

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.

May 27, 2022

**NOTICE OF
THE 157TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

We would like to hereby inform you that the 157th Ordinary General Meeting of Shareholders of Nitto Denko Corporation (hereinafter “the Company”) will be held as indicated below.

If you are unable to attend the meeting in person, you may exercise your voting rights in writing or electronically (e.g., over the Internet). Please review the attached reference materials for the general meeting of shareholders and exercise your voting rights as per the instructions on pages 5 and 6.

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 17, 2022 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 157th term (from April 1, 2021 to March 31, 2022)
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: Partial Amendments to the Articles of Incorporation
- Item 3: Election of ten Directors
- Item 4: Revision of compensation for Directors

Disclosure on Our Website

- ◆ In accordance with laws and regulations and the Company's Articles of Incorporation, 1) 2.(5) Shares granted to the Company's officers as consideration for the performance of duties during the fiscal year under review, 2.(6) Matters concerning warrants, and 5. Internal control system and policies of the Company in the Business Report, 2) Consolidated Statement of Changes in Equity and Notes to Consolidated Financial Statements in the Consolidated Financial Statements, and 3) Non-Consolidated Statements of Changes in Equity and Notes to the Non-Consolidated Financial Statements in the Financial Statements are not included in the attachment to this Notice since they are available on the Company's website. In addition to the Business Report, Consolidated Financial Statements and Non-Consolidated Financial Statements included in the attachment to this Notice, the Corporate Auditors have also audited the documents listed in 1), 2) and 3) above. The Accounting Auditor has audited the Consolidated Financial Statements and the Non-Consolidated Financial Statements included in the attachment to this Notice, as well as the documents mentioned in 2) and 3) above.
- ◆ 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, the revised information will be posted on the Company's website.

IR Information Site

<https://www.nitto.com/jp/ja/ir/>

(English version) IR Information Site

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

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 7-8 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 names will be selected to win a COLOCOLO 5656 (a double adhesive multi-floor cleaner).

(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

- 1 Voting at the general meeting of shareholders
Please present the Voting Rights Exercise Form at the reception of the venue.
Meeting date/time: Friday, June 17, 2022 from 10:00 AM (JST)
- 2 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 16, 2022 at 5:00 PM (JST)
- 3 Internet voting
Please indicate your approval or disapproval of each item by following the guidance on the next page.
Deadline for voting: Thursday, June 16, 2022 at 5:00 PM (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.

Items 1, 2, and 4

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

Item 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 and 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.

You may log in only once by using the QR code.

(You may still exercise your voting rights again by using your log-in ID and provisional password.)

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 17, 2022, 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., Friday, June 10, 2022

*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 2022

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. 03-6311-4623

Hours for receiving questions in advance: Friday, June 10, 2022, from 9:00 a.m. to 5:00 p.m.

Reception hours for the webcast: Friday, June 17, 2022, 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 17, 2022, 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 157th term are as described below. Since we have paid interim dividends of 110 yen per share, the amount of annual dividend per share will be 220 yen.

Matters concerning year-end dividends

- (1) Type of dividend property
Cash
- (2) Matters concerning distribution of dividend property and its total amount
110 yen per share of our common stock: 16,281,501,500 yen in total
- (3) Effective date of distribution of dividends
June 20, 2022

(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
FY2017 (153rd term)	160	29.7
FY2018 (154th term)	180	42.5
FY2019 (155th term)	200	66.4
FY2020 (156th term)	200	42.3
FY2021 (157th term)	220	33.5

Item 2: Partial amendments to the Articles of Incorporation

1. Reasons for the amendments

The amendments stipulated in the proviso of Article 1 of the Supplementary Provision of the "Act Partially Amending the Companies Act" (Act No. 70 of 2019) will come into effect on September 1, 2022, and the Company proposes to amend its Articles of Incorporation as follows to prepare for the introduction of a system for providing general shareholder meeting materials in electronic format.

- (1) Article 16, Paragraph 1 of the proposed amendments provides that the Company shall take measures to provide the reference materials for the General Meeting of Shareholders, etc. in electronic format.
- (2) Article 16, Paragraph 2 of the proposed amendments establishes provisions to limit the scope of matters to be included in the documents to be delivered to shareholders upon request.

(3) The provision for Internet disclosure and deemed provision of reference materials for the General Meeting of Shareholders, etc. (Article 16 of the current Articles of Incorporation) shall be deleted as it is no longer necessary.

(4) Supplementary provisions regarding effective date, etc. are to be established in accordance with the aforementioned new establishment and deletion.

2. Details of the amendments

The details of the amendments are as follows.

(Amendments are underlined)

Current articles of incorporation	Proposed amendments
<p><u>Article 16 (Internet Disclosure and Deemed Provision of Reference Materials for General Meeting of Shareholders, etc.)</u></p> <p><u>The Company may deem that it has provided information pertaining to matters to be stated or indicated in the reference materials for the General Meeting of Shareholders, Business Report, Financial Statements, and Consolidated Financial Statements to the shareholders at the time of notice of the General Meeting of Shareholders by disclosing such information by means of the Internet in accordance with the applicable Ordinance of the Ministry of Justice.</u></p> <p>(Newly established)</p> <p>(Newly established)</p>	<p>(Deleted)</p> <p><u>Article 16 (Measures for Electronic Provision, etc.)</u></p> <p><u>When convening a General Meeting of Shareholders, the Company shall take measures to provide the reference materials for the general meeting of shareholders, etc., in electronic format.</u></p> <p><u>The Company may choose not to include all or part of the matters for which measures for electronic provision are taken—provided for in the Ordinance of the Ministry of Justice—in the document to be delivered to shareholders who have requested such by the record date for voting rights.</u></p> <p><u>(Supplementary Provisions)</u></p> <p><u>The amendment of Article 16 of the Articles of Incorporation shall become effective as of September 1, 2022, the enforcement date of the amended provisions prescribed in the proviso of Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019).</u></p> <p><u>2. Notwithstanding the provisions of the preceding paragraph, Article 16 (Internet Disclosure and Deemed Provision of Reference Materials for General Meetings of Shareholders, etc.) of the Articles of Incorporation shall remain in force with respect to the General Meeting of</u></p>

	<p><u>Shareholders whose date is within six months from the enforcement date.</u></p> <p><u>3. These Supplementary Provisions shall be deleted after six months have elapsed from the enforcement date or after three months have elapsed from the date of the General Meeting of Shareholders set forth in the preceding paragraph, whichever is later.</u></p>
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Item 3: 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.

With a view to strengthening the management structure and corporate governance, we hereby propose the appointment of ten Directors (including six Outside Directors), an increase in the number of Outside Directors by one.

The following are the candidates, with nine being nominated for reelection and one for new election.

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	14 years	100% 12 out of 12	Representative Director, President-Director CEO, COO		Reelection
2	Nobuhiro Todokoro	Male	5 years	100% 12 out of 12	Director, Senior Executive Vice President		Reelection
3	Yosuke Miki	Male	5 years	100% 12 out of 12	Director, Executive Vice President CTO General Manager of Corporate Technology Sector	In charge of corporate technology	Reelection
4	Yasuhiro Iseyama	Male	2 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
5	Yoichiro Furuse	Male	15 years	100% 12 out of 12	Outside Director		Reelection Independent Outside
6	Takashi Hatchoji	Male	7 years	92% 11 out of 12	Outside Director		Reelection Independent Outside

7	Tamio Fukuda	Male	4 years	100% 12 out of 12	Outside Director		Reelection Independent Outside
8	Wong Lai Yong	Female	2 years	100% 12 out of 12	Outside Director		Reelection Independent Outside
9	Michitaka Sawada	Male	1 year	100% 10 out of 10	Outside Director		Reelection Independent Outside
10	Yasuhiro Yamada	Male	—	—	—		New election Independent Outside

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

Candidate number

1

Hideo Takasaki

(Date of birth: August 11, 1953)

Number of Company shares owned: 42,700

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, concurrently 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.

Candidate number

2

Nobuhiro Todokoro

(Date of birth: June 1, 1965)

Number of Company shares owned: 11,000

Conflicts of interest between the Company and candidate: None

Important positions concurrently held outside of the Company: 0

Brief Profile

April 1989	Joined Nitto Denko Corporation
June 2015	Vice President, General Manager of Information Fine Materials Unit, Information Fine Materials Sector
April 2017	Vice President, General Manager of Information Fine Materials Sector
June 2017	Director, Senior Vice President, General Manager of Information Fine Materials Sector
June 2019	Director, Executive Vice President
June 2021	Director, Senior Executive Vice President (present)

■ Reason for nomination as a candidate for Director

Mr. Nobuhiro Todokoro has been involved in the information fine materials business, one of the mainstay businesses of the Nitto Group, for many years. As a manager who knows that business inside out and then as a Director of Nitto Denko Corporation, he has dedicated himself to enhancing the corporate value of the Group from a holistic perspective.

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

Number of Company shares owned: 7,300

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, concurrently 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 (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.

Number of Company shares owned: 5,800

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
October 2009	General Manager of Accounting Department, Strategic Administration Division, Optical Sector
July 2013	General Manager of Accounting Department, Strategic Administration Division, Functional Base Products Sector
October 2013	General Manager of Accounting Department, Strategic Administration Division, Functional Base Products Sector concurrently General Manager of Accounting Department, Planning & Management Department, Automotive Products Sector
April 2016	Deputy General Manager of Corporate Accounting & Finance Division, Corporate Strategy Sector
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: 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 (present)

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

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

In this fiscal year, Mr. Yoichiro Furuse participated in all the Board of Directors meetings (12 times) and made useful comments based on his deep insights into and experience in corporate management, which was cultivated through his service as director and representative director at listed companies and a mega bank.

