

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, 2019

**NOTICE OF  
THE 154TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

It is our pleasure to invite you to the 154th Ordinary General Meeting of Shareholders of Nitto Denko Corporation (hereinafter “the Company”) to be held as indicated below.

If you are unable to attend the meeting in person, you may exercise your voting rights in writing or electronically (e.g. over the Internet). Please review the attached reference materials for the general meeting of shareholders and exercise your voting rights as per the instructions on pages 3 and 4.

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, 2019 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 154th term (from April 1, 2018 to March 31, 2019)
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 Approval of the payment of bonus for Directors
  - Item 3 Election of eight Directors
  - Item 4 Election of three Corporate Auditors
- ◆ Any revisions of reference materials for the general meeting of shareholders, Business Report, Consolidated Financial Statements, and Non-Consolidated Financial Statements will be disclosed on our Investor Relations website.
  - ◆ This English translation of this notice can be referred on our Investor Relations website (English version).
    - Investor Relations website (Japanese): <https://www.nitto.com/jp/ja/ir/>
    - Investor Relations website (English): <https://www.nitto.com/jp/en/ir/>
  - When attending, it is necessary to present the enclosed Voting Rights Exercise Form at the reception of the venue. To conserve resources, we ask that you kindly bring this Notice with you to the meeting. Your cooperation is appreciated.
  - The casual dress code will be followed at the meeting. Shareholders are encouraged to dress casually as well.

## **How to Exercise Voting Rights**

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

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

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

### **Exercising your voting rights**

- 1 Voting at the general meeting of shareholders  
Please present the Voting Rights Exercise Form at the reception of the venue.  
Meeting date/time: Friday, June 21, 2019 from 10:00 AM (JST)
- 2 Mailing the Voting Rights Exercise Form  
Please mail the Voting Rights Exercise Form after indicating your approval or disapproval of each item.  
Deadline for mail arrival: Thursday, June 20, 2019 at 5:00 PM (JST)
- 3 Internet voting  
Please indicate your approval or disapproval of each item by following the guidance on the next page.  
Deadline for voting: Thursday, June 20, 2019 at 5:00 PM (JST)

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

### **How to Fill in the Voting Rights Exercise Form**

Please indicate your approval or disapproval of the following items.

Items 1 and 2

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

Items 3 and 4

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

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

## How to Exercise Voting Rights via the Internet

- Entering log-in ID and provisional password

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

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

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

- How to scan a QR code

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

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

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

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

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

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

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

■ If you have any questions regarding the use of computers, smartphones, and mobile phones 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. Please note that the deadline for voting is Thursday, June 20, 2019 at 5:00 PM (JST), which is the same as the deadline for voting via the Internet.

## 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 154th term are as described below. Since we have paid interim dividends of 90 yen per share, the amount of annual dividend per share will be 180 yen, an increase of 20 yen compared to the previous term.

Matters concerning year-end dividends

(1) Type of dividend property

Cash

(2) Matters concerning distribution of dividend property and its total amount

90 yen per share of our common stock: 14,116,469,580 yen in total

(3) Effective date of distribution of dividends

June 24, 2019

### **Item 2: Approval of the payment of bonus for Directors**

We propose providing the total amount of 210.5 million yen as a bonus based on the results of this business year for the six Directors (excluding the three Outside Directors) serving as of the end of this business year. We would like to ask our shareholders to leave the specific amount for each person and payment date and method to be decided by the Board of Directors.

### Item 3: Election of eight Directors

At the close of this Ordinary General Meeting of Shareholders, the terms of office of all nine current members of the Board of Directors will expire and Director Yasushi Nakahira will retire. We hereby propose the election of eight Directors, three of whom are Outside Directors. The following are the candidates, with eight being nominated for reelection.

Candidate number	Name	Current position and areas of responsibility in the Company	
1	Hideo Takasaki	Representative Director, President CEO, concurrently COO Chairperson, Internal Control Committee	Management in general <input type="checkbox"/> Reelection
2	Toshiyuki Umehara	Director, Senior Executive Vice President CTO, concurrently CIO General Manager of Corporate Technology Sector Chairperson, Information Security Committee	Corporate technology, medical business, IT, procurement, logistics, human resources & training, and business reform <input type="checkbox"/> Reelection
3	Toru Takeuchi	Director, Senior Executive Vice President CFO Chairperson, J-SOX Committee and Chairperson, Timely Disclosure Committee	Accounting & finance and compliance <input type="checkbox"/> Reelection
4	Nobuhiro Todokoro	Director, Senior Vice President General Manager of Information Fine Materials Sector	Information fine materials business <input type="checkbox"/> Reelection
5	Yosuke Miki	Director, Vice President, Deputy CTO General Manager of Information and Communication Technology Sector, concurrently Deputy General Manager of Corporate Technology Sector and General Manager of New Business Development Division	ICT business and corporate technology <input type="checkbox"/> Reelection
6	Yoichiro Furuse	Outside Director	<input type="checkbox"/> Reelection <input type="checkbox"/> Independent Director <input type="checkbox"/> Candidate for Outside Director
7	Takashi Hatchoji	Outside Director	<input type="checkbox"/> Reelection <input type="checkbox"/> Independent Director <input type="checkbox"/> Candidate for Outside Director
8	Tamio Fukuda	Outside Director	<input type="checkbox"/> Reelection <input type="checkbox"/> Independent Director <input type="checkbox"/> Candidate for Outside Director

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

Candidate number

1

Hideo Takasaki

(Date of birth: August 11, 1953)

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For reelection

Number of Company shares owned: 19,100

Conflicts of interest between the Company and candidate: None

Important positions concurrently held outside of the Company: None

Length of service (as of the close of this Ordinary General Meeting of Shareholders): 11 years

Attendance at Board meetings: 12 out of 12

**Brief Profile**

April 1978	Joined Nitto Denko Corporation
June 2008	Director, Vice President
June 2010	Director, Senior Vice President
June 2011	Director, Executive Vice President
June 2013	Director, Senior Executive Vice President
April 2014	Representative Director, President CEO, concurrently COO
November 2016	Representative Director, President CEO, concurrently COO, concurrently CTO
April 2017	Representative Director, President CEO, concurrently COO (present)

<b>Reason for nomination as a candidate for Director</b>
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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.

As it is expected that he will continue to contribute his services as a Nitto Person, Mr. Takasaki has been nominated as a candidate for Director this year again.

Candidate number

2

Toshiyuki Umehara

(Date of birth: September 3, 1957)

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For reelection

Number of Company shares owned: 4,100

Conflicts of interest between the Company and candidate: None

Important positions concurrently held outside of the Company: None

Length of service (as of the close of this Ordinary General Meeting of Shareholders): 4 years

Attendance at Board meetings: 12 out of 12

### **Brief Profile**

April 1984	Joined Nitto Denko Corporation
June 2010	Vice President, General Manager of Optical Sector
June 2013	Senior Vice President
April 2014	Senior Vice President, General Manager of Corporate Strategy Management Division, Corporate Sector, and General Manager of Procurement Business Division
June 2014	Senior Vice President, CIO
April 2015	Senior Vice President, General Manager of Automotive Products Sector
June 2015	Director, Executive Vice President
April 2017	Director, Executive Vice President, CTO
June 2017	Director, Senior Executive Vice President, CTO
April 2018	Director, Senior Executive Vice President, CTO, concurrently CIO (present)

<b>Reason for nomination as a candidate for Director</b>
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Mr. Toshiyuki Umehara has been involved in the information fine materials business, one of the mainstay businesses of the Nitto Group, for many years. As a manager who knows that business inside out, he has assumed key positions at administrative and technological departments and other businesses, thus dedicating himself to enhancing the corporate value and corporate governance of the Group.

As it is expected that he will continue to contribute his services as a Nitto Person, Mr. Umehara has been nominated as a candidate for Director this year again.



Candidate number

3

**Toru Takeuchi**

(Date of birth: January 1, 1959)

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For reelection

Number of Company shares owned: 8,100

Conflicts of interest between the Company and candidate: None

Important positions concurrently held outside of the Company: None

Length of service (as of the close of this Ordinary General Meeting of Shareholders): 8 years

Attendance at Board meetings: 12 out of 12

**Brief Profile**

April 1981	Joined Nitto Denko Corporation
June 2010	Vice President, General Manager of Corporate Accounting Division, Corporate Sector
June 2011	Director, Vice President, CFO
June 2014	Director, Senior Vice President, CFO
June 2015	Director, Executive Vice President, CFO
June 2018	Director, Senior Executive Vice President, CFO (present)

Reason for nomination as a candidate for Director
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Mr. Toru Takeuchi has assumed key positions at accounting & finance and other administrative departments, thus dedicating himself to enhancing the corporate value and corporate governance of the Nitto Group.

As it is expected that he will continue to contribute his services as a Nitto Person, Mr. Takeuchi has been nominated as a candidate for Director this year again.

Candidate number

4

Nobuhiro Todokoro

(Date of birth: June 1, 1965)

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For reelection

Number of Company shares owned: 2,100

Conflicts of interest between the Company and candidate: None

Important positions concurrently held outside of the Company: None

Length of service (as of the close of this Ordinary General Meeting of Shareholders): 2 years

Attendance at Board meetings: 12 out of 12

### **Brief Profile**

April 1989      Joined Nitto Denko Corporation

April 2013      General Manager of Information Fine Materials Unit, Information Fine Materials Sector

June 2015      Vice President, General Manager of Information Fine Materials Unit, Information Fine Materials Sector

April 2017      Vice President, General Manager of Information Fine Materials Sector

June 2017      Director, Senior Vice President, General Manager of Information Fine Materials Sector (present)

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

As it is expected that he will continue to contribute his services as a Nitto Person, Mr. Todokoro has been nominated as a candidate for Director this year again.

For reelection

Number of Company shares owned: 2,000

Conflicts of interest between the Company and candidate: None

Important positions concurrently held outside of the Company: None

Length of service (as of the close of this Ordinary General Meeting of Shareholders): 2 years

Attendance at Board meetings: 12 out of 12

### **Brief Profile**

April 1993	Joined Nitto Denko Corporation
July 2012	General Manager of HDD Business Division, Information and Communication Technology Sector
July 2013	General Manager of Fine Device Business Division, Information and Communication Technology Sector
April 2014	General Manager of Semiconductor Business Division, Information and Communication Technology Sector
January 2016	Deputy General Manager of Information and Communication Technology Sector, General Manager of Semiconductor Business Division
February 2016	General Manager of Information and Communication Technology Sector
June 2016	Vice President, General Manager of Information and Communication Technology Sector
April 2017	Vice President, Deputy CTO General Manager of Information and Communication Technology Sector, concurrently Deputy General Manager of Corporate Technology Sector and General Manager of New Business Development Division
June 2017	Director, Vice President, Deputy CTO General Manager of Information and Communication Technology Sector, concurrently Deputy General Manager of Corporate Technology Sector and General Manager of New Business Development Division (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.

As it is expected that he will continue to contribute his services as a Nitto Person, Mr. Miki has been nominated as a candidate for Director this year again.

For reelection

Independent Director

Candidate for Outside 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: 3

Length of service (as of the close of this Ordinary General Meeting of Shareholders): 12 years

Attendance at Board meetings: 12 out of 12

### Brief Profile

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

[Important concurrent positions held at] Evanston Corporation, Permira Advisers KK, and GLP Pte. Ltd.

### Notes on the Candidate for Outside Director

1) Reason for nomination as a candidate for Outside Director

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

The Company believes that his insight and experience can continue to be reflected in the management of the Company. Hence, the Company proposes his appointment as an Outside Director.

2) Limited Liability Agreement

The Company has executed an agreement with Mr. Furuse to limit his compensation liability to the degree stipulated in laws and regulations, and the Company intends to extend the agreement when he is reelected.

3) Base of judgment on independence

The Company stipulates “Criteria for Election of Independent Outside Directors and Outside Corporate Auditors” (please refer to page 21 for the content of these criteria) and selects candidates for Outside Directors based on the said criteria. The Company designated Mr. Furuse as an Independent Director as stipulated by Tokyo Stock Exchange and reported such designation to the Exchange.

