

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 31, 2024

**NOTICE OF
THE 159TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

We would like to hereby inform you that the 159th Ordinary General Meeting of Shareholders of Nitto Denko Corporation (hereinafter “the Company”) will be held as indicated below.

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

Sincerely,

Hideo Takasaki, President

Nitto Denko Corporation

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

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

Date/time: Friday, June 21, 2024 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 159th term (from April 1, 2023 to March 31, 2024)
2. Auditing results of Consolidated Financial Statements by Accounting Auditors and the Board of Corporate Auditors

Items to be resolved:

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

Internet Disclosure

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

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

- In the event of any revision to the Reference Materials for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements, or the Non-Consolidated Financial Statements, it will be posted on the websites below.
- No printed documents of the electronic provision of materials will be delivered on the day of the General Meeting of Shareholders. Shareholders who wish to view the materials of the General Meeting of Shareholders at the venue of the General Meeting of Shareholders are requested to attend the meeting with a smartphone, tablet or other device that can access the Internet.

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

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

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

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

Webcast and Questions in advance

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

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

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

From survey respondents, 200 winners will be selected in a drawing to receive a KYOTO COFFEE Travel Tumbler.

(Shipping is scheduled for late July. Furthermore, product colors cannot be chosen. KYOTO COFFEE is Nitto Group's registered trademark.)

How to Exercise Voting Rights

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

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

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

Exercising your voting rights

For prior exercise

Internet voting

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

Deadline for voting: Thursday, June 20, 2024 at 5:00 PM (JST)

Mailing the Voting Rights Exercise Form

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

Deadline for mail arrival: Thursday, June 20, 2024 at 5:00 PM (JST)

For attendance at the meeting on the day

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

Meeting date/time: Friday, June 21, 2024 from 10:00 AM (JST)

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

How to Fill in the Voting Rights Exercise Form

Please indicate your approval or disapproval of the following items.

Item 1

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

Items 2 and 3

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

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

How to Exercise Voting Rights via the Internet

- Entering log-in ID and provisional password

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

*The site will be unavailable between the hours of 2:30 AM and 4:30 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. Follow the onscreen instructions to indicate your approval/disapproval.

- How to scan a QR code

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

1. Use your electronic device to scan the QR code on the right-hand side of the Voting Rights Exercise Form.
- ※“QR code” is a registered trademark of Denso Wave Incorporated.
2. Follow the onscreen instructions to indicate your approval/disapproval.

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

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

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

Tel: 0120-173-027 (toll free)

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

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

Webcast and Questions in advance

If you are posting the Voting Rights Exercise Form, please keep the cut-out duplicate ballots with you.

*The login ID, password, and other information needed for the process are listed on the duplicate ballot.

Webcast

We will webcast the General Meeting of Shareholders via Engagement Portal, our dedicated shareholder site, 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 21, 2024, 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 via Engagement Portal, our dedicated shareholder site. 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.

Period for accepting questions in advance: From the arrival of this convocation until 5:00 p.m. on Tuesday, June 11, 2024

*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/en/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.

Website for Webcast and Questions in advance

Dedicated Shareholder Site

“Engagement Portal”

<https://engagement-portal.tr.mufg.jp/>

Please enter the above URL directly on your smartphone or scan the QR code to access the site.

Please scan the QR code on the back of the Voting Rights Exercise Form with a smartphone or other device, or access the URL above and enter your login ID and password.

For inquiries, please contact;

1 How to log in to the Engagement Portal

Engagement Portal Support Hotline, Mitsubishi UFJ Trust and Banking Corporation, 0120-676-808

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

*From 9:00 a.m. to the end of the General Meeting of Shareholders on the day of the General Meeting of Shareholders

2 Webcast on the day (viewing errors, etc.)

Call center, V-cube, Inc. 03-4335-8073

Hours: From 9:00 a.m. to the end of the General Meeting of Shareholders on the day of the General Meeting of Shareholders

Smart Convocation

The main contents of this convocation can be viewed on smartphones and PCs.

We have introduced a service that makes it easier to view the main content of this convocation on smartphones and other devices. Please access to the following URL or QR code to view the information. “QR code” is a registered trademark of Denso Wave Incorporated.

<https://p.sokai.jp/6988/>

1 Notice of convocation can be viewed anytime, anywhere.

You can access the convocation notice from your smartphone or other devices.

2 Exercising Voting Rights via the Internet becomes more accessible.

Direct access to the Internet voting website makes exercising voting rights via the Internet more accessible.

3 Multidevice support

Depending on the shareholder's web browsing environment, the information can be viewed from a smartphone, tablet, or PC.

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 159th term are as described below. Since we have paid interim dividends of 130 yen per share, the amount of annual dividend per share will be 260 yen.

Matters concerning year-end dividends

- (1) Type of dividend property
Cash
- (2) Matters concerning distribution of dividend property and its total amount
130 yen per share of our common stock: 18,388,170,190 yen in total
- (3) Effective date of distribution of dividends
June 24, 2024

(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
FY2019 (155th term)	200	66.4
FY2020 (156th term)	200	42.3
FY2021 (157th term)	220	33.5
FY2022 (158th term)	240	32.5
FY2023 (159th term)	260	36.1

*FY2023 includes acquisition of treasury shares, resulting in a total payout ratio of 81.9%.

Item 2: Election of ten Directors

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

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

The following are the candidates for Director.

Candidate number	Name	Gender	Length of service (as of the close of this Ordinary General Meeting of Shareholders)	Attendance at Board meetings	Current position and areas of responsibility in the Company		
1	Hideo Takasaki	Male	16 years	100% 12 out of 12	Representative Director, President-Director CEO, COO		Reelection
2	Yosuke Miki	Male	7 years	100% 12 out of 12	Director, Senior Executive Vice President CTO General Manager of Corporate Technology Sector	In charge of corporate technology	Reelection
3	Yasuhiro Iseyama	Male	4 years	100% 12 out of 12	Director, Senior Executive Vice President CFO General Manager of Corporate Accounting & Finance Division General Manager of Export Control Center	In charge of accounting & finance, IR, export control, and internal audit	Reelection
4	Yasuhito Ohwaki	Male	1 year	100% 12 out of 12	Director, Senior Executive Vice President General Manager of Human Resources Management Division	In charge of Human Resources, Education, DE&I Promotion, and Japan Plant Management	Reelection
5	Tatsuya Akagi	Male	—	—	Senior Vice President General Manager of Information Fine Materials Sector	Information fine materials	New election
6	Yoichiro Furuse	Male	17 years	100% 12 out of 12	Part-time Director		Reelection
7	Wong Lai Yong	Female	4 years	100% 12 out of 12	Outside Director		Reelection Outside Independent
8	Michitaka Sawada	Male	3 years	100% 12 out of 12	Outside Director		Reelection Outside Independent

9	Yasuhiro Yamada	Male	2 years	100% 12 out of 12	Outside Director		Reelection Outside Independent
10	Mariko Eto	Female	1 year	100% 10 out of 10	Outside Director		Reelection Outside Independent

Reelection: Candidate for reelected Director

New election: Candidate for newly elected Director

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

Outside: Outside Director or Candidate for Outside Director

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

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

Candidate number

1

Hideo Takasaki

(Date of birth: August 11, 1953)

Number of Company shares owned: 52,700

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, COO (present)

■ Reason for nomination as a candidate for Director

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

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

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

Number of Company shares owned: 10,400

Conflicts of interest between the Company and candidate: None

Important positions concurrently held outside of the Company: 0

Brief Profile

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

■ Reason for nomination as a candidate for Director

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

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

Candidate number

3

Yasuhiro Iseyama

(Date of birth: April 19, 1962)

Number of Company shares owned: 8,600

Conflicts of interest between the Company and candidate: None

Important positions concurrently held outside of the Company: 0

Brief Profile

June 1991	Joined Nitto Denko Corporation
June 2017	Vice President, General Manager of Corporate Accounting & Finance Division
June 2020	Director, Senior Vice President, CFO
June 2021	Director, Executive Vice President, CFO
June 2023	Director, Senior 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: 11,600

Conflicts of interest between the Company and candidate: None

Important positions concurrently held outside of the Company: 0

Brief Profile

April 1984	Joined Nitto Denko Corporation
June 2006	General Manager of Printed Circuits Department, Industrial Business Division
April 2010	General Manager of Planning & Management Department, Information and Communication Technology Division
April 2011	General Manager of Planning & Management Division, Tape Products Sector and General Manager of Planning & Management Department, Industrial Products Division
April 2012	General Manager of Strategy Management Division, Functional Base Products Sector
June 2012	Vice President, General Manager of Functional Base Products Sector
October 2013	Vice President, General Manager of Automotive Products Sector
April 2015	Vice President, General Manager of Quality, Environment & Safety Management Sector
April 2017	Vice President, Director of Nitto Denko India Private Limited
June 2017	Senior Vice President
October 2018	Senior Vice President, CPO
October 2019	Senior Vice President, CIO, CPO
June 2020	Executive Vice President, CIO, General Manager of Corporate Sustainability Division
June 2021	Senior Executive Vice President
April 2022	Senior Executive Vice President, General Manager of Human Resources Management Division
June 2023	Director, Senior Executive Vice President, General Manager of Human Resources Management Division (present)

■ Reason for nomination as a candidate for Director

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

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

Candidate number

5

Tatsuya Akagi

(Date of birth: November 19, 1970)

Number of Company shares owned: 4,100

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
May 2010	Director, Taiwan Nitto Optical Co., Ltd.
April 2015	General Manager of Sales Management Division, Information Fine Materials Unit, Information Fine Materials Sector
April 2016	General Manager of Business Management Division, Information Fine Materials Unit, Information Fine Materials Sector
April 2017	Deputy General Manager of Information Fine Materials Sector
June 2019	Vice President, General Manager of Information Fine Materials Sector
June 2022	Senior Vice President, General Manager of Information Fine Materials Sector (present)

■ Reason for nomination as a candidate for Director

Mr. Tatsuya Akagi has assumed key positions in information fine materials, the focus of the Nitto Group, over a long time. In his current position as General Manager of Information Fine Materials Sector, 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. Akagi has been newly nominated as a candidate for Director.

Number of Company shares owned: 2,000

Conflicts of interest between the Company and candidate: None

Important positions concurrently held outside of the Company: 2

Brief Profile

April 1964	Joined Sumitomo Bank, Ltd.
June 1989	Director, Sumitomo Bank, Ltd.
October 1993	Executive Director, Sumitomo Bank, Ltd. (retired in June 1996)
June 1996	Senior Managing Director, Mazda Motor Corporation (retired in June 2000)
June 2001	Director, Sanyo Electric Co., Ltd.
June 2002	Representative Director and Vice President, Sanyo Electric Co., Ltd. (retired in October 2005)
January 2006	Representative Director, Evanston Corporation (present)
June 2007	Outside Director, Nitto Denko Corporation
September 2010	Non-Executive & Independent Director, Global Logistic Properties Limited (retired in December 2017)
July 2015	Chairman of Japan, Permira Advisers KK (retired in December 2020)
October 2015	Director, Sushiro Global Holdings Ltd. (retired in December 2016)
March 2016	Outside Director, Nasta Co., Ltd. (present)
January 2018	Consultant of GLP Pte. Ltd. (present)
January 2021	Consultant of Japan, Permira Advisers KK (retired in December 2022)
June 2023	Part-time Director, Nitto Denko Corporation (present)

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

■ Reason for nomination as a candidate for Director

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

Based on these experiences and insights, Mr. Furuse has been nominated as a candidate for Director in order to have him continue to participate in management.

