corporation Outside Director of Komatsu Ltd.
Yasuhiro Yamada	Outside Director	Outside Director of SUSMED, Inc
Masami Kanzaki	Corporate Auditor (full-time service)	
Shin Tokuyasu	Corporate Auditor (full-time service)	
Masashi Teranishi	Outside Corporate Auditor	Honorary Advisor of MUFG Bank, Ltd.
Masakazu Toyoda	Outside Corporate Auditor	Outside Director of Nissan Motor Co., Ltd. Chairman & CEO of Japan Economic Foundation Representative Director, SPACE ONE CO., LTD.
Mitsuhide Shiraki	Outside Corporate Auditor	Professor Emeritus at Waseda University Visiting Professor, Kokushikan University

* CEO: Chief Executive Officer, COO: Chief Operating Officer, CTO: Chief Technology Officer,
CFO: Chief Financial Officer

Notes:

1. Corporate Auditor (full-time service) Shin Tokuyasu has assumed key positions at accounting & finance and other administrative departments of the Company and as Representative Director of the Company's overseas subsidiary over many years, thus possessing a broad range of knowledge in finance and accounting.
2. Outside Corporate Auditor Masashi Teranishi possesses significant insights into finance and accounting through his long years of involvement in the management of financial institution.
3. The Company has designated all of the Outside Directors and Outside Corporate Auditors as Independent Directors/Corporate Auditors as stipulated by Tokyo Stock Exchange and reported them to the Exchange.
4. The Company has no special relationship with any of the organizations at which the Outside Directors and Outside Corporate Auditors hold important concurrent positions.
5. In addition to the above, the director who retired during the fiscal year is as follows. Positions and responsible area are as of the date of retirement.

Name	Title (Position)	Responsible area, etc.
Nobuhiro Todokoro	Representative Director, Senior Executive Vice President	

(2) Major activities of Outside Directors and Outside Corporate Auditors

Name	Major activities
1. Outside Directors	
Yoichiro Furuse	Participation Board of Directors meetings: 100% (12 out of 12 times) In addition to overseeing the Board of Directors based on his insight and experience as a corporate manager and former employee of a mega bank, Mr. Furuse is expected to provide a broad range of opinions on the business administration of the Company. He proactively made comments at the Company's Board of Directors and the Management, Nomination and Remuneration Advisory Committee meetings from this perspective during the fiscal year. Please refer to the notes below on the activities of the Management, Nomination and Remuneration Advisory Committee.
Takashi Hatchoji	Participation Board of Directors meetings: 92% (11 out of 12 times) In addition to overseeing the Board of Directors based on his insight and experience as a corporate manager, which includes working overseas, Mr. Hatchoji is expected to provide opinions on the business administration of the Company from a global perspective. He proactively made comments at the Company's Board of Directors and Management, Nomination and Remuneration Advisory Committee meetings from this perspective during the fiscal year. Please refer to the notes below on the activities of the Management, Nomination and Remuneration Advisory Committee.
Tamio Fukuda	Participation Board of Directors meetings: 100% (12 out of 12 times) In addition to overseeing the Board of Directors based on his management experience as a corporate advisor and his insight as a university professor specializing in design management, Mr. Fukuda is expected to provide opinions on the business administration of the Company from the perspectives of brand building and innovation creation. He proactively made comments at the Company's Board of Directors and Management, Nomination and Remuneration Advisory Committee meetings from these perspectives during the fiscal year. Please refer to the notes below on the activities of the Management, Nomination and Remuneration Advisory Committee.
Wong Lai Yong	Participation Board of Directors meetings: 100% (12 out of 12 times) In addition to overseeing the Board of Directors based on her insight and experience as a corporate representative who provides advice on diversity and sustainability, Ms. Wong is expected to provide opinions on the business administration of the Company from an expert perspective. She proactively made comments at the Company's Board of Directors and Management, Nomination and Remuneration Advisory Committee meetings from this perspective during the fiscal year. Please refer to the notes below on the activities of the Management, Nomination and Remuneration Advisory Committee.
Michitaka Sawada	Participation Board of Directors meetings: 100% (12 out of 12 times) In addition to overseeing the Board of Directors based on his insight and experience as corporate manager of a leading company which promotes ESG strategy, Mr. Sawada is expected to provide opinions on the Company's management from an expert perspective. He proactively made comments at the Company's Board of Directors and Management, Nomination and Remuneration Advisory Committee meetings from this perspective during the fiscal year. Please refer to the notes below on the activities of the Management, Nomination and Remuneration Advisory Committee.
Yasuhiro Yamada	Participation Board of Directors meetings: 100% (10 out of 10 times) In addition to overseeing the Board of Directors based on his insight and experience as an expert in financial economy, Mr. Yamada is expected to provide a wide variety of opinions on the Company's management. He proactively made comments at the Company's Board of Directors and Management, Nomination and Remuneration Advisory Committee meetings from this perspective during the fiscal year. Please refer to the notes below on the activities of the Management, Nomination and Remuneration Advisory Committee.
2. Outside Corporate Auditors	
Masashi Teranishi	Participation Board of Directors meetings: 100% (12 out of 12 times) Board of Corporate Auditors meetings: 100% (14 out of 14 times) In addition to conducting appropriate audits based on his insight and experience as a manager of a mega bank, Mr. Teranishi was expected to provide opinions on the business administration of the Company from the perspective of finance. He conducted appropriate audits from this perspective during the fiscal year. In addition, Mr. Teranishi proactively made comments at the Management, Nomination and Remuneration Advisory Committee meetings. Please refer to the notes below on the activities of the Management, Nomination and Remuneration Advisory Committee.
Masakazu Toyoda	Participation Board of Directors meetings: 100% (12 out of 12 times) Board of Corporate Auditors meetings: 100% (14 out of 14 times) In addition to conducting appropriate audits based on his insight and experience as an economist involved in national politics, Mr. Toyoda is expected to provide opinions on the business administration of the Company from the perspective of an expert of economics. He conducted appropriate audits from this perspective during the fiscal year. In addition, Mr. Toyoda proactively made comments at the Management, Nomination and Remuneration Advisory Committee meetings. Please refer to the notes below on the activities of the Management, Nomination and Remuneration Advisory Committee.
Mitsuhide Shiraki	Participation Board of Directors meetings: 100% (12 out of 12 times) Board of Corporate Auditors meetings: 100% (14 out of 14 times) In addition to conducting appropriate audits based on his insight and experience as a specialist of labor issues and global HR development, Mr. Shiraki is expected to provide opinions on the business administration of the Company from an expert perspective. He conducted appropriate audits from this perspective during the fiscal year. In addition, Mr. Shiraki proactively made comments at the Management, Nomination and Remuneration Advisory Committee meetings. Please refer to the notes below on the activities of the Management, Nomination and Remuneration Advisory Committee.

Notes:

(1) Structure and roles of the Management, Nomination and Remuneration Advisory Committee

To strengthen the independence, objectivity, and accountability of the Board of Directors' functions with respect to important issues such as key management themes, director nominations, and executive remuneration systems, the Company has established the Management, Nomination and Remuneration Advisory Committee, which consists of Outside Directors and Outside Corporate Auditors, as a voluntary advisory body to the Representative Director(s).

By having the above important matters deliberated by the Management, Nomination, and Remuneration Advisory Committee, the Company has achieved a system whereby the Representative Director receives appropriate advice in advance from Outside Directors and Outside Corporate Auditors, and the Board of Directors deliberates on these matters.

This structure ensures objectivity and transparency in the deliberations of the Board of Directors and reinforces corporate governance.

(2) Activities of the Management, Nomination and Remuneration Advisory Committee

The Committee met three times in the fiscal year (FY2022). All outside officers played important roles as the members of the Advisory

Committee utilizing their deep insights and extensive experience in their respective areas of expertise. The following are attendance status, main consultations and deliberations:

<Participation>

Hideo Takasaki: 3 out of 3 times
 Nobuhiro Todokoro: 1 out of 2 times
 Yoichiro Furuse: 3 out of 3 times
 Takashi Hatchoji: 2 out of 3 times
 Tamio Fukuda: 3 out of 3 times
 Wong Lai Yong: 3 out of 3 times
 Michitaka Sawada: 3 out of 3 times
 Yasuhiro Yamada: 3 out of 3 times
 Masashi Teranishi: 3 out of 3 times
 Masakazu Toyoda: 3 out of 3 times
 Mitsuhide Shiraki: 3 out of 3 times

<Major consultations and deliberations during the current fiscal year (FY2022)>

Management	<ul style="list-style-type: none"> • Management framework and changes in the external environment • Human resources strategy and human capital disclosures
Nomination	<ul style="list-style-type: none"> • Director appointment standards
Remuneration	<ul style="list-style-type: none"> • Revision of the standards for granting performance-linked share-based remuneration • Confirmation of consistency between the executive remuneration policy and this fiscal year's director remuneration

(3) Summary of liability limitation agreement

The Company has executed agreements with all of the Outside Directors and Outside Corporate Auditors in accordance with the Articles of Incorporation to limit the compensation liability provided in Paragraph 1, Article 423 of the Companies Act, and the compensation limitation amount under these agreements are the minimum amount determined under laws and regulations.

(4) Summary of directors and officers (D&O) liability insurance policy

The Company purchases a directors and officers (D&O) liability insurance policy from an insurance company, naming its Directors, Corporate Auditors, and Vice Presidents (hereinafter collectively referred to as the "Company D&O") and the officers of Nitto Shinko Corporation, which is a member company of the Group, as the insured, to cover any damage (e.g., compensations and legal fees) incurred when a lawsuit is filed against any of the insured for an action they have taken in the course of performing their duties. The insurance policy has an exemption clause excluding from its coverage any liability that has arisen due to the insured's intent, illegal and personal sharing of profits, and criminal acts, among other things. Insurance premiums are fully borne by the Company for the Company D&O, and fully borne by Nitto Shinko Corporation for its Directors.

(5) Summary of the policy to determine the amount or calculation method of remuneration for Directors and Corporate Auditors

<1> Remuneration paid to Directors

a. Basic policy related to remuneration for Directors

- The content of remuneration shall be such that Nitto Persons* are allowed to be appointed as a Director.
- The remuneration structure must motivate Directors to contribute to Nitto's sustainable growth and the enhancement of its corporate value over the medium and long term.
- The remuneration determination process shall be fair and transparent.

* In addition to meeting the basic requirement of having profound insights and high levels of expertise acquired from past experience, a Nitto Person is a person who can comprehend and practice Nitto's Corporate Philosophy, deliver results, and keep taking on new challenges.

b. Components of remuneration

Directors (excluding Outside Directors) shall be remunerated as follows.

Type	Category	Policy related to the content of remuneration, methods of calculating the cash amount/number of shares, and the timing of payment
Fixed remuneration	Basic remuneration (cash)	Monthly remuneration as determined by position, responsibility, and length of service is paid in cash.
Short-term performance-linked remuneration	Bonus for Directors (cash)	Remuneration in cash is paid after the relevant business term is over to raise awareness about the Group's performance improvement for each business term. The amount of remuneration paid to each Director is determined by the progress of achievement of the Group's performance indicators on consolidated operating income and consolidated ROE* over the period of one business term and by the progress made against the targets set for each Director's areas of responsibilities.
Medium-term performance-linked remuneration	Performance-linked share-based remuneration	This additional remuneration is designed to incentivize Directors to improve business performance over the mid-term, and share-based remuneration is granted once every three consecutive business terms. The number of shares to be granted to each Director will be determined based on consolidated operating income, consolidated ROE, and ESG items (CO ₂ emissions reduction, status of efforts to increase the ratio of female managers, etc.)* as of the end of the third year after the start of the performance evaluation period. Targets should be set high, and no remuneration is paid if the targets are not met. The number of shares to be granted ranges between 50% and 150% according to the progress against the targets.
Medium- and long-term performance-linked remuneration	Restricted share remuneration	Share-based remuneration is granted for each business term to align the interests of Directors and shareholders and reflect medium- and long-term business performance in their remuneration. The number of shares to be granted to each Director is determined by position, responsibility, and length of service. The amount of remuneration is linked to the market price by setting restrictions on transfer until retirement.