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 and a former employee of a mega bank, Mr. Furuse 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 22 for the content of these criteria) and selects candidates for Outside Directors based on the said criteria. The Company designated Mr. Furuse as an Independent Director as stipulated by Tokyo Stock Exchange and reported such designation to the Exchange.

Also, he is currently an important executing person of Evanston Corporation. The Company has no transactions with this company.

Candidate number

6

Takashi Hatchoji

(Date of birth: January 27, 1947)

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 1970	Joined Hitachi, Ltd.
June 2003	Vice President and Executive Officer, Hitachi, Ltd.
April 2004	Senior Vice President and Executive Officer, Hitachi, Ltd.
April 2006	Representative Executive Officer, Executive Vice President, and Executive Officer, Hitachi, Ltd. (retired in March 2007)
June 2007	President and Representative Director, Hitachi Research Institute (retired in March 2009)
April 2009	Representative Executive Officer, Executive Vice President, and Executive Officer, Hitachi, Ltd. (retired in March 2011)
April 2011	Chairman of the Board, Hitachi America, Ltd. (retired in March 2015)
June 2011	Director, Hitachi, Ltd. (retired in June 2015)
June 2015	Advisor, Hitachi, Ltd. (retired in June 2016)
June 2015	Outside Director, Nitto Denko Corporation (present)
June 2017	External Audit & Supervisory Board Member, Marubeni Corporation (retired in June 2020)
June 2017	Outside Director, Konica Minolta, Inc. (retired in June 2021)
June 2020	Outside Director, Marubeni Corporation (present)

[Important concurrent positions held at] Marubeni Corporation

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

In this fiscal year, Mr. Takashi Hatchoji participated in 11 out of 12 Board of Directors meetings and made useful comments based on his deep insight into management, which was cultivated through his service as representative executive officer and director of listed companies, and his extensive experience.

As it is expected that he will continue to oversee the Board of Directors and provide opinions on the management of Nitto from a global perspective based on his insights and experience as a corporate manager in Japan and overseas, Mr. Hatchoji 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 22 for the content of these criteria) and selects candidates for Outside Directors based on the said criteria. The Company designated Mr. Hatchoji as an Independent Director as stipulated by Tokyo Stock Exchange and reported such designation to the Exchange.

He was an important executing person of Hitachi, Ltd. in the past, which held about 15% of shares in Nitto through a subsidiary. Hitachi, Ltd., however, sold most of its shares in Nitto in July 2003 (and has sold all of its shares in Nitto to date). It has been 15 years or more since a group relation between Hitachi, Ltd. and Nitto was dissolved.

The Company engages in transactions with Hitachi, Ltd., most of which relate to the development, maintenance, etc. of Nitto’s system, with annual transaction amount accounting for less than 0.1% of Nitto’s consolidated revenue. Thus, the Company’s relationship with Hitachi, Ltd. does not affect his independence.

Number of Company shares owned: 800

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 positions 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 22 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, Shizenkan University Graduate School of Leadership & Innovation
 Deputy Center Leader, Center for Sustainability and Innovation (present)
 June 2020 Outside Director, Nitto Denko Corporation (present)

[Important concurrent positions 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 22 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: 2

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)

[Important concurrent positions held at] Kao Corporation, Panasonic Holdings Corporation (the name changed from Panasonic Corporation)

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

He attended all meetings (10) of the Board of Directors held during the fiscal year under review 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 22 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

10

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: 0

Brief Profile

April 1987 Joined the Bank of Japan

May 2018 Executive Director of the Bank of Japan (retired in May 2022)

[Important positions concurrently held] None

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

We expect him to provide a wide range of opinions based on the experience he accumulated through his career in important positions at the Bank of Japan, in addition to his perspective as a financial and economic expert. Therefore, we hereby propose the election of Mr. Yamada as an Outside Director. Upon his appointment as Outside Director, he 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 22 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.

[Notes on the Candidate for Director]

■ Summary of liability limitation agreement

Nitto has entered into a liability limitation agreement with Messrs. Yoichiro Furuse, Takashi Hatchoji, Tamio Fukuda, Ms. Wong Lai Yong and Mr. Michitaka Sawada to limit their compensation liability to the degree stipulated in laws and regulations and intends to maintain this agreement when they are reelected. In addition, Nitto will enter into a similar liability limitation agreement with Mr. Yasuhiro Yamada upon his election.

■ 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.

(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.

*Our values, attitudes and mindset, and code of conduct are based on placing safety before everything else, amazing and inspiring our customers, anticipating and leveraging change, taking on challenges for new value creation, acting promptly and following through on decisions with determination, transforming ourselves constantly, and having an attitude of integrity, and understanding and respecting diversity.

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 157th Ordinary General Meeting of Shareholders

Name	Title	Gender	Length of service	Leadership	Technology	Finance	Governance	Sustainability
Hideo Takasaki	Representative Director	Male	14	●				
Nobuhiro Todokoro	Director	Male	5	●			●	
Yosuke Miki	Director	Male	5	●	●			
Yasuhiro Iseyama	Director	Male	2			●	●	
Yoichiro Furuse	Outside Director	Male	15	●		●	●	
Takashi Hatchoji	Outside Director	Male	7	●			●	●
Tamio Fukuda	Outside Director	Male	4	●	●			●
Wong Lai Yong	Outside Director	Female	2				●	●
Michitaka Sawada	Outside Director	Male	1	●	●			●
Yasuhiro Yamada	Outside Director	Male	-		●	●	●	
Masami Kanzaki	Corporate Auditor (full-time service)	Male	7				●	●
Shin Tokuyasu	Corporate Auditor (full-time service)	Male	3			●		●
Masashi Teranishi	Outside Auditor	Male	14	●		●	●	
Masakazu Toyoda	Outside Auditor	Male	11	●			●	●
Mitsuhide Shiraki	Outside Auditor	Male	10				●	●

*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 compensation 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.

Item 4: Revision of compensation for Directors

The current amount of total compensation for Directors has remained unchanged at up to 1 billion yen per year (out of which up to 100 million yen is allocated to Outside Directors) since it was so approved at the 156th Ordinary General Meeting of Shareholders held on June 18, 2021. However, should Item 3 is approved as proposed, the number of Outside Directors will increase. Thus, we propose to revise the upper limit of total compensation for Outside Directors to 120 million yen per year. The total amount of compensation for Directors will remain unchanged “up to 1 billion yen per year.”

The above-proposed compensation amounts were calculated based on a comprehensive consideration of the roles expected of Directors, past performance, other companies' compensation levels, and the number of Directors. Furthermore, the amounts are in line with the Company's policy regarding the determination of compensation for individual Directors.

The number of Directors is currently nine (including five Outside Directors). If Item 3 is approved as proposed, the number of Directors will be ten (including six Outside Directors). The above-proposed compensation amount does not include the amount of employees' salaries for Directors who are also employees, as before.

Business Report for the 157th Fiscal Term

For the 2021 fiscal year (April 1, 2021 to March 31, 2022)

1. Overview of business operations of the Nitto Group

(1) Operating progress and results

In the economic environment during this fiscal year, progress was made in balancing preventive measures and economic activities due to the proliferation of vaccines and economic support measures in various countries in response to the emergence of a series of mutant strains of novel coronavirus (COVID-19), and the economy continued to recover. Moreover, the trend toward electrification and digitalization has gained momentum in all fields, and new ways of working—such as teleworking—have taken root. On the other hand, uncertainty increasingly pervades the global economy, as evidenced by the recent surge in raw material prices and supply chain disruptions caused by Russia's invasion of Ukraine, as well as the rapid weakening of the yen.

Under these circumstances, in the Group's main markets, there was growth in sales of high-precision substrates for smartphones and optical films for OLED displays as well as assembly parts. Sales of semiconductor-related materials and optical films used in laptop computers and tablets remained strong, while automotive products and those related to general industry recovered from the impact of COVID-19. In the nucleic acid drug market, the development of COVID-19 vaccines is progressing at a rapid pace, driving higher demand for contract manufacturing and related materials in the Nitto Group. In responding to COVID-19, the Nitto Group prioritized the health and safety of every person and worked on preventing the spread of infections while endeavoring to ensure the continued supply to our customers. We will continue to do our utmost to ensure that there are no interruptions in the provision of products and services to our customers.

As a result of the above, revenue increased by 12.1% from the previous fiscal year (changes hereafter are given in comparison with the previous fiscal term) to 853,448 million yen. Operating income increased by 41.0% to 132,260 million yen, income before income taxes rose by 41.9% to 132,378 million yen, and net income grew by 38.3% to 97,234 million yen. Net income attributable to owners of the parent company rose by 38.3% to 97,132 million yen.

(2) Summary of operations by segment

[Industrial Tape] Composition of revenue: 38.0%

Main products: Functional base products (bonding and joining products, protection products, process materials, etc.) and automotive products

For Functional Base Products, sales increased from the previous fiscal year. As new work styles such as teleworking became firmly established, demands for ceramic condenser and semiconductor used for electronic devices such as tablet devices and servers increased, and thus demands for related materials used in their manufacturing process also increased. In addition, demand for assembly materials grew with the growth in production of high-end smartphones. Automobile materials, general industry materials, and protective materials for metal plates recovered from the impact of COVID-19 in the previous fiscal year. On the other hands, the Group was affected by rising raw material and transportation costs due to factors such as rising crude oil prices.