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 (retired in September 2023)
October 2019 Adjunct Associate Professor, Graduate School of Leadership & Innovation, Shizenkan University (present)
June 2020 Outside Director, Nitto Denko Corporation (present)
November 2022 Outside Director, Farmnote Holdings, Inc. (present)

Important concurrent position held at First Penguin Sdn. Bhd.

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

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

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

■ Matters concerning independence

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

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

Number of Company shares owned: 0

Conflicts of interest between the Company and candidate: None

Important positions concurrently held outside of the Company: 3

Brief Profile

April 1981	Joined Kao Soap Co., Ltd.
June 2008	Director, Executive Officer, Kao Corporation
June 2012	Representative Director, President and CEO, Kao Corporation
June 2020	Outside Director, Panasonic Corporation (present)
January 2021	Director and Chair of the Board of Directors, Kao Corporation
June 2021	Outside Director, Nitto Denko Corporation (present)
June 2022	Outside Director, Komatsu Ltd. (present)
March 2024	Special Advisor, Kao Corporation (present)

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

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

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

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

■ Matters concerning independence

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

Mr. Sawada also previously served as an important executing person of Kao Corporation, 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: 1

Brief Profile

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

Important concurrent position held at SUSMED, Inc.

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

Mr. Yasuhiro Yamada participated in all the Board of Directors meetings (12 times) held during the fiscal year and provided useful opinions based on his diverse experience and achievements as an expert in financial economy.

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

■ Matters concerning independence

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

Mr. Yamada also previously served as an important executing person of the Bank of Japan, with which the Company does not engage in transactions.

Number of Company shares owned: 0

Conflicts of interest between the Company and candidate: None

Important positions concurrently held outside of the Company: 3

Brief Profile

April 1994	Joined MITSUI & CO., LTD.
October 2003	Registered with Daini Tokyo Bar Association
April 2015	Joined TMI Associates
January 2017	Partner of TMI Associates (present)
March 2019	Outside Corporate Auditor, OTSUKA KAGU, LTD. (retired in August 2021)
June 2020	Outside Corporate Auditor, Starzen Co., Ltd. (retired in June 2022)
June 2022	Outside Director, Starzen Co., Ltd. (present)
June 2023	Outside Director, Nitto Denko Corporation (present)
March 2024	Outside Director, ASICS Corporation (present)

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

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

Ms. Mariko Eto participated in all the Board of Directors meetings (10 times) held during the fiscal year and provided useful opinions based on her diverse experience and achievements as an expert in corporate legal affairs and labor issues.

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. Eto has again been nominated as a candidate for Outside Director this year. Upon her reappointment as Outside Director, she will also continue working as a member of the Management, Nomination and Remuneration Advisory Committee.

■ Matters concerning independence

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

Furthermore, she is currently a partner of TMI Associates. Although the Company may receive advice on individual matters based on the expertise of TMI Associates, she is not in charge of the Company and the annual amount is less than 0.001% of Nitto’s consolidated revenue. The Company has not entered into a consultant agreement with TMI Associates. Thus, the Company’s relationship with TMI Associates does not affect her independence.

[Notes on the Candidate for Director]

■ Summary of liability limitation agreement

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

Therefore, Nitto intends to continue this agreement with each of Ms. Wong Lai Yong, Mr. Michitaka Sawada, Mr. Yasuhiro Yamada and Ms. Mariko Eto when they are reappointed as Outside Directors.

■ 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.

■ Other

During Ms. Wong Lai Yong, Mr. Michitaka Sawada, Mr. Yasuhiro Yamada, and Ms. Mariko Eto's tenure as Outside Directors of the Company, the Company disclosed that there was an inappropriate practice in the testing method for the Company's membrane module products used for water supply to be certified by the Association of Membrane Separation Technology, Japan. Although they were not aware of such facts, they routinely make proposals from the viewpoint of legal compliance at meetings such as the Board of Directors meetings, and after such facts were discovered, they have fulfilled their responsibilities by conducting thorough investigations and calling for further reinforcement of the system to prevent recurrence.

During Ms. Eto's tenure as an Outside Director of Starzen Co., Ltd., the company disclosed that there had been inappropriate transactions, including fictitious circular transactions by its employees. Although she was not aware of such facts, she routinely makes proposals from the viewpoint of legal compliance at meetings such as the Board of Directors meetings, and after such facts were discovered, she has fulfilled her responsibilities by conducting investigations and calling for further reinforcement of the system to prevent recurrence.

Item 3: Election of two Corporate Auditors

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

We hereby propose the appointment of two Corporate Auditors.

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

Candidate number	Name	Gender	Length of service (as of the close of this Ordinary General Meeting of Shareholders)	Attendance at Board meetings	Attendance at Board of Corporate Auditors meetings	Current position and areas of responsibility in the Company		
*	Shin Tokuyasu	Male	5 years	100% 12 out of 12	100% 14 out of 14	Corporate Auditor (full-time service)		
*	Toshihiko Takayanagi	Male	1 year	100% 10 out of 10	100% 11 out of 11	Corporate Auditor (full-time service)		
*	Yasuko Kobashikawa	Female	1 year	100% 10 out of 10	100% 11 out of 11	Outside Corporate Auditor		Outside Independent
1	Kiyoshi Sono	Male	—	—	—	—		New election Outside Independent
2	Tsuyoki Hattori	Male	—	—	—	—		New election Outside Independent

Reelection: Candidate for reelected Corporate Auditor

New election: Candidate for newly elected Corporate Auditor

Outside: Outside Corporate Auditor or candidate for Outside Corporate Auditor

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

*The term of office of the Company's Corporate Auditors is four years, and Mr. Shin Tokuyasu, Mr. Toshihiko Takayanagi and Ms. Yasuko Kobashikawa were each appointed and assumed office at the 158th Ordinary General Meeting of Shareholders held in June 2023.

Number of Company shares owned: 0

Conflicts of interest between the Company and candidate: None

Important positions concurrently held outside of the Company: 3

Brief Profile

April 1976	Joined The Sanwa Bank, Ltd.
May 2014	Director & Deputy Chairman, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
June 2015	Chairman, Mitsubishi UFJ Financial Group, Inc.
May 2017	Vice Chair, Kansai Economic Federation (present)
June 2017	Outside Director, Nankai Electric Railway Co., Ltd. (present)
April 2019	Chairman/CAO, MUFG Bank, Ltd.
June 2019	Managing Executive Officer, Mitsubishi UFJ Financial Group, Inc. (retired in April 2021)
June 2019	Outside Director, Mitsubishi Motors Corporation (retired in June 2022)
April 2021	Special Advisor, MUFG Bank, Ltd. (present)
May 2021	Outside Director, Yomiuri Telecasting Corporation (present)
June 2022	Outside Corporate Auditor, Sompo Japan Insurance Inc.
April 2024	Outside Director, Sompo Japan Insurance Inc. (Audit and Supervisory Board Member) (Present)

Important concurrent positions held at Nankai Electric Railway Co., Ltd., Sompo Japan Insurance Inc., and Kansai Economic Federation

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

In expectation of Mr. Kiyoshi Sono to provide opinions based on his extensive expertise and diverse experience related to the finance and financial fields, he has been nominated as a candidate for Outside Corporate Auditor.

He has considerable knowledge of finance and accounting matters.

Upon his appointment as Outside Corporate Auditor, 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 29 for the content of these criteria) and selects candidates for Outside Corporate Auditors based on the said criteria. The Company designated Mr. Sono as an Independent Auditor as stipulated by Tokyo Stock Exchange and reported such designation to the Exchange.

Mr. Sono also previously served as an important executing person of Mitsubishi UFJ Financial Group, 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: 0

Brief Profile

April 1979	Joined Tokio Marine Fire Insurance Co., Ltd.
May 2012	Outside Director, Matsuya Co., Ltd. (retired in May 2017)
June 2013	Managing Director, Tokio Marine & Nichido Fire Insurance Co., Ltd
April 2015	Senior Managing Executive Officer, Tokio Marine & Nichido Fire Insurance Co., Ltd. (retired March 2017)
June 2017	Representative Director & President, Nippon Automated Cargo And Port Consolidated System (NACCS) Inc. (retired in June 2021)

Important concurrent positions: None

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

In expectation of Mr. Tsuyoki Hattori to provide opinions based on his extensive expertise and diverse experience related to risk management, cultivated through key positions in a non-life insurance company, he has been nominated as a candidate for Outside Corporate Auditor.

Upon his appointment as Outside Corporate Auditor, 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 29 for the content of these criteria) and selects candidates for Outside Corporate Auditors based on the said criteria. The Company designated Mr. Hattori as an Independent Auditor as stipulated by Tokyo Stock Exchange and reported such designation to the Exchange.

Mr. Hattori also previously served as an important executing person of Tokio Marine & Nichido Fire Insurance Co., Ltd. Although the Company has various non-life insurance contracts with Tokio Marine & Nichido Fire Insurance Co., Ltd, the annual amount is less than 0.005% of Nitto’s consolidated revenue. Thus, the Company’s relationship with Tokio Marine & Nichido Fire Insurance Co., Ltd. does not affect his independence.

[Notes on the Candidate for Corporate Auditor]

■ Summary of liability limitation agreement

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

Therefore, Nitto will enter into the same liability limitation agreement with Mr. Kiyoshi Sono and Mr. Tsuyoki Hattori upon their election as Outside Corporate Auditor.

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

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

■ Other

During Mr. Kiyoshi Sono's tenure as an Outside Corporate Auditor of Sompo Japan Insurance Inc., Sompo Japan Insurance Inc. disclosed that it received an administrative action (business improvement order) from the Financial Services Agency for premium adjustment of insurance policies and for fraudulent automobile insurance claims by BIGMOTOR Co., Ltd. and two affiliated companies. Although he was not aware of such facts, he routinely makes proposals from the viewpoint of legal compliance at meetings such as the Board of Directors meetings, and after such facts were discovered, he has fulfilled his responsibilities by conducting investigations and calling for further reinforcement of the system to prevent recurrence.

During Mr. Kiyoshi Sono's tenure as an Outside Director of Yomiuri Telecasting Corporation, Yomiuri Telecasting Corporation disclosed that it had received administrative guidance from the Kinki Bureau of Telecommunications for violating the principle of excluding multiple ownership of the media. Although he was not aware of such facts, he routinely makes proposals from the viewpoint of legal compliance at meetings such as the Board of Directors meetings, and after such facts were discovered, he has fulfilled his responsibilities by conducting investigations and calling for further reinforcement of the system to prevent recurrence.