* Consolidated operating income is used as an indicator of commitment to results, consolidated ROE as a measure of business stability, and ESG items as a measure of sustainable improvement of corporate value.

In light of their roles and independence, Outside Directors are remunerated by fixed remuneration only.

c. Policy related to the designing of the remuneration level

In order to ensure that remuneration for Nitto's officers, etc. is at a competitive level vis-à-vis industry standards, their remuneration level is set by benchmarking a group of major companies of a similar scale in the same industry as Nitto.

d. Component ratio of remuneration

For the purpose of standard evaluation, the target component ratio of remuneration is: Remuneration in cash : Bonus for Directors : Restricted share remuneration = 40% : 40% : 20%. Performance-linked share-based remuneration is provided as additional remuneration when medium-term targets are achieved, but not provided for a standard

evaluation.

e. Policy related to the determination process

The policy related to the standard amount, calculation method, component ratio among different types of remunerations, timing or conditions of payment, etc. for the remuneration of each Director shall be decided by the Board of Directors, by comprehensively taking into account such factors as the Company's business conditions, management environment, the levels of remuneration to officers at major companies of a similar scale in the same industry as the Company, after receiving a report on the results of deliberations by the Management, Nomination and Remuneration Advisory Committee.

Decisions on concrete details of basic remuneration for each term of office and the allocation of executive bonuses to each Director shall be entrusted to the President (who is also a Board Member) pursuant to a resolution of the Board of Directors. Because the President is in a position to evaluate if targets for Directors other than Outside Directors have been met, it is deemed rational for him/her to make a decision on the allocation. Remuneration in cash shall be determined according to the position, responsibility, and length of service, whereas bonuses for officers shall be determined by taking into account the progress of achievement of targets set for areas of responsibilities of each Director in accordance with the predetermined standard amount and calculation method above, in order to prevent arbitrary decisions from being made. For performance-linked share-based remuneration and restricted share remuneration, the Board of Directors shall determine the number of shares to be granted to each Director using a predetermined formula.

<2> Remuneration paid to Corporate Auditors

a. Basic policy related to remuneration of Corporate Auditors

- The content of remuneration shall be such that Nitto Persons are allowed to be appointed as a Corporate Auditor.
- The remuneration structure shall be such that it contributes to the fulfillment of their duties, including audits of the performance of duties by Directors.

b. Components of remuneration

Remuneration of Corporate Auditors does not include any share-based or other performance-linked portions and instead is comprised solely of fixed remuneration in cash.

c. Policy related to the designing of the remuneration level

In order to ensure that remuneration for Nitto's officers, etc. is at a competitive level vis-à-vis industry standards, their remuneration level is set by benchmarking a group of major companies of a similar scale in the same industry as Nitto.

d. Policy related to the determination process

Remuneration of individual Corporate Auditor is determined through consultations among themselves.

(6) Remuneration etc. paid to Directors and Corporate Auditors

(Yen in Millions)

Position	Total amount of remuneration, etc.	Remuneration by type				Number of eligible Directors and Corporate Auditors
		Fixed remuneration	Performance-linked remuneration			
		Basic Remuneration (cash)	Bonus paid to Directors (cash)	Performance-linked share-based remuneration	Restricted share remuneration	
Directors (excluding Outside Directors)	641	198	365	-	77	4
Outside Directors	103	103	-	-	-	6
Corporate Auditors (excluding Outside Corporate Auditors)	83	83	-	-	-	2
Outside Corporate Auditors	48	48	-	-	-	3

Notes: 1. The above includes one Director (not Outside Director) who retired during the fiscal year.

2. The maximum amount of base remuneration and bonuses for directors was resolved at the 157th Ordinary General Meeting of Shareholders

held on June 17, 2022 to be no more than 1 billion yen per year (including no more than 120 million yen for Outside Directors). The number of Directors at the close of the said Ordinary General Meeting of Shareholders was ten (of which, six were Outside Directors). The maximum amount of basic remuneration for Corporate Auditors was resolved at the 156th Ordinary General Meeting of Shareholders held on June 18, 2021 to be no more than 144 million yen per year. The number of Corporate Auditors at the close of said Ordinary General Meeting of Shareholders is five.

3. The above bonuses to Directors, excluding Outside Directors, are the amounts scheduled to be paid by resolution of the Board of Directors based on the resolution of the General Meeting of Shareholders as described in Note 2.
4. The upper limits of the total value and the number of shares to be granted to Directors (excluding Outside Directors) in the form of performance-linked share-based remuneration were set at 364 million yen and 48,400 shares a year at the 153rd Ordinary General Meeting of Shareholders held on June 22, 2018. The number of Directors at the close of the said Ordinary General Meeting of Shareholders was nine (of which, three were Outside Directors).
5. The upper limit of the total value and the number of shares to be granted to Directors (excluding Outside Directors) in the form of restricted share remuneration were set at 243 million yen and 32,000 shares a year at the 153rd Ordinary General Meeting of Shareholders held on June 22, 2018. The number of Directors at the close of the said Ordinary General Meeting of Shareholders was nine (of which, three were Outside Directors).
6. In accordance with the determination process, the Board of Directors has delegated the determination of the specific details of remuneration in cash and bonuses for directors to Hideo Takasaki, President-Director based on a resolution of the Board of Directors.
7. Consolidated operating income and consolidated ROE are adopted as indicators based on which bonuses for Directors and performance-linked share-based remuneration are calculated. For the fiscal year, the Company's consolidated operating income was 147,173 million yen and consolidated ROE 12.7%. There will be no payment of performance-linked share-based remuneration as the Company did not achieve its targets. Restricted share remuneration is linked to the market price of the Company's shares. There is nothing that needs to be disclosed in relation to its performance.
8. Individual remuneration and so on granted to Directors and others for the fiscal year are (or will be) paid in accordance with the determination process. The Board of Directors considers that their details are in line with the Company's remuneration policy.
9. Salaries (including bonuses) of Directors concurrently serving as employees are separate from the above remuneration, etc., but no employee salaries were paid in the fiscal year.

4. Accounting auditors

(1) Name of Accounting Auditor: KPMG AZSA LLC

(2) Amount of remuneration for the Accounting Auditor

(Yen in Millions)

1)	Amount of remuneration as an accounting auditor for this fiscal year	225
2)	Total amount of money and other asset interests to be paid by the Company and the subsidiaries of the Company	314

- Notes:
1. The Board of Corporate Auditors conducts necessary verification of the contents of the Accounting Auditor's audit plans, the status of their execution of duties, and the validity of the basis for estimation of their remuneration, before agreeing to such remuneration and other matters.
 2. The remuneration for auditing as an accounting auditor under the Companies Act and the remuneration for auditing under the Financial Instruments and Exchange Act have not been differentiated in the auditing agreement between the Accounting Auditor and the Company, and also cannot be materially differentiated, so the above figure is the total of these remunerations.
 3. The Company has paid remuneration to the Accounting Auditor for advisory services, which are services other than those stipulated in Paragraph 1, Article 2 of the Certified Public Accountants Act (non-auditing work). The amount of such remuneration is included in the figure stated above.

(3) Policy to determine dismissal or non-reappointment of the Accounting Auditor

In addition to dismissal of the Accounting Auditor in accordance with the provision of Article 340 of the Companies Act of Japan, when appropriate execution of duties by the Accounting Auditor is deemed to be difficult or when problems are found regarding the eligibility or creditworthiness of the Accounting Auditor in light of auditing standards, the Board of Corporate Auditors resolves, in principle, that it will not reelect the Accounting Auditor, and will instead elect another appropriate audit corporation and bring the Accounting Auditor appointment agenda to the general meeting of shareholders. The Board of Corporate Auditors will also determine reappointment or non-reappointment of the Accounting Auditor based on the number of continuous years of auditing, in addition to the factors mentioned above.

5. Shareholders' equity (as of March 31, 2023)

(1) Number of shares authorized to be issued	400,000,000 shares
(2) Number of shares issued	149,758,428 shares
(Amount of treasury stock held)	3,840,554 shares)
(3) Number of shareholders	28,984
(4) Major shareholders (top 10)	

Name	Number of shares held	Ownership percentage
The Master Trust Bank of Japan, Ltd. (Trust Account)	Thousands of shares 40,683	% 27.88
Custody Bank of Japan, Ltd. (Trust Account)	15,667	10.74
STATE STREET BANK AND TRUST COMPANY 505223	5,008	3.43
STATE STREET BANK WEST CLIENT-TREATY 505234	2,554	1.75
Nippon Life Insurance Company	2,082	1.43
JP MORGAN CHASE BANK 385781	1,960	1.34
SSBTC CLIENT OMNIBUS ACCOUNT	1,831	1.26
STATE STREET BANK AND TRUST COMPANY 505103	1,747	1.20
STATE STREET BANK AND TRUST COMPANY 505103	1,598	1.10
HSBC HONGKONG-TREASURY SERVICES A/C ASIAN EQUITIES DERIVATIVES	1,582	1.08

- Notes:
- The ownership percentage has been calculated based on the number of shares issued, excluding treasury stock.
 - The eighth and ninth major shareholders are listed under the same shareholder name in the shareholder registry, but they are under different names with different standing proxies.
 - Although the reports on large-scale shareholdings have been submitted as follows, the Company lists the major shareholders above according to the shareholder register as of March 31, 2023.
 - A total of three shareholders comprising Nomura Securities Co., Ltd. and its joint holders
16,288,072 shares (as of July 1, 2020)
 - A total of two shareholders comprising MFS Investment Management K.K. and its joint holder
7,768,400 shares (as of November 15, 2021)
 - A total of two shareholders comprising Sumitomo Mitsui Trust Asset Management Co., Ltd. and its joint holders
13,635,900 shares (as of June 30, 2022)
 - A total of four shareholders comprising MUFG Bank, Ltd. and its joint holders
9,387,484 shares (as of August 22, 2022)
 - A total of 13 shareholders comprising BlackRock Japan Co., Ltd. and its joint holders
13,144,535 shares (as of October 31, 2022)

(5) Shares granted to the Company's officers as consideration for the performance of duties during the fiscal year under review

Name	Performance-linked share-based remuneration	Restricted share remuneration
Type and number of shares	-	9,700 shares of the Company's common stock
Number of eligible recipients	-	Directors 4 persons

Note: Outside Directors and Corporate Auditors are not eligible to receive the above share-based remuneration.

(6) Matters concerning warrants

<1> Summary of warrants issued to the Company's officers as remuneration for executing their duties and held by such officers as at the end of the fiscal year under review

Subject	Equity-based remuneration stock options
Number of warrants	398 units (100 shares of common stock per unit)

Class and number of underlying shares subject to warrants	Company's common stock: 39,800 shares
Exercise value (payment amount per unit at time of exercise)	100 yen
Exercise period	<ul style="list-style-type: none"> • 30 years from the day following the issuing date • 10 days from the day following the day from which they no longer serve as Directors
Number of owners and units	3 Directors 398 units

Note: Outside Directors and Corporate Auditors are not eligible to receive the above warrants.