As a result of the above, revenue rose by 11.2% to 330,427 million yen and operating income increased by 43.8% to 39,283 million yen.

[Optronics] Composition of revenue: 52.8%

Main products: Information fine materials and flexible printed circuit boards

In Information Fine Materials, revenue did not reach the level of the previous fiscal year. The demands of products used for TV, optical films for LCD and ITO films decreased. On the other hands, the demands of optical films for laptops and tablet devices and optical films for OLED smartphones increased. In addition, for products used for TVs, the Group received royalty payment under the licensing agreements with our business partners in the 1st quarter of the fiscal year.

Sales of Flexible Printed Circuits increased from the previous fiscal year. Demand for circuit materials of CIS (Circuit Integrated Suspension) increased with an increase in manufacturing of hard disk drives (HDDs) used in data centers with

high capacities, and we have increased our production capacity to meet the growing demand and carry out the supply responsibilities. The number of models adopting the high-precision circuits for high-end smartphones has expanded from the previous fiscal year, that contributed significantly to the business performance.

As a result of the above, revenue rose by 7.2% to 459,552 million yen and operating income increased by 19.7% to 96,599 million yen.

[Life Science] Composition of revenue: 6.0%

Main products: Medical-related products

Sale of Medical Products increased from the previous fiscal year. Amid a global shortage of COVID-19 vaccines, the development of new vaccines is accelerating, and the Group has begun supplying immunologic adjuvants for COVID-19 vaccines in oligonucleotide contract manufacturing business and added new manufacturing lines. Demand of polymer beads for nucleic acid synthesis (NittoPhase™) also increased in the growing market of nucleic acid drugs. Demand for surgical tapes was recovering at a slow pace from the impact of COVID-19.

In development of nucleic acid drugs, the Group achieved predefined milestone based on the exclusive license agreement of ND-L02-s0201 (BMS-986263) for advanced liver fibrosis in the 1st quarter of the fiscal year. The Group continues to engage in clinical trials of idiopathic pulmonary fibrosis and intractable cancer drugs.

As a result of the above, revenue increased by 74.0% to 51,958 million yen and operating margin amounted to 9,790 million yen (operating loss of 3,011 million yen was reported in the previous fiscal year).

[Others] Composition of revenue: 3.2%

Main products: Membrane products, other products

Sales of Membrane (high-polymer separation membrane) grew compared to the previous fiscal year. Demand recovered in various industrial applications. On the other hands, impairment losses were recorded as a result of aggressive restructuring, including revision of our product portfolio, in order to focus on the decarbonization market, which is expected to grow.

In new business, the development of neodymium magnets was discontinued in the current fiscal year.

As a result of the above, revenue increased by 19.0% to 27,698 million yen, while operating loss amounted to 9,964 million yen (operating loss of 7,496 million yen was reported in the previous fiscal 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 under review. The figures for the previous fiscal year are adjusted to reflect this change.

(3) Management Policy, Business Environment, and Issues to be Addressed

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

Uncertainty in the business environment surrounding the Nitto Group is expected to continue due to soaring raw material prices and transportation costs, and the impact of rapidly increasing demand for semiconductors. In such business environment rife with uncertainty, the Group will continue to build a resilient corporate structure immune to external environments.

In the fiscal year under review, the Nitto Denko Group formulated its Mid-term Management Plan, Nitto Beyond 2023, which covers the first three years (fiscal 2021 to 2023) to realize its vision by 2030: "As a manufacturer of high-functional materials, Nitto will realize a sustainable environment and society by creating the future with technology and continuously providing amazement and inspiration."

Nitto Beyond 2023 focuses 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. To realize solutions to these issues, the Group will promote ESG management by actively incorporating ESG perspectives into its business management and human resource development under its Basic Policy on Sustainability. As a growth strategy, we have identified Information Interface, Next-generation Mobility, and Human Life as our three focus domains, and will strategically invest management resources in these areas to accelerate innovation. In addition, to strengthen our management infrastructure, we will further increase the speed of management decision-making through business portfolio management based on ROIC and core system renewal, and expand our human resource management system, including the cultivation of human resources for the next-generation of management.

- **Progress of Mid-Term Management Plan**

- a. Promoting ESG Management

In May 2022, the Nitto Denko Group newly declared "Nitto Group Carbon Neutral 2050" with a strong will to accelerate the realization of a decarbonized society. This declaration is a statement that (1) the Nitto Group aims to achieve virtually zero CO₂ emissions by 2050 (Scope 1 and 2), (2) the Nitto Group will reduce its CO₂ emissions to 470,000 tons by 2030, and (3) the Nitto Group will contribute to its customers' CO₂ emissions reduction through its products and solutions.

With regard to CO₂ emissions, we had previously set a target of 600,000 tons for 2030, but have revised up to 470,000 tons (approximately 40% reduction from 2013 levels) with the aim of realizing a decarbonized society.

In addition, in the same month, the Group endorsed the Task Force on Climate-related Financial Disclosures (TCFD). Going forward, the Group will strive to build trust with stakeholders through the proactive disclosure of not only financial information but also issues surrounding sustainability, including ESG factors.

Regarding the promotion of diversity and inclusion (D&I), the Group recognizes that the advancement of women is an important issue. During this fiscal year under review, we appointed people within the Group to drive women's activities with the goal of sharing the direction we aim to take in promoting D&I and to accelerate our efforts in that regard.

- b. Speeding up Innovation

During this fiscal year, we established a system to certify products that contribute to reducing environmental impact and improving the global environment as Environmental Contribution Products, and products that contribute to improving the quality of life of human beings as Human Contribution Products, using criteria set independently by the Nitto Group. We evaluate the growth potential of each contribution from the early stages of research and development, and strategically invest resources in themes where we anticipate growth.

As a mechanism to encourage the challenge of innovation, the Nitto Denko Group has held the Nitto Innovation Challenge. In this new business creation competition conducted since the previous fiscal year, we invite new business ideas from Group employees worldwide. Each year, we gather nearly 1,000 new business ideas. Following a rigorous screening process, the teams selected as finalists continue their activities with the goal of commercializing their ideas.

In February 2022, the Company agreed to acquire the four subsidiaries comprising the personal care component business of Mondi plc (listed on the London Stock Exchange). We believe that this will allow us to grow our business in the human life domain—one of our focus domains—and also bolster our potential to create new products such as environmentally friendly products, highly functional films, and non-woven fabric multifunctional products through synergies with Nitto Denko technologies.

Furthermore, in April 2022, we established the Human Life Solution business to accelerate our efforts in the human life domain. In this business, we will promote the development of products that contribute broadly to coexistence with the global environment and to people's lives and lifestyles. Our efforts will extend beyond the conventional framework of existing businesses such as pharmaceuticals, medical components, and reverse osmosis membrane elements.

- c. Strengthen management infrastructure

During this fiscal year under review, the Group revamped its core system by abolishing the host computers it had operated for many years and adopting a multi-platform system linked to multiple cloud solutions. This system is an integrated, global standard enterprise resource planning (ERP) system that is designed to be deployed at overseas sites as well as a management infrastructure platform to drive digital transformation (DX) forward. The new system enables seamless integration with business systems in all areas, including sales, accounting, procurement, and human resources. It also serves to further enhance the speed of management decision making. Going forward, we will promote the global rollout of this system.

Moreover, since 2011, the Group has operated the Nitto Global Business Academy as a training program to develop global leaders and the next generation of management. During this fiscal year under review, we revamped and expanded the program to include individual coaching and participation in external training programs abroad. In each overseas area, we have also initiated a selection program to transform local employees into area management leaders. We will continue to operate more practice-oriented programs as a place for producing global management talent that will shape the identity of the Nitto Group.

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

Under Nitto Beyond 2023, our management targets for the end of FY2023 are revenue of 920 billion yen, operating income of 140 billion yen, an operating income to revenue of 15%, and return on equity (ROE) attributable to owners of the parent of 12%. In addition, we have established the following unfinanced targets: maintaining the ratio of new products—the source of the Group's competitiveness—at 35% or higher; reducing total CO₂ emissions by 25,000 tons from the FY2020

level and unit CO2 emissions (an indicator of CO2 emissions per 1 billion yen of revenue) by 20%, with the aim of realizing a decarbonized society; and increasing the proportion of women in management positions to 21% on a global basis. The Group refers to elements that have not yet reached the stage of being provided as information on financial statements, but could become financial in the future, or be converted into financials, as “Unfinanced.”

4. Strategies and initiatives by segment

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

• Industrial tape

In the area of functional base products, we will develop our business on the strength of our diverse product offerings in a wide range of markets and aim for sustained business growth by developing new applications, products, and demand through our proprietary marketing activities, i.e. *Sanshin* activities.

As for the demand outlook, we forecast strong demand growth for electronic materials and semiconductor process materials on the back of the proliferation of 5G and new lifestyles. With regard to the automotive sector, we expect automobile production to recover from the impact of COVID-19, despite uncertainties such as concerns over semiconductor supply. In the next-generation mobility field, we will also promote innovation in the CASE (Connected, Autonomous, Shared, and Electric) domain.

On the environmental front, we will strive to reduce environmental impact by reforming our manufacturing processes and promoting the development of adhesive products that use emulsion polymerization and UV polymerization and do not incorporate organic solvents, with the dual objectives of bolstering our competitiveness and contributing to environmental conservation.