(Reference) Nomination of Directors and Corporate Auditors

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

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

[Appointment of Directors and Corporate Auditors]

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

Officer Appointment Standards

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

Five skills identified by the Company

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

Skills of Nitto's (prospective) Directors and Corporate Auditors following the 159th Ordinary General Meeting of Shareholders

Name	Title	Gender	Length of service	Leadership	Technology	Finance	Governance	Sustainability
Hideo Takasaki	Representative Director	Male	16	●				
Yosuke Miki	Director	Male	7	●	●			
Yasuhiro Iseyama	Director	Male	4			●	●	
Yasuhito Ohwaki	Director	Male	1	●			●	●
Tatsuya Akagi	Director	Male	—	●				
Yoichiro Furuse	Director	Male	17	●		●	●	
Wong Lai Yong	Outside Director	Female	4				●	●
Michitaka Sawada	Outside Director	Male	3	●	●			●
Yasuhiro Yamada	Outside Director	Male	2		●	●	●	
Mariko Eto	Outside Director	Female	1				●	●
Shin Tokuyasu	Corporate Auditor (full-time service)	Male	5			●		●
Toshihiko Takayanagi	Corporate Auditor (full-time service)	Male	1	●			●	
Yasuko Kobashikawa	Outside Auditor	Female	1			●	●	
Kiyoshi Sono	Outside Auditor	Male	—	●		●	●	
Tsuyoki Hattori	Outside Auditor	Male	—				●	●

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

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

[Nomination of Outside Directors and Outside Corporate Auditors]

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

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

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

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

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

<Criteria for “Important Concurrent Positions”>

Concurrent positions are deemed “important” if:

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

Business Report for the 159th Fiscal Term

For the 2023 fiscal year (April 1, 2023 to March 31, 2024)

1. Performance

(1) Highlights*¹

Item	FY2019	FY2020	FY2021	FY2022	FY2023 (Fiscal Year Ended March 31, 2024)
Revenue (100 million yen)	7,410	7,613	8,534	9,290	9,151
Operating profit (100 million yen)	697	938	1,322	1,471	1,391
Operating profit to revenue (%)	9.4	12.3	15.5	15.8	15.2
Net profit attributable to owners of the parent company (100 million yen)	471	702	971	1,091	1,026
Dividend payout ratio (%)	66.4	42.3	33.5	32.5	36.1* ²
ROE (Return on equity attributable to owners of the parent company) (%)	6.8	10.0	12.6	12.7	10.9
ROA (Ratio of profit attributable to owners of the parent company to total assets) (%)	5.1	7.4	9.4	9.7	8.5
Capital investment (100 million yen)	589	505	564	507	834
Research and development (R&D) costs (100 million yen)	337	352	372	401	434
R&D Sales ratio (%)	4.6	4.6	4.4	4.3	4.8
Gender ratio of employees (%)	Men: 61 Women: 39	Men: 61 Women: 39	Men: 61 Women: 39	Men: 62 Women: 38	Men: 63 Women: 37
Female leaders ratio* ³ (%)	—	—	—	19	20
Number of critical occupational accidents* ^{4/5}	1	1	2	0	0
Number of serious occupational accidents* ^{4/5}	6	4	4	8	7
CO ₂ Emissions (Scope 1+2) (kton)	759	685	649	571	—* ⁶
Total Waste etc., disposed (kton)	123	129	144	145	—* ⁶

Notes:

1. The Nitto Group prepares its consolidated financial statements based on the International Financial Reporting Standards (IFRS).
2. FY2023 result is calculated based on a tentative dividend amount whose payment is subject to approval of Item 1 as proposed for the 159th Ordinary General Meeting of Shareholders.
3. “Female leaders ratio” is calculated as one of the future-financial targets newly introduced with the establishment of the Mid-Term Management Plan released in May 2023.
4. Critical occupational accidents: Accidents resulting in death or permanent disability. Serious occupational accidents: Accidents that could develop into critical occupational accidents.
5. The number of cases covers all critical occupational accidents and serious occupational accidents that occurred on the premises and makes no distinction based on the attributes of the affected persons.
6. FY2023 results are being compiled and will be disclosed on the Company’s website and in the Integrated Report.

(2) Operating progress and results

The economic environment in fiscal 2023 (April 1, 2023 to March 31, 2024) saw ongoing monetary tightening associated with inflation, war between Russia and Ukraine, and heightened geopolitical risks as a result of conflict in the Middle East. As such, although to varying degrees depending on the region, the global economy slowed down. While some benefits of raising interest rates were observed in the United States, persistent inflation remained, including high service prices against a backdrop of labor shortages. As a result, the Federal Reserve Board (FRB) kept interest rates unchanged for the fifth consecutive meeting. In China, private consumption remained weak due to the prolonged real estate downturn. In addition, import/export restrictions and revised supply chains stemming from trade frictions between the United States and China led to declining investment in China, which is weighing down on economic recovery. Japan saw moderate economic recovery, with strong performance in inbound tourism demand and corporate capital investment. In the foreign exchange market, even after the Bank of Japan lifted its negative interest rate policy, there remained a divergence in the interest rate differential between Japan and the U.S., and the yen continued to weaken.

Under these circumstances, demand for optical films, transparent adhesive sheets, and process protection films for high-end smartphones increased in the Group's main markets. In addition, demand for optical films for in-vehicle displays and, as a new market, for virtual reality (VR) increased. In automotive products, the impact of semiconductor shortages eased, and demand recovered. Demand for products used in the production of semiconductors and electronic devices recovered moderately as inventory adjustments ran their course. Meanwhile, demand for optical films for high-end notebook PCs and tablet devices and products for data centers fell in wake of deteriorating market conditions. In addition, revenue for immunologic adjuvants (nucleic acid immunostimulants) for COVID-19 vaccines is not recorded in fiscal 2023.

As a result of the above, revenue decreased by 1.5% from the same period of the previous year (changes hereafter are given in comparison with the same period of the previous year) to 915,139 million yen. Operating profit decreased by 5.5% to 139,132 million yen, profit before income taxes decreased by 5.4% to 138,910 million yen, net profit decreased by 6.0% to 102,755 million yen, and net profit attributable to owners of the parent company decreased by 5.9% to 102,679 million yen. The yen's exchange rate against the U.S. dollar for the fiscal year ended March 31, 2024, was 143.9 yen to the dollar, a 6.8% depreciation of the yen compared with the same period of the previous year, and the effect of the weaker yen increased operating profit by 24 billion yen.

(3) Summary of operations by segment

[Industrial Tape] Composition of revenue: 37.2%

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

For Functional Base Products, revenue increased from the previous fiscal year. Demand increased for assembly materials for high-end smartphones following the launch of new products. Furthermore, demand increased for automotive products due to the recovery of automobile production mainly in Japan and Europe, aside from the NVH (Noise, Vibration, Harshness) business transferred in the first quarter. Demand for process materials used in the manufacture of semiconductor memories and ceramic capacitors bottomed out in the fourth quarter of the previous fiscal year and began a gradual recovery. As a result of the above, revenue increased by 2.7% to 352,158 million yen and operating profit increased by 44.3% to 39,281 million yen.

[Optronics] Composition of revenue: 49.6%

Main products or businesses: Information Fine Materials (optical film, etc.), Circuit Materials (CIS [Circuit Integrated Suspension], high precision circuits, etc.)

In Information Fine Materials, revenue did not reach the level of the previous fiscal year. Demand for high-end notebook PCs and tablet devices from people staying at home has run its course, and demand for optical film and transparent conductive film fell. Meanwhile, for high-end smartphones, demand for transparent adhesive sheets and process protection films as well as optical films remained strong. In addition, mass production of optical films for VR has started on a new production line.

For Circuit Materials, revenue did not reach the level of the previous fiscal year. For CIS (Circuit Integrated Suspension) demand for high-capacity HDD (Hard Disk Drives) for data centers decreased, and cost containment was promoted through utilization adjustments and other measures. There were more models equipped with high precision circuits for high-end smartphones than the previous fiscal year.

As a result of the above, revenue decreased by 2.6% to 469,909 million yen and operating profit decreased by 2.7% to 123,971 million yen.

[Human Life] Composition of revenue: 13.2%

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

In Life Science, revenue did not reach the level of the previous fiscal year. In the oligonucleotide contract manufacturing business, demand for immunologic adjuvants declined as COVID-19 subsided. Meanwhile, commercialization of products for major diseases is expected on the nucleic acid drugs market. Prototype production has begun at a newly established plant at our Massachusetts base in the U.S. as a response to future demand growth. Nucleic acid drug discovery received notification in the second quarter from Bristol-Myers Squibb Company that it would not exercise its option right for an additional in-license following the results of a Phase II clinical trial for an idiopathic pulmonary fibrosis treatment. We also received notification from Bristol-Myers Squibb Company that it will discontinue the Phase II clinical trial for the treatment of non-alcoholic steatohepatitis (NASH) based on an exclusive license agreement with the Company for a formulation for liver fibrosis and cirrhosis. Regarding intractable cancer drugs, work continues to be ongoing on clinical trials for out-licensing. In Medical Products, demand for transdermal drugs recovered with the increase in the number of outpatients.

In Membrane, (high-polymer separation membrane) revenue did not reach the level of the previous fiscal year. Demand for membrane products for various industrial purposes fell, particularly in China.

Revenue grew compared to the previous fiscal year in Personal Care Materials, with the personal care business of Mondri, acquired in June 2022, contributing throughout the year. In addition to key products for diapers, we are promoting the development of new applications utilizing the characteristics of functional films, our core material, and are working on the development of new environmentally friendly products using biodegradable technology.

As a result of the above, revenue decreased by 3.2% to 124,501 million yen and operating loss amounted to 9,490 million yen. (operating profit of 519 million yen was reported in the same period of the previous year)

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

Main products or businesses: new businesses, other products

Please note that this segment includes new products that have not generated sufficient revenue yet. This is primarily sales of kits of flexible sensors to developers.

As a result of the above, revenue decreased by 7.0% to 12 million yen and operating loss amounted to 5,661 million yen. (operating loss of 3,892 million yen was reported in the same period of the previous year)

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

(4) Capital expenditure

Capital investment by the Group during the fiscal year totaled 83,445 million yen.

For the Industrial Tape segment, 17,427 million yen was spent to enhance its production capacity of adhesive tapes, renew aging buildings and equipment, and so on. For the Optronics segment, 30,240 million yen was spent to boost production capacity of optical films for automotive displays and VR, which are growth areas, and to improve productivity of high precision circuits in Circuit Materials. For the Human Life segment, 30,674 million yen was spent mainly to establish the production system to facilitate commercialization support for contract manufacturing of nucleic acid medicines. In the Others segment, 573 million yen investments were implemented, including investment into the introduction of demonstration equipment for new business development.