For reelection

Independent Director

Candidate for Outside Director

Number of Company shares owned: 0

Conflicts of interest between the Company and candidate: None

Important positions concurrently held outside of the Company: 2

Length of service (as of the close of this Ordinary General Meeting of Shareholders): 4 years

Attendance at Board meetings: 12 out of 12

### Brief Profile

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

[Important concurrent positions held at] Marubeni Corporation and Konica Minolta, Inc.

### Notes on the Candidate for Outside Director

1) Reason for nomination as a candidate for Outside Director

In this fiscal year, Mr. Takashi Hatchoji participated in all of the Board of Directors meetings (12) and made useful comments based on his deep insight into management, which was cultivated through his service as representative executive officer and director of listed companies, and his extensive experience. The Company believes that his insight and experience can continue to be reflected in the management of the Company. Hence, the Company proposes his appointment as an Outside Director.

2) Limited Liability Agreement

The Company has executed an agreement with Mr. Hatchoji to limit his compensation liability to the degree stipulated in laws and regulations and the Company intends to extend the agreement when he is reelected.

3) Base of judgment on independence

The Company stipulates “Criteria for Election of Independent Outside Directors and Outside Corporate Auditors” (please refer to page 21 for the content of these criteria) and selects candidates for Outside Directors based on the said criteria. The Company designated Mr. Hatchoji as an Independent Director as stipulated by Tokyo Stock Exchange and reported such designation to the Exchange.

Candidate number

8

Tamio Fukuda

(Date of birth: June 19, 1948)

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For reelection

Independent Director

Candidate for Outside Director

Number of Company shares owned: 300

Conflicts of interest between the Company and candidate: None

Important positions concurrently held outside of the Company: 1

Length of service (as of the close of this Ordinary General Meeting of Shareholders): 1 year

Attendance at Board meetings: 10 out of 10

### **Brief Profile**

April 1989 Design Advisor of Samsung Electronics Co., Ltd., South Korea (retired in September 1999)

October 1999 Professor, Graduate School of Science and Technology, Kyoto Institute of Technology

April 2013 Professor Emeritus, Kyoto Institute of Technology (present)

June 2018 Outside Director, Nitto Denko Corporation (present)

[Important concurrent positions held at] Kyoto Institute of Technology

### **Notes on the Candidate for Outside Director**

#### 1) Reason for nomination as a candidate for Outside Director

In this fiscal year, Mr. Tamio Fukuda participated in all of the Board of Directors meetings (10). As a university professor specializing in design management, he has contributed valuable suggestions regarding establishment of the corporate brand of the Company and made useful comments based on his experience in business management as a corporate advisor.

The Company believes that his insight and experience can continue to be reflected in the management of the Company. Hence, the Company proposes his appointment as an Outside Director.

#### 2) Limited Liability Agreement

The Company has executed an agreement with Mr. Fukuda to limit his compensation liability to the degree stipulated in laws and regulations and the Company intends to extend the agreement when he is reelected.

#### 3) Base of judgment on independence

The Company stipulates “Criteria for Election of Independent Outside Directors and Outside Corporate Auditors” (please refer to page 21 for the content of these criteria) and selects candidates for Outside Directors based on the said criteria. The Company designated Mr. Fukuda as an Independent Director as stipulated by Tokyo Stock Exchange and reported such designation to the Exchange.

#### Item 4: Election of three Corporate Auditors

At the close of this Ordinary General Meeting of Shareholders, the terms of office of two of the five current members of the Board of Corporate Auditors will expire. We hereby propose the election of two Corporate Auditors.

As Corporate Auditor Kageshi Maruyama will retire at the close of this Ordinary General Meeting of Shareholders, we also hereby propose the election of one new Corporate Auditor. The candidate for this office will not be elected as a substitute for the retiring Corporate Auditor, and his term of office will be at the close of an Ordinary General Meeting of Shareholders for the last business year that ends within four (4) years after his election.

The following are the candidates for Corporate Auditors, and the consent of the Board of Corporate Auditors has been given to this proposal.

Candidate number	Name	Current position and areas of responsibility in the Company		
1	Masami Kanzaki	Corporate Auditor (full-time service)	-	Reelection
2	Shin Tokuyasu	Vice President General Manager, Corporate Sustainability Division Chairperson, CSR Committee	Compliance	New election
3	Masakazu Toyoda	Outside Corporate Auditor	-	Reelection Independent Corporate Auditor Candidate for Outside Corporate Auditor

Candidate number

1

Masami Kanzaki

(Date of birth: December 7, 1953)

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For reelection

Number of Company shares owned: 7,800

Conflicts of interest between the Company and candidate: None

Important positions concurrently held outside of the Company: None

Length of service (as of the close of this Ordinary General Meeting of Shareholders): 4 years

Attendance at Board meetings: 12 out of 12

Attendance at Board of Corporate Auditors meetings: 13 out of 13

**Brief Profile**

April 1978	Joined Nitto Denko Corporation
June 2008	Vice President, Representative Director of Nitto Shinko Corporation
June 2009	Vice President, Deputy General Manager of Sales Sector, Manager of Tokyo Sales Branch
April 2010	Vice President, CIO
June 2011	Senior Vice President, CIO
June 2013	Executive Vice President, CIO
June 2014	Executive Vice President, General Manager of Sales Management Sector
June 2015	Corporate Auditor (full-time service) (present)

<b>Reason for nomination as a candidate for Corporate Auditor</b>
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Mr. Masami Kanzaki has assumed key positions as the Representative Director of a Group company and at administrative and sales departments, thus dedicating himself to enhancing the corporate value and corporate governance of the Nitto Group.

As it is expected that he will continue to contribute his services as a Nitto Person, Mr. Kanzaki has been nominated as a candidate for Corporate Auditor this year again.



Candidate number

2

Shin Tokuyasu

(Date of birth: June 7, 1961)

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For new election

Number of Company shares owned: 4,400

Conflicts of interest between the Company and candidate: None

Important positions concurrently held outside of the Company: None

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: —

### **Brief Profile**

April 1985      Joined Nitto Denko Corporation

July 2005      General Manager of Accounting Department, Optical Division

October 2009    General Manager of Accounting & Finance Department, Corporate Accounting Division,  
Corporate Sector

November 2011    General Manager of Accounting & Finance Department, Corporate Accounting Division,  
Corporate Sector and General Manager of Monitoring Department

February 2014    General Manager of Accounting & Finance Department, Corporate Accounting Division,  
Corporate Sector, concurrently General Manager of Business Management Division,  
Information Fine Materials Unit

April 2014      Deputy General Manager of Corporate Accounting & Finance Division, Corporate Sector

April 2015      Deputy General Manager of Corporate Accounting Division, Corporate Sector,  
concurrently General Manager of Accounting Department, Business Management Division,  
Automotive Products Sector

April 2016      Representative Director of Nitto Automotive, Inc.

June 2017      Vice President, Representative Director of Nitto Automotive, Inc.

July 2018      Vice President, General Manager of Compliance Division

April 2019      Vice President, General Manager of Corporate Sustainability Division (present)

<b>Reason for nomination as a candidate for Corporate Auditor</b>
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Mr. Shin Tokuyasu has assumed key positions at accounting & finance and other administrative departments and as the Representative Director of the Company's overseas subsidiary, thus dedicating himself to enhancing the corporate value and corporate governance of the Nitto Group. As it is expected that he will utilize his knowledge and experiences gained from these positions to help the Company to enhance its corporate governance as a Nitto Person, Mr. Tokuyasu has been nominated as a candidate for new Corporate Auditor.

Mr. Tokuyasu possesses a broad range of knowledge in finance and accounting.

Candidate number

3

Masakazu Toyoda

(Date of birth: June 28, 1949)

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For reelection

Independent Corporate Auditor

Candidate for Outside Corporate Auditor

Number of Company shares owned: 0

Conflicts of interest between the Company and candidate: None

Important positions concurrently held outside of the Company: 3

Length of service (as of the close of this Ordinary General Meeting of Shareholders): 8 years

Attendance at Board meetings: 12 out of 12

Attendance at Board of Corporate Auditors meetings: 13 out of 13

### **Brief Profile**

April 1973      Joined the Ministry of International Trade and Industry  
(Currently the Ministry of Economy, Trade and Industry [METI])

August 2003    Director-General, Commerce and Information Policy Bureau, METI

July 2006      Director-General, Trade Policy Bureau, METI

July 2007      Vice-Minister for International Affairs, METI (retired in July 2008)

August 2008    Secretary General of the Cabinet Secretariat's Strategic Headquarters for Space Policy  
(retired in August 2010)

November 2008 Special Advisor to the Cabinet Secretariat (retired in August 2010)

June 2010      Outside Statutory Auditor of Murata Manufacturing Co., Ltd. (retired in June 2016)

July 2010      Chairman & CEO of The Institute of Energy Economics, Japan (present)

June 2011      Outside Corporate Auditor of Nitto Denko Corporation (present)

March 2015    Outside Director of Canon Electronics Inc. (present)

June 2016      Outside Director of Murata Manufacturing Co., Ltd. (retired in June 2018)

June 2018      Outside Director of Nissan Motor Co., Ltd. (present)

[Important concurrent positions held at]    The Institute of Energy Economics, Japan, Canon Electronics Inc., and Nissan Motor Co., Ltd.

### **Notes on the Candidate for Outside Corporate Auditor**

#### 1) Reason for nomination as a candidate for Outside Corporate Auditor

In this fiscal year, Mr. Masakazu Toyoda participated in all of the Board of Directors meetings (12) and Board of Corporate Auditors meetings (13), and his deep insight and extensive experience in the fields of economy and international trade have been reflected in the auditing of the Company.

Mr. Toyoda assumed the position of Outside Director of Nissan Motor Co., Ltd. in June 2018. In December of the same year, Nissan Motor Co., Ltd. was indicted for violating Japan's Financial Instruments and Exchange Act (making false disclosures in annual securities reports). As a member of the Special Committee for Improving Governance, which consists of Outside Directors, Mr. Toyoda provided recommendations for the improvement of Nissan's governance.

The Company believes that his insight and experience can continue to be reflected in the auditing of the Company. Hence, the Company proposes his appointment as an Outside Corporate Auditor.

#### 2) Limited Liability Agreement

The Company has executed an agreement with Mr. Toyoda to limit his compensation liability to the degree stipulated in laws and regulations, and the Company intends to extend the agreement when he is

reelected.

3) Base of judgment on independence

The Company stipulates “Criteria for Election of Independent Outside Directors and Outside Corporate Auditors” (please refer to page 21 for the content of these criteria) and selects candidates for Outside Corporate Auditors based on the said criteria. The Company designated Mr. Toyoda as an Independent Corporate Auditor as stipulated by Tokyo Stock Exchange and reported such designation to the Exchange.

## (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 (two [2] 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).

[Appointment and Dismissal of Directors and Corporate Auditors]

The Officer Appointment Standards and the Officer Dismissal Standards have been established as described below and are applied when appointing or dismissing a Director or Corporate Auditor. In addition, in order to further enhance fairness and transparency in appointment and dismissal 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>

In addition to the basic requirement of having profound insights and high levels of expertise acquired from past experience, successful candidates should comprehend and live up to the Company's Corporate Philosophy, deliver results, and continue to take on new challenges. (At Nitto, those meeting such requirements are called "Nitto Persons.")

<Officer Dismissal Standards>

1. An act was committed that was contrary to public order and morality;
2. A violation of the laws and ordinances, the Articles of Incorporation, or any other regulations of the Group was committed, and Nitto suffered a substantial loss or hindrance to Group business operations due to such violation;
3. A material inconvenience was caused to the execution of the duties of an Officer; or
4. Any of the quality requirements set forth in the Officer Appointment Standards is no longer satisfied.