<2> Summary of warrants issued as remuneration for executing duties and responsibilities to the employees of the Company and officers and employees of subsidiaries during this fiscal year

Not applicable

6. Internal control system and policies of the Company

(1) Basic policy on internal control and status of its implementation

The Nitto Denko Group has established a Mission (to contribute to the creation of value for our customers through new ideas) and The Nitto Way as our management philosophy, which expresses the values, attitudes, and standards of conduct common to all executives and employees. The Nitto Way is a set of principles that we have adopted to guide us in our operations. The Company also recognizes that The Nitto Way of “putting safety before everything else” includes not only physical safety but also management safety, and that the establishment of the necessary systems (internal control systems) to ensure the appropriateness of operations and the confirmation of their operational status is an important management process.

Based on this approach, the Group has established the following basic policy on internal control.

<p><1> Compliance promotion system</p> <p>(Article 362, Paragraph (4), item (vi) of the Companies Act; Article 100, Paragraph (1), item (iv) and item (v) of the Ordinance for Enforcement of the Companies Act)</p>
<p>(Summary of resolutions at the Board of Directors)</p> <p>(1) Development of the Code of Conduct The Nitto Group has established the “Nitto Group Business Conduct Guidelines” as the basis of the Group’s compliance practices that will guide the Group’s officers and employees to act ethically in compliance with laws and ordinances in their business activities.</p> <p>(2) Appointment of officers and departments in charge An officer in charge of compliance (Director or Vice President) shall be appointed and a department in charge of compliance shall be established to promote compliance in the Group.</p> <p>(3) Development of a whistleblowing system The department in charge of compliance shall function as a contact point for the Nitto Group’s whistleblowing system. In addition, an external professional organization shall function as an outside contact point to directly receive information from whistleblowers. The department in charge of compliance shall respond to reported incidents and develop a system to prevent their recurrence.</p>
<p>(Implementation status confirmed)</p> <ul style="list-style-type: none">• In the fiscal year under review, the “Nitto Group Business Conduct Guidelines” were revised. In addition, we provide e-learning programs for the Group’s officers and employees in order to disseminate these Guidelines.• Compliance promotion activities, including the above-mentioned awareness and education, are conducted mainly by the Director in charge of compliance and the department in charge of compliance.• Appropriate measures are taken to resolve issues and prevent the recurrence of problems reported to the whistleblower hotline.

<2> Risk Management Promotion system

(Article 100, Paragraph (1), item (ii) and item (v) of the Ordinance for Enforcement of the Companies Act)

(Summary of resolutions at the Board of Directors)

- (1) Development of a business risk management system
Business execution departments shall manage risks associated with their business mix and overseas business operations, risks arising from external factors, such as foreign exchange fluctuations and country risks, and risks associated with technological competitiveness, such as capabilities to develop new technologies and intellectual property rights (hereinafter, "Business Risks").
- (2) Development of an operational risk management system
Special function departments shall manage risks associated with safety, the environment, disasters, and product quality/defects and risks associated with measures for information security and antisocial forces, and antimonopoly and export control laws (hereinafter, "Operational Risks").
- (3) Development of a risk monitoring system in each region
To build a global risk monitoring system, an officer in charge of regional management shall be appointed for each major geographic region to develop a regional oversight function.
- (4) Development of a system of risk monitoring by officers
With respect to Business Risks, Each business execution department shall provide reports to the Board of Directors and Corporate Strategy Meeting of Nitto Denko Corporation (hereinafter, "Nitto") as needed. In respect of Operational Risks, an officer in charge of risk management shall be appointed and a department in charge of risk management shall be established to create a system for Nitto's Board of Directors and Corporate Strategy Meeting to receive reports on Operational risks.
- (5) Development of a Crisis management system
A system shall be developed to ensure that a report is promptly given to Nitto's President and its officer in charge of risk management upon the occurrence of an emergency, accident, or disaster (hereinafter, collectively referred to as the "Emergency"). Upon the occurrence of an emergency, a Crisis management task force shall be created under the command of Nitto's President to minimize the damage and to continue and promptly recover business operations.

(Implementation status confirmed)

- Business risks are monitored by each business execution department and are appropriately managed through reports on management status to the Board of Directors and the Corporate Strategy Committee.
- Business risks (including compliance risks) are monitored by specialized departments and area managers under the supervision of the department in charge of risk management, and are appropriately managed through periodic reports to the Board of Directors and the Corporate Strategy Meeting.
- A crisis management system for emergencies is in place under the Emergency Reporting Rules and other relevant regulations.

<3> Operational efficiency improvement promotion system

(Article 100, Paragraph (1), items (iii), and (v) of the Ordinance for Enforcement of the Companies Act)

(Summary of resolutions at the Board of Directors)

- (1) Promotion of efficiency improvement of the Board of Directors
As a basis for the system to ensure the efficient execution of duties by Nitto's Directors, the Board of Directors shall meet regularly, in principle, once a month, and have extraordinary meetings when needed.
- (2) System to promote efficiency through the delegation of authorities
Important matters concerning the Group's concrete management policies and strategies shall be subject to a resolution of Nitto's Board of Directors depending on the degree of their importance. They also shall be subject to a resolution at a meeting of the Corporate Strategy Meeting, which consists of Nitto's Directors (excluding Outside Directors) and Vice Presidents and, in principle, convenes once a month; a resolution of a meeting organized by the relevant business execution department; or an approval through a *ringi* collective decision-making process.
- (3) Development of the Nitto Group's reporting system
The appropriateness of business operations of the entire Group shall be ensured by establishing a system whereby Nitto is involved in the Group companies' decision making on their management issues and other important matters. These include requiring a resolution of, prior consultations with, or reporting to Nitto.
- (4) Appointment of officers in charge
The Group's decision-making regulations and standards and other instruments (hereinafter, the "Decision-Making Rules") shall be developed to clarify matters such as a decision-making entity, a responsible person, the scope of his or her responsibilities, business execution procedures, and the recipients of reports, concerning the business execution of the Group. An officer in charge of management strategies shall be responsible for developing the decision-making rules and shall periodically review their contents.
- (5) Development of a system for management and safekeeping of business documents
All documents associated with the execution of duties by Nitto's Directors, including, but not limited to the minutes of Nitto's general meetings of shareholders, Board of Directors meetings, and Corporate Strategy Meetings, and *ringi* collective decision-making documents, shall be safekept and managed in a manner that is appropriate and reliable for the chosen storage medium, such as printed paper or electromagnetic media, in accordance with the regulations on control and safekeeping of documents, and shall be kept in a condition that allows inspection as necessary.

(Implementation status confirmed)

- Appropriate decisions are made at meetings of the Board of Directors, Corporate Strategy Meeting, etc., in accordance with approval and reporting categories based on the Group's decision-making rules.
- The Company has established a group governance system, including prior approval based on the Group's decision-making rules, and deliberation of important matters of the Company's group companies at the Company in accordance with the classification of matters to be reported.
- Periodic review of the Group's decision-making rules is conducted.
- The department in charge of administration properly stores the Company's authorized documents in accordance with the Company's rules and regulations.

<4> Internal audit system

(Article 362, Paragraph (4), item (vi) of the Companies Act)

(Summary of resolutions at the Board of Directors)

An internal audit department shall be created to conduct internal audits within the Nitto Group. The results of internal audits shall be reported to the Board of Directors.

(Implementation status confirmed)

- The internal audit department conducts internal audits, and through reports to the Board of Directors and the Representative Director, the Company ensures appropriate management.

<5> Policy on ensuring effectiveness of audits by Corporate Auditors

(Article 100. paragraph (3) of the Ordinance for Enforcement of the Companies Act)

(Summary of resolutions at the Board of Directors)

(1) Support for audits by Corporate Auditors

- Nitto's Directors shall recognize and comprehend the importance and usefulness of audits by Corporate Auditors, ensure that such recognition and comprehension are shared throughout the Nitto Group, and strive to enhance the Group's internal audit system.

(2) Appointment of staff for Corporate Auditors

- Staff for Corporate Auditors shall be appointed as employees who should assist the duties of the Corporate Auditors of Nitto.
- Staff of Corporate Auditors shall be affiliated with an independent department and perform their duties under the direct command of Corporate Auditors.
- The appointment and transfer of staff for Corporate Auditors shall be determined with the approval of Corporate Auditors (full-time service).
- Corporate Auditors (full-time service) shall determine the evaluation of staff for Corporate Auditors.
- Staff for Corporate Auditors shall not hold a concurrent position that concerns business execution.

(3) Development of a system of reporting to Corporate Auditors

- Nitto's Directors and employees shall report to the Corporate Auditors of Nitto significant matters that may affect the operations and/or performance of the Nitto Group in accordance with the audit plan determined by the Audit & Supervisory Board and/or its Members.
- Notwithstanding the above, Corporate Auditors of Nitto may, whenever necessary, demand reports from Nitto's Directors and employees, their attendance at important meetings, and access to the minutes of such meetings or *ringi* collective decision-making documents and other reports.
- A system shall be established to ensure that Nitto's Corporate Auditors are reported to promptly and adequately concerning whistleblowing and the Emergency.
- A system shall be established to prevent any disadvantageous treatment of a person on the ground of him or her making a report to Nitto's Corporate Auditors.

(4) Policy on expenses for audits by Corporate Auditors

- When Nitto's Corporate Auditors demand from Nitto any advance payment or reimbursement of expenses that are incurred in the execution of their duties, such expenses or liabilities shall be processed promptly after deliberations by the division in charge, unless it is proven that the expenses or liabilities thus claimed were unnecessary for the execution of duties by the Corporate Auditors in question.

(5) Other policies

- A system shall be established to allow Nitto's Corporate Auditors to conduct audits efficiently in collaboration with accounting auditors, the department in charge of internal audits, and others concerned, and through exchanges of opinions and information with corporate auditors of Group companies.
- In addition to the audit described above, a system shall be established to allow Nitto's Corporate Auditors to demand a report from corporate auditors, directors, and senior executives of the Nitto Group companies whenever necessary.

(Implementation status confirmed)

- The Company ensures the effectiveness of the auditing system of the Board of Corporate Auditors by maintaining the Board of Corporate Auditors Rules, etc., and by having the staff of Corporate Auditors, who are independent of the execution of business, assist in the duties of the Corporate Auditors.
- Corporate Auditors attend the meetings of the Board of Directors, Corporate Strategy Meeting, etc., and important documents requested by the Corporate Auditors are made available for their inspection.
- A system has been established for internal and external specialized contacts to report to the Corporate Auditors as well, and is operated and implemented in accordance with this system.
- The Company operates and implements the system in accordance with the provisions for Corporate Auditors' expenses in the Board of Corporate Auditors Rules, etc.

(2) Policy on corporate dominance

The basic views of the Company on acquisition of substantial shares of the Company are as follows:

In case acquisition aimed at substantial shareholdings is to be made, the Company is of the opinion that the decision on whether or not to accept the acquisition should ultimately be left to the judgment of its shareholders. On the other hand,

however, the Company cannot deny the existence of corporate takeovers with unjust objectives such as sell-offs at high prices, and realize that it is obviously the responsibility of the management of the Company, to secure the basic principles and the brand of the Company and protect the interests of our shareholders and other stakeholders from such unjust parties. At present, neither is the Company placed under any specific threat for acquisition of substantial shareholdings nor does the Company intend to define explicit defense measures against the advent of such a buyer (so-called takeover defense measures). Yet the Company, having assumed the management responsibility entrusted from its shareholders, is committed at all times to keep close watch over its stock transactions and shareholder movements, and will immediately take measures deemed most appropriate should there be any sign of a party with the intention to acquire substantial shares of Nitto Denko stocks.