Capital expenditures not directly related to any business segment amounted to 4,529 million yen.

(5) Financing

With the Group's policy to utilize its funds efficiently and reduce borrowings as much as possible, consolidated total borrowings in the fiscal year stood at 345 million yen.

(6) Status of major subsidiaries

Corporate name	Capital	Company's stake	Main business
Nissho Corporation	in million yen 515	100.0 %	Production, processing, and sales; Industrial Tape
Nitto EMEA NV	in thousand euro 212,282	100.0	Administration of Group companies in Europe
Nitto Belgium NV	in thousand euro 28,446	100.0 (100.0)	Production, processing, and sales; Industrial Tape
Nitto, Inc.	in thousand U.S. dollars 0	100.0	Administration of Group companies in the Americas Production, processing, sales, etc.; Industrial Tape
Nitto Denko Avecia Inc.	in thousand U.S. dollars 1	100.0 (100.0)	Production and sales; Human Life
Nitto Advanced Film Gronau GmbH	in thousand euro 7,600	100.0	Production, processing, and sales; Human Life
Nitto Denko (China) Investment Co., Ltd.	in thousand RMB 925,394	100.0	Administration of the Group companies in China
Taiwan Nitto Optical Co., Ltd.	in thousand NT\$ 568,003	100.0	Production, processing, and sales; Optronics
Korea Nitto Optical Co., Ltd.	in million won 84,365	100.0	Production, processing, and sales; Optronics
Nitto Denko (HK) Co., Ltd.	in thousand HK\$ 24,652	100.0	Sales; Industrial Tape and Optronics
Shanghai Nitto Optical Co., Ltd.	in thousand RMB 89,981	100.0 (35.0)	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 90,590	100.0	Administration of Group companies in South Asia Sales; Industrial Tape
Nitto Denko Material (Thailand) Co., Ltd.	in thousand Thai Baht 460,000	100.0 (100.0)	Production, processing, and sales; Optronics
Taiwan Nitto Corporation	in thousand NT\$ 262,768	100.0	Sales; Optronics and Industrial Tape

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

2. Management Issues and Plans

(1) Basic Management Policies

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

The Group has strengths in core technologies developed over its history, diverse business domains and strong intellectual property as well as a broad customer base in a wide range of industries. By combining these strengths, we will accelerate innovation and create products and solutions that contribute to the global environment and society through the *Sanshin* Activities*¹ and Niche Top Strategy*², which are the Group's unique marketing activities.

In fiscal 2023, the Group reviewed its Material Issues for Sustainability (material issues) in order to become essential to the global environment, humanity, society, and the world, to place ESG at the center of management, and to further accelerate sustainable growth. Through its commitment to the 10 material issues defined for the E (Environment), S (Society), and G (Governance) domains, the Group will aim to simultaneously solve social issues and create economic value and enhance its corporate value.

Field	Ideal state	Material issue
E (Environment)	Protecting the future Earth	Realizing a decarbonized society
		Realizing a circular society
		Conserving biodiversity
		Creating PlanetFlags
S (Society)	Enriching people and society	Safe manufacturing
		Empowering diverse employees
		Upholding and respecting human rights
		Building resilient supply chains
G (Governance)	Fulfilling stakeholders' expectations and trust	Enhancing management safety

*1. Activities for creating new demand through new demand creation and new product development.

*2. A differentiation strategy unique to the Group, which aims for the top market share by continuously creating indispensable products, functions, and business models by integrating the Group's unique technologies and knowledge and co-creating with stakeholders in niche areas, while identifying markets that are changing and growing.

(2) Medium- to Long-term Management Strategy

<1> 2030 Ideal State and the Mid-Term Management Plan, “Nitto for Everyone 2025”

The Group has set forth being “An essential top ESG company that continually brings amazement and inspiration as a Niche Top creator” as its 2030 Ideal State. Based on a corporate culture of enjoying taking on challenges, which is the Nitto's uniqueness, the Company will contribute to a prosperous future by creating “niche-top products that contribute to the environment and humanity” and by providing customers with the best possible “surprises and amazement”. The Group will create new value through co-creation innovation with customers and partners, and live up to the trust and expectations of its stakeholders as an indispensable presence in a sustainable global environment and human society.

“Nitto for Everyone 2025,” our Mid-Term Management Plan covering the period from fiscal 2023 to 2025, has the implementation of “Niche Top Strategy x Nitto-Style ESG Strategy” as its slogan. Under this plan, we are working on four focus items: “Transformation of Business Portfolio to Contribute to the Environment and Humanity,” “Advancement of Innovation Model to Produce New Niche Top products/services”, “Reformation of Organizational Culture to Accelerate Changes,” and “Transformation of Management Structure to Anticipate Change.” In order to become “An essential top ESG company”, our 2030 Ideal State, we will push forward with the steady implementation of the Mid-Term Management Plan.

<2> Focus items and progress of the Mid-Term Management Plan, “Nitto for Everyone 2025”

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

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

In fiscal 2023, to meet the demand for contract manufacturing business in the nucleic acid drug market, where the commercialization of therapeutic drugs for rare diseases to a larger number of patients is expected to progress, we made capital investments totaling over 30,000 million yen in the United States and Japan, and a new plant with commercialization-ready manufacturing capacity has started operation.

In new areas, as an environmental business, in addition to reducing energy consumption through the shift to solvent-free, etc., we are pushing forward with our Negative Emission Factory Concept. Under this concept, we will accelerate the development of negative emission technologies (technology to remove CO₂ from the atmosphere by capturing, absorbing, storing, and fixing atmospheric CO₂), such as capturing CO₂ that is inevitably emitted in the manufacturing process, and work toward proposing them as total solutions to reduce CO₂ emissions.

b. Advancement of Innovation Models to Create Niche Top

By refining differentiating technologies that provide Niche Top essential solutions to social issues to create PlanetFlags/HumanFlags, enhancing business development capabilities by strengthening marketing capabilities, and accelerating commercialization through co-creation with customers and partners, the Group will establish new ways to win in addition to the winning ways it has cultivated to date.

In fiscal 2023, 14 new products (24 products in total) were certified as PlanetFlags/HumanFlags. We will grow these products into Global Niche Top™ products and Area Niche Top™* products.

In the area of environmental contribution, in fiscal 2023, we launched an initiative to produce formic acid (additive used to prevent deterioration in the production of grass silage, which is feed for dairy cattle), which is used to preserve pasture grass, from CO₂ derived from livestock manure biomass in collaboration with Air Water Inc. We are also promoting the bio-based production of acetonitrile (solvent), one of the key raw materials for nucleic acid production, in a joint development with Crysalis Biosciences, a U.S. startup in the development of biomaterials.

Our goal is to create next-generation environmental technologies that focus on social issues, accelerate decarbonization, and capture new business opportunities in areas that contribute to the environment.

*Global Niche Top and Area Niche Top are trademarks of the Group.

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

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

In order to collect employees’ opinions, consider the company’s challenges and the challenges of each department, and create an organization in which each employee can work with vitality, we conduct a global engagement survey every other year. In the survey for fiscal 2023 (94% response rate; 23,776 respondents), our engagement scores rose 7 points on the previous survey to 81, demonstrating the results of the activities of each company and base. In addition, in order to expand our expertise and diversity, we have been bolstering our efforts to recruit career personnel at the Company since fiscal 2021. In fiscal 2023, we hired around the same number of mid-career employees as fresh graduates.

The promotion of various initiatives including the above and the active communication of information earned us the “Human Capital Leaders 2023” and “Human Capital Management Quality (Gold)” awards in the “Human Capital Survey 2023,” as well as the “BEST WORKPLACE” recognition, the highest rating, in the “D&I AWARD 2023.”

d. Transformation into a Management Infrastructure that Anticipates Change

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

In fiscal 2023, the activities of the Supply Chain Committee, which was established to build a robust supply chain, promoted efforts to respond to risks including geopolitical risks and chemical substance regulation risks and to increase the sustainable materials procurement ratio, one of our future-financial targets. Additionally, in order to maintain and improve a highly capital efficient and resilient financial position, we clarified Initiatives for Management that Takes Into Consideration the Cost of Capital and Stock Price. The Group takes an approach that aims to improve PBR from the perspective of both ROE (financial field) and PER (future-financial field). Based on this approach, we will position ROE as one of the main management indicators, focus mainly on net profit margin and asset turnover, carry out the *Sanshin* Activities, Niche Top Strategy, growth strategies and restructuring, and reform the business model.

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

Under “Nitto for Everyone 2025,” our management targets for the end of FY2025 were operating profit of 170 billion yen, an operating profit to revenue of 17%, and return on equity (ROE) attributable to owners of the parent company of 15%. Furthermore, while the Group has not yet reached its financials, we have established nine future-financial indicators, which we call “future-financial” elements that could become financial in the future, or elements that will be converted into financials. We will accelerate our transformation and enhance our corporate value by promoting activities to achieve these future-financial indicator targets.

Regarding, CO₂ emissions, which are one of the environment related future-financial indicators, we have set targets for Scope 1 + 2 to achieve “Nitto Group Carbon Neutral 2050,” and expect to substantially achieve our CO₂ emissions target for fiscal 2023. In the future, we will work to further accelerate our response to climate change through initiatives such as the shift to solvent-free and the promotion of renewable energy*¹, and the target for fiscal 2030 has been revised upward from 470 kton/year to 400 kton/year based on SBT*².

*1. The Group aims to provide 100% of the electricity it uses from renewable energy sources. Accordingly, we are in the process of applying for membership in RE100 (an international initiative that aims for companies to cover 100% of the electricity used by their operations with renewable energy) (as of the end of April 2024).

*2. SBT is an abbreviation for Science Based Targets. It refers to “greenhouse gas emission reduction targets” set by companies that are consistent with the science-based targets adopted in the Paris Agreement (to limit the temperature increase to less than 1.5°C above pre-industrial levels). The Group is currently in the process of applying for SBT membership (as of the end of April 2024).

Future-Financial Indicators		FY2023 Results	FY2025 Targets	FY2030 Targets	Related Material Issues
Product related	New products ratio	41.7%	At least 35%	At least 35%	—
	Niche Top sales ratio	48.3%	50%	At least 50%	—
	Planet Flags/Human Flags category sales ratio	38.1%	40%	At least 50%	Creating PlanetFlags Creating HumanFlags
Environment related	CO ₂ emissions	Under compilation	550 kton/year	400 kton/year	Realizing a decarbonized society
	Waste plastics recycling ratio	Under compilation	50%	60%	Realizing a circular society
	Sustainable materials procurement ratio	15.7%	20%	30%	
HR related	Female leaders ratio	20%	24%	30%	Utilizing diverse talent
	Engagement scores	81	78	85	
	Challenge ratio	37%	70%	85%	

(4) Strategies and initiatives by segment

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

- **Industrial tape**

With the spread of generative AI and technological progress in advanced driving support systems, growth in demand is expected for process materials for use in semiconductors and ceramic condensers. In automotive products, we will expand sales of insulating materials and sub-gasket materials, which are peripheral components of motors and batteries, and develop thermal management materials that contribute to improved EV performance. In addition, to meet the rapidly growing momentum for the Right to Repair in electronic equipment, we will expand our business by introducing new products that utilize the Group's abrasion technology. Through these initiatives, we will aim to establish a business foundation that can stably produce high profitability across Industrial Tape as a whole.