[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 Election 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 Election 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 gross sales);
5. A person who is an important executing person of a major lender of the Company (a lender to which the Group’s aggregate amount of loans payable at the latest fiscal year-end exceeds 2% of consolidated total assets);
6. A person who is a legal professional, accounting and tax professional, consultant, or research and education specialist who receives a large amount of compensation or donation (for the latest fiscal year, 10 million yen or more in the case of an individual and more than 2% of consolidated gross sales 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 Company or the Group;
8. A person to whom any of the items 2. through 7. above has been applicable within the past five 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 Election 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.

(Reference) Compensation of Directors and Corporate Auditors

	Fixed compensation	Short-term performance-linked compensation	Mid-term performance-linked compensation	Mid- and long-term performance-linked compensation	How the specific amount of compensation is determined
Full-time (corporate) Directors	Compensation in cash By-position fixed monthly compensation The upper limit of the total amount was approved at the 150th Ordinary General Meeting of Shareholders: 30 million yen/month (3 million yen/month of which is for Outside Directors)	Bonus for Directors The upper limit of the total amount to be approved at a general meeting of shareholders each year	Performance-linked share-based remuneration Shares to be provided in a number within the range of 0% to 150% of the standard number of shares in accordance with the achievement of numerical targets for three business terms The upper limit of the total amount and number of shares was approved at the 153rd Ordinary General Meeting of Shareholders: 364 million yen/year 48,400 shares/year	Restricted share remuneration Shares whose transfer is restricted until retirement to be provided in lieu of retirement benefits The upper limit of the total amount and number of shares was approved at the 153rd Ordinary General Meeting of Shareholders: 243 million yen/year 32,000 shares/year	Total amount The upper limit to be approved at a general meeting of shareholders The amount paid to each Director The Representative Director determine the amount paid to each Director in accordance with their duties, responsibilities, and performance after consulting with the Management, Nomination and Remuneration Advisory Committee (The amount of performance-linked share-based remuneration is to be calculated by a separately specified formula.)
Outside Directors			—		
Corporate Auditors	Compensation in cash Fixed monthly compensation The upper limit of the total amount approved at the 139th Ordinary General Meeting of Shareholders: 12 million yen/month		—		Total amount The upper limit to be approved at a general meeting of shareholders The amount paid to each Corporate Auditor To be determined through consultation among Corporate Auditors in accordance with their respective duties and responsibilities

## **Business Report for the 154th Fiscal Term**

**For the 2018 fiscal year (April 1, 2018 to March 31, 2019)**

### **1. Overview of business operations of the Nitto Group**

#### **(1) Operating progress and results**

During the fiscal year ended March 31, 2019, the world economy saw heightened uncertainty over the future stemming from trade conflicts between the U.S. and China and the slowdown of the Chinese economy beginning to emerge toward the end of the period. To compound this, there were growing concerns over the future course of the world economy as a whole, such as the U.S. trade policy and Brexit, to name but a few. Meanwhile, crude oil prices remained at a low level and the long-term interest rates held low in financial markets. Amid this economic environment, demand began declining in the electronics and automobile industries after the beginning of the second half of the fiscal year under review, which affected the Nitto Group's business.

As a result of the above, revenue decreased by 5.9% from the previous fiscal year (changes hereafter are given in comparison with the previous fiscal term) to 806,495 million yen. Operating income decreased by 26.2% to 92,777 million yen, and net income attributable to owners of the parent company decreased by 23.8% to 66,560 million yen.

#### **(2) Summary of operations by segment**

##### **[Industrial Tape] Composition of revenue: 39.7%**

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

For functional base products, general-purpose industrial materials performed strongly, while filter materials for industrial use, products for smartphones, and process materials for semiconductors and electronic components lost momentum toward the end of the fiscal year under review.

The transportation business, which includes automotive products, was affected by the sluggish auto market in the second half of the year, while sales of motor insulating paper and vent filters performed well.

As a result of the above, revenue decreased by 1.5% to 333,955 million yen and operating income decreased by 25.8% to 25,940 million yen.

##### **[Optronics] Composition of revenue: 53.6%**

Main products: Information fine materials, flexible printed circuit boards, and process materials

For information fine materials, demand for optical films for smartphones did not reach the level of the previous year, primarily owing to lower-than-expected market growth, with the result that royalty income from general polarizing films and benefits of streamlining were limited and weak. From the fiscal term under review, royalty income from intellectual properties is included in "revenue," rather than "other income" as was the case previously.

Sales of flexible printed circuit boards continued to grow steadily, driven by models for high-capacity hard disk drives (HDDs) for data centers.

Process materials, on the other hand, remained sluggish as their demand for semiconductor fabrication entered a correction phase.

As a result of the above, revenue decreased by 8.2% to 451,386 million yen and operating income decreased by 27.0% to 67,134 million yen.

##### **[Life Science] Composition of revenue: 3.6%**

Main products: Medical-related products

An indication for atrial fibrillation has been added to transdermal patches developed for essential hypertension. As for nucleic acid drug discovery, a clinical trial of a drug for pulmonary fibrosis has been initiated. Meanwhile, the Phase 1 clinical trial of a small interfering ribonucleic acid (siRNA) formulation for KRAS mutant tumors is underway following

approval by the U.S. Food and Drug Administration (FDA). In the oligonucleotide contract manufacturing business, the impact from the changes in customers' situation regarding new drug development that occurred in the previous fiscal year lingered. Nevertheless, the contract manufacturing business continued to expand, with nucleic acid drug development and clinical trials of nucleic acid drugs remaining active.

As a result of the above, revenue decreased by 17.2% to 29,958 million yen and operating income decreased by 67.6% to 1,920 million yen.

**[Others] Composition of revenue: 3.1%**

Main products: Membrane products, other products

Sales of membrane products (polymer separation membranes) were steady, backed by brisk industrial demands for the water treatment application, including seawater desalination plants.

Please note that this segment includes new businesses that have yet to generate sufficient levels of revenue.

As a result of the above, revenue increased by 4.1% to 26,326 million yen and operating loss amounted to 1,970 million yen (operating loss of 192 million yen was reported in the previous fiscal year).



(Yen in Millions)

Business segment	FY2018 (154th term)		FY2017 (153rd term)
	Revenue (year-on-year change)		Revenue
Industrial Tape	333,955	(down 1.5%)	338,881
Optronics	451,386	(down 8.2%)	491,726
Life Science	29,958	(down 17.2%)	36,183
Others	26,326	(up 4.1%)	25,279
Eliminations and corporate	-35,131	—	-34,693
Total	806,495	(down 5.9%)	857,376

- Note:
1. The breakdown of composition of revenue stated above is calculated by excluding eliminations and corporate.
  2. From fiscal 2018, “royalty income,” which was previously included in “other income” on the consolidated statements of income, is included in “revenue.” Accordingly, the above numbers for fiscal 2017 have been reclassified to reflect the change.

### **(3) Capital expenditure**

During the fiscal year under review, the Group expended a total of 64,353 million yen in capital spending.

Below is the breakdown of such spending by segment.

For the Industrial Tape segment, 21,972 million yen was spent, which included the costs of capacity ramp-up for adhesive tapes at the Toyohashi Plant. For the Optronics segment, 34,474 million yen was spent, which included the costs of introducing production equipment for new polarizing films in China. For the Life Science segment, 1,329 million yen was spent, which included the costs of introducing production equipment in North America. For the Others segment, 2,238 million yen was spent, including the costs of introducing production equipment for membrane products in North America.

Capital expenditures not directly related to any business segment amounted to 4,338 million yen.

### **(4) Financing**

It is the Group's policy to reduce as much interest-bearing debt as possible by putting its funds to efficient use. This policy resulted in a decrease in interest-bearing debts by 3,600 million yen from the end of the previous fiscal year to 448 million yen.

## **(5) Issues to be addressed by the Group**

Under the brand slogan of “Innovation for Customers” and the Mission of “Contribute to customers’ value creation with innovative ideas,” which forms the core of its Corporate Philosophy, the Nitto Group seeks to sustain its global growth through concerted and collective efforts.

The Group finds itself surrounded by difficult external conditions, such as concerns over economic slowdown and downside risks to the world economy and intensifying competition on a global scale. Despite these challenges, the Group will continue to create new value by converging a wide range of technologies and information from both within and outside the Group. One of the approaches to achieving this is to place a renewed focus on *Sanshin Katsudo* (three new activities), which has been one of the strengths of the Group since its foundation, thus creating new demand through the pursuit of new technologies and new applications.

Accordingly, the Group will implement the following key initiatives in each business segment.

### **- Industrial Tape**

For functional base products, the Group will remain sensitive to market changes and customer needs while at the same time carrying out productivity reform of existing businesses on a global scale. The Group will also attempt to seize the opportunities that the mid- and long-term demand expansion for materials for semiconductor and other industrial processes will present, thus developing new products through collaboration with Optronics and other segments. For the transportation business, the Group will continue optimizing its global supply system in order to improve profitability, while pouring its resources into creation of new products that respond to the ongoing mobility reform known as the acronym CASE (Connected, Autonomous, Shared, and Electric).

### **- Optronics**

For information fine materials, the Group will hone its industry-leading technological prowess, while at the same time responding to the changes taking place to displays, such as foldable and rollable models. The Group will also strengthen its product lifecycle management and streamline its operations to expand highly-profitable businesses. With regard to flexible printed circuit boards, the Group aims to enhance its profitability by boosting market share of its HDD application and streamlining the business. In addition, the Group will shake up its portfolio by developing new demands.

### **- Life Science**

In the nucleic acid drug field, where an increasing number of new drugs and clinical trials are approved and conducted, respectively, the Group will expand its share in the oligonucleotide contract manufacturing market by seeking out new customers. For the drug discovery business, the Group will forge ahead with research and development as well as clinical trials of drugs in such fields as fibrosis and intractable cancer in an attempt to develop them into new core businesses.

### **- Others**

For membrane products, the Group will streamline its operations, which includes automation of its production processes, while strengthening its business foundations. The Group will also work to improve profitability of this segment by expanding business in market spaces with high growth potential. For new businesses, the Group will aim to bring products currently under development, including plastic optical cables, to the market as soon as possible.

## (6) Trends in operating results and assets

Item	FY2014 (150th term)	FY2015 (151st term)	FY2016 (152nd term)	FY2017 (153rd term)	FY2018 (154th term)
Revenue (million yen)	825,243	793,054	767,710	857,376	806,495
Operating income (million yen)	106,734	102,397	92,589	125,722	92,777
Net income attributable to owners of the parent company (million yen)	77,876	81,683	63,453	87,377	66,560
Basic earnings per share (yen)	471.75	495.23	390.94	538.99	423.50
Dividend payout ratio (%)	25.4	28.2	38.4	29.7	42.5
ROA (Ratio of profit attributable to owners of the parent company to total assets) (%)	9.5	9.7	7.4	9.6	7.2
ROE (Return on equity attributable to owners of the parent company) (%)	13.7	13.3	10.0	13.0	9.6
Operating income to revenue (%)	12.9	12.9	12.1	14.7	11.5
Total assets (million yen)	855,433	825,905	879,899	937,796	913,418
Total equity (million yen)	615,776	617,891	654,421	693,995	701,187
Equity attributable to owners of the parent company per share (yen)	3,705.96	3,785.91	4,027.57	4,328.50	4,465.70
Ratio of equity attributable to owners of the parent company to total assets (%)	71.5	74.4	74.3	73.9	76.7
Depreciation and amortization (million yen)	45,662	48,537	48,556	49,283	45,904
Capital investment (million yen)	56,721	60,420	36,538	47,193	64,353
Research and development costs (million yen)	28,240	32,120	30,366	31,243	31,990
Exchange rate (average rate) (yen/1 US dollar)	109.00	120.17	108.88	110.83	110.57

### Notes:

1. The Nitto Group prepares its consolidated financial statements based on the International Financial Reporting Standards (IFRS).
2. From fiscal 2018, "royalty income," which was previously included in "other income" on the consolidated statements of income, is included in "revenue." Accordingly, the above numbers for fiscal 2017 have been reclassified to reflect the change.
3. "Dividend payout ratio" is calculated based on a tentative dividend amount whose payment is subject to approval of Item 1 as proposed for the 154th Ordinary General Meeting of Shareholders.