• Optronics

As for information fine materials, we will promote the development of optical materials for OLED displays as the transition from LCD to organic light-emitting diode (OLED) displays in smartphones gains momentum. By increasing the number of components used in a single panel, including not only optical films but also adhesives called optical clear adhesive (OCA) sheets, we will respond to market needs and propose comprehensive solutions in cutting-edge displays. Demand for optical films used in laptop computers and tablets is expected to remain at a high level, with the expansion of teleworking and other factors. We will endeavor to securely capture this demand, while working on further productivity improvement. Looking at the TV market, we will continue to collaborate with our technical partners in China to meet the demand for large polarizing films in that country.

In the printed circuit domain, we will build a stable supply structure for data center applications—which are expected to remain robust—as growth in demand for high-capacity applications continues. Additionally, we will further strengthen our production capacity of high-precision substrates for smartphone to increase their supply for smartphone parts. Moreover, from the perspective of business continuity planning (BCP), we will mitigate the risk of business interruption by decentralizing our manufacturing bases.

• Human life

In the area of medical-related products, we are engaged in contract manufacturing of nucleic acid drug and synthesis materials, transdermal absorption tape formulations, medical hygiene materials, and nucleic acid drug discovery, thereby contributing significantly to people's daily lives and life. The nucleic acid drug market in particular is expected to continue to see steady demand growth as pharmaceutical manufacturers expand their development of nucleic acid drugs. The Nitto Group boasts the world's largest production capacity for nucleic acid drug contract manufacturing, which contributes to the development of new drugs by pharmaceutical manufacturers around the globe. In the course of contract manufacturing of active pharmaceutical ingredients for many nucleic acid drugs, we have also secured opportunities for COVID-19 vaccine-related applications and will provide U.S. biopharmaceutical manufacturers with nucleic acid adjuvants (nucleic acid immunopotentiating agent) that serve to enhance the efficacy of COVID-19 vaccines.

In nucleic acid drug discovery, we are conducting research and development as well as clinical trials in the areas of pulmonary fibrosis and intractable cancer drugs, as well as licensing drug delivery system (DDS) technology that allows drugs to be delivered to the required site in the necessary amount. We aim to obtain milestones from licensing partners and license new pipeline products as early as possible.

Looking at membrane products (polymer separation membranes), we expect the reverse osmosis membrane element market to recover from the drop in demand caused by COVID-19 and remain stable. We will aim to automate manufacturing processes to lower costs and raise productivity. In India and China, where water pollution is becoming increasingly severe, there is a growing need to improve water quality. As such, we are promoting the development of reverse osmosis membrane elements that reduce wastewater and effluent to zero (zero liquid discharge; ZLD). We will

also endeavor to develop products that contribute to the realization of a decarbonized society and provide environmental solutions in a broad range of fields.

- **Others**

Concerning new businesses, we aim for the soonest-possible mass production of projects under development, including plastic optical cables that enable high-capacity, high-speed communications, and a disposable Holter monitor.

(Note) With the establishment of the Human Life Solutions business segment, the business segments have been reclassified to Industrial Tape, Optronics, Human Life, and Others from FY2022. In this section, the new business segment classification is used.

(4) Capital expenditure

Capital investment by the Group during the fiscal year under review totaled 56,496 million yen.

For the Industrial Tape segment, 14,278 million yen was spent to enhance its production capacity of adhesive tapes and so on. For the Optronics, 25,212 million yen was mainly spent to boost the productivity of optical films and to build the production system of high precision substrates for flexible printed circuit boards. For the Life Science segment, 4,458 million yen was spent mainly to establish the production system of nucleic acid medicines. In the Others segment, 3,550 million yen investments were implemented, including investment to polymer separation membrane to increase productivity. Capital expenditures not directly related to any business segment amounted to 8,997 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 under review stood at 241 million yen.

(6) Trends in operating results and assets

Item	FY2017 (153rd term)	FY2018 (154th term)	FY2019 (155th term)	FY2020 (156th term)	FY2021 (157th term)
Revenue (million yen)	857,376	806,495	741,018	761,321	853,448
Operating income (million yen)	125,722	92,777	69,733	93,809	132,260
Net income attributable to owners of the parent company (million yen)	87,377	66,560	47,156	70,235	97,132
Basic earnings per share 538.99	538.99	423.50	301.32	472.71	656.31
Dividend payout ratio (%)	29.7	42.5	66.4	42.3	33.5
ROA (Ratio of profit attributable to owners of the parent company to total assets) (%)	9.6	7.2	5.1	7.4	9.4
ROE (Return on equity attributable to owners of the parent company) (%)	13.0	9.6	6.8	10.0	12.6
Operating income to revenue (%)	14.7	11.5	9.4	12.3	15.5
Total assets (million yen)	937,796	913,418	921,900	965,901	1,094,469
Total equity (million yen)	693,995	701,187	690,204	716,686	822,105
Equity attributable to owners of the parent company per share (yen)	4,328.50	4,465.70	4,479.29	4,838.07	5,548.09
Ratio of equity attributable to owners of the parent company to total assets (%)	73.9	76.7	74.8	74.1	75.0
Depreciation and amortization (million yen)	49,283	45,904	49,390	47,950	50,211
Capital investment (million yen)	47,193	64,353	58,930	50,597	56,496
Research and development costs (million yen)	31,243	31,990	33,765	35,261	37,271
Exchange rate (average rate) (yen/1 US dollar)	110.83	110.57	109.06	105.73	111.78

Notes:

1. The Nitto Group prepares its consolidated financial statements based on the International Financial Reporting Standards (IFRS).
2. From fiscal 2018, "royalty income," which was previously included in "other income" on the consolidated statements of income, is included in "revenue." Accordingly, the above numbers for fiscal 2017 have been reclassified to reflect the change.
3. "Dividend payout ratio" is calculated based on a tentative dividend amount whose payment is subject to approval of Item 1 as proposed for the 157th Ordinary General Meeting of Shareholders.

(7) Principal offices and status of major subsidiaries (as of March 31, 2022)

<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, Inc.	Teaneck, NJ, U.S.	
Nitto Denko Vecia Inc.	Milford, MA, U.S.	
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> 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, Inc.	in thousand U.S. dollars 0	100.0	Administration of Group companies in the Americas Production, processing, sales, etc.; Industrial Tape
Nitto Denko Vecia Inc.	in thousand U.S. dollars 1	100.0 (100.0)	Production and sales; Life Science
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.

(8) Employees of the Group and the Company (as of March 31, 2022)

	Number of employees	Changes from the end of the previous fiscal year
Group	25,961	+537
Company	6,091	+221

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

(9) Major creditors (as of March 31, 2022)

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

2. Shareholders' equity (as of March 31, 2022)

(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)	1,744,778 shares)
(3) Number of shareholders	28,802
(4) Major shareholders (top 10)	

Name	Number of shares held	Ownership percentage
The Master Trust Bank of Japan, Ltd. (Trust Account)	Thousands of shares 39,429	% 26.64
Custody Bank of Japan, Ltd. (Trust Account)	12,572	8.49
STATE STREET BANK AND TRUST COMPANY 505223	4,225	2.85
Custody Bank of Japan, Ltd. (Securities Investment Account)	2,860	1.93
STATE STREET BANK WEST CLIENT-TREATY 505234	2,527	1.71
STATE STREET BANK AND TRUST COMPANY 505025	2,199	1.49
Nippon Life Insurance Company	2,082	1.41
JP MORGAN CHASE BANK 385781	1,904	1.29
STATE STREET BANK AND TRUST COMPANY 505103	1,844	1.25
SSBTC CLIENT OMNIBUS ACCOUNT	1,829	1.24

- Notes:
- The ownership percentage has been calculated based on the number of shares issued, excluding treasury stock.
 - 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, 2022.
 - A total of two shareholders comprising Sumitomo Mitsui Trust Asset Management Co., Ltd. and its joint holders
12,629,500 shares (as of July 15, 2019)
 - 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 four shareholders comprising MUFG Bank, Ltd. and its joint holders
10,970,009 shares (as of March 22, 2021)
 - A total of ten shareholders comprising BlackRock Japan Co., Ltd. and its joint holders
11,216,496 shares (as of March 31, 2021)
 - A total of two shareholders comprising MFS Investment Management K.K. and its joint holder
7,768,400 (as of November 15, 2021)

(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	-	10,100 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 compensation for executing their duties and held by such officers as at the end of the fiscal year under review

Subject	Equity-based compensation stock options
Number of warrants	424 units (100 shares of common stock per unit)
Class and number of underlying shares subject to warrants	Company's common stock: 42,400 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	4 Directors 424 units

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

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

Not applicable

3. Executives

(1) Directors and Corporate Auditors (as of March 31, 2022)

Name	Title (Position)	Responsible area, etc.
Hideo Takasaki	Representative Director, President-Director CEO, COO	
Nobuhiro Todokoro	Director, Senior Executive Vice President	
Yosuke Miki	Director, Executive Vice President CTO General Manager of Corporate Technology Sector	In charge of corporate technology
Yasuhiro Iseyama	Director, Executive Vice President CFO General Manager of Corporate Accounting & Finance Division	In charge of accounting & finance, and IR
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 Corporation
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 The Institute of Energy Economics, Japan Representative Director, SPACE ONE CO., LTD.
Mitsuhide Shiraki	Outside Corporate Auditor	Professor, Faculty of Political Science and Economics of Waseda University

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

Notes: 1. The following change was made to the titles (positions, etc.) of Directors effective April 1, 2022.