- **Optronics**

In Information Fine Materials, our focus will be on high-end products such as foldable smartphones amid a maturing display market. Furthermore, Information Fine Materials contribute to improve our customer's productivity and reduce the effects on the environment through total solutions that combine optical films and others peripheral materials. In optical film for automotive applications with excellent durability, one of the strengths of the Group, demand is expected to remain strong due to an increase in the number of displays mounted per unit and expansion in area.

In addition, we have decided to acquire a portion of the shares of TruLife Optics, a British augmented reality (AR) glasses developer. With the aim of improving the performance and comfort of AR glasses, we will focus on developing materials that take advantage of the Group's strengths in optical design technology and adhesion technologies such as thin-film and multilayer coatings.

In Circuit Materials, demand is expected to grow once again, with HDD market inventory adjustments running their course. In addition, as new technologies are put to practical use in the HDD market for data centers, it is expected that HDDs will further increase in capacity. In order to meet this demand, we plan to construct a new plant at our Vietnam base to increase production capacity. In high precision circuits for high-end smartphones, we will deepen relationships with customers and develop products that will contribute to future growth.

- **Human life**

In Human Life, the contract manufacturing business of Life Science is expected to shift from rare diseases to commercialization of therapeutic drugs targeting more patients. The market is expected to grow over the medium to long term. In addition, as the nucleic acid drugs market expands, demand for synthetic materials (NittoPhase™) used in the manufacture of nucleic acid drugs is expected to increase. For these growth markets, we will increase production capacity and improve productivity. In nucleic acid drug discovery, we will focus on the development of nucleic acid DDS (Drug Delivery System) design technology and the conclusion of licensing agreements. Regarding development of intractable cancer drugs, Phase I clinical trials are expected to be completed.

In Membrane, we expect demand for products that contribute to zero wastewater and effluent to increase in response to stricter wastewater regulations in various countries, while strategically downsizing our products for seawater desalination.

In Personal Care Materials, we aim to improve profitability by expanding sales of new sanitary materials for diapers and environmentally friendly products using biodegradable technology.

- **Others**

In new businesses in Others, we will concentrate our management resources on PlanetFlags/HumanFlags candidate themes, with the aim of commercializing them as soon as possible.

(5) Others

Regarding "Inappropriate practices in the certification system for the Company's membrane module products used for water supply" (hereinafter "the inappropriate practices") disclosed on January 5, 2024, the Company has established an Investigation Committee (chaired by attorney Masato Igoshi) consisting solely of outside experts and has requested it to investigate these inappropriate practices (please refer to "Establishment of the Investigation Committee" dated March 1, 2024). Moving forward, based on the results of this investigation, we will work to formulate preventive measures and strengthen our internal control system.

3. Executives

(1) Directors and Corporate Auditors (as of March 31, 2024)

Name	Title (Position)	Responsible area, etc.
Hideo Takasaki	Representative Director, President-Director CEO, COO	
Yosuke Miki	Director, Senior Executive Vice President CTO General Manager of Corporate Technology Sector	Corporate technology
Yasuhiro Iseyama	Director, Senior Executive Vice President CFO General Manager of Corporate Accounting & Finance Division General Manager of Export Control Center	Accounting & finance, IR, export control, and internal audit
Yasuhito Ohwaki	Director, Senior Executive Vice President General Manager of Human Resources Management Division	Human Resources, Education, DE&I Promotion, and Japan Plant Management
Yoichiro Furuse	Part-time Director	Representative Director of Evanston Corporation Consultant of GLP Pte. Ltd.
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	Special Advisor of Kao Corporation Outside Director of Panasonic Holdings Corporation Outside Director of Komatsu Ltd.
Yasuhiro Yamada	Outside Director	Outside Director of SUSMED, Inc
Mariko Eto	Outside Director	Partner of TMI Associates Outside Director of Starzen Co., Ltd Outside Director of ASICS Corporation
Shin Tokuyasu	Corporate Auditor (full-time service)	
Toshihiko Takayanagi	Corporate Auditor (full-time service)	
Masashi Teranishi	Outside Corporate Auditor	Honorary Advisor of MUFG Bank, Ltd.
Mitsuhide Shiraki	Outside Corporate Auditor	Professor Emeritus at Waseda University Visiting Professor, Kokushikan University
Yasuko Kobashikawa	Outside Corporate Auditor	JK & CREW Tax Accountant's Corporation (Certified Public Accountant and Certified Public Tax Accountant)

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

Notes:

1. Corporate Auditor (full-time service) Shin Tokuyasu has assumed key positions at accounting & finance and other administrative departments of the Company and as Representative Director of the Company's overseas subsidiary over many years, thus possessing a broad range of knowledge in finance and accounting.
2. Outside Corporate Auditor Masashi Teranishi possesses significant insights into finance and accounting through his long years of involvement in the management of financial institution.
3. Outside Corporate Auditor Yasuko Kobashikawa has qualifications as Certified Public Accountant and Certified Public Tax Accountant and possesses significant insights into finance and accounting.
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	
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.
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.
Michitaka Sawada	Participation Board of Directors meetings: 100% (12 out of 12 times) In addition to overseeing the Board of Directors based on his insight and experience as corporate manager of a leading company which promotes ESG strategy, Mr. Sawada is expected to provide opinions on the Company's management from an expert perspective. He proactively made comments at the Company's Board of Directors and Management, Nomination and Remuneration Advisory Committee meetings from this perspective during the fiscal year.
Yasuhiro Yamada	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 an expert in financial economy, Mr. Yamada is expected to provide a wide variety of opinions on the Company's management. He proactively made comments at the Company's Board of Directors and Management, Nomination and Remuneration Advisory Committee meetings from this perspective during the fiscal year.
Mariko Eto	Participation Board of Directors meetings: 100% (10 out of 10 times) In addition to overseeing the Board of Directors based on her insight and experience as an expert in corporate legal affairs and labor issues, Ms. Eto is expected to provide a wide variety of opinions on the Company's management. 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.
2. Outside Corporate Auditors	
Masashi Teranishi	Participation Board of Directors meetings: 100% (12 out of 12 times) Board of Corporate Auditors meetings: 100% (14 out of 14 times) In addition to conducting appropriate audits based on his insight and experience as a manager of a mega bank, Mr. Teranishi was expected to provide opinions on the business administration of the Company from the perspective of finance. He conducted appropriate audits from this perspective during the fiscal year. In addition, Mr. Teranishi proactively made comments at the Management, Nomination and Remuneration Advisory Committee meetings.
Mitsuhide Shiraki	Participation Board of Directors meetings: 100% (12 out of 12 times) Board of Corporate Auditors meetings: 100% (14 out of 14 times) In addition to conducting appropriate audits based on his insight and experience as a specialist of labor issues and global HR development, Mr. Shiraki is expected to provide opinions on the business administration of the Company from an expert perspective. He conducted appropriate audits from this perspective during the fiscal year. In addition, Mr. Shiraki proactively made comments at the Management, Nomination and Remuneration Advisory Committee meetings.
Yasuko Kobashikawa	Participation Board of Directors meetings: 100% (10 out of 10 times) Board of Corporate Auditors meetings: 100% (11 out of 11 times) In addition to conducting appropriate audits based on her insight and experience as an expert in accounting and finance, Ms. Kobashikawa is expected to provide opinions on the business administration of the Company from an expert perspective. She conducted appropriate audits from this perspective during the fiscal year. In addition, Ms. Kobashikawa proactively made comments at the Management, Nomination and Remuneration Advisory Committee meetings.

Notes:

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

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

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

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

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

The Committee met four times in the fiscal year (FY2023). All outside officers played important roles as the members of the Advisory Committee utilizing their deep insights and extensive experience in their respective areas of expertise. The following are attendance status, main consultations and deliberations:

<Participation>

Hideo Takasaki: 4 out of 4 times

Yoichiro Furuse: 1 out of 1 time

Takashi Hatchoji: 1 out of 1 time

Tamio Fukuda: 4 out of 4 times

Wong Lai Yong: 4 out of 4 times

Michitaka Sawada: 4 out of 4 times

Yasuhiro Yamada: 4 out of 4 times

Mariko Eto: 3 out of 3 times

Masashi Teranishi: 4 out of 4 times

Masakazu Toyoda: 1 out of 1 time
Mitsuhide Shiraki: 4 out of 4 times
Yasuko Kobashikawa: 3 out of 3 times

<Major consultations and deliberations during the current fiscal year (FY2023)>

Management: Approach to shareholder dialogue in light of the status of shareholder proposals

Nomination: The Company's ideal approach to diversity in the Board of Directors

Remuneration: Consistency between the executive remuneration policy and this fiscal year's director remuneration

(3) Other

Mr. Tamio Fukuda, Ms. Wong Lai Yong, Mr. Michitaka Sawada, Mr. Yasuhiro Yamada, and Ms. Mariko Eto as Outside Directors of the Company, and Mr. Masashi Teranishi, Mr. Mitsuhide Shiraki, and Ms. Yasuko Kobashikawa as Outside Corporate Auditors of the Company during their terms of office, respectively, the Company disclosed that there was an inappropriate practice in the testing method for the Company's membrane module products used for water supply to be certified by the Association of Membrane Separation Technology, Japan. Although they were not aware of such facts, they routinely make proposals from the viewpoint of legal compliance at meetings such as the Board of Directors meetings, and after such facts were discovered, they have fulfilled their responsibilities by conducting thorough investigations and calling for further reinforcement of the system to prevent recurrence.

(3) Summary of liability limitation agreement

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

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

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

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

<1> Remuneration paid to Directors

a. Basic policy related to remuneration for Directors

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

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

b. Components of remuneration

Directors (excluding Part-time Director and Outside Directors) shall be remunerated as follows.