## (7) Principal offices and status of major subsidiaries (as of March 31, 2019)

### <1> Principal offices of the Group

Nitto Denko Corporation	Head Office	Kita-ku, Osaka
	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 (Shinagawa-ku, Tokyo), Nagoya Sales Branch (Naka-ku, Nagoya), Osaka Sales Branch (Chuo-ku, Osaka), Kyushu Sales Branch (Hakata-ku, Fukuoka)
Nissho Corporation	Kita-ku, Osaka, Japan	
Nitto EMEA NV	Leuven, Belgium	
Nitto, Inc.	Lakewood, NJ, U.S.	
Nitto Denko AVECIA Inc.	Milford, MA, U.S.	
Nitto Denko (China) Investment Co., Ltd.	Shanghai, China	
Taiwan Nitto Optical Co., Ltd.	Taichung, Taiwan	
Korea Nitto Optical Co., Ltd.	Pyeongtaek, South Korea	
Korea Optical High Tech Co., Ltd.	Gumi, 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	

### <2> Status of major subsidiaries

Corporate name	Capital	Company's stake	Main business
Nissho Corporation	in million yen 515	100.0 %	Production, processing, and sales; Industrial Tape
Nitto EMEA NV	in thousand euro 212,282	100.0	Administration of Group companies in Europe
Nitto, Inc.	in thousand U.S. dollars 0	100.0	Administration of Group companies in the Americas Production, processing, sales, etc.; Industrial Tape
Nitto Denko AVECIA Inc.	in thousand U.S. dollars 1	100.0 (100.0)	Production and sales; Life Science
Nitto Denko (China) Investment Co., Ltd.	in thousand RMB 925,394	100.0	Administration of the Group companies in China
Taiwan Nitto Optical Co., Ltd.	in thousand NT\$ 568,004	100.0	Production, processing, and sales; Optronics
Korea Nitto Optical Co., Ltd.	in million won 84,365	100.0	Production, processing, and sales; Optronics
Korea Optical High Tech Co., Ltd.	in million won 22,000	100.0	Production, processing, and sales; Optronics
Nitto Denko (HK) Co., Ltd.	in thousand HK\$ 13,826	100.0	Sales; Industrial Tape and Optronics
Shanghai Nitto Optical Co., Ltd.	in thousand RMB 89,981	100.0 (24.5)	Production, processing, and sales; Optronics

Shenzhen Nitto Optical Co., Ltd.	in thousand RMB 568,925	100.0	Production, processing, and sales; Optronics
Nitto (China) New Materials Co., Ltd.	in thousand RMB 50,000	100.0 (100.0)	Sales; Industrial Tape, Optronics, and Others
Nitto Denko (Singapore) Pte. Ltd.	in thousand U.S. dollars 55,770	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

Note: Figures in parenthesis in “Company’s stake” indicate the percentage of indirect stake.

**(8) Employees of the Group and the Company (as of March 31, 2019)**

	Number of employees	Changes from the end of the previous fiscal year
Group	26,001	-309
Company	5,423	+154

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

**(9) Major creditors (as of March 31, 2019)**

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

## 2. Shareholders' equity (as of March 31, 2019)

(1) Number of shares authorized to be issued	400,000,000 shares
(2) Number of shares issued	158,758,428 shares
(Amount of treasury stock held)	1,908,766 shares)
(3) Number of shareholders	37,684
(4) Major shareholders (top 10)	

Name	Number of shares held	Ownership percentage
The Master Trust Bank of Japan, Ltd. (Trust Account)	Thousands of shares 28,250	% 18.01
Japan Trustee Services Bank, Ltd. (Trust Account)	15,159	9.67
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	3,485	2.22
Japan Trustee Services Bank, Ltd. (Trust Account 5)	2,963	1.89
Japan Trustee Services Bank, Ltd. (Trust Account 7)	2,908	1.85
State Street Bank West Client – Treaty 505234	2,617	1.67
JPMorgan Chase Bank 380634	2,473	1.58
JPMorgan Chase Bank 385151	2,411	1.54
The Bank of New York Mellon 140044	2,307	1.47
State Street Bank and Trust Company 505223	2,114	1.35

- Notes:
- The ownership percentage has been calculated based on the number of shares issued, excluding treasury stock.
  - Although the reports on large-scale shareholdings have been submitted as follows, the Company lists the major shareholders above according to the shareholder register as of March 31, 2019.
    - A total of four shareholders comprising MUFG Bank, Ltd. and its joint holders  
10,717,630 shares (as of December 24, 2018)
    - A total of two shareholders comprising Mizuho Securities Co., Ltd. and its joint holders  
8,830,210 shares (as of February 15, 2019)
    - A total of two shareholders comprising Nomura Securities Co., Ltd. and its joint holders  
15,986,601 shares (as of March 15, 2019)
    - A total of two shareholders comprising Sumitomo Mitsui Trust Asset Management Co., Ltd. and its joint holders  
13,042,700 shares (as of April 15, 2019)
    - A total of ten shareholders comprising BlackRock Japan Co., Ltd. and its joint holders  
12,218,754 shares (as of April 15, 2019)



(5) Matters concerning warrants

<1> Summary of warrants issued as compensation for executing duties and responsibilities and owned by officers of the Company at the end of this business year

Subject	Equity-based compensation stock options
Number of warrants	761 units (100 shares of common stock per unit)
Class and number of underlying shares subject to warrants	Company's common stock: 76,100 shares
Exercise value (payment amount per unit at time of exercise)	100 yen
Exercise period	<ul style="list-style-type: none"><li>• 30 years from the day following the issuing date</li><li>• 10 days from the day following the day from which they no longer serve as Directors</li></ul>
Number of owners and units	6 Directors 761 units

Note: The abovementioned warrants were allocated to Directors as equity-based compensation in place of retirement benefits for officers. Outside Directors and Corporate Auditors are not eligible for warrants.

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

Not applicable

### 3. Executives

#### (1) Directors and Corporate Auditors (as of March 31, 2019)

Name	Positions, duties, and significant concurrent positions	
Hideo Takasaki	Representative Director, President CEO, concurrently COO Chairperson, Internal Control Committee	Management in general
Toshiyuki Umehara	Director, Senior Executive Vice President CTO, concurrently CIO General Manager of Corporate Technology Sector Chairperson, Information Security Committee	Corporate technology, medical business, IT, procurement, logistics, human resources & training, and business reform
Toru Takeuchi	Director, Senior Executive Vice President CFO Chairperson, J-SOX Committee and Chairperson, Timely Disclosure Committee	Accounting & finance and compliance
Yasushi Nakahira	Director, Executive Vice President	Functional base products business, transportation business, and membrane business
Nobuhiro Todokoro	Director, Senior Vice President General Manager of Information Fine Materials Sector	Information fine materials business
Yosuke Miki	Director, Vice President, Deputy CTO General Manager of Information and Communication Technology Sector, concurrently Deputy General Manager of Corporate Technology Sector and General Manager of New Business Development Division	ICT business and corporate technology
Yoichiro Furuse	Outside Director	Representative Director of Evanston Corporation Chairman of Japan of Permira Advisers KK Consultant of GLP Pte. Ltd.
Takashi Hatchoji	Outside Director	External Audit & Supervisory Board Member of Marubeni Corporation Outside Director of Konica Minolta, Inc.
Tamio Fukuda	Outside Director	Professor Emeritus of Kyoto Institute of Technology
Masami Kanzaki	Corporate Auditor (full-time service)	
Kageshi Maruyama	Corporate Auditor (full-time service)	
Masashi Teranishi	Outside Corporate Auditor	Honorary Advisor of MUFG Bank, Ltd.
Masakazu Toyoda	Outside Corporate Auditor	Chairman & CEO of The Institute of Energy Economics, Japan Outside Director of Canon Electronics Inc. Outside Director of Nissan Motor Co., Ltd.
Mitsuhide Shiraki	Outside Corporate Auditor	Professor, Faculty of Political Science and Economics, Waseda University

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

- Notes:
1. Full-time Corporate Auditor, Kageshi Maruyama holds a Global Master of Business Administration, has gained experience in the Company's corporate strategy, business development, and auditing departments over the years, and possesses a broad range of knowledge in finance and accounting. Outside Corporate Auditor, Masashi Teranishi holds a Master of Business Administration (MBA) and has been involved in management at financial institutions over the years, thus possessing a broad range of knowledge in finance and accounting.
  2. 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.
  3. The Company has no special relationship with any of the organizations at which the Outside Directors and Outside Corporate Auditors hold important concurrent positions.

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

Name	Major activities
1. Outside Directors	
Yoichiro Furuse	Participation Board of Directors meetings: 100% (12 out of 12 times) Major comments He mainly makes comments from the viewpoint of an experienced corporate executive.
Takashi Hatchoji	Participation Board of Directors meetings: 100% (12 out of 12 times) Major comments He mainly makes comments from the viewpoint of an experienced corporate executive.
Tamio Fukuda	Participation Board of Directors meetings: 100% (10 out of 10 times) Major comments He mainly makes comments based on his broad insight as a person with relevant knowledge and experience.
2. Outside Corporate Auditors	
Masashi Teranishi	Participation Board of Directors meetings: 100% (12 out of 12 times) Board of Corporate Auditors meetings: 100% (13 out of 13 times) Major comments He mainly makes comments based on his many years of experience at financial institutions and deep financial and accounting knowledge.
Masakazu Toyoda	Participation Board of Directors meetings: 100% (12 out of 12 times) Board of Corporate Auditors meetings: 100% (13 out of 13 times) Major comments He mainly makes comments based on his broad insight and extensive experience in the fields of economy and industry.
Mitsuhide Shiraki	Participation Board of Directors meetings: 100% (12 out of 12 times) Board of Corporate Auditors meetings: 100% (13 out of 13 times) Major comments He mainly makes comments based on his broad insight as a person with relevant knowledge and experience.

## (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) Compensation, etc. paid to Directors and Corporate Auditors

(Yen in Millions)

Position	Total amount of compensation, etc.	Compensation by type				Number of eligible Directors and Corporate Auditors
		Compensation in cash	Bonus paid to Directors	Restricted share remuneration	Warrants (equity-based compensation stock options)	
Directors (excluding Outside Directors)	568	255	210	72	29	6
Outside Directors	36	36	-	-	-	4
Corporate Auditors (excluding Outside Corporate Auditors)	67	67	-	-	-	2
Outside Corporate Auditors	32	32	-	-	-	3

- Notes:
1. The table above includes one Outside Director who retired during the fiscal year under review.
  2. The amount of employee salary (including bonus) for a Director who also holds an employee position is paid separately from the abovementioned compensation, but such employee salary was not paid for the current term.
  3. The limit of compensation in cash for Directors is 30 million yen per month (of which up to 3 million yen is allocated to Outside Directors) since approval at the 150th Ordinary General Meeting of Shareholders, and that for Corporate Auditors is 12 million yen per month since approval at the 139th Ordinary General Meeting of Shareholders.
  4. Bonus for Directors is a tentative amount and its payment is subject to the approval of proposed Item 2 at the 154th Ordinary General Meeting of Shareholders.
  5. At the 153rd Ordinary General Meeting of Shareholders, it was resolved that the upper limit of the total amount and number of shares to be granted in the form of restricted share remuneration for Directors (excluding Outside Directors) would be 243 million yen/year and 32,000 shares/year, respectively.
  6. The amount for warrants (equity-based compensation stock options) represents a portion of the amount approved at the 152nd Ordinary General Meeting of Shareholders that was charged to expense in the fiscal term under review.
  7. In addition to the above, at the 153rd Ordinary General Meeting of Shareholders it was approved that a performance-linked share-based remuneration would be provided to Directors (excluding Outside Directors) in accordance with the achievement of numerical targets at the close of the third fiscal term with the one ending March 31, 2019 being the first (at the close of the third fiscal term with each fiscal term being the first thereafter). The upper limit of the total amount and number of shares to be granted will be 364 million yen/year and 48,400 shares/year, respectively.