7. Other

(1) Principal offices of the Group

Nitto Denko Corporation	Head Office	Head Office (Kita-ku, Osaka), Tokyo Head Office (Minato-ku, Tokyo)
	Offices (Plants/Laboratory)	Tohoku Plant (Osaki, Miyagi), Kanto Plant (Fukaya, Saitama), Toyohashi Plant (Toyohashi, Aichi), Kameyama Plant (Kameyama, Mie), Shiga Plant (Kusatsu, Shiga), Ibaraki Laboratory (Ibaraki, Osaka), Onomichi Plant (Onomichi, Hiroshima)
	Branches	Tokyo Sales Branch (Minato-ku, Tokyo), Nagoya Sales Branch (Naka-ku, Nagoya), Osaka Sales Branch (Chuo-ku, Osaka), Kyushu Sales Branch (Hakata-ku, Fukuoka)
Nissho Corporation	Kita-ku, Osaka, Japan	
Nitto EMEA NV	Leuven, Belgium	
Nitto Belgium NV	Genk, Belgium	
Nitto, Inc.	Teaneck, NJ, U.S.	
Nitto Denko Avecia Inc.	Milford, MA, U.S.	
Nitto Advanced Film Gronau GmbH	Gronau, Germany	
Nitto Denko (China) Investment Co., Ltd.	Shanghai, China	
Taiwan Nitto Optical Co., Ltd.	Taichung, Taiwan	
Korea Nitto Optical Co., Ltd.	Pyeongtaek, South Korea	
Nitto Denko (HK) Co., Ltd.	Hong Kong, China	
Shanghai Nitto Optical Co., Ltd.	Shanghai, China	
Shenzhen Nitto Optical Co., Ltd.	Shenzhen, China	
Nitto (China) New Materials Co., Ltd.	Shanghai, China	
Nitto Denko (Singapore) Pte. Ltd.	Queenstown, Singapore	
Nitto Denko Material (Thailand) Co., Ltd.	Ayutthaya, Thailand	
Taiwan Nitto Corporation	Taipei, Taiwan	

(2) Employees of the Group and the Company (as of March 31, 2023)

	Number of employees	Changes from the end of the previous fiscal year
Group	26,070	+109
Company	6,285	+194

Note: The number of employees does not include Directors (those who are classified as employees) and temporary workers.

(3) Major creditors (as of March 31, 2023)

Details of major creditors are omitted here because the borrowing amounts are immaterial.

Note: Fractions below the figures shown are omitted in the amounts of money and the number of shares described in the Business Report.
Percentages (%) are rounded to the nearest decimal point.

[Reference Data]

The Company's Corporate Governance Report is available on the website listed below, and the Board effectiveness survey and corporate governance structure are disclosed on the Company's website as well as in the same report.

<https://www.nitto.com/jp/en/ir/governance/cgreport/>

The list of Vice Presidents who are members of the Corporate Strategy Meeting, which makes decisions on important management matters, is posted on the website listed below.

https://www.nitto.com/jp/en/about_us/corporate/board/VicePresidents/

The Integrated Report, which describes the Group's efforts to "simultaneously solving social issues and creating economic value" is available on the website listed below.

<https://www.nitto.com/jp/en/sustainability/report/>

Consolidated Financial Statements
Consolidated Statements of Financial Position

(Yen in Millions)

	Amount	
	As of March 31, 2023	As of March 31, 2022 (Reference)
(Assets)		
Current assets	677,189	722,738
Cash and cash equivalents	329,966	362,046
Trade and other receivables	178,388	206,084
Inventories	141,101	128,318
Other financial assets	2,141	4,939
Other current assets	20,358	21,349
Subtotal	671,956	722,738
Assets held for sale	5,232	—
Non-current assets	476,457	371,730
Property, plant and equipment	333,103	286,949
Right-of-use assets	12,959	13,681
Goodwill	58,822	4,809
Intangible assets	21,469	13,707
Investments accounted for using equity method	2,140	547
Financial assets	8,860	12,131
Deferred tax assets	23,420	24,131
Other non-current assets	15,682	15,772
Total assets	1,153,647	1,094,469

Consolidated Statements of Financial Position

(Yen in Millions)

	Amount	
	As of March 31, 2023	As of March 31, 2022 (Reference)
(Liabilities)		
Current liabilities	188,248	208,489
Trade and other payables	91,834	102,798
Bonds and borrowings	272	241
Income tax payables	18,488	18,138
Other financial liabilities	22,162	19,979
Other current liabilities	54,053	67,330
Subtotal	186,811	208,489
Liabilities directly associated with assets classified as held for sale	1,436	—
Non-current liabilities	62,204	63,873
Other financial liabilities	15,729	16,941
Defined benefit liabilities	40,015	44,125
Deferred tax liabilities	4,173	326
Other non-current liabilities	2,286	2,480
Total liabilities	250,452	272,363
(Equity)		
Equity attributable to owners of the parent company	902,211	821,192
Share capital	26,783	26,783
Capital surplus	50,047	49,992
Retained earnings	786,269	705,910
Treasury stock	-27,631-	-9,771
Other components of equity	66,741	48,276
Non-controlling interests	983	913
Total equity	903,194	822,105
Total liabilities and equity	1,153,647	1,094,469

Consolidated Statements of Income

(Yen in Millions)

	Amount	
	April 1, 2022 – March 31, 2023	April 1, 2021 – March 31, 2022 (Reference)
Revenue	929,036	853,448
Cost of sales	591,592	551,059
Gross profit	337,443	302,388
Selling, general and administrative expenses	145,436	129,625
Research and development expenses	40,175	37,271
Other income	8,103	6,707
Other expenses	12,761	9,938
Operating income	147,173	132,260
Financial income	1,574	1,459
Financial expenses	1,936	1,384
Equity in profits (losses) of affiliates	29	42
Income before income taxes	146,840	132,378
Income tax expenses	37,576	35,143
Net income	109,264	97,234
Net income attributable to:		
Owners of the parent company	109,173	97,132
Non-controlling interests	91	102

Consolidated Statements of Cash Flows (Reference)

(Yen in Millions)

	Amount	
	April 1, 2022 – March 31, 2023	April 1, 2021 – March 31, 2022
I Cash flows from operating activities		
Income before income taxes	146,840	132,378
Depreciation and amortization	57,362	50,211
Impairment losses	4,036	5,986
Increase (decrease) in defined benefit liabilities	1,270	691
Decrease (increase) in trade and other receivables	44,492	-10,118
Decrease (increase) in inventories	-2,230	-14,000
Increase (decrease) in trade and other payables	-15,779	440
Increase (decrease) in advances received	-17,420	13,897
Interest and dividend income	1,283	569
Interest expenses paid	-538	-535
Income taxes (paid) refunded	-38,748	-30,445
Others	1,133	-4,587
Net cash provided by (used in) operating activities	181,702	144,489
II Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	-65,921	-58,958
Proceeds from sale of property, plant and equipment and intangible assets	350	881
Decrease (increase) in time deposits	81	-398
Purchase of investment securities	-177	-596
Proceeds from sale of investment securities	2,675	764
Purchase of shares of subsidiaries and associates	-1,703	-269
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-95,263	—
Others	51	982
Net cash provided by (used in) investing activities	-159,906	-57,594
III Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	29	-315
Repayment of finance lease obligations	-5,567	-5,228
Decrease (increase) in treasury stock	-18,008	-0
Cash dividends paid	-34,046	-31,076
Others	-35	-18
Net cash provided by (used in) financing activities	-57,627	-36,639
IV Effect of exchange rate changes on cash and cash equivalents	5,671	10,901
V Cash and cash equivalents included in assets held for sale	-1,920	—
VI Net increase (decrease) in cash and cash equivalents	-32,079	61,157
VII Cash and cash equivalents at the beginning of the period	362,046	300,888
VIII Cash and cash equivalents at the end of the period	329,966	362,046

Consolidated Statements of Changes in Equity

April 1, 2022 – March 31, 2023

(Yen in Millions)

	Share capital	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
Balance at the beginning of current year	26,783	49,992	705,910	-9,771	48,276	821,192	913	822,105
Net income			109,173			109,173	91	109,264
Other comprehensive income					27,905	27,905	8	27,913
Total comprehensive income	—	—	109,173	—	27,905	137,078	99	137,177
Share-based payment transactions		-21			-0	-21		-21
Dividends			-34,046			-34,046	-29	-34,075
Changes in treasury stock		75		-17,860		-17,784		-17,784
Transfer from other components of equity to retained earnings			5,232		-5,232	—		—
Transfer from other components of equity to non-financial assets, etc.					-4,206	-4,206		-4,206
Total transactions with owners	—	54	-28,813	-17,860	-9,440	-56,059	-29	-56,088
Balance at the end of current year	26,783	50,047	786,269	-27,631	66,741	902,211	983	903,194

Notes to the Consolidated Financial Statements

1. Notes regarding significant accounting policies for the preparation of the consolidated financial statements and others

(1) Basis of the consolidated financial statements

The Group's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (hereinafter referred to as "IFRS") under the provisions of Paragraph 1, Article 120 of the Ordinance on Accounting of Companies. As per the provisions of the second sentence of the same paragraph of the same Ordinance, some disclosure items required by IFRS are omitted here.

(2) Scope of consolidation

<1> Number of consolidated subsidiaries: 94

Major subsidiaries: Nissho Corporation, Nitto EMEA NV, Nitto Belgium NV, Nitto, Inc., Nitto Denko Avencia Inc., Nitto Advanced Film Gronau GmbH, Nitto Denko (China) Investment Co., Ltd., Taiwan Nitto Optical Co., Ltd., Korea Nitto Optical Co., Ltd., Nitto Denko (HK) Co., Ltd., Shanghai Nitto Optical Co., Ltd., Shenzhen Nitto Optical Co., Ltd., Nitto (China) New Materials Co., Ltd., Nitto Denko (Singapore) Pte. Ltd., Nitto Denko Material (Thailand) Co., Ltd., Taiwan Nitto Corporation

<2> Increase/decrease of consolidated subsidiaries

Increase: 6

Decrease: 2

(3) Fiscal year of consolidated subsidiaries

Number of subsidiaries that close books on the same date as the Company: 72

Number of subsidiaries that do not close books on the same date as the Company: 22

For the above 22 subsidiaries, provisional settlement of accounts as of March 31, 2022 are used.

(4) Accounting policies

<1> Valuation basis and method for principal assets

1) Financial assets:

Non-derivative financial assets

The Group initially recognizes trade and other receivables on the dates when they are originated. The Group recognizes all other non-derivative financial assets on the trade dates when the Group becomes a contracting party of the financial instruments in question.

(a) Financial assets measured at amortized cost

Financial assets are classified as "financial assets measured at amortized cost" when the following two requirements are met:

- The foregoing financial assets are held within a business model of the Group whose objective is to collect the contractual cash flows.
- The contractual terms of the foregoing financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost (excluding operating receivables that do not contain significant financing components) are initially recognized at fair value, which includes transaction costs directly attributable to the acquisition of such financial assets. Financial assets are measured by adding up the initially measured amount and financial income calculated after the fact using the effective interest method, and the amount after deducting impairment losses is recorded as the carrying amount. Operating receivables that do not contain significant financing components are initially recognized at the transaction price and the amount after deducting impairment losses after the fact is recorded as the carrying amount.