Type	Category	Policy related to the content of remuneration, methods of calculating the cash amount/number of shares, and the timing of payment
Fixed remuneration	Basic remuneration (cash)	Monthly remuneration as determined by position, responsibility, and length of service is paid in cash.
Short-term performance-linked remuneration	Bonus for Directors (cash)	Remuneration in cash is paid after the relevant business term is over to raise awareness about the Group's performance improvement for each business term. The amount of remuneration paid to each Director is determined by the progress of achievement of the Group's performance indicators on consolidated operating income and consolidated ROE* ¹ over the period of one business term and by the progress made against the targets set for each Director's areas of responsibilities.
Medium-term performance-linked remuneration	Performance-linked share-based remuneration	This additional remuneration is designed to incentivize Directors to improve business performance over the mid-term, and share-based remuneration is granted once every three consecutive business terms. The number of shares to be granted to each Directors will be determined based on consolidated operating income, consolidated ROE, and ESG items (future-financial targets that the Company has positioned as key issues)* ² as of the end of the third year after the start of the performance evaluation period. Targets should be set high, and no remuneration is paid if the targets are not met. The number of shares to be granted ranges between 10% and 150% according to the progress against the targets.
Medium- and long-term performance-linked remuneration	Restricted share remuneration	Share-based remuneration is granted for each business term to align the interests of Directors and shareholders and reflect medium- and long-term business performance in their remuneration. The number of shares to be granted to each Director is determined by position, responsibility, and length of service. The amount of remuneration is linked to the market price by setting restrictions on transfer until retirement.

*1. Consolidated operating income is used as an indicator of commitment to results and consolidated ROE as a measure of business stability.

*2. ESG-related items serve as a measure of sustainable corporate value improvement. The Group also refers to elements that are not yet financial at this time, but could become financial in the future, or that will be converted to financials, as "future-financial" elements. In light of their roles and independence, Part-time Director and Outside Directors are remunerated by fixed remuneration only

c. Policy related to the designing of the remuneration level

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

d. Component ratio of remuneration

For the purpose of standard evaluation, the target component ratio of remuneration is: Remuneration in cash : Bonus for Directors : Restricted share remuneration = 40% : 40% : 20%. Performance-linked share-based remuneration is

provided as additional remuneration when medium-term targets are achieved, but not provided for a standard evaluation.

e. Policy related to the determination process

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

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

<2> Remuneration paid to Corporate Auditors

a. Basic policy related to remuneration of Corporate Auditors

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

b. Components of remuneration

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

c. Policy related to the designing of the remuneration level

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

d. Policy related to the determination process

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

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

(Yen in Millions)

Position	Total amount of remuneration, etc.	Remuneration by type				Number of eligible Directors and Corporate Auditors
		Fixed remuneration	Performance-linked remuneration			
		Basic remuneration (cash)	Bonus for Directors (cash)	Performance-linked share-based remuneration	Restricted share remuneration	
Directors (excluding Outside Directors)	669	227	365	-	77	5
Outside Directors	94	94	-	-	-	7
Corporate Auditors (excluding Outside Corporate Auditors)	88	88	-	-	-	3
Outside Corporate Auditors	48	48	-	-	-	4

Notes: 1. The above includes one Outside Director, one Corporate Auditor, and one Outside Corporate Auditor who retired mid-term during the fiscal year.

2. Regarding one Director, who retired as Outside Director and was appointed Part-time Director as of the closing of the 158th Ordinary General Meeting of Shareholders held on June 23, 2023, his period of tenure as an Outside Director is classified as “Outside Director” and his period of tenure as Part-time Director is classified as “Director (excluding Outside Directors),” and is included in the above “Total amount of remuneration, etc.” and “Number of eligible Directors and Corporate Auditors.”
3. The maximum amount of base remuneration and bonuses for directors was resolved at the 157th Ordinary General Meeting of Shareholders held on June 17, 2022 to be no more than 1 billion yen per year (including no more than 120 million yen for Outside Directors). The number of Directors at the close of the said Ordinary General Meeting of Shareholders was ten (of which, six were Outside Directors). The maximum amount of basic remuneration for Corporate Auditors was resolved at the 156th Ordinary General Meeting of Shareholders held on June 18, 2021 to be no more than 144 million yen per year. The number of Corporate Auditors at the close of said Ordinary General Meeting of Shareholders is five.
4. 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 3 and excluding Part-time Director.
5. The upper limits of the total value and the number of shares to be granted to Directors (excluding Outside Directors) in the form of performance-linked share-based remuneration were set at 364 million yen and 48,400 shares a year at the 153rd Ordinary General Meeting of Shareholders held on June 22, 2018. The number of Directors at the close of the said Ordinary General Meeting of Shareholders was nine (of which, three were Outside Directors).
6. 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).
7. In accordance with the determination process, the Board of Directors has delegated the determination of the specific details of remuneration in cash and bonuses for directors to Hideo Takasaki, President-Director based on a resolution of the Board of Directors.
8. Consolidated operating income and consolidated ROE are adopted as indicators based on which bonuses for Directors and performance-linked share-based remuneration are calculated. For the fiscal year, the Company’s consolidated operating income was 139,132 million yen and consolidated ROE 10.9%. 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.
9. Individual remuneration and so on granted to Directors and others for the fiscal year are (or will be) paid in accordance with the determination process. The Board of Directors considers that their details are in line with the Company’s remuneration policy.
10. Salaries (including bonuses) of Directors concurrently serving as employees are separate from the above remuneration, etc., but no employee salaries were paid in the fiscal year.

4. Accounting auditors

(1) Name of Accounting Auditor: KPMG AZSA LLC

(2) Amount of remuneration for the Accounting Auditor

(Yen in Millions)

1)	Amount of remuneration as an accounting auditor for this fiscal year	234
2)	Total amount of money and other asset interests to be paid by the Company and the subsidiaries of the Company	283

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

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

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

5. Shareholders' equity (as of March 31, 2024)

(1) Number of shares authorized to be issued	400,000,000 shares
(2) Number of shares issued	143,551,735 shares
(Amount of treasury shares held)	2,104,272 shares)
(3) Number of shareholders	22,746
(4) Major shareholders (top 10)	

Name	Number of shares held	Ownership percentage
The Master Trust Bank of Japan, Ltd. (Trust Account)	Thousands of shares 36,272	% 25.64
Custody Bank of Japan, Ltd. (Trust Account)	14,408	10.19
STATE STREET BANK AND TRUST COMPANY 505223	6,522	4.61
STATE STREET BANK WEST CLIENT-TREATY 505234	2,868	2.03
HSBC HONGKONG-TREASURY SERVICES A/C ASIAN EQUITIES DERIVATIVES	2,205	1.56
SSBTC CLIENT OMNIBUS ACCOUNT	2,116	1.50
Nippon Life Insurance Company	2,082	1.47
JP MORGAN CHASE BANK 385781	1,968	1.39
JPMorgan Securities Japan Co., Ltd.	1,730	1.22
STATE STREET BANK AND TRUST COMPANY 505103	1,675	1.18

- Notes: 1. The ownership percentage has been calculated based on the number of shares issued, excluding treasury shares.
2. 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, 2024.
- A total of two shareholders comprising Sumitomo Mitsui Trust Asset Management Co., Ltd. and its joint holders
13,635,900 shares (as of June 30, 2022)
 - A total of 13 shareholders comprising BlackRock Japan Co., Ltd. and its joint holders
13,144,535 shares (as of October 31, 2022)
 - A total of two shareholders comprising MFS Investment Management K.K. and its joint holder
10,756,800 shares (as of September 15, 2023)
 - A total of three shareholders comprising Mitsubishi UFJ Trust and Banking Corporation and its joint holder
8,223,466 shares (as of October 9, 2023)
 - A total of three shareholders comprising Nomura Securities Co., Ltd. and its joint holders
14,646,870 shares (as of March 8, 2024)

(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	-	8,200 shares of the Company's common stock
Number of eligible recipients	-	Directors 4 persons

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

(6) Matters concerning share acquisition rights

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

Subject	Equity-based remuneration stock options
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Number of share acquisition rights	467 units (100 shares of common stock per unit)
Class and number of underlying shares subject to share acquisition rights	Company's common stock: 46,700 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 467 units

Note: Part-time Director, Outside Directors and Corporate Auditors are not eligible to receive the above share acquisition rights.

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

Not applicable

6. Internal control system and policies of the Company

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

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

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

<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)

- In order to disseminate the “Nitto Group Business Conduct Guidelines”, we provide various educational activities for the Group’s officers and employees.
- 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 Meeting.
- Business risks (including compliance risks) are monitored by special functional departments and area managers, and are appropriately managed through periodic reports to the Board of Directors and the Corporate Strategy Meeting.
- In accordance with above, in respect of these risks, an officer in charge of risk management and the department in charge of risk management shall create a system for reporting to Board of Directors and Corporate Strategy Meeting, and evaluate risks.
- A crisis management system for emergencies is in place under the Emergency Reporting Rules and other relevant regulations.

<3> Operational efficiency improvement promotion system

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

(Summary of resolutions at the Board of Directors)

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

(Implementation status confirmed)

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

<4> Internal audit system

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

(Summary of resolutions at the Board of Directors)

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

(Implementation status confirmed)

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

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

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

(Summary of resolutions at the Board of Directors)

(1) Support for audits by Corporate Auditors

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

(2) Appointment of staff for Corporate Auditors

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

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

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

(4) Policy on expenses for audits by Corporate Auditors

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

(5) Other policies

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

(Implementation status confirmed)

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

(2) Policy on corporate dominance

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

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

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

7. Other

(1) Principal offices of the Group

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

(2) Employees of the Group and the Company (as of March 31, 2024)

	Number of employees	Changes from the end of the previous fiscal year
Group	25,300	-770
Company	6,610	+325

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

(3) Major creditors (as of March 31, 2024)

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

Note: Fractions below the figures shown are omitted in the amounts of money and the number of shares described in the Business Report.

Percentages (%) are rounded to the nearest decimal point.

[Reference Data]

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

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

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

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

The Integrated Report, which describes the Group's efforts is available on the website below.