Name	Title (Position)	Responsible area, etc.
Yasuhiro Iseyama	Director, Executive Vice President CFO General Manager of Corporate Accounting & Finance Division	In charge of accounting & finance, IR, and export control
Michitaka Sawada	Outside Director	Director, Chair of Kao Corporation Outside Director of Panasonic Holdings Corporation
Mitsuhide Shiraki	Outside Corporate Auditor	Visiting Professor, Kokushikan University

2. 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.
3. Outside Corporate Auditor Masashi Teranishi possesses significant insights into finance and accounting through his long years of involvement in the management of financial institution.
4. 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.
5. The Company has no special relationship with any of the organizations at which the Outside Directors and Outside Corporate Auditors hold important concurrent positions.

(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 under review. 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 under review. 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 under review. 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 under review. 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% (10 out of 10 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 under review. Please refer to the notes below on the activities of the Management, Nominating and Compensation 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% (13 out of 13 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 under review. 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, Nominating and Compensation Advisory Committee.
Masakazu Toyoda	Participation Board of Directors meetings: 100% (12 out of 12 times) Board of Corporate Auditors meetings: 100% (13 out of 13 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 under review. 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, Nominating and Compensation Advisory Committee.
Mitsuhide Shiraki	Participation Board of Directors meetings: 100% (12 out of 12 times) Board of Corporate Auditors meetings: 100% (13 out of 13 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 under review. 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, Nominating and Compensation 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 compensation 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 under review (FY2021). 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:

Hideo Takasaki: 3 out of 3 times

Yoichiro Furuse: 3 out of 3 times
 Takashi Hatchoji: 3 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
 Masashi Teranishi: 3 out of 3 times
 Masakazu Toyoda: 2 out of 3 times
 Mitsuhide Shiraki: 3 out of 3 times

Major consultations and deliberations during the current fiscal year (FY2021)

Management	<ul style="list-style-type: none"> · Operation and DX of the General Meeting of Shareholders · How to achieve dialogue with shareholders by Outside Directors/Corporate Auditors
Nomination	<ul style="list-style-type: none"> · Candidates for Board members · Efforts to increase the number of female managers
Remuneration	<ul style="list-style-type: none"> · Confirmation of executive compensation structure · Addition of ESG items to executive compensation

(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 Corp., 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. The Company had paid insurance premiums for the Company D&O in full. Meanwhile, for the officers of Nitto Shinko Corporation, 10% of insurance premiums had been paid at their own expense. In July 2021, insurance policy was renewed and the Company and Nitto Shinko have been paying the full amount of insurance premiums since then.

(Reference) Status of Vice Presidents

The Company has adopted the executive officer system. The current positions and responsibilities of vice presidents as of April 1, 2022 are as follows.

Name	Title (Position)	Responsible area, etc.
Hideo Takasaki	Representative Director, President CEO, COO	
Nobuhiro Todokoro	Director, Senior Executive Vice President	
Yasuhito Ohwaki	Senior Executive Vice President General Manager of Human Resources Management Division	Human resources education, and diversity & inclusion promotion
Yukihiro Iizuka	Executive Vice President General Manager of North/South American regions President, Nitto, Inc.	Management of North/South America
Toshihiko Takayanagi	Executive Vice President General Manager of Sales Management Division General Manager of Taiwan	Sales management & sales support, and management of Taiwan
Yosuke Miki	Director, Executive Vice President CTO General Manager of Corporate Technology Sector	Corporate technology
Sam Strijckmans	Executive Vice President General Manager of EMEA (Europe, the Middle East and Africa) President & CEO, Nitto EMEA NV	Management of EMEA (Europe, the Middle East and Africa)
Yasuhiro Iseyama	Director, Executive Vice President CFO General Manager of Corporate Accounting & Finance Division General Manager of Export Control Center	Accounting & finance, IR, and export control
Kazuki Tsuchimoto	Senior Vice President CIO, Deputy CTO General Manager of Manufacturing & Production Engineering Division	IT, and manufacturing technology & process technology
Seiji Fujioka	Senior Vice President General Manager of Human Life Solutions Division	Human life solutions
Atsushi Ukon	Senior Vice President President, Nissho Corporation	Management of business companies
Bae-Won Lee	Senior Vice President General Manager of Korea Representative Director and President, Korea Nitto Optical Co., Ltd	Management of Korea, and information fine materials business
Norio Sato	Senior Vice President	Special matters
Katsuyoshi Jo	Vice President General Manager of PRC Chairman/President, Nitto Denko (China) Investment Co., Ltd.	Management of PRC
Tatsuya Osuka	Vice President	Plant management
Tatsuya Akagi	Vice President General Manager of Information Fine Materials Sector	Information fine materials business
Kenjiro Asuma	Vice President	Special matters
Norikane Nabata	Vice President CSO General Manager of Corporate Sustainability Division	Promotion of ESG, and quality, environment & safety management
Scott Shu	Vice President General Manager of South Asia/India/Oceania Chairman/President, Nitto Denko (Singapore)	Management of South Asia/India/Oceania

	Pte. Ltd.	
Yukihiro Horikawa	Vice President General Manager of Information and Communication Technology Sector	ICT business
Nobuyuki Aoki	Vice President General Manager of Corporate Strategy	Corporate strategy, and public relations
Hideo Takabuchi	Vice President CPO General Manager of Business Reform Promotion Division	Procurement, logistics, and business reform
Yasuhiro Hayashi	Vice President General Manager of Legal & Compliance Division	Legal and general affairs, compliance, and risk management

* CEO: Chief Executive Officer, COO: Chief Operating Officer, CTO: Chief Technology Officer,
CFO: Chief Financial Officer, CIO: Chief Information Officer, CSO: Chief Sustainability Officer, CPO: Chief Procurement Officer

March 29, 2022

Findings on the Nitto Board Effectiveness Evaluation

Please find below an executive summary of the findings of the FY2021 effectiveness analysis/evaluation of the Board of Directors of Nitto Denko Corporation (hereinafter, "Nitto"). The analysis/evaluation was conducted based on Japan's Corporate Governance Code stipulated by Tokyo Stock Exchange, Inc.

1. Analysis/evaluation method

As was in the last year, Nitto's Board of Directors analyzed and evaluated the effectiveness of the Board based on the results of a survey conducted by a third-party organization, which were discussed at the Board.

2. Categories of the survey questions

Board composition	3 questions
Operation of the Board	8 questions
Risk management	3 questions
Discussions at the Board of Directors meetings	9 questions
Monitoring function of the Board	3 questions
Training for Directors and Corporate Auditors	2 questions
Dialogues with shareholders	2 questions
Efforts by individual Directors and Corporate Auditors	7 questions
Overview	3 questions
	Total of 40 questions

3. Overview of the analysis/evaluation results

1) Conclusions

It has been concluded that the effectiveness of Nitto's Board of Directors is ensured.

2) Analysis and evaluation

All the Directors and Corporate Auditors responded to the Board effectiveness survey that used a five-point scale for each question. The respondents chose "Appropriate" or "Largely appropriate" for many of the questions (93% of the entire survey). In particular, as in the last year, the survey confirmed that open discussions took place at the Board of Directors meetings among the Board members including Outside Directors and Outside Corporate Auditors and that the agenda items and deliberation times were generally appropriate.

With respect to the creation of a Group-wide internal control system and the supervision of its operational status, which had been recognized as a challenge in the last year, the Basic Policy on Internal Control has been revised and a structure has been put in place, which enables special function departments and regional headquarters to collaborate with each other to compile risk information and the Board and the Corporate Strategy Meeting to receive regular reports. In addition, robust discussions also took place on human resource development, resulting in the establishment of a new basic Policy on Human Resource Management.

As its challenges in the current fiscal year, the Board recognizes that it needs to have more indepth discussions on human resource strategy and take actions on the skill matrix. In addition, opinions were expressed on the promotion of ESG management as in the last year.

4. Future action

With the above analysis/evaluation findings in mind, Nitto's Board of Directors will remain committed to further enhancing the effectiveness of the entire Board.

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

<1> Compensation paid to Directors

a. Basic policy related to compensation 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 compensation	Basic compensation (cash)	Monthly compensation as determined by position, responsibility, and length of service is paid in cash.
Short-term performance-linked compensation	Bonus for Directors (cash)	Compensation 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 compensation 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 compensation	Performance-linked share-based remuneration	This additional compensation 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 is determined based on consolidated operating income and consolidated ROE* when three years have passed since the commencement of their performance evaluation period. Targets should be set high, and no compensation is paid if the targets are not met. The number of shares to be granted ranges between 80% and 150% according to the progress against the targets.
Medium- and long-term performance-linked compensation	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 compensation. 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 chosen as an indicator for their commitment to delivering results, whereas consolidated ROE serves as an indicator for measuring business stability.

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

c. Policy related to the designing of the compensation level

In order to ensure that compensation for Nitto's officers, etc. is at a competitive level vis-à-vis industry standards, their compensation 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: Compensation 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 compensations, 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 compensation 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.