(b) Financial assets measured at fair value through other comprehensive income

(i) Debt financial assets measured at fair value through other comprehensive income

Debt instruments are classified as "financial assets measured at fair value through other comprehensive income" when the following two requirements are met:

- The foregoing financial assets are held within a business model whose objective is to hold assets in order to both collect the contractual cash flows and sell the financial assets.
- The contractual terms of the foregoing financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Equity financial assets measured at fair value through other comprehensive income

The Group has made an irreversible choice where changes in fair value of investments in any other equity instruments are recognized via other comprehensive income, not via net profit or loss.

With regard to financial assets measured at fair value via other comprehensive income, gains or losses attributable to changes in realized fair value and recognized impairment losses are not reclassified to net profit or loss. However, dividend income from the foregoing investments is recognized as “financial income” as a part of net profit or loss, except in cases where it is clear that such dividends are repaying the investment principal.

(c) Financial assets measured at fair value through net profit or loss

Financial assets designated as those measured at fair value through net profit or loss and financial assets other than (a) and (b) are classified as financial assets measured at fair value through net profit or loss.

Financial assets measured at fair value as in (b) and (c) above are initially recognized at fair value. The Group includes in fair value any transaction costs directly attributable to the acquisition of such financial assets, with the exception of financial assets measured at fair value via net profit or loss.

2) Inventories:

Inventories are stated at the lower of cost and net realizable value. Cost of inventories is calculated using the average method. The cost of finished goods and work in process comprises the raw material costs, direct labor costs, other direct costs, and related production overhead (based on normal production capacity). Net realizable value represents the estimated selling price for inventories in the ordinary course of business less the related variable selling cost.

3) Valuation basis for goodwill

Goodwill is measured as the excess of the consideration transferred, the amount of non-controlling interests in the acquired company, and the fair value in the previously held equity in the acquired company over the fair value of the Group’s share of the identifiable net assets acquired.

4) Impairment of non-financial assets

Property, plant and equipment and intangible assets are reviewed for any impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset after deducting costs to sell or its value in use. In calculating value in use, estimated future cash flows are discounted to present value using a discount rate that reflects the time value of money and the inherent risks of the asset. In order to be considered for impairment, assets are grouped into the smallest units (cash-generating units) for which there are separately identifiable cash flows. Intangible assets with indefinite durations and intangible assets that are not yet available for use are not subject to amortization, but are tested for impairment at least once a year to estimate the recoverable amount of the asset and compare it to its carrying amount.

Goodwill is also tested for impairment each period, and the carrying amount is the acquisition cost minus accumulated impairment losses. Goodwill is distributed to each cash-generating unit that is expected to benefit from the synergies of the business combination for impairment testing purposes.

Property, plant and equipment and intangible assets excluding goodwill, for which impairment losses have been recognized in the past, are evaluated at the end of each reporting period for the probability that the impairment losses will be reversed.

<2> Depreciation method of major depreciable assets

1) Property, plant and equipment (excluding right-of-use assets):

Straight-line method

2) Intangible assets (excluding right-of-use assets):

Straight-line method (software for in-house use is depreciated using the straight-line method over its useful life of 5 years)

3) Right-of-use assets:

Straight-line method over the lease term or the useful life of the underlying asset for the right-of-use asset, whichever is shorter

<3> Accounting criteria for major provisions

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. A provision is measured as the present value of cash outflows that are deemed necessary to settle obligations using a pre-tax discount rate that reflects the market valuation of the time value of money and the risks specific to the obligations. Any increases in provisions that may have taken place over time are recognized as financial expenses.

<4> Translation criteria of major assets or liabilities denominated in foreign currencies into Japanese yen

1) Foreign currency transactions

Items in financial statements of each entity within the Group are measured using the currencies in the primary economic environment in which each entity engages in operating activities (the “functional currency”).

Foreign currency transactions are translated into functional currencies using the exchange rates prevailing on the dates of transactions or, when remeasuring any items in financial statements, the exchange rate prevailing on the dates of remeasurement. Exchange differences arising from such transactions and any exchange differences that may arise when translating monetary assets and liabilities denominated in foreign currencies using the prevailing exchange rates on the reporting date are recognized as net profit or loss.

2) Foreign operations

For foreign operations that use functional currencies different from the Group’s presentation currency, assets and liabilities (including goodwill arising from acquisitions and adjustment of fair value) are translated into Japanese yen at the prevailing exchange rates on the reporting date, and the income and expenses are translated into Japanese yen at the average exchange rate of the period.

Exchange differences arising from translating the financial statements of foreign operations are included in other components of equity.

<5> Derivative financial instruments and hedge accounting

The Group designates certain derivative instruments as cash flow hedges in order to hedge foreign exchange risk, interest rate risk, etc. in the future.

At the inception of a transaction, the Group formally documents the relationship between the hedging instrument and the hedged item, and the risk management objective and strategies for undertaking various hedges. At the inception of the hedge, as well as on an ongoing basis, the Group formally documents its assessment of whether derivatives used for hedge transactions can be highly effective in offsetting changes in cash flows of the hedged item. The Group also verifies that forecast transactions are highly probable, in order to apply cash flow hedges to such forecast transactions.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges and satisfy relevant requirements is recognized in other components of equity. The ineffective portion is recognized in net profit or loss in the consolidated statements of income.

Any amount incurred with respect to hedging instruments that is recognized in other components of equity is reclassified to net profit or loss in the period when hedged items affect profit or loss. When forecast transactions to be hedged can give rise to recognition of non-financial assets, any amount that has been recognized as other comprehensive income is reclassified and included in initial measurement of the acquisition cost of the respective assets.

Hedge accounting is discontinued prospectively for the future when the hedging instrument expires or is sold, or the hedge no longer meets the criteria for hedge accounting. Any amount incurred with respect to hedging instruments that have already been recognized under other components of equity is further recognized until forecast transactions are eventually recognized in net profit or loss. When forecast transactions are no longer expected to occur, the amount incurred with respect to hedging instruments that is recognized in other components of equity is immediately recognized in net profit or loss.

<6> Employee benefits

1) Short-term employee benefits

Short-term employee benefits are expensed at the undiscounted amount when the related service is provided. For bonus and paid absence costs, a liability is recognized for the amount expected to be paid in accordance with the relevant systems if the Group has a legal or constructive obligation to pay this amount and the obligation can be estimated reliably.

2) Long-term employee benefits

The Group provides its employees and retirees with post-employment benefit plans, which comprise defined benefit plans and defined contribution plans.

Obligations for defined benefit plans are recognized as the present value of defined benefit obligations at the end of each reporting period less the fair value of any plan assets. Qualified actuaries use the projected unit credit method to calculate defined benefit obligations annually. The present value of defined benefit obligations is calculated by discounting estimated future cash outflows based on the market yields of high quality corporate bonds that have a maturity approximating the estimated dates for payments of obligations and are denominated in the currencies in which such payments are made.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income in the period in which they arise, and immediately reclassified to retained earnings.

Prior service costs of pension plans are recognized as gains/losses of the period in which they are incurred.

With regard to defined contribution plans, the Group pays contributions to publicly or privately managed pension insurance plans. So long as the Group pays contributions, the Group will not be obliged to make additional payments. Such contributions are recognized as employee benefit expenses when they are due.

<7> Revenue recognition

The Group recognizes revenue based on the following five-step approach:

Step 1: Identify the contract with the customer.

Step 2: Identify performance obligations in the contract.

Step 3: Calculate the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue as or when performance obligations are satisfied.

The Group's main businesses are Industrial Tape, Optronics, and Human Life. In these businesses, the Group sells goods and conducts licensing business such as patent and technology licensing.

For sales of goods, the Company considers that the performance obligation is satisfied when the goods are delivered to the customer in accordance with the terms of the contract or when the customer acquires control over the goods in accordance with the terms of trade stipulated by Incoterms and other regulations, and recognizes revenue when performance obligations are satisfied. With respect to revenue related to the manufacture and sale of certain medical-related products in the Human Life segment, the Company recognizes revenue based on the progress of manufacturing because the performance obligation is satisfied over a certain period of time. Progress is measured by the input method based on costs incurred, since the Company believes that the accrual of costs is proportional to the progress of manufacturing.

In the licensing business, the Company determines when the performance obligation is satisfied in accordance with the substance of the contract and recognizes revenue either with the provision of services or upon completion of services. However, running royalty income is measured based on the sales of the contract partner and other factors, and revenue is recognized in consideration of the point in time when such income is generated.

Revenue is measured at the amount of consideration to which the entity expects to be entitled in exchange for the transfer of goods to the customer, less any discounts or rebates.

2. Notes on accounting estimates

The figures for the following items are posted on consolidated financial statements for the fiscal year under review using accounting estimates and may have a material impact on consolidated financial statements for the 159th term.

(1) Impairment of non-financial assets

<1> Amount posted on consolidated financial statements for the fiscal year under review:

Property, plant and equipment 333,103 million yen; goodwill 58,822 million yen; intangible assets 21,469 million yen

<2> Information that would be useful to the understanding of accounting estimates

Please refer to “(4) Impairment of non-financial assets” in “<1> Valuation basis and method for principal assets” of “(4) Accounting policies” in “1. Notes regarding significant accounting policies for the preparation of the consolidated financial statements and others.”

Please refer to “Other expenses” in “4. Notes to the consolidated statements of income.”

(2) Evaluation of collectability of deferred tax assets

<1> Amount posted on consolidated financial statements for the fiscal year under review:

deferred tax assets 23,420 million yen

<2> Information that would be useful to the understanding of accounting estimates

The Group evaluates the collectability of deferred tax assets each term and recognizes deferred tax assets taking into account material uncertainty concerning the collectability of our deferred tax assets.

(3) Calculation of defined benefit liabilities

<1> Amount posted on consolidated financial statements for the fiscal year under review:

prepaid pension cost (Note) 10,077 million yen; defined benefit liabilities 40,015 million yen

(Note) Prepaid pension cost is included in “Other non-current assets” in the consolidated statements of financial position.

<2> Information that would be useful to the understanding of accounting estimates

Please refer to “(2) Long-term employee benefits” in “<6> Employee benefits” of “(4) Accounting policies” in “1. Notes regarding significant accounting policies for the preparation of the consolidated financial statements and others.”

3. Notes to the consolidated statements of financial position

Accumulated depreciation of property, plant and equipment (including accumulated impairment losses)	767,584 million yen
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4. Notes to the consolidated statements of income

Other expenses

“Other expenses” include impairment losses of 4,036 million yen.

The major factors are as follows.

As part of the restructuring, the Group made a decision to transfer a portion of Transportation business belonging to Industrial Tape business segment. In conjunction with this decision, the Group recognized an impairment loss because the carrying amount of the disposal group (property, plant and equipment, etc.) was less than the fair value less the selling price. Fair value is determined based on pricing negotiations with the seller and other factors, and the hierarchy of this fair value is Level 3.