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

Consolidated Financial Statements
Consolidated Statements of Financial Position

(Millions of yen)

	Amount	
	As of March 31, 2024	As of March 31, 2023 (Reference)
(Assets)		
Current assets	717,957	677,189
Cash and cash equivalents	342,269	329,966
Trade and other receivables	209,341	178,388
Inventories	136,804	141,101
Other financial assets	5,220	2,141
Other current assets	24,321	20,358
Subtotal	717,957	671,956
Assets held for sale	—	5,232
Non-current assets	533,130	476,457
Property, plant and equipment	378,535	333,103
Right-of-use assets	19,321	12,959
Goodwill	66,056	58,822
Intangible assets	20,674	21,469
Investments accounted for using equity method	2,115	2,140
Financial assets	9,192	8,860
Deferred tax assets	20,985	23,420
Other non-current assets	16,248	15,682
Total assets	1,251,087	1,153,647

Consolidated Statements of Financial Position

(Millions of yen)

	Amount	
	As of March 31, 2024	As of March 31, 2023 (Reference)
(Liabilities)		
Current liabilities	206,856	188,248
Trade and other payables	98,965	91,834
Borrowings	345	272
Income tax payables	13,402	18,488
Other financial liabilities	38,396	22,162
Other current liabilities	55,746	54,053
Subtotal	206,856	186,811
Liabilities directly associated with assets held for sale	—	1,436
Non-current liabilities	59,182	62,204
Other financial liabilities	20,843	15,729
Defined benefit liabilities	33,130	40,015
Deferred tax liabilities	3,427	4,173
Other non-current liabilities	1,779	2,286
Total liabilities	266,038	250,452
(Equity)		
Equity attributable to owners of the parent company	984,020	902,211
Share capital	26,783	26,783
Capital surplus	49,928	50,047
Retained earnings	808,062	786,269
Treasury shares	-23,298	-27,631
Other components of equity	122,544	66,741
Non-controlling interests	1,028	983
Total equity	985,048	903,194
Total liabilities and equity	1,251,087	1,153,647

Consolidated Statements of Profit or Loss

(Millions of yen)

	Amount	
	April 1, 2023 – March 31, 2024	April 1, 2022 – March 31, 2023 (Reference)
Revenue	915,139	929,036
Cost of sales	584,280	591,592
Gross profit	330,858	337,443
Selling, general and administrative expenses	146,143	145,436
Research and development expenses	43,485	40,175
Other income	9,914	8,103
Other expenses	12,012	12,761
Operating profit	139,132	147,173
Finance income	2,195	1,574
Finance expenses	2,460	1,936
Share of profit of investments accounted for using the equity method	34	29
Profit before income taxes	138,901	146,840
Income tax expenses	36,146	37,576
Net profit	102,755	109,264
Net profit attributable to:		
Owners of the parent company	102,679	109,173
Non-controlling interests	75	91

Consolidated Statements of Cash Flows (Reference)

(Millions of yen)

	Amount	
	April 1, 2023 – March 31, 2024	April 1, 2022 – March 31, 2023
I Cash flows from operating activities		
Profit before income taxes	138,901	146,840
Depreciation and amortization	60,811	57,362
Impairment losses	1,651	4,036
Increase (decrease) in defined benefit liabilities	1,371	1,270
Decrease (increase) in trade and other receivables	-19,033	44,492
Decrease (increase) in inventories	11,769	-2,230
Increase (decrease) in trade and other payables	3,804	-15,779
Increase (decrease) in advances received	-1,312	-17,420
Interest and dividend income	2,065	1,283
Interest expenses paid	-609	-538
Income taxes (paid) refunded	-41,030	-38,748
Others	-2,868	1,133
Net cash provided by (used in) operating activities	155,521	181,702
II Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	-67,774	-65,921
Proceeds from sale of property, plant and equipment and intangible assets	602	350
Decrease (increase) in time deposits	-2,465	81
Purchase of investment securities	-723	-177
Proceeds from sale of investment securities	551	2,675
Purchase of shares of subsidiaries and affiliates	—	-1,703
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	-95,263
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	1,871	—
Others	10	51
Net cash provided by (used in) investing activities	-67,927	-159,906
III Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	72	29
Repayment of lease liabilities	-7,631	-5,567
Decrease (increase) in treasury shares	-47,167	-18,008
Cash dividends paid	-36,041	-34,046
Others	-16	-35
Net cash provided by (used in) financing activities	-90,784	-57,627
IV Effect of exchange rate changes on cash and cash equivalents	13,573	5,671
V Cash and cash equivalents included in assets held for sale	—	-1,920
VI Reclassification of cash and cash equivalents included in assets held for sale in the opening balance	1,920	—
VII Net increase (decrease) in cash and cash equivalents	12,302	-32,079
VIII Cash and cash equivalents at the beginning of the period	329,966	362,046
IX Cash and cash equivalents at the end of the period	342,269	329,966

Consolidated Statements of Changes in Equity

April 1, 2023 – March 31, 2024

(Millions of yen)

	Share capital	Capital surplus	Retained earnings	Treasury shares	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	50,047	786,269	-27,631	66,741	902,211	983	903,194
Net profit			102,679			102,679	75	102,755
Other comprehensive income					62,136	62,136	17	62,154
Total comprehensive income	—	—	102,679	—	62,136	164,816	93	164,910
Share based remuneration transactions		-47			-1	-48		-48
Dividends			-36,041			-36,041	-28	-36,070
Changes in treasury shares		-51,254		4,333		-46,921		-46,921
Transfer from other components of equity to retained earnings			6,333		-6,333	—		—
Additional purchase of shares of consolidated subsidiaries		3				3	-20	-17
Transfer from retained earnings to capital surplus		51,178	-51,178			—		—
Total transactions with owners	—	-119	-80,887	4,333	-6,334	-83,007	-49	-83,056
Balance at the end of current year	26,783	49,928	808,062	-23,298	122,544	984,020	1,028	985,048

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: 84

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

<2> Increase/decrease of consolidated subsidiaries

Increase: —

Decrease: 10

(3) Fiscal year of consolidated subsidiaries

Number of subsidiaries that close books on the same date as the Company: 67

Number of subsidiaries that do not close books on the same date as the Company: 17

For the above 17 subsidiaries, provisional settlement of accounts as of March 31, 2024 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 component, are initially recognized at fair value, which includes the transaction costs directly attributable to the acquisition of the financial asset. Financial assets are measured by adding up the initially measured amount and the finance income calculated after the fact using the effective interest method. 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 remaining after deducting any impairment losses is recorded as the carrying amount.

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

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

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

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

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

2) Inventories:

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

3) Valuation basis for goodwill

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

4) Impairment of non-financial assets

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

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

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

<2> Depreciation method of major depreciable assets

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

Straight-line method

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

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

3) Right-of-use assets:

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

<3> Accounting criteria for major provisions

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

Exchange differences arising from the translation of foreign currencies in connection with the financial statements of foreign operations are included in other components of equity.

<5> Derivative financial instruments and hedge accounting

The Group uses 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 the transaction. At the inception of the hedge, and on an ongoing basis, the Group documents its assessment of whether the derivative used for the hedge transaction can be highly effective in offsetting changes in the cash flows of the hedged item. The Group also verifies whether 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 profit or loss.

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

<6> Employee benefits

1) Short-term employee benefits

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

2) Long-term employee benefits

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

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

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

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

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

<7> Revenue recognition

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

Step 1: Identify the contract with the customer.

Step 2: Identify performance obligations in the contract.

Step 3: Calculate the transaction price.

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

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

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

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

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

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

2. Notes regarding changes to accounting policies

(IAS 12 “Income Taxes” [revised May 2023])

From the fiscal year under review, the Group has applied the exceptions set forth in “International Tax Reform—Pillar Two Model Rules (an amendment of IAS 12)” to not recognize and disclose deferred tax assets and deferred tax liabilities for income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two Model Rules.

The application of Pillar Two Model Rules is not expected to have a material impact on the consolidated financial statements.

3. 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 160th term.

(1) Impairment of non-financial assets

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

Property, plant and equipment 378,535 million yen; goodwill 66,056 million yen; intangible assets 20,674 million yen

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

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

(2) Evaluation of recoverability of deferred tax assets

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

deferred tax assets 20,985 million yen

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

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

(3) Calculation of defined benefit liabilities

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

prepaid pension cost (Note) 10,499 million yen; defined benefit liabilities 33,130 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.”

4. Notes to the consolidated statements of financial position

Accumulated depreciation of property, plant and equipment (including accumulated impairment losses)	826,253 million yen
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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 143,551 thousand shares

- (2) Dividends

- 1) Dividend payments

Resolution	Type of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 23, 2023	Common stock	17,510	120	March 31, 2023	June 26, 2023
Board of Directors meeting held on October 26, 2023	Common stock	18,531	130	September 30, 2023	November 24, 2023
Total	—	36,041	—	—	—

- 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 21, 2024.

Total dividends	18,388 million yen
Dividend per share	130 yen
Record date	March 31, 2024
Effective date	June 24, 2024

Dividends are to be paid out of retained earnings.

- (3) Type and number of shares to be issued upon exercise of the share acquisition rights (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 50,100 shares

- (4) Matters concerning treasury shares

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	3,840,554	4,496,911	6,233,193	2,104,272

(Outline of reasons for change)

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

Increase due to acquisition of treasury shares based on resolution at the Board of Directors meetings held on January 26, 2023 and January 26, 2024	4,496,400 shares
Decrease due to disposal of treasury shares based on resolution at the Board of Directors meeting held on June 23, 2023	20,000 shares
Decrease due to cancellation of treasury shares based on resolution at the Board of Directors meeting held on August 30, 2023	6,206,693 shares

6. Notes to loss of control

(Transfer of interests in subsidiaries)

On October 24, 2022, the Company signed a contract to transfer of a part of its Transportation business, which belongs to the Industrial Tape business segment, to Parker Corporation, which was completed on April 3, 2023. The resulting gain of 614 million yen on the transfer is recorded under “Other income” in the Consolidated Statements of Profit or Loss.

The major components of assets and liabilities at the time of loss of control over a company that ceased to be a subsidiary as a result of the transfer of equity interest, and the relationship between consideration received and income and expenses from the sale, are as follows.

	(Millions of yen)
	Amount
Current assets	5,232
Total assets	5,232
Current liabilities	1,436
Total liabilities	1,436
Consideration received	3,791
Cash and cash equivalents in assets at loss of control	-1,920
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	1,871

7. 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 management 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 shares, and repayments of debts are made based on the plentiful operational cash flows generated through development and sale of competitive products.

(2) Financial risk management

Risk management policies

The Group conducts 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 and 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 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 borrowings and bonds and to assets such as time deposits and loans receivable. As the interest amount is affected by the fluctuation of market interest rates, the future cash flows from interests are exposed to the interest rate risk.

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

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

(b) Credit risk

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

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.

Derivatives are calculated based on forward exchange rates at the end of the reporting period.

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.

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Investments in debt instruments	—	—	2,389	2,389
Derivative	—	309	—	309
Financial assets measured at fair value through other comprehensive income				
Investments in capital instruments	—	—	335	335
Total financial assets	—	309	2,724	3,033
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative	—	-148	—	-148
Total financial liabilities	—	-148	—	-148

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

8. Notes on revenue recognition

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

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

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

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

(1) Disaggregation of revenue

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

(Millions of yen)

Segment name	Main products or businesses	Japan	The Americas	Europe	Asia/Oceania	Total
Industrial Tape	Functional base products	108,023	37,052	35,193	166,937	347,206
	Information fine materials	17,014	—	—	329,729	346,744
Optronics	Circuit materials	51,545	—	—	51,676	103,221
	Total	68,560	—	—	381,406	449,966
Human Life	Human life	4,127	32,578	4	—	36,710
	Membrane	2,625	14,067	4,992	8,365	30,051
	Personal care materials	—	4,349	44,955	562	49,867
	Total	6,753	50,995	49,952	8,928	116,629
Other	New business, other products	1	11	—	—	12
Adjustment		1,323	—	—	—	1,323
	Total	184,662	88,058	85,146	557,272	915,139

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.

(Millions of yen)

	Balance at beginning of period	Balance at end of period
Claims arising from contracts with customers	175,307	206,724
Contract assets	3,081	2,616
Contract liabilities	10,375	12,455

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

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

The amount of revenue recognized in the fiscal year under review that was included in the contract liability balance at the beginning of the period was 4,746 million yen. The amount of revenue recognized from performance obligations that were satisfied or partially satisfied in prior periods was not significant in the fiscal year under review.