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

<1> Compensation paid to Directors

Compensation for Directors (excluding Outside Directors) of the Company has four components with a view toward improving performance over the mid- and long-term and motivating them to contribute to sustainable enhancement of corporate value:

- Fixed compensation in cash
- Bonus for Directors as short-term performance-linked remuneration
- Performance-linked share-based remuneration as a mid-term performance-linked remuneration  
(To be paid within the scope of 0% to 150% in accordance with the achievement of each numerical target that the Company's Board of Directors decides based on performance targets laid out in its Mid-term Management Plan, etc.)
- Restricted share remuneration as a mid- and long-term performance-linked remuneration

The amount of each of the four components is determined within the range of the total amount (and number of shares) approved at the general meetings of shareholders, with consideration given to the balance between fixed compensation and variable compensation and between cash compensation and share-based remuneration, etc.

In order to increase the objectivity and transparency of such compensation, after consulting the Management, Nomination and Remuneration Advisory Committee on their views regarding compensation paid to Directors, the specific amount of performance-linked share-based remuneration is determined by a pre-specified formula and the compensation paid to each Director is determined by the Representative Director in accordance with each Director's duties, responsibilities, and performance.

In light of the nature of Outside Directors' roles, which is to supervise management by making important decisions at Board of Directors meetings and otherwise, the compensation paid to Outside Directors of the Company does not include any performance-based components, including equity-related compensation, and instead consists of only fixed compensation in cash.

<2> Compensation paid to Corporate Auditors

In light of the nature of Corporate Auditors' duties, which is to audit and otherwise examine the execution of duties by Directors, the compensation paid to Corporate Auditors of the Company does not include any performance-based components, including equity-related compensation, and instead consists of only fixed compensation in cash. The amount of their compensation is determined within the range of the total amount approved at the general meetings of shareholders.

The specific amount of compensation paid to each Corporate Auditor is determined through consultation among Corporate Auditors in accordance with their respective duties and responsibilities.

(Reference) Status of Vice Presidents

The Company has adopted the executive officer system. The current positions and responsibilities of executive officers as of April 1, 2019 are as follows.

Name	Positions and responsibilities	
Hideo Takasaki	Representative Director, President CEO, concurrently COO Chairperson, Internal Control Committee	Management in general
Toshihiko Omote	Senior Executive Vice President Senior Chief Engineer	Special assignments
Michio Yoshimoto	Senior Executive Vice President General Manager, Legal and Corporate Affairs Division General Manager, Export Control Center	Legal and corporate affairs Export control
Toshiyuki Umehara	Director, Senior Executive Vice President CTO, concurrently CIO General Manager of Corporate Technology Sector Chairperson, Information Security Committee	Corporate technology, medical business, IT, procurement, logistics, human resources & training, and business reform
Toru Takeuchi	Director, Senior Executive Vice President CFO Chairperson, J-SOX Committee and Chairperson, Timely Disclosure Committee	Accounting & finance and compliance
Yasushi Nakahira	Director, Executive Vice President	Functional base products business, transportation business, and membrane business
Yukihiro Iizuka	Executive Vice President President, Nitto, Inc.	Management of North and South American regions
Yasuhito Ohwaki	Senior Vice President CPO	Procurement
Sam Strijckmans	Senior Vice President Deputy General Manager of Corporate Accounting & Finance Division President & CEO, Nitto EMEA NV	Management of European region Global finance & auditing
Jun Yamashita	Senior Vice President Director, Nitto Denko (Singapore) Pte. Ltd.	Management of South Asian region
Nobuhiro Todokoro	Director, Senior Vice President General Manager of Information Fine Materials Sector	Information fine materials business
Toshihiko Takayanagi	Senior Vice President General Manager of Sales Management Sector, concurrently General Manager of Sales Management Sector Tokyo Sales Branch	Sales management & sales support
Hiroshi Fukuhara	Vice President General Manager of Human Resources Management Division	Human resources & training Management of offices/plants
Seiji Fujioka	Vice President General Manager of Medical Division	Medical business
Kazuki Tsuchimoto	Vice President Deputy CTO General Manager, Corporate Global Monozukuri Sector concurrently Deputy General Manager of Corporate Technology Sector Chairperson, Environment & Safety Committee	Quality, environment & safety, and manufacturing technology Corporate technology

Yosuke Miki	Director, Vice President Deputy CTO General Manager of Information and Communication Technology Sector, concurrently Deputy General Manager of Corporate Technology Sector and General Manager of New Business Development Division	ICT business and corporate technology
Atsushi Ukon	Vice President President, Nissho Corporation	Management of business companies
Bae-Won Lee	Vice President President, Korea Nitto Optical Co., Ltd.	Information fine materials business
Shin Tokuyasu	Vice President General Manager, Corporate Sustainability Division Chairperson, CSR Committee	Compliance
Yasuhiro Iseyama	Vice President General Manager of Corporate Accounting & Finance Division	Accounting & finance
Norio Sato	Vice President General Manager, Functional Base Products Sector	Functional base products business
Katsuyoshi Jo	Vice President Chairman/President, Nitto Denko (China) Investment Co., Ltd.	Management of East Asian region

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



March 29, 2019

## Findings of the Nitto Board Effectiveness Evaluation

We conducted an analysis/evaluation on the effectiveness of our Board based on Japan's Corporate Governance Code stipulated by Tokyo Stock Exchange, Inc. Please find below the executive summary of the findings of the FY2018 analysis/evaluation.

### 1. Analysis/evaluation method

We have collected questionnaires from each member of our Board (including Corporate Auditors) concerning the Board's effectiveness. Based on the findings of the questionnaire survey, our Board met to discuss such topics as its structure, operations, and decision-making processes and analyzed and evaluated whether the Board functions effectively and whether it fulfills its roles.

### 2. Executive summary of the analysis/evaluation findings of the Board's effectiveness

Based on the results of the analysis/evaluation, Nitto's Board has concluded that the effectiveness of the Board is largely ensured.

For FY2018, the Board reviewed the nature of the agenda items and the way the Board is operated by referring to the evaluation findings from the previous year (please see the "Findings of the Nitto Board Effectiveness Evaluation" dated March 30, 2018), shared the present state of affairs and future prospects of each business sector/division, and then discussed business strategies and other matters. Based on these deliberations, the Board verified mid- and long-term management themes that need to be discussed in the next year.

### 3. Future action

As per the analysis/evaluation findings above, Nitto's Board will remain committed to further enhancing the effectiveness of the Board as a whole.

End

#### 4. Accounting auditors

(1) Name of Accounting Auditor: KPMG AZSA LLC

(2) Amount of compensation for the Accounting Auditor

(Yen in Millions)

1)	Amount of compensation as an accounting auditor for this business year	163
2)	Total amount of money and other asset interests to be paid by the Company and the subsidiaries of the Company	190

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

(3) Policy to determine dismissal or non-reelection 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 election agenda to the general meeting of shareholders. The Board of Corporate Auditors will also determine reelection or non-reelection of the Accounting Auditor based on the number of continuous years of auditing, in addition to the factors mentioned above.

## 5. Internal control system and policies of the Company

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

#### <1> Basic policy on internal control

The Company, in accordance with the provisions of Article 362 of the Companies Act and of Article 100 of the Ordinance for Enforcement of the Companies Act, defines the Company's basic policy on internal control as follows:

- 1) A system necessary to ensure that the execution of duties by Directors/employees of the Group complies with laws/regulations and the Company's articles of incorporation, and other systems necessary to ensure the appropriateness of operations as a business group
  - i) A corporate philosophy and Nitto Group Business Conduct Guidelines that express that philosophy in concrete terms to ensure that employees make lawful and ethical decisions shall be established and communicated to all officers and employees of the Group to familiarize them with the same, and the Company's Directors shall take the lead in complying with legal and ethical norms to set an example for others to follow.
  - ii) The Company's Board of Directors shall adopt an outside director system.
  - iii) In order to promote CSR activities, including the establishment of compliance and risk management systems for the Group, an officer in charge of CSR (Director or Vice President) shall be appointed and a CSR Committee shall be set up and chaired by that officer.
  - iv) Besides the CSR Committee, expert committees comprising members from relevant departments shall be established in order to address cross-sectional issues, compliance, and risk management for the Group.
  - v) An Internal Control Committee shall be established with the Company's Representative Director, President serving as chair in order to monitor the implementation status of this basic policy and consider revising the same as necessary.
  - vi) An internal audit department shall be established in order to internally audit the appropriateness and other aspects of the operational process and operations in general at each division of the Company and Group companies. At the same time, departments specializing in safety, the environment, quality, and export control shall be established in order to conduct audits in collaboration with the internal audit department.
  - vii) A whistleblowing system in which an external specialized institution directly receives such information, as well as an internal hotline, shall be set up and a Legal and Ethical Compliance Committee that includes the officer in charge of CSR shall also be established to handle the process and develop a recurrence prevention system.
  - viii) A system shall be set up that ensures the appropriateness, validity, and efficiency of the operational process and operations in general, including internal control necessary to ensure the reliability of financial reporting.
- 2) A system for safekeeping and management of information on the execution of duties by the Company's Directors  
All documents associated with the execution of duties by the Company's Directors, including, but not limited to, the minutes of general meetings of shareholders, Board of Directors meetings, Corporate Strategic Committee 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 kept in a condition that allows inspection as necessary.
- 3) Regulations and other systems on management of risks of loss for the Group

- i) The Company's Board of Directors, Corporate Strategic Committee, and individual operating entities shall constantly manage risks associated with business mix and business operation outside of Japan, risks arising from external factors, such as currency fluctuations and country risks, and risks associated with technological competitiveness, such as capabilities to develop new technologies and intellectual property rights, and respond to them as necessary.
  - ii) With regard to risks associated with safety, the environment, disasters, and product quality/defects, and risks associated with protection of information security, responses to demands from antisocial forces, and compliance with the Antimonopoly Act, Pharmaceutical Affairs Act, Export Control Act, and other acts, a competent department shall be designated to identify significant risks periodically. Each risk thus identified shall be monitored and prevented by the relevant departments and committees, and project teams that may be formed as necessary.
  - iii) An arrangement shall be in place to immediately inform the President, an officer in charge of CSR, and Corporate Auditors of the Company of any unforeseen situation that may have developed, and to prevent any damage from expanding and minimize the same by setting up a crisis countermeasures headquarters under the President, thereby ensuring continuity and early restoration of business.
- 4) A system for ensuring the efficient execution of duties by the Company's Directors
- i) As a basis for a system to ensure the efficient execution of duties by the Company's Directors, Board of Directors meetings shall, in principle, be held periodically once a month and extraordinarily as necessary.
  - ii) Corporate decision-making rules shall be developed that demand significant matters concerning the Company's concrete management policies and strategies be subject to resolution of the Board of Directors, the Corporate Strategic Committee consisting of Directors and Vice Presidents (which convenes once a month, in principle), or other meetings organized by each operating entity, or be subject to the *ringi* collective decision-making process, depending on the importance of such matters.
  - iii) Who is responsible for the execution of what duties and to what extent and the details of procedures for the execution of duties shall be defined by an organization designated by the Board of Directors, in Group Decision-Making Regulations and elsewhere.
- 5) A system for reporting to the Company matters concerning execution of duties by Directors and other members of the Group
- i) Group Decision-Making Regulations/Rules shall be developed to ensure that Group companies properly consult, report to, or otherwise contact the Company concerning their decisions on management issues and other significant matters.
  - ii) A system shall be established whereby Directors and Vice Presidents of the Company are briefed on businesses under their supervision by the relevant Group companies and are involved in their decision-making processes, if necessary, in accordance with the Group Decision-Making Regulations/Rules, thereby ensuring the appropriateness of duties within the entire Group.
- 6) A system for ensuring the efficient execution of duties by Directors and other members of the Group
- i) Who is responsible for the execution of what duties of the Group and to what extent and the details of procedures for the execution of duties shall be stipulated in Group Decision-Making Regulations/Rules and elsewhere.
  - ii) Should the execution of duties by individual Group companies be deemed as constituting significant matters of the Company, the same shall be subject to resolution by the Board of Directors or other committees of the Company, depending on their importance.