Compensation 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> Compensation 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 compensation in cash.

c. Policy related to the designing of the compensation level

In order to ensure that compensation for Nitto's officers, etc. is at a competitive level vis-à-vis industry standards, their compensation 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) Compensation, etc. paid to Directors and Corporate Auditors

(Yen in Millions)

Position	Total amount of compensation, etc.	Compensation by type				Number of eligible Directors and Corporate Auditors
		Fixed compensation	Performance-linked compensation			
		Compensation in cash (cash)	Bonus paid to Directors (cash)	Performance-linked share-based remuneration	Restricted share remuneration	
Directors (excluding Outside Directors)	609	198	330	-	80	4
Outside Directors	79	79	-	-	-	5
Corporate Auditors (excluding Outside Corporate Auditors)	67	67	-	-	-	2
Outside Corporate Auditors	44	44	-	-	-	3

- Notes: 1. The maximum amount of base remuneration and bonuses for directors was resolved at the 156th Ordinary General Meeting of Shareholders held on June 18, 2021 to be no more than 1 billion yen per year (including no more than 100 million yen for Outside Directors). As of the close of this Ordinary General Meeting of Shareholders, the number of Directors is nine (of which, five are 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.
2. 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 1.
3. 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. The number of Directors at the close of the said Ordinary General Meeting of Shareholders was nine (of which, three were Outside Directors).
4. 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).
5. In accordance with the determination process, the Board of Directors has delegated the determination of the specific details of compensation in cash and bonuses for directors to Hideo Takasaki, President-Director based on a resolution of the Board of Directors.
6. 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 under review, the Company's consolidated operating income was 132,260 million yen and consolidated ROE 12.6%. 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.
7. Individual remuneration and so on granted to Directors and others for the fiscal year under review 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 compensation policy.
8. Salaries (including bonuses) of Directors concurrently serving as employees are separate from the above compensation, etc., but no employee salaries were paid in the fiscal year under review.

(Reference)

[Bonuses to Directors and Corporate Auditors]

- Comprise the performance-linked portion (85%) which reflects company-wide performance, and the individual evaluation portion (-15% to 15%) which reflects individual results
- The amount of the performance-linked portion is determined based on the degree of achievement of consolidated operating income and consolidated ROE.

[Performance-linked share-based remuneration]

- Performance evaluation period for the current fiscal year
April 1, 2019–March 31, 2022
*No payment was made in the current fiscal year as a result of the performance evaluations.

- Table of shares issued

Number of shares delivered individually = Number of shares to be issued (1) x Payment rate (2)

(1) Delivery standard stock

Position	Number of shares to be issued
President-Director	5,400
Director, Senior Executive Vice President	1,900
Director, Executive Vice President	1,600
Director, Senior Vice President	1,000
Director, Vice President	800

(2) Payment rate

		Consolidated ROE			
		Up to 8%	8%–less than 11%	11%–less than 14%	14% and above
Operating income	Up to 175 billion yen	0%			
	Above 175 billion yen–less than 200 billion yen		80%	110%	130%
	200 billion yen and above		100%	130%	150%

(Any fraction of less than 100 shares resulting from the calculation will be rounded down to the nearest 100 shares.)

4. Accounting auditors

(1) Name of Accounting Auditor: KPMG AZSA LLC

(2) Amount of compensation for the Accounting Auditor

(Yen in Millions)

1)	Amount of compensation as an accounting auditor for this fiscal year	193
2)	Total amount of money and other asset interests to be paid by the Company and the subsidiaries of the Company	279

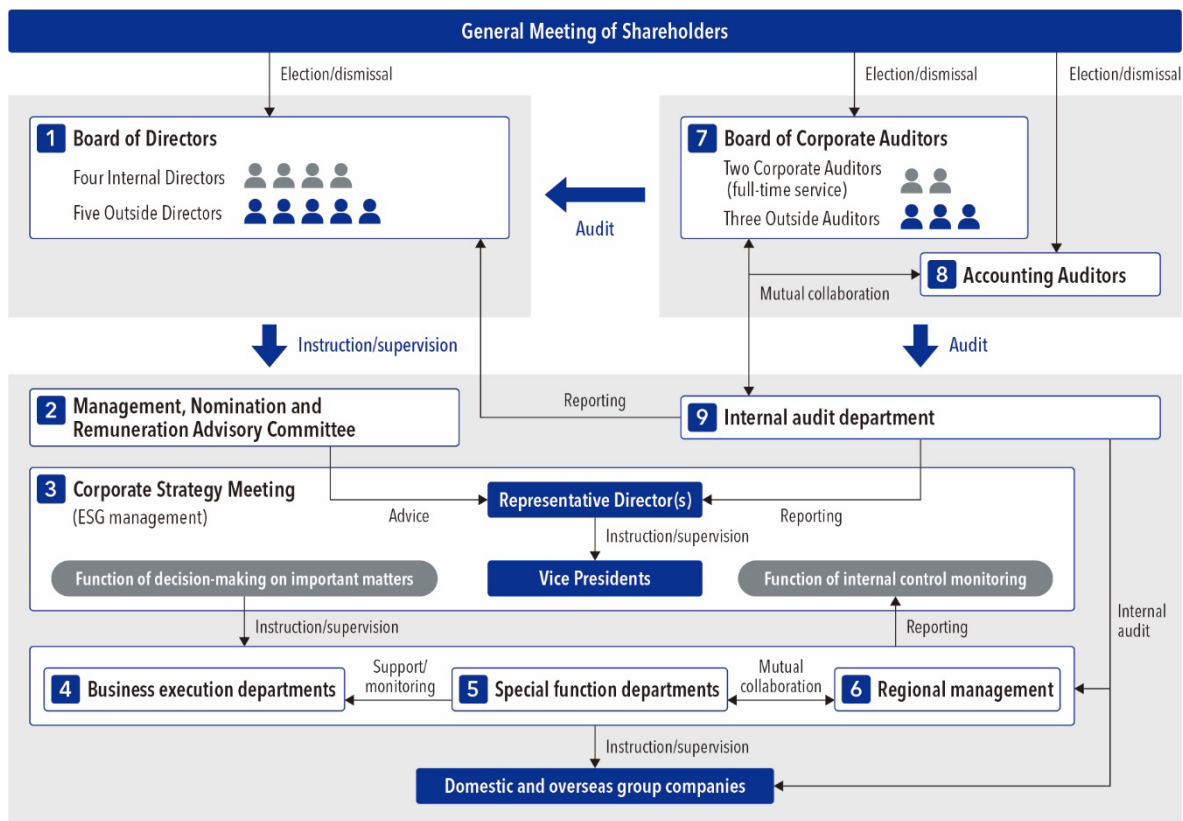
Notes:

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 compensation, before agreeing to such compensation and other matters.
2. The compensation for auditing as an accounting auditor under the Companies Act and the compensation 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 compensations.
3. The Company has paid compensation 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 compensation 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.

(Reference) Corporate Governance Structure



Institution	Roles, etc.
1 Board of Directors [Chairperson] Hideo Takasaki, President-Director	[Composition] Four (4) Internal Directors and five (5) Outside Directors (nine (9) in total) <ul style="list-style-type: none"> Decision-making on important matters such as basic policies and strategic management decisions, including management policy, mid-term management plan, and ESG management Supervision of business execution by Representative Directors, Vice Presidents, etc. Establishment of internal controls and supervision of its operational status Decision-making on other legal resolutions
2 Management, Nomination and Remuneration Advisory Committee [Chairperson] Hideo Takasaki, President-Director	[Composition] Representative Director, five (5) Outside Directors, three (3) Outside Corporate Auditors (nine (9) in total) <ul style="list-style-type: none"> Voluntary advisory committee A structure where Representative Director receives appropriate engagement and advice from Outside Directors and Outside Corporate Auditors in advance and important matters are deliberated at the Board of Directors thereafter Advice on important issues including important management themes, nomination of Directors, and executive remuneration
3 Corporate Strategy Meeting [Chairperson] Hideo Takasaki, President-Director	[Composition] Twenty-two (22) Directors and Vice Presidents (including those concurrently serving as Directors; twenty-three (23) in total) <ul style="list-style-type: none"> Decision-making on important management matters Discussion and decision-making on measures to promote ESG management Internal control monitoring and decision-making on corrective measures
4 Business execution departments	<ul style="list-style-type: none"> Execution of business delegated by the Representative Director(s) Decision-making on important business operations through meetings hosted by the business execution departments (chaired by the Head of said department).
5 Special function departments	<ul style="list-style-type: none"> Support for business execution departments from a professional perspective by special function departments organized by function, such as management strategy, human resources, accounting and finance, etc. Control and monitor compliance of business execution departments through the formulation of rules and regulations, etc.
6 Regional management	<ul style="list-style-type: none"> Established in major overseas regions (Americas, EMEA, China, Korea, Taiwan, South Asia/India/Oceania) Support, control and monitoring based on the characteristics of each region, implemented in cooperation with special function departments
7 Board of Corporate Auditors [Chairperson] Masami Kanzaki, Corporate Auditor (full-time service)	[Composition] Two (2) Corporate Auditors (full-time service) and three (3) Outside Auditors (five (5) Auditors in total) <ul style="list-style-type: none"> Monitoring of directors' execution of duties through attendance at Board of Directors meetings Attendance at important meetings, interviews with Directors and employees on the status of their activities, inspection of approved documents and other important documents, inspection of the head office, technology and business divisions and offices, and domestic and overseas group companies, as well as interviews with the Accounting Auditors on their audit reports and exchanges of opinions.
8 Accounting Auditors	KPMG AZSA LLC <ul style="list-style-type: none"> Audit of appropriateness and legality of accounting and internal control over accounting
9 Internal audit department	<ul style="list-style-type: none"> Internal audits of the accuracy, legitimacy, and reasonableness of management activities at each Group company for the purpose of contributing to the improvement of operations and business performance, independent of the execution of those activities. Internal audits include QES audits for quality, environment, and safety, and external evaluations on a regular basis.