5. Notes to the consolidated statements of changes in equity

- (1) Type and total number of shares issued as of the end of the fiscal year under review

Common stock 149,758 thousand shares

- (2) Dividends

- 1) Dividend payments

Resolution	Type of shares	Total dividends (Yen in Millions)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 17, 2022	Common stock	16,281	110	March 31, 2022	June 20, 2022
Board of Directors meeting held on October 26, 2022	Common stock	17,764	120	September 30, 2022	November 25, 2022
Total	—	34,046	—	—	—

- 2) Of the dividends for which the record date falls during the fiscal year under review, items for which the effective date arrives during the following fiscal year

The following proposal on dividends for common stock will be presented for resolution at the Ordinary General Meeting of Shareholders scheduled on June 23, 2023.

Total dividends	17,510 million yen
Dividend per share	120 yen
Record date	March 31, 2023
Effective date	June 26, 2023

Dividends are to be paid out of retained earnings.

- (3) Type and number of shares to be issued upon exercise of the subscription rights to shares (excluding items for which the initial date of the rights exercise period has not arrived) as of the end of the fiscal year under review

Common stock 56,600 shares

- (4) Matters concerning treasury stock

Class of shares	At the beginning of the fiscal year under review	Increase	Decrease	At the end of the fiscal year under review
Common stock	1,744,778	2,123,276	27,500	3,840,554

(Outline of reasons for change)

The rough breakdown of the increase/decrease is as follows:

Decrease due to disposal of treasury stock based on resolution at the Board of Directors meeting held on June 17, 2022	24,900 shares
Increase due to acquisition of treasury stock based on resolution at the Board of Directors meeting held on January 26, 2023	2,121,800 shares

6. Notes to business combinations, etc.

(Acquisition of 4 Subsidiaries of Mondi plc)

(1) Outline of the business combination

On June 30, 2022, the Group acquired 100% of the shares of four companies (Mondi Gronau GmbH in Germany, Mondi Ascania GmbH in Germany, Mondi China Film Technology Co., Ltd in China, and a newly established company that takes over Personal Care Components Business* of Mondi Jackson LLC in the U.S.) that consists of the Personal Care Component business of Mondi plc (listed on the London Stock Exchange), making them our wholly owned subsidiaries. Through this acquisition, in addition to business growth in the “human life” domain, which is one of our focus areas outlined in our mid-term plan “Nitto Beyond 2023”, the Group believe that synergies with our core technologies will expand the possibility of creating new products and innovations such as environmentally friendly products, highly-performance films, and multifunctional development of non-woven fabric.

* Personal Care Components Business: The manufacturing and sale of hygienic materials for elastic components, non-woven fabrics and functional film that are found in diapers, feminine hygiene products, wet wipes, and face masks

(2) Breakdown of fair value of acquired assets and assumed liabilities and consideration for acquisition on the acquisition date

	(Yen in Millions)
	<u>Amount</u>
Fair value of acquisition consideration	63,098
Fair value of assets acquired and liabilities assumed	
Current assets	27,210
Non-current assets	33,450
Current liabilities	-11,268
Non-current liabilities	-31,272
Net fair value of assets acquired and liabilities assumed	18,120
Goodwill	44,978
Total	<u>63,098</u>

In addition to paying 63,098 million yen in cash as consideration for the acquisition, the Group provided a cash loan of 25,165 million yen to the acquired company. The acquired company uses this loan as a source to repay debt.

Acquisition-related costs for this business combination amounted to 444 million yen, all of which was expensed under “Selling, general and administrative expenses” on the consolidated statements of income.

Goodwill has arisen primarily in association with expected future earning power. There is no amount expected to be deductible for tax purposes with respect to Goodwill.

(3) Expenditures for the acquisition of a subsidiary

	(Yen in Millions)
	<u>Amount</u>
Cash paid	88,264
Cash and cash equivalents in the acquired subsidiary	<u>-2,181</u>
Expenditures for the acquisition of a subsidiary	<u><u>86,083</u></u>

Cash paid includes 63,098 million yen of consideration for acquisition and 25,165 million yen of cash loan to the acquired company.

(4) Impact on the Group's performance

Assuming that the business combination had been implemented at the beginning of the fiscal year, the Group's revenue is 941,126 million yen and net income is 107,754 million yen. This estimate has not been audited and certified.

(Acquisition of Bend Labs, Inc.)

(1) Outline of the business combination

On May 31, 2022, the Group acquired 100% of the shares of Bend Labs, Inc. and made it a wholly owned subsidiary of the Group as Nitto Bend Technologies. Going forward, the Group will combine the sensor device technologies developed by Bend Labs, Inc. with Nitto's strengths to develop next-generation technologies and products, as well as to expand our business in our three focus domains of next-generation mobility, information interface, and human life through new businesses that utilize data acquired from the sensors.

(2) Breakdown of fair value of acquired assets and assumed liabilities and consideration for acquisition on the acquisition date

	(Yen in Millions)
	<u>Amount</u>
Fair value of consideration for acquisition	<u>8,989</u>
Amount of acquired assets and assumed liabilities	
Current assets	415
Non-current assets	2,942
Current liabilities	-899
Non-current liabilities	<u>-707</u>
Net amount of acquired assets and assumed liabilities	1,750
Goodwill	<u>7,239</u>
Total consideration for acquisition	<u><u>8,989</u></u>

Consideration for acquisition includes the acquisition date fair value of 277 million yen of the acquired company's shares held immediately prior to the acquisition date (as 6.4% of voting rights). In addition to paying 8,712 million yen in cash as consideration for the acquisition, the Group provided a cash loan of 882 million yen to the acquired company. The acquired company uses this loan as a source to repay debt.

Acquisition-related costs for this business combination amounted to 150 million yen, all of which was expensed under "Selling, general and administrative expenses" on the consolidated statements of income.

Goodwill has arisen primarily in association with expected future earning power. There is no amount expected to be deductible for tax purposes with respect to Goodwill.

(3) Gain on step acquisition of the business

167 million yen of gain on the step acquisitions resulting from the remeasurement to fair value of the equity interest in the acquired company held prior to the business combination is recognized as "Financial income" on the consolidated statements of income.

(4) Expenditures for the acquisition of a subsidiary

(Yen in Millions)

	<u>Amount</u>
Cash paid	9,595
Cash and cash equivalents in the acquired subsidiary	<u>-415</u>
Expenditures for the acquisition of a subsidiary	<u><u>9,179</u></u>

Cash paid includes 8,712 million yen of consideration for acquisition and 882 million yen of cash loan to the acquired company.

(5) Impact on the Group's financial results

The impact by the business combination on the consolidated statements of income and information of profit or loss assumed that the business combination was completed at the beginning of the fiscal year are not significant.

Therefore, the description is omitted.

7. **Notes on assets held for sale and liabilities related to assets held for sale**

The breakdown of assets held for sale and liabilities related to assets held for sale is as follows:

(Yen in Millions)

	As of March 31, 2022	As of March 31, 2023
<hr/>		
Assets held for sale		
Cash and cash equivalents	—	1,920
Trade and other receivables	—	1,176
Inventories	—	1,316
Other	—	818
Total	<u>—</u>	<u>5,232</u>
Liabilities directly associated with assets classified as held for sale		
Trade and other payables	—	852
Other	—	583
Total	<u>—</u>	<u>1,436</u>

As part of its restructuring, the Group made a decision to transfer a portion of Transportation business belonging to Industrial Tape Business Segment to Parker Corporation, and accordingly, at the end of the second quarter of the fiscal year under review, the disposal group belonging to this business was classified as held for sale. The equity transfer agreement was entered into on October 24. The sale of the disposal group belonging to this business was completed on April 3, 2023. Disposal groups held for sale are measured at the lower of carrying amount or fair value less cost to sell. During the fiscal year, the Group recognized impairment losses in Others expenses as the disposal group was classified as held for sale.

8. Notes to financial instruments

1. Matters relating to the status of financial instruments

(1) Capital risk management

The Group's basic policy on capital risk management is to build and maintain a stable financial base in order to ensure sound and efficient operations and to achieve sustainable growth of the Group. In accordance with this policy, capital expenditures, dividends, M&As, returns to shareholders through purchases of treasury stock, and repayments of debts are made based on the sound operational cash flows generated through development and sale of competitive products.

(2) Financial risk management

Risk management policies

The Group conducts a risk management to mitigate the financial risks arising from the business activity processes. The Group's basic policy on risk management is to eliminate the sources of risks to avoid their occurrence or to mitigate the risks that are not avoidable.

Derivative transactions are entered into within the actual demands to hedge the risks described below in compliance with the internal regulations governing the scope and the selection of financial institutions etc. for derivative transactions.

For details of the Group's major financial risks and the management policies thereon, reference is made to (3) Financial risks.

(3) Financial risks

Business activities of the Group are affected by the environment of businesses and of financial market. The financial instruments owned by the Group in the course of its business activities are exposed to their inherent risks including (a) market risks ((i) foreign exchange risk, (ii) price risk, and (iii) interest rate risk), (b) credit risk, and (c) liquidity risk.

(a) Market risks

(i) Foreign exchange risk

The Group's businesses are operated globally, and the products manufactured by the Company and its subsidiaries are sold in the overseas markets. Consequently, the Group is exposed to the risk of changes in foreign currency exchange rates (hereinafter: "foreign exchange risk") arising from the translation of the balances of foreign-currency-denominated trade receivables and trade payables resulted from the transactions by the Company and its subsidiaries denominated in currencies other than the Group's functional currency into the Group's functional currency at the rates of exchange prevailing at the end of the reporting period. The Group's foreign exchange risk arises mainly from changes in the exchange rate with US dollars.

Although the Group's trade receivables and trade payables denominated in foreign currencies are exposed to foreign exchange risk, the Group uses forward exchange contracts to hedge its foreign exchange risk in principle for the net exposure of such trade receivables and trade payables whose balances are monitored monthly by currency.

(ii) Price risk

Equity instruments held by the Group mainly are the shares of the companies with which the Group has business relationships. Such shares are acquired and held from the perspective of enhancing the Group's corporate value over a long term, and not for short-term trading purposes. The Group reviews whether the status of transactions with such companies and returns on the holdings are commensurate with the capital cost that the Company incurs by periodically monitoring the fair values for listed shares and the financial conditions of investees (counterparty companies) for unlisted shares, thereby determining whether or not the Group should continue to hold those equity instruments.

Therefore, the Group considers its current price risk as not material.

(iii) Interest rate risk

Interest rate risk is defined as the risk arising from the changes in fair values of financial instruments or in future cash flows generated from financial instruments due to the fluctuation of market interest rates. The Group's exposure to interest rate risk is mainly related to liabilities such as loans payable and bonds and to assets such as time deposits and loans receivable. As the interest amount is affected by the fluctuation of market interest rates, the future cash flows from interests are exposed to the interest rate risk.

The Group is working to utilize its funds efficiently and reduce interest-bearing debts as much as possible, with the result that the level of its interest-bearing debts is kept extremely low vis-à-vis total assets.

Therefore, the Group considers its current interest rate risk as immaterial.

(b) Credit risk

In the Group, trade receivables, contract assets, other receivables and other financial assets are mainly exposed to credit risk. The Group holds trade receivables and contract assets from numerous customers through its Industrial Tape, Optronics, Human Life, and Others segments. Credit risk of customers is managed by establishing the payment terms and credit limits for customers. Through regular monitoring of collection status, reasons for overdue trade receivables are clarified and the respective measures are appropriately taken. Credit evaluation is also regularly performed by analyzing the ongoing information gathered and the actual credit reports of counterparties obtained from external institutions as needed together with the historical payment performance of customers. The Company also examines the collectability of other receivables and other financial assets using historical information and credit reports, etc. provided by external institutions.