- 7) Matters concerning employees whose appointment is requested by Corporate Auditors of the Company to assist them in their duties, matters concerning independence of such employees from Directors, and matters concerning assurance of the effectiveness of instructions given by Corporate Auditors to such employees
- i) A Corporate Auditor Assistant position shall be established in order to assist Corporate Auditors of the Company in their duties.
  - ii) A Corporate Auditor Assistant shall be affiliated with an independent organization and perform his/her duties under the direct command of Corporate Auditors.
  - iii) Election and transfer of a Corporate Auditor Assistant shall be determined with consent from full-time Corporate Auditors.
  - iv) Evaluation of a Corporate Auditor Assistant shall be determined by full-time Corporate Auditors.
  - v) A Corporate Auditor Assistant shall not hold a concurrent position that concerns the execution of duties.
  - vi) Directors of the Company shall recognize and comprehend the importance and usefulness of auditing by Corporate Auditors, make such recognition and comprehension known throughout the Group, and strive to enhance internal audit organizations.
- 8) A system for Directors and employees of the Company, Directors of Group companies, and others to report to (the Board of) Corporate Auditors of the Company and a system for ensuring that those who have made such a report are not unfavorably treated for having done so
- i) Directors and employees of the Company shall report significant matters that may affect the operations and/or performance of the Group to Corporate Auditors of the Company in accordance with the auditing plan determined by (the Board of) Corporate Auditors.
  - ii) Notwithstanding the above, Corporate Auditors of the Company may, whenever necessary, demand reports from Directors and employees of the Company, their attendance at important meetings, and access to the minutes of such meetings or *ringi* collective decision-making documents and other reports.
  - iii) Directors of the Company shall ensure that the Company's Corporate Auditors are reported to promptly and adequately by developing a whistleblowing system and a system for reporting emergencies and incidents concerning compliance and by maintaining their appropriate implementation.
  - iv) A system shall be established for ensuring that whistleblowers are not unfavorably treated for having made a report by developing a whistleblowing system in which an external specialized institution directly receives such information.
- 9) Matters concerning accounting policies on procedures for advance payment or reimbursement of expenses that may be incurred with regard to the execution of duties by Corporate Auditors of the Company, and other accounting practices for expenses or liabilities that may be incurred with regard to the execution of duties by the Corporate Auditors.
- When Corporate Auditors of the Company demand from the Company 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 demanded were unnecessary for the execution of duties by the Corporate Auditors in question.
- 10) Other systems for ensuring that auditing by Corporate Auditors is performed effectively
- i) Corporate Auditors of the Company shall establish a system that allows them to conduct audits

efficiently in collaboration with accounting auditors, the department in charge of internal auditing, and others concerned, or by exchanging opinions and information with Corporate Auditors of Group companies. They shall audit Group companies as appropriate in accordance with an auditing plan and in cooperation with the department in charge of internal auditing.

- ii) In addition to the auditing described above, a system shall be established whereby Corporate Auditors may demand a report from Corporate Auditors, Directors, and senior executives of Group companies whenever necessary.

#### <2> Status of implementation of basic policies on internal control

Within the Nitto Group, the Internal Control Committee checks the implementation status of basic policies on internal control by reviewing activities of each expert committee and otherwise and reports its findings to the Board of Directors.

Accordingly, the Internal Control Committee has confirmed that the Nitto Group:

- Makes its decisions in accordance with the Group Decision-Making Regulations/Rules and maintains records of such decisions;
- Ensures compliance and manages risks appropriately by establishing expert committees, departments dedicated to individual tasks, project activities, and so forth;
- Ensures that systems for whistleblowing and reporting in emergencies with regard to individual issues are functioning; and
- Ensures that Corporate Auditors and the internal audit department work closely to conduct internal audits appropriately in accordance with audit plans.

Given the report above, the Company's Board of Directors met for discussions to conclude that "the Nitto Group implements basic policies on internal control appropriately."

#### **(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 in the opinion that the decision on whether or not to accept the acquisition should ultimately be left to the judgment of its shareholders. On the other hand, however, the Company cannot deny the existence of corporate takeovers with unjust objectives such as sell-offs at high prices, and realize that it is obviously the responsibility of the management of the Company, to secure the basic principles and the brand of the Company and protect the interests of our shareholders and other stakeholders from such unjust parties.

At present, neither is the Company placed under any specific threat for acquisition of substantial shareholdings nor does the Company intend to define explicit defense measures against the advent of such a buyer (so-called takeover defense measures). Yet the Company, having assumed the management responsibility entrusted from its shareholders, is committed at all times to keep close watch over its stock transactions and shareholder movements, and will immediately take measures deemed most appropriate should there be any sign of a party with the intention to acquire substantial shares of Nitto Denko stocks.

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

## Consolidated Financial Statements

### Consolidated Statements of Financial Position

(Yen in Millions)

	Amount	
	As of March 31, 2019	As of March 31, 2018 (Reference)
(Assets)		
<b>Current assets</b>	<b>581,536</b>	<b>622,027</b>
Cash and cash equivalents	297,682	304,709
Trade and other receivables	169,768	192,120
Inventories	93,985	95,068
Other financial assets	412	8,815
Other current assets	19,687	15,398
Subtotal	581,536	616,112
Assets held for sale	—	5,914
<b>Non-current assets</b>	<b>331,882</b>	<b>315,768</b>
Property, plant and equipment	267,133	248,417
Goodwill	6,834	6,927
Intangible assets	12,393	12,355
Investments accounted for using equity method	194	338
Financial assets	8,428	9,361
Deferred tax assets	26,548	28,295
Other non-current assets	10,349	10,073
<b>Total assets</b>	<b>913,418</b>	<b>937,796</b>



## Consolidated Statements of Financial Position

(Yen in Millions)

	Amount	
	As of March 31, 2019	As of March 31, 2018 (Reference)
<b>(Liabilities)</b>		
<b>Current liabilities</b>	<b>158,478</b>	<b>187,436</b>
Trade and other payables	96,887	110,114
Bonds and borrowings	448	4,049
Income tax payables	5,073	19,270
Other financial liabilities	21,609	13,362
Other current liabilities	34,458	40,379
Subtotal	158,478	187,175
Liabilities directly associated with assets classified as held for sale	—	260
<b>Non-current liabilities</b>	<b>53,752</b>	<b>56,364</b>
Other financial liabilities	503	1,183
Defined benefit liabilities	50,320	46,227
Deferred tax liabilities	619	612
Other non-current liabilities	2,309	8,339
<b>Total liabilities</b>	<b>212,231</b>	<b>243,800</b>
<b>(Equity)</b>		
<b>Equity attributable to owners of the parent company</b>	<b>700,443</b>	<b>693,278</b>
Share capital	26,783	26,783
Capital surplus	50,319	55,981
Retained earnings	622,025	665,561
Treasury stock	-11,081	-69,867
Other components of equity	12,395	14,819
<b>Non-controlling interests</b>	<b>744</b>	<b>716</b>
<b>Total equity</b>	<b>701,187</b>	<b>693,995</b>
<b>Total liabilities and equity</b>	<b>913,418</b>	<b>937,796</b>

## Consolidated Statements of Income

(Yen in Millions)

	Amount	
	April 1, 2018 – March 31, 2019	April 1, 2017 – March 31, 2018 (Reference)
<b>Revenue</b>	<b>806,495</b>	<b>857,376</b>
Cost of sales	564,608	574,879
<b>Gross profit</b>	<b>241,886</b>	<b>282,497</b>
Selling, general and administrative expenses	120,576	118,421
Research and development expenses	31,990	31,243
Other income	8,594	4,594
Other expenses	5,137	11,703
<b>Operating income</b>	<b>92,777</b>	<b>125,722</b>
Financial income	1,195	1,185
Financial expenses	1,917	752
Equity in profits (losses) of affiliates	-144	12
<b>Income before income taxes</b>	<b>91,910</b>	<b>126,168</b>
Income tax expenses	25,293	38,704
<b>Net income</b>	<b>66,616</b>	<b>87,463</b>
<b>Net income attributable to:</b>		
Owners of the parent company	66,560	87,377
Non-controlling interests	56	85

Note: From the fiscal year under review, “royalty income,” which was previously included in “other income” on the consolidated statements of income, is included in “revenue.” Accordingly, the above numbers for the previous fiscal year have been reclassified to reflect the change.

## Consolidated Statements of Cash Flows (Reference)

(Yen in Millions)

	Amount	
	April 1, 2018 – March 31, 2019	April 1, 2017 – March 31, 2018
<b>I Cash flows from operating activities</b>		
Income before income taxes	91,910	126,168
Depreciation and amortization	45,904	49,283
Impairment losses	41	52
Increase (decrease) in defined benefit liabilities	725	2,338
Decrease (increase) in trade and other receivables	23,148	-18,493
Decrease (increase) in inventories	362	-6,860
Increase (decrease) in trade and other payables	-14,227	-4,471
Interest and dividend income	1,089	1,047
Interest expenses paid	-357	-419
Income taxes (paid) refunded	-41,835	-35,153
Others	-8,192	9,059
<b>Net cash provided by (used in) operating activities</b>	<b>98,569</b>	<b>122,551</b>
<b>II Cash flows from investing activities</b>		
Purchase of property, plant and equipment and intangible assets	-59,628	-48,466
Proceeds from sale of property, plant and equipment and intangible assets	331	99
Decrease (increase) in time deposits	6,689	-2,811
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	2,634	—
Others	17	963
<b>Net cash provided by (used in) investing activities</b>	<b>-49,955</b>	<b>-50,215</b>
<b>III Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	-374	74
Repayment of long-term loans payable	-3,000	—
Decrease (increase) in treasury stock	-28,547	-19,354
Cash dividends paid	-26,928	-25,166
Others	430	-472
<b>Net cash provided by (used in) financing activities</b>	<b>-58,419</b>	<b>-44,919</b>
<b>IV Effect of exchange rate changes on cash and cash equivalents</b>	<b>-1</b>	<b>-270</b>
<b>V Cash and cash equivalents included in assets held for sale</b>	<b>—</b>	<b>-2,780</b>
<b>VI Reclassification of cash and cash equivalents included in assets held for sale in the opening balance</b>	<b>2,780</b>	<b>—</b>
<b>VII Net increase (decrease) in cash and cash equivalents</b>	<b>-7,027</b>	<b>24,365</b>
<b>VIII Cash and cash equivalents at the beginning of the period</b>	<b>304,709</b>	<b>280,343</b>
<b>IX Cash and cash equivalents at the end of the period</b>	<b>297,682</b>	<b>304,709</b>

## Consolidated Statements of Changes in Equity

April 1, 2018 – March 31, 2019

(Yen in Millions)

	Share capital	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
<b>Balance at the beginning of current year</b>	26,783	55,981	665,561	-69,867	14,819	693,278	716	693,995
Cumulative effects of changes in accounting policies	—	—	430	—	—	430	—	430
Adjusted balance as of April 1, 2018	26,783	55,981	665,992	-69,867	14,819	693,709	716	694,426
Net income			66,560			66,560	56	66,616
Other comprehensive income					-4,550	-4,550	-5	-4,556
<b>Total comprehensive income</b>	—	—	66,560	—	-4,550	62,009	51	62,060
Share-based payment transactions		54			-48	5		5
Dividends			-26,928			-26,928	-23	-26,951
Changes in treasury stock		-5,716	-81,423	58,786		-28,353		-28,353
Transfers from other components of equity to retained earnings			-2,176		2,176	—		—
<b>Total transactions with owners</b>	—	-5,661	-110,527	58,786	2,127	-55,275	-23	-55,299
<b>Balance at the end of current year</b>	26,783	50,319	622,025	-11,081	12,395	700,443	744	701,187

## Non-Consolidated Financial Statements

### Non-Consolidated Balance Sheets

(Yen in Millions)

	Amount	
	As of March 31, 2019	As of March 31, 2018 (Reference)
(Assets)		
<b>Current assets</b>	<b>363,994</b>	<b>376,864</b>
Cash and deposits	185,290	189,209
Notes receivable-trade	5,059	5,177
Accounts receivable-trade	103,549	115,739
Merchandise and finished goods	8,686	7,578
Work in process	23,501	24,731
Raw materials and supplies	10,946	11,395
Short-term loans receivable	12,250	2,497
Income taxes recoverable	3,219	—
Other	11,786	20,584
Allowance for doubtful accounts	-295	-51
<b>Non-current assets</b>	<b>299,144</b>	<b>285,552</b>
<b>Property, plant and equipment</b>	<b>151,737</b>	<b>135,450</b>
Buildings	69,004	65,228
Structures	4,371	3,891
Machinery and equipment	49,327	44,010
Vehicles	432	423
Tools, furniture and fixtures	5,477	5,172
Land	13,847	13,778
Construction in progress	9,277	2,945
<b>Intangible assets</b>	<b>6,095</b>	<b>5,626</b>
Software	3,481	3,841
Other	2,614	1,784
<b>Investments and other assets</b>	<b>141,312</b>	<b>144,475</b>
Investments securities	5,349	6,160
Stocks of subsidiaries and affiliates	108,767	99,697
Long-term loans receivable	1	9,801
Deferred tax assets	17,120	18,698
Prepaid pension cost	7,925	8,165
Other	2,180	1,983
Allowance for doubtful accounts	-32	-32
<b>Total assets</b>	<b>663,139</b>	<b>662,416</b>

Note: From the fiscal year under review, “royalty receivable,” which was previously included in “other” under current assets, is included in “accounts receivable-trade.” Accordingly, the above numbers for the previous fiscal year have been reclassified to reflect the change.