[System for Ensuring the Effectiveness of Internal Control Monitoring]

The Company has appointed a Director in charge of compliance and risk management and established a department in charge within the special function departments. These systems promote compliance and risk management. In addition, the department in charge put together the status of compliance and risks and reports to the Board of Directors and Corporate Strategy Meeting on a regular basis. Representative Directors and Vice Presidents, who are members of the Board of Directors and the Corporate Strategy Meeting, instruct the responsible business execution departments and Group companies in their respective areas to make improvements, thereby ensuring the effectiveness of internal control monitoring.

[System for Ensuring the Effectiveness of ESG Management Promotion]

The Company has appointed a Director in charge of ESG promotion and established a Director in charge within a special function department. The relevant department makes proposals on sustainability, including the identification of materiality issues, based on which the Board of Directors and the Corporate Strategy Meeting make decisions. The Representative Directors and Vice Presidents, who are members of the Board of Directors and the Corporate Strategy Meeting, instruct the responsible business execution departments and Group companies in their respective areas to implement the proposals, ensuring the effectiveness of ESG management promotion.

5. 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.

<1> Compliance promotion system

(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)

(Summary of resolutions at the Board of Directors)

(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.

(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.

(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.

(Implementation status confirmed)

- As a measure to disseminate the Nitto Group Business Conduct Guidelines, workshops are held for all officers and employees of the Nitto Group. In the current fiscal year, the main themes are the prohibition of harassment and child labor.
- 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.

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.

Consolidated Financial Statements
Consolidated Statements of Financial Position

(Yen in Millions)

	Amount	
	As of March 31, 2022	As of March 31, 2021(Reference)
(Assets)		
Current assets	722,738	610,017
Cash and cash equivalents	362,046	300,888
Trade and other receivables	206,084	182,939
Inventories	128,318	107,668
Other financial assets	4,939	1,399
Other current assets	21,349	17,121
Non-current assets	371,730	355,884
Property, plant and equipment	286,949	270,813
Right-of-use assets	13,681	14,979
Goodwill	4,809	4,593
Intangible assets	13,707	13,620
Investments accounted for using equity method	547	392
Financial assets	12,131	10,856
Deferred tax assets	24,131	25,951
Other non-current assets	15,772	14,676
Total assets	1,094,469	965,901

Consolidated Statements of Financial Position

(Yen in Millions)

	Amount	
	As of March 31, 2022	As of March 31, 2021 (Reference)
(Liabilities)		
Current liabilities	208,489	182,783
Trade and other payables	102,798	100,790
Bonds and borrowings	241	545
Income tax payables	18,138	11,225
Other financial liabilities	19,979	22,834
Other current liabilities	67,330	47,387
Non-current liabilities	63,873	66,431
Other financial liabilities	16,941	17,161
Defined benefit liabilities	44,125	46,754
Deferred tax liabilities	326	347
Other non-current liabilities	2,480	2,167
Total liabilities	272,363	249,214
(Equity)		
Equity attributable to owners of the parent company	821,192	715,868
Share capital	26,783	26,783
Capital surplus	49,992	50,070
Retained earnings	705,910	635,916
Treasury stock	-9,771	-10,039
Other components of equity	48,276	13,136
Non-controlling interests	913	817
Total equity	822,105	716,686
Total liabilities and equity	1,094,469	965,901

Consolidated Statements of Income

(Yen in Millions)

	Amount	
	April 1, 2021 – March 31, 2022	April 1, 2020 – March 31, 2021 (Reference)
Revenue	853,448	761,321
Cost of sales	551,059	517,872
Gross profit	302,388	243,449
Selling, general and administrative expenses	129,625	107,722
Research and development expenses	37,271	35,261
Other income	6,707	4,466
Other expenses	9,938	11,122
Operating income	132,260	93,809
Financial income	1,459	559
Financial expenses	1,384	1,073
Equity in profits (losses) of affiliates	42	25
Income before income taxes	132,378	93,320
Income tax expenses	35,143	23,012
Net income	97,234	70,308
Net income attributable to:		
Owners of the parent company	97,132	70,235
Non-controlling interests	102	72

Consolidated Statements of Cash Flows (Reference)

(Yen in Millions)

	Amount	
	April 1, 2021 – March 31, 2022	April 1, 2020 – March 31, 2021
I Cash flows from operating activities		
Income before income taxes	132,378	93,320
Depreciation and amortization	50,211	47,950
Impairment losses	5,986	6,011
Increase (decrease) in defined benefit liabilities	691	1,878
Decrease (increase) in trade and other receivables	-10,118	-21,058
Decrease (increase) in inventories	-14,000	-7,607
Increase (decrease) in trade and other payables	440	9,234
Increase (decrease) in advances received	13,897	3,560
Interest and dividend income	569	587
Interest expenses paid	-535	-617
Income taxes (paid) refunded	-30,445	-24,560
Others	-4,587	7,610
Net cash provided by (used in) operating activities	144,489	116,309
II Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	-58,958	-57,724
Proceeds from sale of property, plant and equipment and intangible assets	881	341
Decrease (increase) in time deposits	-398	769
Purchase of investment securities	-596	-507
Proceeds from sale of investment securities	764	292
Purchase of shares of subsidiaries and affiliates	-269	-880
Others	982	170
Net cash provided by (used in) investing activities	-57,594	-57,538
III Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-315	428
Repayment of lease liabilities	-5,228	-5,199
Decrease (increase) in treasury stock	-0	-33,312
Cash dividends paid	-31,076	-30,188
Others	-18	-25
Net cash provided by (used in) financing activities	-36,639	-68,297
IV Effect of exchange rate changes on cash and cash equivalents	10,901	5,492
V Net increase (decrease) in cash and cash equivalents	61,157	-4,034
VI Cash and cash equivalents at the beginning of the period	300,888	304,922
VII Cash and cash equivalents at the end of the period	362,046	300,888

Consolidated Statements of Changes in Equity

April 1, 2021 – March 31, 2022

(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	50,070	635,916	-10,039	13,136	715,868	817	716,686
Net income			97,132			97,132	102	97,234
Other comprehensive income					39,075	39,075	12	39,088
Total comprehensive income	—	—	97,132	—	39,075	136,207	115	136,323
Share-based payment transactions		-132			3	-128		-128
Dividends			-31,076			-31,076	-20	-31,097
Changes in treasury stock		54		267		322		322
Transfer from other components of equity to retained earnings			3,937		-3,937	—		—
Total transactions with owners	—	-77	-27,138	267	-3,934	-30,883	-20	-30,903
Balance at the end of current year	26,783	49,992	705,910	-9,771	48,276	821,192	913	822,105

Non-Consolidated Financial Statements

Non-Consolidated Balance Sheets

(Yen in Millions)

	Amount	
	As of March 31, 2022	As of March 31, 2021 (Reference)
(Assets)		
Current assets	420,918	372,237
Cash and deposits	233,331	194,650
Notes receivable-trade	2,544	3,716
Accounts receivable-trade	118,400	118,408
Merchandise and finished goods	10,617	7,985
Work in process	22,593	21,841
Raw materials and supplies	17,788	14,031
Short-term loans receivable	279	0
Other	15,914	11,933
Allowance for doubtful accounts	-552	-330
Non-current assets	308,662	309,262
Property, plant and equipment	159,479	159,655
Buildings	71,437	75,265
Structures	4,253	4,504
Machinery and equipment	62,544	57,835
Vehicles	405	417
Tools, furniture and fixtures	5,406	5,321
Land	13,771	13,771
Construction in progress	1,661	2,540
Intangible assets	9,642	10,614
Software	8,862	4,728
Other	779	5,886
Investments and other assets	139,541	138,992
Investments securities	6,564	6,515
Stocks of subsidiaries and affiliates	100,981	101,776
Long-term loans receivable	0	0
Deferred tax assets	22,902	21,377
Prepaid pension cost	7,593	7,572
Other	1,524	1,782
Allowance for doubtful accounts	-26	-32
Total assets	729,581	681,499

Non-Consolidated Balance Sheets

(Yen in Millions)

	Amount	
	As of March 31, 2022	As of March 31, 2021 (Reference)
(Liabilities)		
Current liabilities	204,390	191,710
Accounts payable-trade	61,371	61,236
Short-term loans payable	39,700	45,391
Accounts payable-other	28,055	27,141
Accrued expenses	12,436	10,517
Income taxes payable	10,465	7,093
Deposits received	43,457	33,606
Other	8,902	6,724
Non-current liabilities	37,544	35,628
Provision for retirement benefits	37,188	35,234
Guarantee deposits received	240	217
Other	114	176
Total liabilities	241,934	227,338
(Net assets)		
Shareholders' equity	483,637	451,967
Capital stock	26,783	26,783
Capital surplus	50,482	50,482
Legal capital surplus	50,482	50,482
Retained earnings	416,132	384,730
Legal retained earnings	4,095	4,095
Other retained earnings	412,037	380,635
Reserve for special depreciation	7	16
Reserve for advanced depreciation of non-current assets	2,072	2,148
General reserve	185,000	185,000
Retained earnings brought forward	224,956	193,470
Treasury stock	-9,760	-10,028
Valuation and translation adjustments	3,647	1,699
Valuation difference on available-for-sale securities	1,652	1,699
Deferred gains or losses on hedges	1,994	—
Subscription rights to shares	361	493
Total net assets	487,646	454,160
Total liabilities and net assets	729,581	681,499

Non-Consolidated Statements of Income

(Yen in Millions)