If, as a result, the credit standing of a customer is judged as changed or abnormal, or if no payment is performed by a customer on or before the payment due date contractually agreed upon, we will check the situation of the customer and take appropriate preventive measures, such as change of payment terms and factoring. Those measures are subject to approval of the respective responsible persons in charge.

The Group establishes an allowance for doubtful accounts with respect to trade and other receivables by considering collectability and using historical information regarding default rates of the respective customers and credit reports, etc. provided by external institutions.

Other financial assets consist mainly of deposits. The Group deposits surplus funds with financial institutions and uses derivative financial instruments provided by financial institutions to mitigate the business-related risks. Since the transactions regarding deposits and derivative financial instruments are engaged in only with financial institutions with high credit rating, the Group considers its current credit risk regarding such transactions as immaterial.

(c) Liquidity risk

The Group uses short-term loans payable principally for funding the working capital and long-term loans payable and bonds payable for funding capital investments. Those liabilities together with trade notes and accounts payables are exposed to the liquidity risk that the Group will encounter difficulties in meeting the obligation associated with such liabilities. The Group manages liquidity risk by adequately preparing the cash planning based on the cash flow forecast to meet its liabilities when they are due.

Liquidity risk of short-term loans payable is managed by timely preparing and updating the cash management plan based on the reports from respective departments and by maintaining adequate level of liquidity in hand. In addition, surplus funds generated in the subsidiaries are managed within the Group for efficient cash management.

As to long-term loans payable for purposes of long-term financing, cash planning is prepared prior to the execution of long-term fund raising that is subject to the approval of the Board of Directors.

2. Matters relating to the fair values of financial instruments

Estimated fair values

(i) Fair value measurement method

The Group determines fair values of financial assets and financial liabilities as follows.

[Cash and cash equivalents, trade and other receivables, trade and other payables, and short-term loans payable]
Since they are settled in a short term, their fair values approximate the carrying amounts. Accordingly, their fair values are determined by the corresponding carrying amounts.

[Other financial assets and other financial liabilities]

Among other financial assets, the fair values of marketable securities are determined based on market prices, etc., while the fair values of unlisted securities are determined using valuation techniques.

The fair values of derivatives are determined based on forward exchange markets, prices quoted by contracting financial institutions, etc.

The specific valuation techniques used in measuring the fair values of financial instruments include followings:

- Quoted market prices of similar financial instruments or broker quotes
- The fair values of foreign currency forward contracts are calculated based on the values calculated using the forward exchange rates at the end of the reporting period.
- In calculating the fair values of financial instruments other than those listed above, other valuation techniques are used such as discounted cash flow analysis, etc.

(ii) Carrying amount and fair value of financial instruments

There are no financial instruments not measured at fair value in the consolidated statement of financial position at each closing date.

(iii) Fair value hierarchy

The following table presents an analysis of financial instruments measured at fair value. The definition of each level is as follows.

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included in Level 1 that are either directly observable (such as the prices themselves) or indirectly observable (such as the prices themselves) for the asset or liability.
- Level 3: Inputs that are not based on observable market data for the asset or liability (in other words, unobservable inputs).

The following table presents the Group's assets and liabilities measured at fair values.

(Yen in Millions)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Investments in debt instruments	—	—	1,930	1,930
Derivative	—	103	—	103
Financial assets measured at fair value through other comprehensive income				
Investments in capital instruments	503	—	201	705
Total Financial assets	503	103	2,132	2,739
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative	—	-592	—	-592
Total financial liabilities	—	-592	—	-592

There were no transfers between Levels 1, 2 and 3 during this fiscal year.

9. Notes on revenue recognition

The Group's main businesses are Industrial Tape, Optronics, and Human Life. In these businesses, the Group sells goods and conducts licensing business such as patent and technology licensing.

For sales of goods, the Company considers that the performance obligation is satisfied when the goods are delivered to the customer in accordance with the terms of the contract or when the customer acquires control over the goods in accordance with the terms of trade stipulated by Incoterms and other regulations, and recognizes revenue when performance obligations are satisfied. With respect to revenue related to the manufacture and sale of certain medical-related products in the Human Life segment, the Company recognizes revenue based on the progress of manufacturing because the performance obligation is satisfied over a certain period of time. Progress is measured by the input method based on costs incurred, since the Company believes that the accrual of costs is proportional to the progress of manufacturing.

In the licensing business, the Company determines when the performance obligation is satisfied in accordance with the substance of the contract and recognizes revenue either with the provision of services or upon completion of services. However, running royalty income is measured based on the sales of the contract partner and other factors, and revenue is recognized in consideration of the point in time when such income is generated.

Revenue is measured at the amount of consideration to which the entity expects to be entitled in exchange for the transfer of goods to the customer, less any discounts or rebates. The consideration for the transactions is received primarily within one year of satisfaction of the performance obligation and does not include a significant financial element.

(1) Disaggregation of revenue

Revenues are disaggregated into product groups and locations of subsidiaries. The relationship between these disaggregated revenues and the revenues from external customers of each reportable segment is as follows.

(Yen in Millions)

Segment name	Key products	Japan	The Americas	Europe	Asia/ Oceania	Total
Industrial Tape	Functional base products	114,207	39,612	28,460	152,176	334,456
	Information fine materials	23,828	—	—	332,678	356,506
Optronics	Flexible printed circuits	54,376	—	—	58,447	112,823
	Total	78,204	—	—	391,125	469,330
Human Life	Human life	4,379	44,783	2	—	49,166
	Membrane	2,576	12,901	5,526	8,680	29,684
	Personal care materials	—	3,422	41,199	501	45,123
	Total	6,957	61,107	46,728	9,181	123,974
Other	New business, other products	4	—	—	—	4
Adjustment		1,260	10	—	—	1,270
	Total	200,634	100,730	75,188	552,483	929,036

Revenue by region is based on the location of each base, and the main countries and regions included in the classification other than Japan are as follows.

The Americas: United States, Mexico, Brazil

Europe: Belgium, France, Germany, Sweden, Turkey

Asia/Oceania: China, Korea, Taiwan, Singapore, Malaysia, Hong Kong, Thailand, Vietnam

(2) Outstanding contracts

The balances of receivables and contract assets and liabilities arising from contracts with customers are as follows.

(Yen in Millions)

	Balance at beginning of period	Balance at end of period
Claims arising from contracts with customers	203,111	175,307
Contract assets	2,973	3,081
Contract liabilities	24,138	10,375

In the consolidated statements of financial position, receivables and contract assets arising from contracts with customers are included in trade and other receivables, and contract liabilities are included in other current liabilities.

Contract assets are rights to consideration received in exchange for satisfaction of a portion of a performance obligation based on conditions other than the passage of time, and are recognized in the manufacturing and sales of certain medical-related products in the Human Life segment in line with progress in manufacturing. Contract assets are transferred to receivables when the right to consideration becomes unconditional. Contract liabilities are those for which consideration has been received or is due from the customer prior to the transfer of goods or services.

The amount of revenue recognized in the fiscal year under review that was included in the contract liability balance at the beginning of the period was 21,384 million yen. The amount of revenue recognized from performance obligations that were satisfied or partially satisfied in prior periods was not significant in the fiscal year under review.

(3) Transaction prices allocated to outstanding performance obligations

The total transaction price allocated to the outstanding performance obligations at the end of the fiscal year under review and at the end of the previous fiscal year were 4,800 million yen and 6,300 million yen respectively. Such outstanding performance obligations are expected to be recognized as revenue within five years from the end of the fiscal year under review provided the contractual prerequisites are satisfied.

The Group applies the practical expedient method specified in IFRS 15, and the above amounts do not include the transaction price for unsatisfied performance obligations with an initial expected contract period of one year or less.

There are no significant amounts of consideration arising from contracts with customers that are not included in the transaction price.

10. Notes on information per share

Equity attributable to owners of the parent company per share	6,183.01 yen
Basic earnings per share	738.77 yen

In the consolidated statements of financial position, the consolidated statements of income, and the consolidated statements of changes in equity, the amounts presented are rounded down to the nearest million yen.

11. Notes regarding significant subsequent events

(Transfer of NVH business)

On April 3, 2023, the Group completed the transfer of a part of its transportation business, which belongs to the industrial tape business segment, to Parker Corporation. As a result, the Group lost its control over this business. The Group classifies the assets and liabilities of this business as a disposal group classified as held for sale in the fiscal year under review. The impact of this transfer on the Group is currently under review

Non-Consolidated Financial Statements

Non-Consolidated Balance Sheets

(Yen in Millions)

	Amount	
	As of March 31, 2023	As of March 31, 2022 (Reference)
(Assets)		
Current assets	356,077	420,918
Cash and deposits	190,177	233,331
Notes receivable-trade	2,551	2,544
Accounts receivable-trade	99,220	118,400
Merchandise and finished goods	8,811	10,617
Work in process	24,348	22,593
Raw materials and supplies	18,999	17,788
Short-term loans receivable	0	279
Other	12,260	15,914
Allowance for doubtful accounts	-292	-552
Non-current assets	404,680	308,662
Property, plant and equipment	157,961	159,479
Buildings	71,348	71,437
Structures	4,025	4,253
Machinery and equipment	59,714	62,544
Vehicles	376	405
Tools, furniture and fixtures	5,657	5,406
Land	13,772	13,771
Construction in progress	3,067	1,661
Intangible assets	9,780	9,642
Software	8,602	8,862
Other	1,178	779
Investments and other assets	236,938	139,541
Investments securities	2,635	6,564
Stocks of subsidiaries and affiliates	174,256	100,981
Investments in subsidiaries and affiliates	1,437	—
Long-term loans receivable	25,018	0
Deferred tax assets	24,747	22,902
Prepaid pension cost	7,570	7,593
Other	1,278	1,524
Allowance for doubtful accounts	-6	-26
Total assets	760,758	729,581

Non-Consolidated Balance Sheets

(Yen in Millions)

	Amount	
	As of March 31, 2023	As of March 31, 2022 (Reference)
(Liabilities)		
Current liabilities	197,366	204,390
Accounts payable-trade	48,189	61,371
Short-term loans payable	50,673	39,700
Accounts payable-other	30,430	28,055
Accrued expenses	10,678	12,436
Income taxes payable	13,706	10,465
Deposits received	37,412	43,457
Other	6,275	8,902
Non-current liabilities	39,558	37,544
Provision for retirement benefits	39,195	37,188
Guarantee deposits received	258	240
Other	104	114
Total liabilities	236,925	241,934
(Net assets)		
Shareholders' equity	523,181	483,637
Capital stock	26,783	26,783
Capital surplus	50,557	50,482
Legal capital surplus	50,482	50,482
Other capital surplus	75	—
Retained earnings	473,454	416,132
Legal retained earnings	4,095	4,095
Other retained earnings	469,359	412,037
Reserve for special depreciation	2	7
Reserve for advanced depreciation of non-current assets	1,998	2,072
General reserve	185,000	185,000
Retained earnings brought forward	282,358	224,956
Treasury stock	-27,615	-9,760
Valuation and translation adjustments	311	3,647
Valuation difference on available-for-sale securities	311	1,652
Deferred gains or losses on hedges	—	1,994
Subscription rights to shares	340	361
Total net assets	523,833	487,646
Total liabilities and net assets	760,758	729,581

Non-Consolidated Statements of Income

(Yen in Millions)