## Non-Consolidated Balance Sheets

(Yen in Millions)

	Amount	
	As of March 31, 2019	As of March 31, 2018 (Reference)
<b>(Liabilities)</b>		
<b>Current liabilities</b>	<b>168,950</b>	<b>182,982</b>
Accounts payable-trade	59,766	70,271
Short-term loans payable	30,522	21,561
Accounts payable-other	33,625	25,631
Accrued expenses	9,361	13,058
Income taxes payable	—	13,690
Deposits received	32,141	34,552
Other	3,533	4,216
<b>Non-current liabilities</b>	<b>28,114</b>	<b>29,435</b>
Provision for retirement benefits	27,748	23,106
Guarantee deposits received	274	262
Other	91	6,066
<b>Total liabilities</b>	<b>197,064</b>	<b>212,418</b>
<b>(Net assets)</b>		
<b>Shareholders' equity</b>	<b>463,477</b>	<b>446,806</b>
<b>Capital stock</b>	<b>26,783</b>	<b>26,783</b>
<b>Capital surplus</b>	<b>50,482</b>	<b>56,140</b>
Legal capital surplus	50,482	50,482
Other capital surplus	—	5,658
<b>Retained earnings</b>	<b>397,277</b>	<b>433,671</b>
Legal retained earnings	4,095	4,095
Other retained earnings	393,182	429,576
Reserve for special depreciation	27	25
Reserve for advanced depreciation of non-current assets	1,910	1,983
General reserve	185,000	185,000
Retained earnings brought forward	206,243	242,567
<b>Treasury stock</b>	<b>-11,065</b>	<b>-69,789</b>
<b>Valuation and translation adjustments</b>	<b>1,865</b>	<b>2,514</b>
Valuation difference on available-for-sale securities	1,865	2,514
<b>Subscription rights to shares</b>	<b>731</b>	<b>677</b>
<b>Total net assets</b>	<b>466,075</b>	<b>449,998</b>
<b>Total liabilities and net assets</b>	<b>663,139</b>	<b>662,416</b>

## Non-Consolidated Statements of Income

(Yen in Millions)

	Amount	
	April 1, 2018 – March 31, 2019	April 1, 2017 – March 31, 2018 (Reference)
<b>Net sales</b>	<b>490,626</b>	<b>524,008</b>
Cost of sales	358,312	365,136
<b>Gross profit</b>	<b>132,314</b>	<b>158,872</b>
Selling, general and administrative expenses	91,573	86,971
<b>Operating income</b>	<b>40,741</b>	<b>71,901</b>
<b>Non-operating income</b>	<b>50,793</b>	<b>28,304</b>
Interest and dividends income	45,818	25,529
Other	4,974	2,774
<b>Non-operating expenses</b>	<b>4,912</b>	<b>4,526</b>
Interest expenses	703	377
Foreign exchange losses	2,643	1,330
Other	1,565	2,817
<b>Ordinary income</b>	<b>86,621</b>	<b>95,679</b>
<b>Extraordinary income</b>	<b>69</b>	<b>2</b>
Gain on sales of non-current assets	69	2
Gain on sales of investment securities	—	0
<b>Extraordinary loss</b>	<b>1,728</b>	<b>3,247</b>
Loss on sales and retirement of non-current assets	1,704	3,074
Special retirement expenses	—	134
Other	23	38
<b>Income before income taxes</b>	<b>84,962</b>	<b>92,434</b>
Income taxes-current	11,208	22,010
Income taxes-deferred	1,859	-5,010
<b>Net income</b>	<b>71,894</b>	<b>75,434</b>

Note: From the fiscal year under review, “royalty income,” which was previously included in “other” under non-operating income, is included in “net sales.” Accordingly, the above numbers for the previous fiscal year have been reclassified to reflect the change.

## Non-Consolidated Statements of Changes in Equity

April 1, 2018 – March 31, 2019

(Yen in Millions)

	Shareholders' equity											
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings				Total retained earnings	Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings						
						Reserve for special depreciation	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward			
<b>Balance at the beginning of current year</b>	26,783	50,482	5,658	56,140	4,095	25	1,983	185,000	242,567	433,671	-69,789	446,806
<b>Net changes of items during the period</b>												
Dividends from surplus									-26,928	-26,928		-26,928
Provision of reserve for special depreciation						16			-16	-		-
Reversal of reserve for special depreciation						-14			14	-		-
Reversal of reserve for advanced depreciation of non-current assets							-72		72	-		-
Net income									71,894	71,894		71,894
Acquisition of treasury stock											-28,490	-28,490
Disposal of treasury stock			-58	-58							253	194
Retirement of treasury stock			-5,599	-5,599					-81,360	-81,360	86,960	-
Net change of items other than shareholders' equity during the period												
<b>Total changes of items during the period</b>	-	-	-5,658	-5,658	-	1	-72	-	-36,323	-36,393	58,723	16,670
<b>Balance at the end of current year</b>	26,783	50,482	-	50,482	4,095	27	1,910	185,000	206,243	397,277	-11,065	463,477

	Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
<b>Balance at the beginning of current year</b>	2,514	2,514	677	449,998
<b>Net changes of items during the period</b>				
Dividends from surplus				-26,928
Provision of reserve for special depreciation				-
Reversal of reserve for special depreciation				-
Reversal of reserve for advanced depreciation of non-current assets				-
Net income				71,894
Acquisition of treasury stock				-28,490
Disposal of treasury stock				194
Retirement of treasury stock				-
Net change of items other than shareholders' equity during the period	-648	-648	54	-594
<b>Total changes of items during the period</b>	-648	-648	54	16,076
<b>Balance at the end of current year</b>	1,865	1,865	731	466,075



Documents to be Provided Pursuant to  
Articles 437 and 444 of the Companies Act of Japan

**The 154th Term**

{ from April 1, 2018 }  
to March 31, 2019 }

1. Business Report
2. Consolidated Financial Statements
3. Non-Consolidated Financial Statements
4. Supplementary Schedules

**Nitto Denko Corporation**

## The 154th Term

<Non-Consolidated Financial Statements, Etc.>

Documents to be Kept  
from April 1, 2018  
to March 31, 2019

[ ]

1. Audit Report
2. Business Report
3. Consolidated Financial Statements
4. Non-Consolidated Financial Statements
5. Supplementary Schedules

Hideo Takasaki  
Board Member, President  
Nitto Denko Corporation

(Pursuant to the provisions of paragraph (2) of Article 435 of the Companies Act of Japan)

## Supplementary Schedules of the Business Report

From April 1, 2018  
to March 31, 2019

### Detailed Statements concerning the Status of the Company Directors' Concurrent Positions as an Executing Person at Other Companies

As described in 3. Executives, (1) Directors and Corporate Auditors (as of March 31, 2019) of the Business Report

- End of Document-

To Shareholders

The Notice of Convocation of  
the 154th Ordinary General Meeting of Shareholders  
Matters to be Disclosed through the Internet

Business Report:

- 2. (5) Matters concerning warrants and
- 5. Internal control system and policies of the  
Company

Consolidated Financial Statements:

Consolidated Statements of Changes in Equity  
and Notes to the Consolidated Financial  
Statements

Non-Consolidated Financial Statements:

Non-Consolidated Statements of Changes in  
Equity and Notes to the Non-Consolidated  
Financial Statements

<p>Under the applicable laws and regulations and Article 16 of the Company's Articles of Incorporation, the abovementioned matters are disclosed to shareholders by publishing them on the Company's website (<a href="https://www.nitto.com/jp/en/ir/">https://www.nitto.com/jp/en/ir/</a>).</p>
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Nitto Denko Corporation

## Notes to the Consolidated Financial Statements

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

#### (1) Basis of the consolidated financial statements

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

#### (2) Scope of consolidation

<1> Number of consolidated subsidiaries: 94

Major subsidiaries: Nissho Corporation, Nitto EMEA NV, Nitto, Inc., Nitto Denko Avecia Inc., Nitto Denko (China) Investment Co., Ltd., Taiwan Nitto Optical Co., Ltd., Korea Nitto Optical Co., Ltd., Korea Optical High Tech 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.

<2> Increase/decrease of consolidated subsidiaries

Increase: 2 (due to establishment)

Decrease: 3 (due to sale, etc.)

#### (3) Fiscal year of consolidated subsidiaries

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

Number of subsidiaries that do not close books on the same date as the Company: 25

For the above 25 subsidiaries, provisional settlement of accounts as of March 31, 2019 are used.

#### (4) Accounting policies

<1> Valuation basis and method for principal assets

##### 1) Financial assets:

Non-derivative financial assets

The Group initially recognizes trade and other receivables on the dates when they are originated.

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

##### (a) Financial assets measured at amortized cost

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

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

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

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

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

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

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

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

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

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

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

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

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

2) Inventories:

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

<2> Depreciation method of major depreciable assets

1) Property, plant and equipment (excluding lease assets):

Straight-line method

2) 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)

3) 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.

<3> Accounting criteria for major provisions

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

the time value of money and the risks specific to the obligations. Any increases in provisions that may have taken place over time are recognized as financial expenses.

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

##### 1) Foreign currency transactions

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

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

##### 2) Foreign operations

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

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

#### <5> Derivative financial instruments and hedge accounting

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

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

##### Cash flow hedges

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

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

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

## <6> Employee benefits

### 1) Short-term employee benefits

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

### 2) Long-term employee benefits

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

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

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

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

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

## <7> Assets held for sale

Assets or disposal groups to be recovered not by continuous use but by sale transactions that are quite likely to be sold within one year, while remaining available for immediate sale in their present condition, and for which the management of the Group is committed to such sale, shall be classified as assets or disposal groups held for sale. While being classified as held for sale or part of disposal groups classified as being held for sale, no assets shall be depreciated nor amortized, and assets or disposal groups classified as being held for sale shall be measured at book value or fair value less cost to sell, whichever is lower.

## <8> Other important items for compiling the consolidated financial statements

Consumption taxes are excluded from the transaction amounts.

## **2. Matters concerning changes to accounting policies**

From the fiscal year under review, the Group applies IFRS 15 “Revenue from Contracts with Customers” (hereinafter referred to as “IFRS 15”). To apply IFRS 15, the Group has adopted a method where it recognizes the cumulative effect of applying IFRS 15 at the date of initial application, which is permitted as a transitional measure.