(3) Transaction prices allocated to outstanding performance obligations

The total transaction price allocated to the outstanding performance obligations at the end of the fiscal year under review and at the end of the previous fiscal year were 3,300 million yen and 4,800 million yen respectively. Such outstanding performance obligations are expected to be recognized as revenue within five years from the end of the fiscal year under review provided the contractual prerequisites are satisfied.

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

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

9. Notes on information per share

Equity attributable to owners of the parent company per share	6,956.79 yen
Basic earnings per share	719.57 yen

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

Non-Consolidated Financial Statements

Non-Consolidated Balance Sheets

(Millions of yen)

	Amount	
	As of March 31, 2024	As of March 31, 2023 (Reference)
(Assets)		
Current assets	356,778	356,077
Cash and deposits	168,047	190,177
Notes receivable-trade	2,612	2,551
Accounts receivable-trade	118,939	99,220
Merchandise and finished goods	9,674	8,811
Work in process	23,399	24,348
Raw materials and supplies	20,186	18,999
Short-term loans receivable	0	0
Other	14,341	12,260
Allowance for doubtful accounts	-420	-292
Non-current assets	425,973	404,680
Property, plant and equipment	178,803	157,961
Buildings	76,922	71,348
Structures	4,609	4,025
Machinery and equipment	63,004	59,714
Vehicles	470	376
Tools, furniture and fixtures	6,151	5,657
Land	13,772	13,772
Construction in progress	13,873	3,067
Intangible assets	9,457	9,780
Software	7,624	8,602
Other	1,832	1,178
Investments and other assets	237,713	236,938
Investments securities	2,724	2,635
Stocks of subsidiaries and affiliates	175,535	174,256
Investments in subsidiaries and affiliates	—	1,437
Long-term loans receivable	26,245	25,018
Deferred tax assets	24,608	24,747
Prepaid pension cost	7,554	7,570
Other	1,046	1,278
Allowance for doubtful accounts	-0	-6
Total assets	782,752	760,758

Non-Consolidated Balance Sheets

(Millions of yen)

	Amount	
	As of March 31, 2024	As of March 31, 2023 (Reference)
(Liabilities)		
Current liabilities	226,150	197,366
Accounts payable-trade	52,233	48,189
Short-term borrowings	63,059	50,673
Accounts payable-other	46,143	30,430
Accrued expenses	11,118	10,678
Income taxes payable	6,383	13,706
Deposits received	41,096	37,412
Other	6,115	6,275
Non-current liabilities	41,090	39,558
Provision for retirement benefits	40,738	39,195
Guarantee deposits received	187	258
Other	164	104
Total liabilities	267,240	236,925
(Net assets)		
Shareholders' equity	515,254	523,181
Capital stock	26,783	26,783
Capital surplus	50,482	50,557
Legal capital surplus	50,482	50,482
Other capital surplus	—	75
Retained earnings	461,235	473,454
Legal retained earnings	4,095	4,095
Other retained earnings	457,140	469,359
Reserve for special depreciation	0	2
Reserve for advanced depreciation of non-current assets	1,924	1,998
General reserve	185,000	185,000
Retained earnings brought forward	270,214	282,358
Treasury shares	-23,246	-27,615
Valuation and translation adjustments	-35	311
Valuation difference on available-for-sale securities	-35	311
Subscription rights to shares	292	340
Total net assets	515,511	523,833
Total liabilities and net assets	782,752	760,758

Non-Consolidated Statements of Profit or Loss

(Millions of yen)

	Amount	
	April 1, 2023 – March 31, 2024	April 1, 2022 – March 31, 2023 (Reference)
Net sales	518,626	544,158
Cost of sales	322,064	341,752
Gross profit	196,561	202,406
Selling, general and administrative expenses	108,158	105,202
Operating income	88,403	97,204
Non-operating income	14,457	22,436
Interest and dividends income	12,802	20,423
Other	1,654	2,013
Non-operating expenses	8,599	5,906
Interest expenses	3,055	1,549
Foreign exchange losses	4,173	1,385
Other	1,369	2,971
Ordinary income	94,261	113,735
Extraordinary income	1,415	1,836
Gain on sales of non-current assets	5	3
Gain on sales of investment securities	497	1,832
Gain on sales of stocks of subsidiaries and affiliates	39	—
Gain on extinguishment of tie-in shares	843	—
Other	29	—
Extraordinary loss	1,617	1,737
Loss on sales and retirement of non-current assets	935	1,026
Loss on devaluation of stocks of subsidiaries and affiliates	—	29
Impairment losses	641	680
Loss on devaluation of investment securities	41	—
Income before income taxes	94,059	113,834
Income taxes-current	18,796	22,862
Income taxes-deferred	388	-396
Net income	74,874	91,368

Non-Consolidated Statements of Changes in Equity

April 1, 2023 – March 31, 2024

(Millions of yen)

	Shareholders' equity											
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings				Total retained earnings	Treasury shares	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	75	50,557	4,095	2	1,998	185,000	282,358	473,454	-27,615	523,181
Net changes of items during the period												
Dividends from surplus									-36,041	-36,041		-36,041
Reversal of reserve for special depreciation						-1			1	—		—
Reversal of reserve for advanced depreciation of non-current assets							-74		74	—		—
Net income									74,874	74,874		74,874
Acquisition of treasury shares											-47,005	-47,005
Disposal of treasury shares			32	32							214	246
Cancellation of treasury shares			-51,160	-51,160							51,160	—
Transfer from retained earnings to capital surplus			51,052	51,052					-51,052	-51,052		—
Net change of items other than shareholders' equity during the period												
Total changes of items during the period	—	—	-75	-75	—	-1	-74	—	-12,143	-12,219	4,368	-7,926
Balance at the end of current year	26,783	50,482	—	50,482	4,095	0	1,924	185,000	270,214	461,235	-23,246	515,254

	Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at the beginning of current year	311	311	340	523,833
Net changes of items during the period				
Dividends from surplus				-36,041
Reversal of reserve for special depreciation				—
Reversal of reserve for advanced depreciation of non-current assets				—
Net income				74,874
Acquisition of treasury shares				-47,005
Disposal of treasury shares			-47	199
Cancellation of treasury shares				—
Transfer from retained earnings to capital surplus				—
Net change of items other than shareholders' equity during the period	-347	-347		-347
Total changes of items during the period	-347	-347	-47	-8,321
Balance at the end of current year	-35	-35	292	515,511

Notes to the Non-Consolidated Financial Statements

1. Notes regarding significant accounting policies

(1) Basis and method for valuation of securities

Available-for-sale securities:

Securities other than shares that do not have a market value

Fair value method, with the entire amount of valuation differences inserted directly into net assets, and the cost of sales calculated using the moving average method.

Shares that do not have a market value

Moving average cost method

Shares of subsidiaries and affiliates:

Moving average cost 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

To make allowances for the non-payment of trade receivables, loans receivable, and other receivables, for general receivables the historical default rate is used, and receivables designated as potentially irrecoverable is determined using actual default rates on an individual claim basis, and an allowance is made for the amount deemed irrecoverable

Allowance for investment loss

An allowance for potential investment loss is stated by taking into account a Company's financial conditions, etc., in accordance with a Company's policy, 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

To make allowances for the payment of retirement benefits to employees, this is recorded based on the amount of projected retirement benefit liabilities and pension assets as of the end of the current fiscal year. Past service costs are recorded as expenses using the straight-line method over a fixed number of years (in 12 years) that is within the average number of years of remaining service for employees at the time the expense is incurred. Actuarial gains and losses are treated as expenses in the fiscal year following the fiscal year in which they arise, in an amount proportionally divided using the straight-line method over a fixed number of years (in 12 years) that is within the average number of years of remaining service of employees at the time the differences emerge each fiscal year.

(6) Standards for recognizing 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: Determine the transaction price.

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

Step 5: Recognize revenue when or as the entity satisfies a performance obligation.

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

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

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

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

(7) Hedge accounting

1) Method of hedge accounting

Deferred hedge accounting is used for forward exchange contracts applied to forecast transactions. For foreign currency swaps that meet the conditions, deferral hedge accounting is used. For interest rate swaps that meet the requirements, special treatment is used.

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 managing the risks associated with exchange fluctuations and interest rate fluctuations.

4) Assessing hedge effectiveness

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

2. Notes on accounting estimates

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

(1) Evaluation of recoverability of property, plant and equipment, and intangible assets

Amount posted on non-consolidated financial statements for the fiscal year under review: property, plant and equipment 178,803 million yen; intangible assets 9,457 million yen

(2) Evaluation of recoverability of deferred tax assets

Amount posted on non-consolidated financial statements for the fiscal year under review: deferred tax assets 24,608 million yen

(3) Evaluation of recoverability of shares of subsidiaries and affiliates

<1> Amount posted on non-consolidated financial statements for the fiscal year under review: shares of subsidiaries and affiliates 175,535 million yen

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

The above stocks of subsidiaries and affiliates includes 56,590 million yen in shares of Nitto Advanced Film Gronau GmbH.

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

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

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

(4) Provision for retirement benefits

<1> Amount recorded on non-consolidated financial statements for the fiscal year under review: prepaid pension cost 7,554 million yen; provision for retirement benefits 40,738 million yen

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

Please refer to "Provision for retirement benefits" in "(5) Accounting criteria for allowances and provisions" of "1. Notes regarding significant accounting policies."

3. Notes to the non-consolidated balance sheets

(1) Accumulated depreciation of property, plant and equipment	479,279 million yen
(2) Short-term receivables from affiliates	92,366 million yen
Long-term receivables from affiliates	26,244 million yen
Short-term payables to affiliates	114,123 million yen

4. Notes to the non-consolidated statements of profit or loss

Transactions with subsidiaries and affiliates	
Sales to subsidiaries and affiliates	411,257 million yen
Purchases from subsidiaries and affiliates	38,598 million yen
Transactions other than business deals with subsidiaries and affiliates	16,318 million yen

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

Matters concerning treasury shares

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	3,840,554	4,496,911	6,233,193	2,104,272

(Outline of reasons for change)

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

Increase due to acquisition of treasury shares based on resolution at the Board of Directors meetings held on January 26, 2023 and January 26, 2024	4,496,400 shares
Decrease due to disposal of treasury shares based on resolution at the Board of Directors meeting held on June 23, 2023	20,000 shares
Decrease due to cancellation of treasury shares based on resolution at the Board of Directors meeting held on August 30, 2023	6,206,693 shares

6. Notes on deferred tax accounting

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

7. Notes on revenue recognition

Regarding information that forms the basis for understanding revenue from contracts with customers, notes have been omitted as the same information is presented in “8. Notes on revenue recognition” in the Notes to the Consolidated Financial Statements.

8. Notes on information per share

Net assets per share	3,642.47 yen
Net profit per share	524.71 yen

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