	Amount	
	April 1, 2022 – March 31, 2023	April 1, 2021 – March 31, 2022 (Reference)
Net sales	544,158	517,458
Cost of sales	341,752	348,595
Gross profit	202,406	168,862
Selling, general and administrative expenses	105,202	100,994
Operating income	97,204	67,868
Non-operating income	22,436	20,012
Interest and dividends income	20,423	17,039
Foreign exchange gains	—	310
Other	2,013	2,662
Non-operating expenses	5,906	1,917
Interest expenses	1,549	178
Foreign exchange losses	1,385	—
Other	2,971	1,738
Ordinary income	113,735	85,963
Extraordinary income	1,836	577
Gain on sales of non-current assets	3	23
Gain on sales of investment securities	1,832	553
Extraordinary loss	1,737	4,939
Loss on sales and retirement of non-current assets	1,026	1,294
Loss on devaluation of stocks of subsidiaries and affiliates	29	80
Impairment losses	680	3,565
Income before income taxes	113,834	81,601
Income taxes-current	22,862	18,156
Income taxes-deferred	-396	-2,370
Net income	91,368	65,815

Non-Consolidated Statements of Changes in Equity

April 1, 2022 – March 31, 2023

(Yen in Millions)

	Shareholders' equity											
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings				Total retained earnings	Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings						
						Reserve for special depreciation	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward			
Balance at the beginning of current year	26,783	50,482	—	50,482	4,095	7	2,072	185,000	224,956	416,132	-9,760	483,637
Net changes of items during the period												
Dividends from surplus									-34,046	-34,046		-34,046
Reversal of reserve for special depreciation						-5			5	—		—
Reversal of reserve for advanced depreciation of non-current assets							-74		74	—		—
Net income									91,368	91,368		91,368
Acquisition of treasury stock											-18,002	-18,002
Disposal of treasury stock			75	75							148	223
Net change of items other than shareholders' equity during the period												
Total changes of items during the period	—	—	75	75	—	-5	-74	—	57,401	57,322	-17,854	39,543
Balance at the end of current year	26,783	50,482	75	50,557	4,095	2	1,998	185,000	282,358	473,454	-27,615	523,181

	Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at the beginning of current year	1,652	1,994	3,647	361	487,646
Net changes of items during the period					
Dividends from surplus					-34,046
Reversal of reserve for special depreciation					—
Reversal of reserve for advanced depreciation of non-current assets					—
Net income					91,368
Acquisition of treasury stock					-18,002
Disposal of treasury stock				-21	202
Net change of items other than shareholders' equity during the period	-1,341	-1,994	-3,335		-3,335
Total changes of items during the period	-1,341	-1,994	-3,335	-21	36,186
Balance at the end of current year	311	—	311	340	523,833

Notes to the Non-Consolidated Financial Statements

1. Notes regarding significant accounting policies

(1) Valuation basis and method for securities

Other securities:

Items other than stocks and other securities with no market price

Market value approach (unrealized gains and losses are included in net assets, and the cost of securities sold is determined by the moving-average method)

Stocks and other securities with no market price

Stated at cost based on the moving average method

Stocks issued by subsidiaries and affiliates:

Stated at cost based on the moving average method

(2) Valuation basis and method for derivatives

Stated at fair value

(3) Valuation basis and method for inventories

Merchandise and finished goods, work in process, and raw materials and supplies

Stated at gross average cost (for balance sheet valuation, in the event that an impairment is determined: impairment write down is calculated based on inventory net realizable value)

(4) Depreciation method of major depreciable assets

Property, plant and equipment (excluding lease assets):

Straight-line method

Intangible assets (excluding lease assets):

Straight-line method (software for in-house use is depreciated using the straight-line method over its useful life of 5 years)

Lease assets:

Lease assets related to finance lease transactions that do not transfer ownership of the leased property to the lessee are depreciated over the lease terms by the straight-line method with no residual value.

(5) Accounting criteria for allowances and provisions

Allowance for doubtful accounts

Allowance for doubtful accounts is provided to cover probable losses on collection. It is the sum of the probable uncollectable amount estimated using the rate of actual collection losses for normal receivables and a review of the individual collectability of the specific receivables.

Allowance for investment loss

A potential loss amount is stated by taking into account the Company's financial conditions, etc., in accordance with the Company's criteria, to prepare for losses related to investments in subsidiaries and affiliates.

Provision for directors' bonuses

The Company makes provisions for the amount of bonuses for Directors deemed to accrue during the fiscal year, based on the Company's estimated payment obligation for the fiscal year under review.

Provision for retirement benefits

The Company makes provisions for the necessary amount of allowance for employees' severance and retirement benefits deemed to accrue during the term based on the Company's expected retirement benefit obligation and the balance of the pension assets at the term-end.

Past service cost is amortized from the year in which the gain or loss is recognized by the straight-line method for a given number of years (12 years) within employees' average remaining years of service.

Actuarial gains and losses are amortized from the year following the year in which the gains or losses are recognized by the straight-line method for a given number of years (12 years) within employees' average remaining years of service.

(6) Standards for recording revenues and expenses

The Company recognizes revenue based on the following five-step approach:

Step 1: Identify the contract with the customer.

Step 2: Identify performance obligations in the contract.

Step 3: Calculate the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue as or when performance obligations are satisfied.

The Company's main businesses are Industrial Tape, Optronics, and Human Life. In these segments, the Company sells goods and conducts licensing business such as patent and technology licensing.

For sales of goods, the Company considers that the performance obligation is satisfied when the goods are delivered to the customer in accordance with the terms of the contract or when the customer acquires control over the goods in accordance with the terms of trade stipulated by Incoterms and other regulations, and recognizes revenue when performance obligations are satisfied.

In the licensing business, the Company determines when the performance obligation is satisfied in accordance with the substance of the contract and recognizes revenue either with the provision of services or upon completion of services. However, running royalty income is measured based on the sales of the contract partner and other factors, and revenue is recognized in consideration of the point in time when such income is generated.

Revenue is measured at the amount of consideration to which the Company expects to be entitled in exchange for the transfer of goods to the customer, less any discounts or rebates.

(7) Method of hedge accounting

1) Method of hedge accounting

Deferred hedging is used for forward exchange contracts applied to forecast transactions. For currency swaps that qualify for hedge accounting, gain or loss is translated at the exchange rate stipulated in the contract under the allocation process. Interest rate swaps that qualify for hedge accounting and meet specific criteria are not measured at market value but the differential paid or received under the swap agreements are recognized and included in interest expenses or income.

2) Hedging instruments and hedged items

Hedging instruments: Forward exchange contracts, Currency swaps, Interest rate swaps

Hedged items: Foreign currency-denominated receivables and payables, etc.

3) Hedge policy

The Company adopts a policy aimed at averting the risks associated with exchange fluctuations and interest rate fluctuations.

4) Method of assessing the effectiveness of the hedges

The effectiveness is assessed by comparing a market change in a hedged item or cumulative change in its cash flows with a market change in a hedging instrument or cumulative change in its cash flow to observe a ratio of those changes. However, the assessment of the effectiveness is omitted for interest rate swaps that are handled under special rules.

2. Notes on accounting estimates

The figures for the following items are posted on non-consolidated financial statements for the fiscal year under review using accounting estimates and may have a material impact on non-consolidated financial statements for the next fiscal year. For information that would be useful to the understanding of accounting estimates, matters that are identical to the contents of the notes to the consolidated financial statements are omitted.

- (1) Evaluation of collectability of property, plant and equipment, and intangible assets
Amount posted on non-consolidated financial statements for the fiscal year under review: property, plant and equipment 157,961 million yen; intangible assets 9,780 million yen
- (2) Evaluation of collectability of deferred tax assets
Amount posted on non-consolidated financial statements for the fiscal year under review: deferred tax assets 24,747 million yen
- (3) Evaluation of collectability of shares of subsidiaries and affiliates
Amount posted on non-consolidated financial statements for the fiscal year under review: shares of subsidiaries and affiliates 174,256 million yen
This amount includes 56,590 million yen in shares of Nitto Advanced Film Gronau GmbH.

In the valuation of shares of subsidiaries and affiliates that do not have market prices, if the real value of such stocks declines significantly due to deterioration in the financial condition of the issuing company of the stocks, the impairment loss is accounted for by reducing the value by an equivalent amount, unless the recoverability is supported by sufficient evidence. In determining recoverability, the Company makes a reasonable estimate of the future real value of the asset based on the business plans of the affiliate and examines whether the real value of the asset will recover to the acquisition price within approximately five years. Such estimates may be affected by uncertain future changes in economic conditions, etc., which may have a material effect on the financial statements for the next fiscal year.

In addition, for the shares of Nitto Advanced Film Gronau GmbH, the Company compares the real value, which reflects the excess earning power expected at the time of acquisition, to the carrying amount to determine if there is a significant decline in the real value of the shares. As there was no significant decrease in the real value of such shares, no loss on valuation of shares of affiliates was recorded in the fiscal year under review.

The review for impairment of excess earning capacity is based on business plans and other estimates approved by management, as is the impairment testing of goodwill and intangible assets with indefinite durations in the preparation of the consolidated financial statements. Such estimates may be affected by uncertain future changes in economic conditions, etc., which may have a material effect on the financial statements for the next fiscal year.

- (4) Calculation of provision for retirement benefits
 - <1> Amount posted on non-consolidated financial statements for the fiscal year under review: prepaid pension cost 7,570 million yen; provision for retirement benefits 39,195 million yen
 - <2> Information that would be useful to the understanding of accounting estimates
Please refer to "Provision for retirement benefits" in "(5) Accounting criteria for allowances and provisions" of "1. Notes regarding significant accounting policies."

3. Notes to the non-consolidated balance sheets

- | | |
|---|---------------------|
| (1) Accumulated depreciation of property, plant and equipment | 462,576 million yen |
| (2) Short-term receivables from affiliates | 77,018 million yen |
| Long-term receivables from affiliates | 25,018 million yen |
| Short-term payables to affiliates | 99,055 million yen |

4. Notes to the non-consolidated statements of income

- | | |
|---|---------------------|
| (1) Transactions with subsidiaries and affiliates | |
| Sales to subsidiaries and affiliates | 424,273 million yen |
| Purchases from subsidiaries and affiliates | 42,612 million yen |
| Transactions other than business deals with subsidiaries and affiliates | 27,128 million yen |

5. Notes to the non-consolidated statements of changes in equity

Matters concerning treasury stock

Class of shares	At the beginning of the fiscal year under review	Increase	Decrease	At the end of the fiscal year under review
Common stock	1,744,778	2,123,276	27,500	3,840,554

(Outline of reasons for change)

The rough breakdown of the increase/decrease is as follows:

Decrease due to disposal of treasury stock based on resolution at the Board of Directors meeting held on June 17, 2022	24,900 shares
Increase due to acquisition of treasury stock based on resolution at the Board of Directors meeting held on January 26, 2023	2,121,800 shares

6. Notes on deferred tax accounting

The main reason why deferred tax assets arise are excess of the limit of inclusion in depreciation expenses and disallowed provision for retirement benefits, while deferred tax liabilities are mainly due to prepaid pension costs and reserve for condensed booking of fixed assets for tax purposes.

7. Notes on revenue recognition

Regarding information that forms the basis for understanding revenue from contracts with customers, notes have been omitted as the same information is presented in “9. Notes on revenue recognition” in the Notes to the Consolidated Financial Statements.

8. Notes on information per share

Net assets per share	3,587.59 yen
Net income per share	618.29 yen

In the non-consolidated balance sheets, the non-consolidated statements of income, and the non-consolidated statements of changes in equity, the amounts presented are rounded down to the nearest million yen.