To recognize revenue under IFRS 15, the Group applies the following five steps:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to each performance obligation in the contract

Step 5: Recognize revenue when a performance obligation is satisfied



The Group's primary businesses are industrial tape, optronics, and life science, in each of which the Group is engaged in the merchandising and licensing businesses (patent licensing, licensing of technology, etc.).

For the merchandising business, the Group recognizes revenue when transferring a promised good to a customer, as its performance obligation is deemed to be satisfied by doing so, which is when the customer obtains control of that good. The Group recognizes revenue from manufacturing and sale of some medical-related products under the Life Science business according to progress in its performance obligation.

For the licensing business, the Group determines when its performance obligation is satisfied depending on the contents of each contract, and recognizes revenue at the time of provision or completion of its service.

The Group measures revenue as the amount of the consideration whose right it expects to obtain in exchange for the transfer of goods to a customer, less discounts, rebates, and so forth.

The effect that the application of IFRS 15 has on the Group's consolidated financial statements is minor.

Other than the above standard, the Group applies the following standard from the fiscal year under review as a transitional measure. The effect that the application of the following standard has on the Group's consolidated financial statements is minor.

IFRS	Title	Establishment/amendment
IFRS 9 (amended in 2014)	Financial Instruments	Amendments to classification and measurement, impairment, and hedge accounting

### 3. Notes to changes to the presentation method

(Consolidated statements of income)

From the fiscal year under review, "royalty income," which was previously included in "other income" is included in "revenue."

This change has been made in order to present the results of the operating activities by the Group more appropriately, as considerations for the exchange of licensing of technology that the Group receives is assumed greater significance with the diversification of the Group's business model.

### 4. Notes to the consolidated statements of financial position

Accumulated depreciation of property, plant and equipment  
(including accumulated impairment losses) 620,178 million yen

### 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 158,758 thousand shares

(2) Dividends

1) Dividend payments

Resolution	Type of shares	Total dividends (Yen in Millions)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 22, 2018	Common stock	12,813	80	March 31, 2018	June 25, 2018
Board of Directors meeting held on October 31, 2018	Common stock	14,114	90	September 30, 2018	November 22, 2018

Total	—	26,928	—	—	—
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- 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, 2019.

Total dividends	14,116 million yen
Dividend per share	90 yen
Record date	March 31, 2019
Effective date	June 24, 2019

Dividends are to be paid out of retained earnings.

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

Common stock	125,900 shares
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- (4) Matters concerning treasury stock

Class of shares	At the beginning of the fiscal year under review	Increase	Decrease	At the end of the fiscal year under review
Common stock	13,592,423	3,360,143	15,043,800	1,908,766

(Outline of reasons for change)

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

Increase due to acquisition of treasury stock based on resolution at the Board of Directors meeting held on January 31, 2018	3,360,000 shares
Decrease due to disposal of treasury stock based on resolution at the Board of Directors meeting held on June 22, 2018	24,500 shares
Decrease due to retirement of treasury stock based on resolution at the Board of Directors meeting held on February 28, 2019	15,000,000 shares

## 6. Notes to financial instruments

### 1. Matters relating to the status of financial instruments

#### (1) Capital risk management

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

#### (2) Financial risk management

##### Risk management policies

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

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

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

#### (3) Financial risks

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

##### (a) Market risks

###### (i) Foreign exchange risk

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

###### (ii) Price risk

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

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

(iii) Interest rate risk

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

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

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

(b) Credit risk

The Group is exposed to the risk that the counterparty to a financial instrument held could default on its contractual obligation, resulting in financial loss to the Group due to that financial instrument becoming uncollectible.

The Group's credit risk arises principally from its trade receivables that consist of a large number of customers in the Group's business segments such as "Industrial Tape," "Optronics," "Life Science," and others. 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.

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 within a certain period of time after the payment due date contractually agreed upon, preventive measures for respective trade receivable is appropriately taken such as change of credit limit amount, change of payment terms, credit guarantee insurance cover, factoring, etc. Those measures are subject to approval of the respective responsible persons in charge.

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

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

(c) Liquidity risk

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

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

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

the Board of Directors.

## 2. Matters relating to the fair values of financial instruments

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

[Cash and cash equivalents, trade and other receivables, trade and other payables, and short-term loans payable]

Since they are settled in a short term, their fair values approximate the carrying amounts. Accordingly, their fair values are determined by the corresponding carrying amounts.

[Other financial assets and other financial liabilities]

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

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

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

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

## 7. Notes on information per share

Equity attributable to owners of the parent company per share	4,465.70 yen
Basic earnings per share	423.50 yen

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

## Notes to the Non-Consolidated Financial Statements

### 1. Notes regarding significant accounting policies

#### (1) Valuation basis and method for securities

Other securities:

Securities with available fair value:

Carried at fair value, as of the end of the fiscal year (valuation adjustments are reported in the net assets section, and selling costs are calculated using the moving average method)

Securities with no available fair value:

Stated at cost based on the moving average method

Stocks issued by subsidiaries and affiliates:

Stated at cost based on the moving average method

#### (2) Valuation basis and method for derivatives

Stated at fair value

#### (3) Valuation basis and method for inventories

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

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

#### (4) Depreciation method of major depreciable assets

Property, plant and equipment (excluding lease assets):

Straight-line method

Intangible assets (excluding lease assets):

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

Lease assets:

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

#### (5) Accounting criteria for allowances and provisions

Allowance for doubtful accounts

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

Allowance for investment loss

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

Provision for directors' bonuses

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

Provision for retirement benefits

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

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

average remaining years of service.

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

(6) Method of hedge accounting

1) Method of hedge accounting

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

2) Hedging instruments and hedged items

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

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

3) Hedge policy

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

4) Method of assessing the effectiveness of the hedges

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

(7) The consumption taxes are excluded from the transaction amount.

## 2. Notes to changes to the presentation method

### (Non-consolidated balance sheets)

From the fiscal term under review, the Group applies the Partial Amendments to Accounting Standards for Tax Effect Accounting (Accounting Standards Board of Japan [ASBJ] Statement No. 28, February 16, 2018). Accordingly, deferred tax assets and deferred tax liabilities are now represented under investments and other assets and non-current liabilities, respectively. With this, "royalty receivable," which was previously included in "other" under current assets, is now reclassified and recorded under "accounts receivable-trade."

### (Non-consolidated statements of income)

From the fiscal term under review, "royalty income," which was previously included in "other" under non-operating income is included in "net sales."

This change was made in order to present the results of the operating activities by the Group more appropriately, as considerations for the licensing of technology that the Group receives now assume greater significance with the diversification of the Group's business model.

## 3. Notes to the non-consolidated balance sheets

(1) Accumulated depreciation of property, plant and equipment	426,273 million yen
(2) Short-term receivables from affiliates	85,083 million yen
Short-term payables to affiliates	68,316 million yen

(3) Guarantees on liabilities

The Company offers the following guarantee on the fulfillment of a contract.

Hydranautics	624 million yen
	(5,630 thousand US dollars)

#### 4. Notes to the non-consolidated statements of income

Sales to subsidiaries and affiliates	362,291 million yen
Purchases from subsidiaries and affiliates	36,329 million yen
Transactions other than business deals with subsidiaries and affiliates	46,981 million yen

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

Matters concerning treasury stock

Class of shares	At the beginning of the fiscal year under review	Increase	Decrease	At the end of the fiscal year under review
Common stock	13,592,423	3,360,143	15,043,800	1,908,766

(Outline of reasons for change)

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

Increase due to acquisition of treasury stock based on resolution at the Board of Directors meeting held on January 31, 2018	3,360,000 shares
Decrease due to disposal of treasury stock based on resolution at the Board of Directors meeting held on June 22, 2018	24,500 shares
Decrease due to retirement of treasury stock based on resolution at the Board of Directors meeting held on February 28, 2019	15,000,000 shares

#### 6. Notes on deferred tax accounting

The main reasons 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 caused by prepaid pension costs and valuation differences on available-for-sale securities.

#### 7. Notes on transaction with the relevant parties

Type	Name of company, etc.	Ratio of voting rights owned by (in) the Company	Relationship with the relevant parties	Nature of transaction	Transaction amount	Account item	Balance at end of period
Subsidiary	Shenzhen Nitto Optical Co., Ltd.	Direct: 100%	Concurrent position as officer Sale of semi-finished products Lending of loans	Lending of loans Receipt of interest	in million yen — 17	Short-term loans receivable Other current assets	in million yen 9,800 1
Subsidiary	Taiwan Nitto Optical Co., Ltd.	Direct: 100%	Concurrent position as officer Sale of semi-finished products	Underwriting of capital increase	in million yen 6,723	—	in million yen —

Note: Terms of transaction, policy on determining terms of transaction, etc.

The interest rate for transactions of funds is determined rationally by taking market rates into account.

#### 8. Notes on information per share

Net assets per share	2,966.81 yen
Net income per share	457.45 yen

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



Supplementary Schedules of the Non-Consolidated Financial  
Statements

The 154th Fiscal Term  
From April 1, 2018 to March 31, 2019

Hideo Takasaki  
Board Member, President

Nitto Denko Corporation

1. Table of tangible fixed assets and intangible fixed assets

(Yen in Millions)

Class of assets	Beginning book value	Increase during the year	Decrease during the year	Depreciation during the year	Closing book value	Accumulated depreciation	Closing acquisition cost
Property, plant and equipment							
Buildings	65,228	9,800	336 (2)	5,687	69,004	108,226	177,231
Structures	3,891	999	10	509	4,371	9,820	14,192
Machinery and equipment	44,010	20,074	273 (21)	14,483	49,327	288,568	337,895
Vehicles	423	170	4	156	432	1,321	1,753
Tools, furniture and fixtures	5,172	1,751	143	1,303	5,477	18,336	23,813
Land	13,778	68	—	—	13,847	—	13,847
Construction in progress	2,945	40,440	34,107	—	9,277	—	9,277
Total property, plant and equipment	135,450	73,304	34,876 (23)	22,140	151,737	426,273	578,010
Intangible assets							
Software	3,841	1,350	35	1,675	3,481	17,444	20,925
Other	1,784	2,373	1,361	182	2,614	2,411	5,025
Total intangible assets	5,626	3,724	1,397	1,857	6,095	19,855	25,951

Note 1. The rough breakdown of the increase during the year

Buildings	• • • • Toyohashi Plant	5,540 million yen	Onomichi Plant	2,707 million yen
	Ibaraki Office	508 million yen	Kameyama Plant	439 million yen
	Kanto Plant	333 million yen		
Machinery and equipment	• • • • Toyohashi Plant	7,434 million yen	Onomichi Plant	6,758 million yen
	Kameyama Plant	2,786 million yen	Kanto Plant	1,418 million yen
	Ibaraki Office	795 million yen		
Construction in progress	• • • • Toyohashi Plant	13,352 million yen	Onomichi Plant	12,036 million yen
	Kameyama Plant	8,170 million yen	Ibaraki Office	1,904 million yen
	Kanto Plant	1,891 million yen		

2. The rough breakdown of the decrease during the year

Construction in progress	• • • • Toyohashi Plant	13,762 million yen	Onomichi Plant	10,127 million yen
	Kameyama Plant	3,561 million yen	Kanto Plant	1,877 million yen
	Ibaraki Office	1,651 million yen		

3. Numbers for the decrease during the year in parentheses represent the amounts of impairment losses during the year.

## 2. Table of provisions

(Yen in Millions)

Type	Beginning balance	Increase during the year	Decrease during the year	Closing balance
Allowance for doubtful accounts	83	243	—	327
Provision for retirement benefits	23,106	7,439	2,797	27,748

## 3. Table of selling, general and administrative expenses

(Yen in Millions)

Item	Amount	Notes
Freightage expenses	12,047	
Compensation and bonus to employees	18,475	
Provision for bonuses to directors	210	
Retirement benefit expenses	3,957	
Business consignment expenses	8,898	
Prototype material expenses	5,577	
Commission fees	8,086	
Investigation and research consignment expenses	7,303	
Depreciation	5,004	
Other	22,012	
Total	91,573	

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