	Amount	
	April 1, 2021 – March 31, 2022	April 1, 2020 – March 31, 2021 (Reference)
Net sales	517,458	481,473
Cost of sales	348,595	339,766
Gross profit	168,862	141,707
Selling, general and administrative expenses	100,994	89,788
Operating income	67,868	51,919
Non-operating income	20,012	19,800
Interest and dividends income	17,039	17,432
Foreign exchange gains	310	
Other	2,662	2,368
Non-operating expenses	1,917	2,196
Interest expenses	178	307
Foreign exchange losses	—	608
Other	1,738	1,280
Ordinary income	85,963	69,522
Extraordinary income	577	51
Gain on sales of non-current assets	23	6
Gain on sales of investment securities	553	45
Extraordinary loss	4,939	6,543
Loss on sales and retirement of non-current assets	1,294	1,543
Loss on devaluation of stocks of subsidiaries and affiliates	80	715
Impairment losses	3,565	4,284
Income before income taxes	81,601	63,031
Income taxes-current	18,156	13,851
Income taxes-deferred	-2,370	-2,676
Net income	65,815	51,855

Non-Consolidated Statements of Changes in Equity

April 1, 2021 – March 31, 2022

(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	16	2,148	185,000	193,470	384,730	-10,028	451,967
Net changes of items during the period												
Dividends from surplus									-31,076	-31,076		-31,076
Reversal of reserve for special depreciation						-8			8	—		—
Reversal of reserve for advanced depreciation of non-current assets							-75		75	—		—
Net income									65,815	65,815		65,815
Acquisition of treasury stock											-0	-0
Disposal of treasury stock			54	54							268	322
Decrease by corporate division			-3,390	-3,390								-3,390
Transfer to capital surplus from retained earnings			3,336	3,336					-3,336	-3,336		—
Net change of items other than shareholders' equity during the period												
Total changes of items during the period	—	—	—	—	—	-8	-75	—	31,486	31,401	267	31,669
Balance at the end of current year	26,783	50,482	—	50,482	4,095	7	2,072	185,000	224,956	416,132	-9,760	483,637

	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	1,699	—	1,699	493	454,160
Net changes of items during the period					
Dividends from surplus					-31,076
Reversal of reserve for special depreciation					—
Reversal of reserve for advanced depreciation of non-current assets					—
Net income					65,815
Acquisition of treasury stock					-0
Disposal of treasury stock				-132	190
Decrease by corporate division					-3,390
Transfer to capital surplus from retained earnings					—
Net change of items other than shareholders' equity during the period	-46	1,994	1,948		1,948
Total changes of items during the period	-46	1,994	1,948	-132	33,485
Balance at the end of current year	1,652	1,994	3,647	361	487,646

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: 90

Major subsidiaries: Nissho Corporation, Nitto EMEA NV, Nitto, Inc., Nitto Denko Vecia Inc., 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: 0

Decrease: 0

(3) Fiscal year of consolidated subsidiaries

Number of subsidiaries that close books on the same date as the Company: 69

Number of subsidiaries that do not close books on the same date as the Company: 21

For the above 21 subsidiaries, provisional settlement of accounts as of March 31, 2021 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.

<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 Nitto 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 Life Science. 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 Life Science 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 158th term.

(1) Evaluation of collectability of property, plant and equipment

- <1> Amount posted on consolidated financial statements for the fiscal year under review: property, plant and equipment 286,949 million yen
- <2> Information that would be useful to the understanding of accounting estimates
Please refer to “Other expenses” in “4. Notes to the consolidated statements of income.”

(2) Evaluation of collectability of goodwill and intangible assets

- <1> Amount posted on consolidated financial statements for the fiscal year under review: goodwill 4,809 million yen; intangible assets 13,707 million yen
- <2> Information that would be useful to the understanding of accounting estimates
Please refer to “Other expenses” in “4. Notes to the consolidated statements of income.”

(3) Evaluation of collectability of deferred tax assets

- <1> Amount posted on consolidated financial statements for the fiscal year under review: deferred tax assets 24,131 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.

(4) Calculation of defined benefit liabilities

- <1> Amount posted on consolidated financial statements for the fiscal year under review: prepaid pension cost (Note) 9,905 million yen; defined benefit liabilities 44,125 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)	714,250 million yen
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4. Notes to the consolidated statements of income

Other expenses

“Other expenses” include impairment losses of 5,986 million yen.

A rough breakdown of impairment losses is as follows:

Impairment losses are recorded for property, plant and equipment and intangible assets, etc. of certain cash-generating units in Japan and the Americas in the polymer separation membrane business, which belongs to the Others segment. This is due to the fact that the carrying amount of the polymer separation membrane business might not be recoverable as a result of aggressive structural reforms—including a review of the product portfolio—to focus on the decarbonization market, where growth is expected. Recoverable amount is measured by value in use based on the discounted cash flow method adopting the discount rate of 8.8% in Japan and 11.0% in the Americas.

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 18, 2021	Common stock	14,796	100	March 31, 2021	June 21, 2021
Board of Directors meeting held on October 26, 2021	Common stock	16,280	110	September 30, 2021	November 26, 2021
Total	—	31,076	—	—	—

- 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 17, 2022.

Total dividends 16,281 million yen

Dividend per share 110 yen

Record date March 31, 2022

Effective date June 20, 2022

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 59,200 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	1,792,681	97	48,000	1,744,778

(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 18, 2021

23,700 shares

Decrease due to issuance of treasury stock upon exercising stock option

24,300 shares

6. 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, Life Science, 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	—	—	3,069	3,069
Derivative	—	2,931	—	2,931
Financial assets measured at fair value through other comprehensive income				
Investments in capital instruments	3,231	—	225	3,457
Total Financial assets	3,231	2,931	3,294	9,457
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative	—	-1,065	—	-1,065
Total financial liabilities	—	-1,065	—	-1,065

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

7. Notes to Revenue Recognition

The Group's main businesses are Industrial Tape, Optronics, and Life Science. 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 Life Science 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	116,390	30,674	38,024	142,528	327,617
	Information fine materials	28,811	—	—	330,004	358,815
Optronics	Flexible printed circuits	40,552	—	—	52,964	93,516
	Total	69,363	—	—	382,968	452,332
Life Science	Medical products	6,472	41,227	—	—	47,699
Other	Membrane products, other products	2,210	11,432	4,103	6,847	24,594
Adjustment		1,204	—	—	—	1,204
	Total	195,642	83,334	42,127	532,344	853,448

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	181,894	203,111
Contract assets	1,045	2,973
Contract liabilities	9,213	24,138

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 Life Science 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 3,984 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 was 6,300 million yen. 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.

8. Notes on information per share

Equity attributable to owners of the parent company per share	5,548.09 yen
Basic earnings per share	656.31 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.

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 Life Science. 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 entity 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 Changes in Accounting Policies

(Application of Accounting Standard for Revenue Recognition)

Beginning with the fiscal year under review, the Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). The Company has decided to recognize revenue at the time control of the promised goods or services is transferred to the customer, at the amount expected to be received in exchange for such goods or services.

The impact of this change in accounting policy is not significant.

(Application of Accounting Standard for Fair Value Calculation)

Beginning with the fiscal year under review, the Company has applied the Accounting Standard for Fair Value Calculation (ASBJ Statement No. 30, July 4, 2019). In accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Calculation and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policy prescribed by the Accounting Standard for Fair Value Calculation is applied prospectively.

This change has no impact on the financial statements.

3. 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

<1> Amount posted on non-consolidated financial statements for the fiscal year under review: property, plant and equipment 159,479 million yen; intangible assets 9,642 million yen

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

Please refer to “(2) Extraordinary loss” in “5. Notes to the non-consolidated statements of income.”

(2) Evaluation of collectability of deferred tax assets

Amount posted on non-consolidated financial statements for the fiscal year under review: deferred tax assets 22,902 million yen

(3) Calculation of provision for retirement benefits

<1> Amount posted on non-consolidated financial statements for the fiscal year under review: prepaid pension cost 7,593 million yen; provision for retirement benefits 37,188 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.”

4. Notes to the non-consolidated balance sheets

(1) Accumulated depreciation of property, plant and equipment	448,279 million yen
(2) Short-term receivables from affiliates	93,048 million yen
Short-term payables to affiliates	93,133 million yen

5. Notes to the non-consolidated statements of income

(1) Transactions with subsidiaries and affiliates

Sales to subsidiaries and affiliates	400,647 million yen
Purchases from subsidiaries and affiliates	37,599 million yen
Transactions other than business deals with subsidiaries and affiliates	23,476 million yen

(2) Extraordinary loss

Extraordinary loss includes impairment losses of 3,565 million yen.

A rough breakdown of impairment losses is as follows:

Impairment losses were recorded for property, plant and equipment and intangible assets of a specific asset group in Japan in the polymer separation membrane business, which belongs to the Others segment. This is due to the fact that the carrying amount of the polymer separation membrane business might not be recoverable as a result of aggressive structural reforms—including a review of the product portfolio—to focus on the decarbonization market, where growth is expected. Recoverable amount is measured by value in use based on discounted cash flow method adopting the discount rate of 8.8%.

6. 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	1,792,681	97	48,000	1,744,778

(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 18, 2021	23,700 shares
Decrease due to issuance of treasury stock upon exercising stock option	24,300 shares

7. **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.

8. **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 Note 7 "Revenue Recognition" in the Notes to Consolidated Financial Statements.

9. **Notes on information per share**

Net assets per share	3,292.16 yen
Net income per share	444.71 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.